INDEPENDENT AUDITORS' REPORT

To the Members of Virstra I-Technology Services Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Virstra I-Technology Services Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, the standalone statement of profit and loss, and standalone statement of cash flows for the year then ended, and notes to the standalone 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 standalone 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 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 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 together with the ethical requirements that are relevant to our audit of the standalone 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.

Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone 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 for the Standalone 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 standalone 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 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 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 Standalone Financial Statements

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 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 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 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.

- 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 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 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 (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government 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.

2. (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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows 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 Ind AS specified under section 133 of the Act.

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.

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 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.

iv. The disclosures in the standalone 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 standalone financial statements since they do not pertain to the financial year ended 31 March 2019.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanation given to us, during the current year, no remuneration has been paid by the company to its directors. Accordingly, provisions of Section 197 of the Act is not applicable. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Associates LLP**
Chartered Accountants
Firm registration number: 116231W/ W-100024

Sd/-
Manish Gupta
Partner
Membership No: 095037

Place: Noida
Date: 22 April 2019

Annexure A referred to in our Independent Auditors' Report to the members of Virstra I-Technology Services Limited on the standalone financial statements for the year ended 31 March 2019.

(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 fixed assets are verified each year. In accordance with this programme, all the fixed assets were physically verified during the year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, the discrepancies observed on physical verification were not material and have been properly dealt with in the books of account.

(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. Therefore, the provisions of paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) The Company is in the business of rendering services and as such does not hold any inventory. Therefore, the provisions of 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 or other parties covered in the register maintained under section 189 of the Act. Therefore, the provisions of paragraph 3 (iii) of the Order are not applicable to the Company.

(iv) According to information and explanations given to us and based on audit procedures performed, there are no loans, investments, guarantees and securities provided by the Company as specified under section 185 and 186 of the Companies Act, 2013. Therefore, the provisions of paragraph 3 (iv) of the Order are not applicable to the Company.

(v) As per the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provisions of section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.

(vi) According to the information and explanations given 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. Therefore, the provisions of paragraph 3(vi) of the Order are 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 Provident Fund, Employees' State Insurance, Income- tax, Goods and Services tax, Duty of customs, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

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 Services tax, Duty of customs, 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.

(b) According to the information and explanations given to us, there are no disputed dues in respect of Income tax, Sales tax, Service tax, Goods and Services tax, Duty of customs, Duty of excise and Value added tax which have not been deposited with the appropriate authorities.

(viii) In our opinion, and according to the information and explanations given to us, there are no loans or borrowing from a financial institution, bank, government or dues to debenture holders during the year. Therefore, the provisions of paragraph 3 (viii) of the Order are not applicable to the Company.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. The Company has not taken any term loans during the year.

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

(xi) In our opinion and according to the information and explanations given to us, the Company has not paid / provided any managerial remuneration. Accordingly, the provisions of paragraph 3(xi) of the Order are not applicable to the Company.

(xii) 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 on the basis of our examination of the records of the Company, there are no transactions with the related parties which are not in compliance with Section 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the standalone financial statements, as required, by the applicable accounting standards.

(xiv) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment, private placement of shares and fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to information and explanations given to us and based on audit procedures performed, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us, 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.

For **B S R & Associates LLP**
Chartered Accountants
Firm registration no.: 116231W/W-100024

Sd/-
Manish Gupta
Partner
Membership No.: 095037

Place: Noida
Date: 22 April 2019

Annexure B to the Independent Auditors' report on the standalone financial statements of Virstra I-Technology Services Limited for the year ended 31 March 2019.

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

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

Opinion

We have audited the internal financial controls with reference to financial statements of Virstra I-Technology Services Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in 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 Companies Act, 2013 (hereinafter referred to as "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, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 were established and maintained and whether 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 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 such internal financial controls, 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 with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls 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 controls with reference to financial statements include 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 controls 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.

For **B S R & Associates LLP**
Chartered Accountants
Firm registration number: 116231W/ W-100024

Sd/-
Manish Gupta
Partner
Membership No: 095037

Place: Noida
Date: 22 April 2019

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
BALANCE SHEET AS AT 31 MARCH 2019

Particulars	Notes Ref.	As at 31 March 2019 (Rupees)	As at 31 March 2018 (Rupees)
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	897,754	679,996
Intangible assets	2.1	51,156	91,999
Financial assets			
Other financial assets	2.2	5,103,725	5,084,111
Deferred tax asset (net)	2.3	17,097,688	20,308,437
Income tax asset (net)	2.4	1,627,423	1,244,278
Other non-current assets	2.5	413,885	67,399
		25,191,631	**27,476,220**
Current Assets			
Financial assets			
Investments	2.6	84,356,828	105,634,687
Trade receivables	2.7	16,737,195	15,425,189
Cash and cash equivalents	2.8	3,354,015	3,655,031
Other bank balances	2.9	448,702	-
Loans	2.10	2,407,949	652,941
Other financial assets	2.11	1,543,033	32,370
Other current assets	2.12	4,002,725	4,829,374
		112,850,447	**130,229,592**
TOTAL ASSETS		**138,042,078**	**157,705,812**
EQUITY & LIABILITIES			
EQUITY			
Equity Share capital	2.13	10,000,000	10,000,000
Other equity	2.14	111,866,831	130,110,546
		121,866,831	**140,110,546**
LIABILITIES			
Non-current liabilities			
Provisions	2.15	3,850,179	3,395,789
		3,850,179	**3,395,789**
Current liabilities			
Financial liabilities			
Trade payables	2.16		
(i) Total outstanding dues of micro enterprises and small enterprises		-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		6,504,958	6,846,449
Other financial liabilities	2.17	514,059	-
Provisions	2.18	938,084	1,137,003
Other current liabilities	2.19	4,367,967	6,216,025
		12,325,068	**14,199,477**
TOTAL EQUITY AND LIABILITIES		**138,042,078**	**157,705,812**
See accompanying notes forming part of the financial statements	1 & 2		

In terms of our report attached

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

Sd/-
MANISH GUPTA
Partner
Membership number : 095037

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : Noida
Date : 22 April 2019

Place : Noida
Date : 22 April 2019

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

		Notes Ref.	Year ended 31 March 2019	Year ended 31 March 2018
			(Rupees)	(Rupees)
1.	**REVENUE FROM OPERATIONS**			
	Income from software services	2.20	134,277,107	154,383,568
2.	**OTHER INCOME**	2.21	6,938,335	6,410,021
3.	**TOTAL REVENUE (1+2)**		**141,215,442**	**160,793,589**
4.	**EXPENSES**			
	a. Employee benefits expense	2.22	81,062,606	76,277,766
	b. Operating and other expenses	2.23	20,067,285	21,670,819
	c. Finance cost	2.24	280,844	296,959
	d. Depreciation and amortisation expense	2.1	396,363	587,211
	TOTAL EXPENSES		**101,807,098**	**98,832,755**
5.	**PROFIT BEFORE TAX (3-4)**		**39,408,344**	**61,960,834**
6.	**TAX EXPENSE**			
	a. Current tax expense		9,586,794	11,885,126
	b. Deferred tax (credit) / charge	2.3	886,036	4,036,651
	NET TAX EXPENSE		**10,472,830**	**15,921,777**
7.	**PROFIT FOR THE YEAR (5-6)**		**28,935,514**	**46,039,057**
8.	**OTHER COMPREHENSIVE INCOME**			
(A)	Items that will not be reclassified to profit or loss			
(i)	Remeasurements of the defined benefit plans		(179,884)	856,420
(ii)	Tax relating to Items that will not be reclassified to profit or loss		132,378	(132,378)
(B)	Items that will be reclassified subsequently to profit or loss			
(i)	Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges		1,510,663	(1,931,389)
(ii)	Tax relating to Items that will be reclassified subsequently to profit or loss		(420,266)	(9,005)
	TOTAL OTHER COMPREHENSIVE INCOME/ (L0SS)		**1,042,891**	**(1,216,352)**
9.	**TOTAL COMPREHENSIVE INCOME (7+8)**		**29,978,405**	**44,822,705**
10.	**EARNINGS PER EQUITY SHARE**			
	Equity shares of Rupees 10 each	2.25		
	a. Basic		28.94	46.04
	b. Diluted		28.94	46.04
	Number of shares used in computing earnings per share			
	a. Basic		1,000,000	1,000,000
	b. Diluted		1,000,000	1,000,000
	See accompanying notes forming part of the financial statements	1 & 2		

In terms of our report attached

For B S R & ASSOCIATES LLP
Chartered Accountants
Firm Registration Number : 116231W / W-100024

For and on behalf of the Board of Directors

Sd/-
MANISH GUPTA
Partner
Membership number : 095037

Place : Noida
Date : 22 April 2019

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : Noida
Date : 22 April 2019

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Notes Ref.	Year ended 31 March 2019 (Rupees)	Year ended 31 March 2018 (Rupees)
A. Cash flow from operating activities			
Net profit before tax		39,408,344	61,960,834
Adjustment for:			
Depreciation and amortisation expense		396,363	587,211
Exchange difference on translation of foreign currency accounts		(83,112)	(433,724)
Dividend received from non trade investments		(3,615,724)	(4,423,885)
Profit on sale of property, plant and equipment		(25,763)	-
MTM gain or (loss) on mutual funds		(76,580)	251,216
Provision for doubtful assets		297,146	-
Interest income on fixed deposits with banks		(24,110)	(24,456)
Discount on security deposit		(31,048)	-
Operating profit before working capital changes		36,245,516	57,917,196
Adjustment for (increase)/decrease in operating assets			
Trade receivable		(1,740,447)	(3,886,878)
Other financial assets		(1,332,774)	1,251,522
Other assets		(124,463)	(434,925)
Adjustment for Increase/ (decrease) in operating liabilities			
Provisions		75,587	911,286
Trade payables		(341,976)	251,111
Other financial liabilities		514,059	(111,718)
Other liabilities		(1,848,058)	765,481
		31,447,444	56,663,075
Income tax paid (net)		(7,933,115)	(10,782,451)
Net cash flow from operating activities (A)		**23,514,329**	**45,880,624**
B. Cash flow from investing activities			
Purchase of property, plant and equipment		(573,278)	(547,344)
Proceeds from sale of plant, property and equipment		25,763	-
Purchase of current investments		(66,600,000)	(128,623,918)
Proceeds on sale of current investments		91,570,164	139,550,000
Investment in fixed deposit		(448,702)	-
Proceed from fixed deposit matured		24,110	-
Dividend received from investments		-	4,423,885
Net cash flow from investing activities (B)		**23,998,057**	**14,802,623**
C. Cash flow from financing activities			
Interim dividend paid		(40,000,000)	(50,000,000)
Corporate dividend tax paid		(8,222,120)	(10,179,000)
Net cash flow used in financing activities (C)		**(48,222,120)**	**(60,179,000)**
Net (decrease) / increase in cash and cash equivalents (A+B+C)		**(709,734)**	**504,247**
Cash and cash equivalents at the beginning of the year	2.8	3,655,031	3,069,338
Exchange difference on translation of foreign currency bank accounts		408,718	81,446
Cash and cash equivalents at the end of the year	2.8	**3,354,015**	**3,655,031**

See accompanying notes forming part of the financial statements 1 & 2

In terms of our report attached

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W / W-100024

For and on behalf of the Board of Directors

Sd/-
MANISH GUPTA
Partner
Membership number : 095037

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : Noida
Date : 22 April 2019

Place : Noida
Date : 22 April 2019

STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

(Amount in Rupees)

Balance as of 1 April 2018	Changes in equity share capital during the year	Balance as on 31 March 2019
10,000,000	-	10,000,000

Balance as of 1 April 2017	Changes in equity share capital during the year	Balance as on 31 March 2018
10,000,000	-	10,000,000

B. Other Equity

(Amount in Rupees)

	Reserves and Surplus		Items of OCI		Total
	General reserve	Retained earnings	Hedging reserve	Remeasurements of the defined benefit plans	
Balance as of 1 April 2018	**66,067,678**	**63,676,073**	**23,335**	**343,460**	**130,110,546**
Profit for the year	-	28,935,514	-	-	28,935,514
Final dividend on equity shares*	-	(40,000,000)	-	-	(40,000,000)
Corporate dividend tax	-	(8,222,120)	-	-	(8,222,120)
Effective gain/(loss) on hedging instruments (net of tax)	-	-	1,090,397	-	1,090,397
Remeasurements of the defined benefit plans (net of tax)				(47,506)	(47,506)
Balance as of 31 March 2019	**66,067,678**	**44,389,467**	**1,113,732**	**295,954**	**111,866,831**

(Amount in Rupees)

	Reserves and Surplus		Items of OCI		Total
	General reserve	Retained earnings	Hedging reserve	Remeasurements of the defined benefit plans	
Balance as of 1 April 2017	66,067,678	77,816,016	1,963,729	(380,582)	145,466,841
Profit for the year	-	46,039,057	-	-	46,039,057
Interim dividend on equity shares*	-	(50,000,000)	-	-	(50,000,000)
Corporate dividend tax	-	(10,179,000)	-	-	(10,179,000)
Effective gain/(loss) on hedging instruments	-	-	(1,940,394)	-	(1,940,394)
Remeasurements of the defined benefit plans	-	-	-	724,042	724,042
Balance as of 31 March 2018	**66,067,678**	**63,676,073**	**23,335**	**343,460**	**130,110,546**

* refer Note 2.28

See accompanying notes forming part of the financial statements

In terms of our report attached

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W / W-100024

For and on behalf of the Board of Directors

Sd/-
MANISH GUPTA
Partner
Membership number : 095037

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : Noida
Date : 22 April 2019

Place : Noida
Date : 22 April 2019

Note 1:

1.1 Company Overview

Virstra *i*-Technology Services Limited ('Virstra' or 'the Company') was incorporated in May 2004 in India. Virstra is a wholly owned subsidiary company of Nucleus Software Exports Ltd. The Company's business broadly consists of offshore and onsite software support services to other group companies.

1.2. Significant accounting policies

i. Basis of preparation of financial statements

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) as prescribed under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules as amended from time to time.

The Financial statements were approved for issue by the Board of Directors on 22 April 2019.

b) Functional and Presentation currency

The financial statements are presented in Indian Rupees (Rupees), which is also the Company`s functional currency.

c) Basis of measurement

The financial statements have been prepared on the historical basis except for the following items:

Items	Measurement Basis
Certain financial assets and liabilities (including derivative instruments)	Fair Value
Net defined benefit(asset)/liability	Fair value of plan assets less present value of defined benefit obligations

d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Lease classification – Note 2.27

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent period financial statements is included in the following notes:

- Estimation of deferred tax– Note 2.3
- Estimated useful life of property, plant and equipment and intangibles – Note 1.2 (iv) and (v)
- Estimation of defined benefit obligation- Note 2.29
- Impairment of trade receivables- Note 2.7

e) 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 liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a treasury team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The treasury team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

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.

ii. Revenue Recognition

Revenue from software services comprises income from time and material contracts, which is recognised as the services are rendered.

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 adoption of the standard did not have any material impact to the financial statements of the Company.

iii. Other income

Profit on sale of investments is determined as the difference between the sales price and the carrying value of the investment upon disposal of investments.

Dividend income is recognised in profit or loss on the date on which the Company`s right to receive payment is established.

Interest income or expense is recognised using the 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 instrument to:

- the gross carrying amount of the financial asset ; 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.

iv. Property, Plant and equipment

Property, Plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, any directly attributable expenditure on making the asset ready for its intended use. Property, plant and equipment under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

Depreciation on property, Plant and equipment is provided on the straight-line method based on useful lives of respective assets as estimated by the management taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

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 profit or loss.

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

The management's estimates of the useful lives of the various property, plant and equipment are as follows:

Asset category	Management estimate of useful life (in years)	Useful life as per Schedule II(in years)
Tangible asset		
Plant and machinery (including office equipment)*	5	15
Computers- end user devices such laptops, desktops etc.	3	3
Computers- servers and networking equipment*	4	6
Furniture and fixtures*	5	10

*Based on technical evaluation, the useful lives as given above represent the period over which the management believes to use these assets; hence these lives are different from the useful lives prescribed under Part C of schedule II of the Companies Act, 2013.

v. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

The management's estimates of the useful lives of the Software are 3 years.

vi. 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 provision 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 as measured at

- amortised cost;
- Fair value through other comprehensive income (FVOCI)-equity investment; or
- FVTPL

Financial asset are not reclassified 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 of 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 asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount 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-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivatives financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirement 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: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

− contingent events that would change the amount or timing of cash flows;
− terms that may adjust the contractual coupon rate, including variable interest rate features;
− prepayment and extension features; and
− terms that limit the Company's claim to cash flows from specified assets (e.g. non- recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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. However, see Note 1.2(vi) (e) for derivatives designated as hedging instruments.
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.
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.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is 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 profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, 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 in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

d) 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.

e) Derivative financial instruments and hedge accounting

The company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

The amount accumulated in other equity is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

vii. Impairment

a) Impairment of financial instruments

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost;

At each reporting date, the Company assesses whether financial assets carried at amortised cost A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward- looking information.

Measurement of expected credit losses
Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

b) Impairment of non-financial assets

The Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 CGU (or the asset).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

viii. Provisions (other than for employee benefits)

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive 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 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 the discount is recognized as finance cost. Expected future operating losses are not provided for.

Post Sales client support and warranties

The Company provides its clients with fixed period warranty for correction of errors and support on its fixed price product orders. Revenue for such warranty period is allocated based on the estimated effort required during warranty period.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits 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 the 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 recognises any impairment loss on the assets associated with that contract.

ix. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated 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.

Foreign currency denominated monetary assets and liabilities are retranslated at the exchange rate prevailing on the balance sheet date and exchange gain and losses arising on settlement and restatement are recognised in the statement of profit and loss. Non- monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- qualifying cash flow hedges to the extent that the hedges are effective.

x. Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year-end, except where the results would be anti-dilutive.

xi. Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income**.**

a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting 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 realise the asset and settle the liability on a net basis or simultaneously.

b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

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 a 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 profit will be available against which such deferred tax asset 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.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 liabilities and assets on a net basis or their tax assets and liabilities will be real.

Minimum Alternative Tax ('MAT') expense under the provisions of the Income-tax Act, 1961 is recognised as an asset when it is probable that future economic benefit associated with it in the form of adjustment of future income tax liability, will flow to the Company and the asset can be measured reliably. MAT credit entitlement is set off to the extent allowed in the year in which the Company becomes liable to pay income taxes at the enacted tax rates. MAT credit entitlement is reviewed at each reporting date and is written down to reflect the amount that is reasonably certain to be set off in future years against the future income tax liability. MAT Credit Entitlement has been presented as Deferred Tax in Balance Sheet.

xii. Employee benefits

Defined contribution plans

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

xiii. 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.

xiv. Operating leases

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term unless such payments are structured to increase in line with expected general inflation to compensate for the lessor`s expected inflation increases.

xv. Recent accounting pronouncements

Recent Indian Accounting Standards (Ind AS)

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 1 April 2019:

Ind AS - 116

Ind AS 116 will replace the existing leases standard, Ind AS 17 Leases. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lessee accounting model for lessees. A lessee recognises right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The Company will adopt Ind AS 116, effective annual reporting period beginning 1 April 2019. The Company will apply the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognised on the date of initial application (1 April 2019). Accordingly, the Company will not restate comparative information, instead, the cumulative effect of initially applying this Standard will be recognised as an adjustment to the opening balance of retained earnings as on 1 April 2019. On that date, the Company will recognise a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as at 1 April 2019. In accordance with the standard, the Company will elect not to apply the requirements of Ind AS 116 to short-term leases and leases for which the underlying asset is of low value.

On transition, the Company will be using the practical expedient provided in the standard and therefore, will not reassess whether a contract, is or contains a lease, at the date of initial application. The Company is in the process of finalising changes to systems and processes to meet the accounting and reporting requirements of the standard.

With effect from 1 April 2019, the Company will recognise new assets and liabilities for its operating leases of premises and other assets. The nature of expenses related to those leases will change from lease rent in previous periods to a) amortization change for the right-to-use asset, and b) interest accrued on lease liability.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease.

On preliminary assessment, for leases other than short-term leases and leases of low value assets, the Company will recognise a right-of-use asset of Rs. 899,168 and a corresponding lease liability of Rs. 1,021,988 with the cumulative effect of applying the standard by adjusting retained earnings net of taxes. There will be consequent reclassification in the cash flow categories in the statement of cash flows.

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.

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 judgment, 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.

VIRSTRA I-TECHNOLOGY SERVICES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.1 Property, plant and equipment and Intangible assets

(Amount in Rupees)

	GROSS CARRYING AMOUNT				ACCUMULATED DEPRECIATION				NET CARRYING AMOUNT	
PARTICULARS	**As at 1 April 2018**	**Additions**	**Deductions / adjustments**	**As at 31 March 2019**	**As at 1 April 2018**	**Depreciation for the year**	**Deductions / adjustments**	**As at 31 March 2019**	**As at 31 March 2019**	**As at 31 March 2018**
Tangible assets										
- Computers	1,104,721	422,571	-	1,527,292	590,087	272,001	-	862,088	665,204	514,634
	(676,270)	(428,451)	-	(1,104,721)	(373,933)	(216,154)	-	(590,087)	(514,634)	(302,337)
- Office equipment	262,627	144,620	-	407,247	97,265	77,432	-	174,697	232,550	165,362
	(262,627)	-	-	(262,627)	(41,496)	(55,769)	-	(97,265)	(165,362)	(221,131)
	1,367,348	**567,191**	**-**	**1,934,539**	**687,352**	**349,433**	**-**	**1,036,785**	**897,754**	**679,996**
	(938,897)	(428,451)	-	(1,367,348)	**(415,429)**	(271,924)	-	(687,352)	(679,996)	(523,468)
Intangible assets										
- Softwares	**1,083,691**	**6,087**	**-**	**1,089,778**	**991,692**	**46,930**	**-**	**1,038,622**	**51,156**	**91,999**
	(964,808)	(118,883)	-	(1,083,691)	(676,405)	(315,287)	-	(991,692)	(91,999)	(288,403)
Total	**2,451,039**	**573,278**	**-**	**3,024,317**	**1,679,044**	**396,363**	**-**	**2,075,407**	**948,910**	**771,995**
	(1,903,705)	**(547,334)**	**-**	**(2,451,039)**	**(1,091,834)**	**(587,211)**	**-**	**(1,679,044)**	**(771,995)**	**(811,871)**

Notes :

(i) Figures in bracket pertains to previous year ended 31 March 2018/ 31 March 2017.

	Particulars	As at 31 March 2019	As at 31 March 2018
		(Rupees)	(Rupees)
2.2	**OTHER NON-CURRENT FINANCIAL ASSETS**		
	(Unsecured considered good unless otherwise stated)		
	a. Security deposits	5,103,725	4,651,877
	b. Long-term bank deposits	-	432,234
		5,103,725	**5,084,111**

2.3 DEFERRED TAX ASSETS (NET)

A. Amounts recognised in profit or loss

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
	(Rupees)	(Rupees)
Current tax	9,586,794	11,885,126
Deferred tax	886,036	4,036,651
Net tax expense	**10,472,830**	**15,921,777**

B. Income tax recognised in other comprehensive income

	Before tax	Tax expense / (benefit)	Net of tax
Remeasurements of net defined benefit plans	(179,884)	(132,378)	(47,506)
Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges	1,510,663	420,266	1,090,397
Income tax recognised in other comprehensive income	**1,330,779**	**287,888**	**1,042,891**

C. Reconciliation of effective tax rate

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

Particulars	Percentage	Year ended 31 March 2019	Percentage	Year ended 31 March 2018
Profit before tax		39,408,344		61,960,834
Domestic tax rate	28%	10,963,401	28%	17,071,759
Tax exempt income	-3%	(1,005,895)	-3%	(1,218,891)
Tax disallowances	1%	286,126	0%	169,709
Others	1%	229,197	0%	(100,800)
Effective tax	**27%**	**10,472,830**	**26%**	**15,921,777**

D. Movement in temporary differences

Particulars	Balance as at 1 April 2018	Recognised [(Credited)/ Charge] in profit or loss during the year	Recognised [(Credited)/ Charge] in OCI during the year	MAT Utilisation during the year	Balance as at 31 March 2019
Provision for compensated absences and gratuity	2,045,364	845,647	(132,378)	-	1,332,095
Provision for Doubtful debts	-	(82,666)	-	-	82,666
Property, plant and equipment	724,035	123,055	-	-	600,980
Forward contracts	(9,005)	-	420,266	-	(429,272)
MAT credit entitlement	17,548,043	-	-	(2,036,824)	15,511,219
	20,308,437	**886,036**	**287,888**	**(2,036,824)**	**17,097,688**

2.4 INCOME TAX ASSETS (NET)

Particulars	As at 31 March 2019	As at 31 March 2018
	(Rupees)	(Rupees)
Advance tax (net of provision for tax Rs 59,541,034 (31 March 2018 : Rs. 49,954,240)	1,627,423	1,244,278
	1,627,423	**1,244,278**

2.5 OTHER NON- CURRENT ASSETS

(Unsecured considered good unless otherwise stated)		
Balance with gratuity trust	413,885	-
Deferred rent	-	67,399
	413,885	**67,399**

Particulars	As at 31 March 2019 (Rupees)	As at 31 March 2018 (Rupees)
2.6 CURRENT INVESTMENTS		
Investment in Mutual Funds (Unquoted)		
Mutual funds at fair value through profit or loss (FVTPL)		
542,804.38 units (31 March 2018 :335,685.30 units) of ICICI Prudential Liquid Direct Plan Daily Dividend	54,360,556	33,624,624
Nil units (31 March 2018 : 137,081.48 units) of Prudential Flexible Income Plan - DDR - Direct	-	14,502,522
Nil units (31 March 2018: 2,293,126.49 units) ICICI Prudential Ultra Short Term Plan- Direct Plan- Daily Dividend-Reinvestment option	-	23,187,636
2,069,936.06 units (31 March 2018: 1,960,829.53 units) ICICI Prudential Equity Arbitrage Fund- Direct Plan- Monthly Dividend-Reinvestment option	29,996,272	28,318,104
Nil Units (31 March 2018: 286,674.84 units) IDFC Money Manager- Direct Plan- Daily Dividend-Reinvestment option	-	2,909,348
Nil units (31 March 2018: 305,668.95 units) IDFC Ultra Short term plan- Daily Dividend-Reinvestment option	-	3,092,453
Total	**84,356,828**	**105,634,687**
Aggregate amount of unquoted investment	84,356,828	105,634,687
2.7 CURRENT TRADE RECEIVABLES		
Trade receivables		
- Considered good - unsecured*	16,737,195	15,425,189
* refer Note 2.29	**16,737,195**	**15,425,189**
2.8 CASH AND CASH EQUIVALENTS		
a. Cash on hand	10,329	1,689
b. Balances with scheduled banks:		
- in current accounts	1,044,931	818,547
- in EEFC accounts	2,298,755	2,834,795
	3,354,015	**3,655,031**
2.9 OTHER BANK BALANCES		
a. Balances with scheduled banks in deposit accounts with		
- Maturity with in 12 months of reporting date	448,702	-
	448,702	**-**

Note:

[Balance with scheduled banks in deposit accounts Rs 448,702 (31 March 2018 Rs Nil) which are under lien and restricted from being settled with in 12 months from the balance sheet date.]

Particulars	As at 31 March 2019 (Rupees)	As at 31 March 2018 (Rupees)
2.10 SHORT-TERM LOANS		
(Unsecured considered good unless otherwise stated)		
Loans and advances to employees (considered good)		
- Staff loans	-	41,669
- Employee advances	2,407,949	611,272
	2,407,949	**652,941**
2.11 OTHER CURRENT FINANCIAL ASSETS		
(Unsecured considered good unless otherwise stated)		
Mark-to-market gain on forward contracts (see Note 2.26)	1,543,033	32,370
	1,543,033	**32,370**
2.12 OTHER CURRENT ASSETS		
(Unsecured considered good unless otherwise stated)		
a. Prepaid expenses	146,430	211,923
b. Supplier advance	1,506,175	1,263,328
c. Employee advances	74,298	95,798
d. Other advances	-	676,972
e. Income Accured but not due	254,702	-
f. Deferred rent	66,738	410,138
g. Balances with government authorities		
- considered good	1,954,382	2,171,215
- considered doubtful	297,146	-
Less : Provision for doubtful assets	(297,146)	-
	1,954,382	**2,171,215**
	4,002,725	**4,829,374**

2.13 SHARE CAPITAL

Particulars	As at 31 March 2019 (Rupees)	As at 31 March 2018 (Rupees)
a. Authorised		
Equity shares		
1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	**10,000,000**	**10,000,000**
b. Issued, subscribed and fully paid-Up		
1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	**10,000,000**	**10,000,000**

Refer notes (i) to (iii) below

(i) **Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year :**

As at the beginning of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000
Shares issues/ (bought back) during the year		
- Number of Shares	-	-
- Amount	-	-
As at the end of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000

(ii) **Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs. 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) **Details of shares held by Nucleus Software Exports Limited, the Holding Company**

- Number of Shares (see note below)	1,000,000	1,000,000
- Percentage	100%	100%
- Amount	10,000,000	10,000,000

Note : Out of the above, 6 (Previous year 6) equity shares of Rs. 10 each are held by nominees on behalf of the Holding Company.

2.14 OTHER EQUITY

Particulars	As at 31 March 2019 (Rupees)	As at 31 March 2018 (Rupees)
a. General reserve	66,067,678	66,067,678
b. Retained Earnings	44,389,467	63,676,073
c. Other comprehensive Income	1,409,686	366,795
	111,866,831	**130,110,546**

Particulars	Year ended 31 March 2019 (Rupees)	Year ended 31 March 2018 (Rupees)
a. General reserve		
Opening balance	66,067,678	66,067,678
Closing balance	**66,067,678**	**66,067,678**
b. Retained Earnings		
Opening balance	63,676,073	77,816,016
Add: Profit for the year	28,935,514	46,039,057
Less : Appropriations		
- Final dividend on equity shares [see note (i) below]	(40,000,000)	-
- Tax on Final Dividend	(8,222,120)	-
- Interim Dividend [see note (ii) below]	-	(50,000,000)
- Tax on Interim Dividend	-	(10,179,000)
	44,389,467	**63,676,073**
c. Other comprehensive Income		
Remeasurement of net defined benefit plans		
Opening balance	343,460	(380,582)
Add: Movement during the year	(47,506)	724,042
Closing balance	295,954	343,460
Hedging reserve (see note 2.26)		
Opening balance	23,335	1,963,729
Add: Movement during the year	1,090,397	(1,940,394)
Closing balance	1,113,732	23,335
	1,409,686	**366,795**
Closing balance	**111,866,831**	**130,110,546**

Note:

(i) The Board of Directors on May 3, 2018 have recommended a payment of Final Dividend of Rs. 40 per share (on equity share of par value of Rs. 10 each) for the year ended March 31, 2018. The payment was approved in the Annual General Meeting held on 2 July, 2018.

(ii) The Board of Directors, at their meeting held on 27 June 2017, had declared an interim dividend of rs. 50 per share (on equity share of par value of Rs. 10 each). The interim dividend was paid to the shareholders before 31 March 2018.

Nature and purpose of other reserves

General reserve
The general reserve is a free reserve which is used from time to time to transfer profits from retained earnings for appropriation purposes.

Remeasurement of net defined benefit plans
Remeasurement of net defined benefit plans (asset) comprises actuarial gain and losses and return on plan assets (excluding interest income)

Hedging reserve
This comprises as the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Particulars	As at 31 March 2019	As at 31 March 2018
	(Rupees)	(Rupees)

2.15 LONG-TERM PROVISIONS

Provision for employee benefits		
-Provision for compensated absences	3,850,179	3,395,789
	3,850,179	**3,395,789**

2.16 TRADE PAYABLES

Trade payables		
-Total outstanding dues of micro enterprises and small enterprises	-	-
-Total outstanding dues of creditors other than micro enterprises and small enterprises (see Note below)	6,504,958	6,846,449
	6,504,958	**6,846,449**

The Company has no amounts payable to Micro and Small Enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

	As at 31 March 2019		As at 31 March 2018	
	Principal	**Interest**	**Principal**	**Interest**
a) Amount due to vendor	-	-	-	-
b) Principal amount paid (including interest paid) beyond the appointed date	-	-	-	-
c) Interest due and payable for the period of delay in making payment	-	-	-	-
d) Interest accrued and remaining unpaid	-	-	-	-
e) Further interest remaining due and payable for the purpose of disallowance of a deductible expenditure under section 23	-	-	-	-
	-	**-**	**-**	**-**

2.17 OTHER CURRENT FINANCIAL LIABILITIES

a. Payables to employee	514,059	-
	514,059	**-**

2.18 SHORT-TERM PROVISIONS

Provision for employee benefits		
-Provision for compensated absences	938,084	1,137,003
	938,084	**1,137,003**

2.19 OTHER CURRENT LIABILITIES

a. Other payables - statutory liabilities	4,147,519	2,802,671
b. Payable to gratuity trust	-	2,819,342
c. Book overdraft	-	75,067
d. Deferred revenue	220,448	518,945
	4,367,967	**6,216,025**

	Particulars	Year ended 31 March 2019	Year ended 31 March 2018
		(Rupees)	**(Rupees)**
2.20	**INCOME FROM SOFTWARE SERVICES**		
a.	Income from software services*	134,277,107	154,383,568
	* refer Note 2.28	**134,277,107**	**154,383,568**
2.21	**OTHER INCOME**		
a.	Interest income on financial assets- carried at amortised cost :		
	- Deposits with banks	24,110	24,456
	- Security deposit	441,848	710,381
b.	Interest income on income tax refund	-	279,819
c.	Dividend income from		
	- Current, non trade investments	3,615,724	4,423,885
d.	Net gain / (Loss) on exchange fluctuation	2,281,310	599,577
e.	MTM gain or (loss) on mutual funds	76,580	(251,216)
f.	Premium on forward contract	473,000	-
g.	Other non-operating income		
	- Net profit on sale of propery, plant and equipment	25,763	-
	- Miscellaneous income	-	623,119
		6,938,335	**6,410,021**
2.22	**EMPLOYEE BENEFITS EXPENSE**		
a.	Salaries and wages	73,015,310	67,725,065
b.	Contribution to provident and other funds	4,462,005	3,740,860
c.	Gratuity expense (see Note 2.29)	1,754,520	3,227,416
d.	Staff welfare expenses	1,830,771	1,584,425
		81,062,606	**76,277,766**
2.23	**OPERATING AND OTHER EXPENSES**		
a.	Rent and hire charges	5,809,972	6,156,290
b.	Repair and maintenance		
	- Buildings	812,082	808,887
	- Others	728,690	634,612
c.	Insurance	90,619	94,508
d.	Rates & taxes	23,323	11,745
e.	Travelling		
	- Foreign	2,820,422	3,042,946
	- Domestic	422,741	829,440
f.	Legal and professional #	750,974	2,050,060
g.	Conveyance	1,348,706	1,501,279
h.	Communication	937,852	1,157,784
I.	Training and recruitment	291,872	191,091
j.	Power and fuel	3,580,221	3,469,196
k.	Director sitting fee	200,000	200,400
l.	Provision for Doubtful assets	297,146	-
m.	Miscellaneous expenses	1,952,665	1,522,581
		20,067,285	**21,670,819**
	# Legal and professional include (excluding taxes)		
a.	As auditors - statutory audit	350,000	350,000
		350,000	**350,000**
2.24	**FINANCE COST**		
a.	Bank charges	280,844	296,959
		280,844	**296,959**
2.25	**EARNINGS PER SHARE**		
a.	Profit after taxation available to equity shareholders (Rupees)	28,935,514	46,039,057
b.	Weighted average number of equity shares used in calculating earnings per share	1,000,000	1,000,000
c.	Basic and Diluted earnings per share (Rupees)	28.94	46.04

2.26

a) Financial Instruments by category

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

Particulars	Amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through OCI	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents (2.8)	3,354,015	-	-	3,354,015	3,354,015			
Other bank balances (2.12)	448,702	-	-	448,702	448,702			
Investments (2.6)								
Mutual funds	-	84,356,828	-	84,356,828	84,356,828	84,356,828	-	-
Trade receivables (2.7)	16,737,195	-	-	16,737,195	16,737,195			
Loans (2.10)	2,407,949	-	-	2,407,949	2,407,949			
Other financial assets (2.2 and 2.11)	5,103,725	-	1,543,033	6,646,758	6,646,758			
	28,051,586	**84,356,828**	**1,543,033**	**113,951,447**	**113,951,447**			
Liabilities:								
Trade payables (2.16)	6,504,958	-	-	6,504,958	6,504,958			
Other financial liabilities (2.17)	514,059	-	-	514,059	514,059			
	7,019,017	**-**	**-**	**7,019,017**	**7,019,017**			

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

Particulars	Amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through OCI	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents (2.8)	3,655,031	-	-	3,655,031	3,655,031			
Other bank balances (2.9)	-	-	-	-	-			
Investments (2.6)								
Mutual funds	-	105,634,687	-	105,634,687	105,634,687	105,634,687	-	-
Trade receivables (2.7)	15,425,189	-	-	15,425,189	15,425,189			
Loans (2.10)	652,941	-	-	652,941	652,941			
Other financial assets (2.2 and 2.11)	5,116,481	-	-	5,116,481	5,116,481			
	24,849,642	**105,634,687**	**-**	**130,484,329**	**130,484,329**			
Liabilities:								
Trade payables (2.16)	6,846,449	-	-	6,846,449	6,846,449			
Other financial liabilities (2.17)	-	-	-	-	-			
	6,846,449	**-**	**-**	**6,846,449**	**6,846,449**			

The carrying amount of current trade receivables, short term loan, current security deposit, trade payables, current financial liabilities and cash and cash equivalent are considered to be same as their fair values, due to their short-term nature.

The fair value of Non -current security deposit were calculated based on cashflows discounted using a transition date lending rate as there is no material change in the lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusions of unobservable inputs including counterparty credit risk.

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).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

a) the use of quoted market prices or dealer quotes for similar instruments.

b) for forward exchange contracts, the fair value is determined using quoted forward exchange rates at the reporting date.

c) the fair value of remaining financial instruments is determined using discounted cash flows method.

b) Financial risk management

The Company's activities expose it to a variety of financial risks arising from financial instruments

- Market risk,
- Credit risk and
- Liquidity risk

i) Market risk

a) Hedge accounting

The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk.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.

The Company operates internationally and a major portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales and services and purchases from overseas suppliers in various foreign currencies. The Company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future.

The Company's risk management policy is to hedge 40 to 55% of its estimated foreign currency exposure in respect of forecast collection over the following six months at any point in time. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

Currency	As at 31 March 2019		As at 31 March 2018	
	Amount in foreign currency	Amount in Rupees	Amount in foreign currency	Amount in Rupees
Receivable				
JPY	12,575,193	7,849,435	7,847,376	4,826,921

Note 1-Forward contract outstanding USD 600,000/-, Rs. 41,496,000/- (previous year 31 March 2018 USD 600,000/-, Rs 39,108,000/-) against receivables)

For the year ended 31 March 2019 and 31 March 2018 , 10% depreciation / appreciation in the exchange rate between the Indian rupee and Foreign currencies, would have affected the Company's incremental profit by Rs. 784,944 and Rs. 482,692 respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

b) Price risk

(a) Exposure

The Company's exposure to Mutual funds price risk arises from investments held by the Company and classified in the balance sheet at fair value through profit or loss.

(b) Sensitivity

The sensitivity of profit or loss in respect of investments in mutual funds at the end of the reporting period for +/- 2% change in price and net asset value is presented below:

	Impact on profit before tax	
	31 March 2019	**31 March 2018**
Increase 2%		
Mutual funds	1,687,137	2,112,694
Decrease 2%		
Mutual funds	(1,687,137)	(2,112,694)

Derivative financial instruments

The Company holds derivative financial instruments such as foreign currency forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign exchange forward and option contracts:

Forward contracts

Forward contract outstanding	Buy/Sell	As at	Equivalent amount in Rupees	As at	Equivalent amount in Rupees
		31 March 2019	**31 March 2019**	**31 March 2018**	**31 March 2018**
In USD	Sell	600,000	41,496,000	600,000	39,108,000

The foreign exchange forward contracts mature within six months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the

Particulars	As at	Equivalent amount in Rupees	As at	Equivalent amount in Rupees
	31 March 2019	**31 March 2019**	**31 March 2018**	**31 March 2018**
Not later than one month	100,000	6,916,000	100,000	6,518,000
Later than one month and not later than three months	200,000	13,832,000	200,000	13,036,000
Later than three months and not later than one year	300,000	20,748,000	300,000	19,554,000

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

The following table provides the reconciliation of cash flow hedge reserve for the year ended 31 March 2019:

Particulars

	31 March 2019	**31 March 2018**
Balance at the beginning of the period	32,370	1,963,729
Gain / (Loss) recognised in other comprehensive income during the period, net of taxes	1,510,663	(1,931,359)
Balance at the end of the period	1,543,033	32,370

The company offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash flow hedge- Foreign exchange risk

	31 March 2019	**31 March 2018**
Changes in the value of the hedging instrument recognised in other comprehensive income profit or (loss),net	1,510,663	(1,931,389)
Hedge ineffectiveness recognised in profit or (loss)	-	-
Amount reclassified from cash flow hedging reserve to profit or (loss)	(2,204,250)	3,583,500

The following table provides quantitative information about offsetting of derivative financial assets

Particulars	**As at 31 March 2019**	**As at 31 March 2018**
Gross amount of recognized financial asset	1,543,033	32,370
Net amount presented in balance sheet	1,543,033	32,370

ii) Credit risk

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. To assess whether there is a significant increase in credit risk the Company compares In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

A default on a financial asset is when the counter party fails to make contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to Rs. 16,737,195 and Rs. 15,425,189 as of 31 March 2019 and 31 March 2018. The Company has least credit risk as entire revenue is from fellow subsidiaries and which has positive net worth. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivables. The Company has nil expected credit loss allowance.

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. Investments primarily include investment in mutual fund units.

The company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The company has no outstanding bank borrowings. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As of 31 March 2019, the Company had a working capital of Rs. 100,525,380 including cash and cash equivalent of Rs. 3,354,015 and current investment of Rs. 84,356,828 (31 March 2018 Rs. 11,6030,116 including cash and cash equivalent of Rs. 3,655,031 and current investment of Rs. 105,634,687).

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

Particulars	Less than 1 year	1-2 years	Total
Trade payables	6,504,958	-	**6,504,958**
Other financial liabilities	514,059	-	**514,059**

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

Particulars	Less than 1 year	1-2 years	Total
Trade payables	6,846,449	-	**6,846,449**
Other financial liabilities	-	-	**-**

c) Capital Management

The Company's objectives when managing capital are to:

-safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and

- maintain an appropriate capital structure

The Board of Directors has the primary responsibility to maintain a strong capital base and reduce the cost of capital through prudent management in deployment of funds so as to maintain investors, creditors & markets' confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Company monitors capital, using a medium term view of three to five years, on the basis of a number of financial ratios generally used by industry and by the rating agencies. The Company is not subject to externally imposed capital requirements.

The Company monitors capital using gearing ratio which is adjusted net debt divided by total equity. Adjusted net debt comprises of long term and short term liabilities less cash and cash equivalent. Equity includes equity share capital and reserves that are managed as capital. The gearing ratio at the end of the reporting periods was as follows:

	As at 31 March 2019	As at 31 March 2018
Total Liabilities	16,175,247	17,595,266
Less: Cash and cash equivalnets	3,354,015	3,655,031
Adjusted debt	**12,821,233**	**13,940,236**
Total equity	**121,866,831**	**140,110,546**
Adjusted net debt to equity ratio	**0.11**	**0.10**

(i) Risk management
For the purpose of the Company`s capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company`s capital management is to maximise the shareholder value.

The Company manages it capital structure and makes adjustments 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, raise debts or issue new shares.

(ii) Dividends

Particulars	31 March 2019	31 March 2018
(i) Equity Shares		
Final dividend for the year ended 31 March 2018 of Rs. 40 Per share fully paid up (31 March 2017 of Rs. Nil Per share fully paid up)	40,000,000	-
Interim dividend during the year ended 31 March 2019 of Rs. Nil per share fully paid up (31 March 2018 of Rs. 50 per share fully paid up)		50,000,000
(ii) Dividends not recognised at the end of reporting period	-	40,000,000

2.27 OPERATING LEASE

Obligations on long-term, non-cancellable operating leases
The company leases office space and other assets under operating lease. The Lease rental expense recognised in the statement of profit and loss for the year in respect of such lease is Rs. 5,399,172 (previous year Rs. 6,156,290). The future minimum lease payment in respect of such lease is as follows:

Particulars	As at 31 March 2019 (Rupees)	As at 31 March 2018 (Rupees)
Lease obligations payable		
a. Not later than 1 year	899,862	861,570
b. Later than 1 year but not later than 5 years	-	-
c. More than 5 years	-	-
	899,862	**861,570**

2.28 RELATED PARTY TRANSACTIONS

List of related parties

a. Holding Company - where control exists
- Nucleus Software Exports Limited

b. Fellow Subsidiary:
- Nucleus Software Solution Pte. Ltd., Singapore
- Nucleus Software Japan Kabushiki Kaisha, Japan

Particulars	Year ended 31 March 2019 (Rupees)	Year ended 31 March 2018 (Rupees)
Transactions with related parties		
i. Sale of software services		
- Nucleus Software Solution Pte. Ltd., Singapore	112,679,274	116,537,722
- Nucleus Software Japan Kabushiki Kaisha, Japan	18,543,660	37,845,846
- Nucleus Software Exports Ltd., India	3,054,173	-
ii. Reimbursement of expenses		
From related parties		
- Nucleus Software Japan Kabushiki Kaisha, Japan	45,854,183	44,770,122
To related parties		
- Nucleus Software Exports Limited	65,812	82,192
iii. Dividend paid		
- Nucleus Software Exports Limited	40,000,000	50,000,000

Outstanding balances as at year end

Particulars	As at 31 March 2019 (Rupees)	As at 31 March 2018 (Rupees)
i Trade receivables		
- Nucleus Software Solution Pte. Ltd., Singapore	8,686,496	10,598,268
- Nucleus Software Japan Kabushiki Kaisha, Japan	7,849,435	4,826,921
- Nucleus Software Exports Ltd., India	201,263	-

2.29 Employee benefit obligations

Defined contribution plans

An amount of Rs. 4,462,005 (previous year Rs. 3,740,860) has been recognized as an expense in respect of Company's contribution for Provident Fund deposited with the government authorities.

In relation to the Supreme Court (SC) judgement on provident fund dated 28 February, 2019 there is considerable interpretative matters including its retrospective implications due to which the impact of the retrospective period cannot be estimated reliably.

Defined benefit plans
The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of Rs 2,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and leave encashment has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

During the year, the Company has made contributions to Nucleus Software Export Limited Employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2019 :

	Particulars	**As at 31 March 2019 (Rupees)**	**As at 31 March 2018 (Rupees)**
a.	**Change in defined benefit obligations (DBO)**		
	Obligation at beginning of the year	14,463,049	12,012,831
	Current service cost	1,582,889	1,420,069
	Past service cost	-	1,662,166
	Interest on defined benefit obligation	975,488	749,425
	Remeasurement due to:		
	Actuarial loss/(gain)arising from change in financial assumptions	376,868	(373,947)
	Actuarial loss/(gain)arising from change in demographic assumptions	11,606	-
	Actuarial loss/(gain)arising on account of experience changes	(129,928)	(266,716)
	Benefits paid	(464,236)	(740,779)
	Obligation at year end	**16,815,736**	**14,463,049**
b.	**Change in fair value of plan assets during the year**		
	Plan assets at year beginning, at fair value	11,643,708	10,047,269
	Expected return on asset plan	803,856	648,301
	Contributions by employer	5,167,631	1,517,217
	Remeasurement due to :		
	Actuarial return on plan assets less interest on plan assets	78,662	171,700
	Benefits paid	(464,236)	(740,779)
	Plan assets at year end, at fair value	**17,229,621**	**11,643,708**
c.	**Net asset / (liability) recognised in the Balance Sheet**		
	Present value of defined benefit obligation	16,815,736	14,463,049
	Fair value of plan assets	17,229,621	11,643,708
	Funded status -Deficit	(413,885)	2,819,341
	Net liability recognised in the Balance Sheet	**(413,885)**	**2,819,341**
d.	Expected employer's contribution next year	1,000,000	1,000,000

e. **Gratuity cost for the year:**

Particulars	**Year ended 31 March 2019 (Rupees)**	**Year ended 31 March 2018 (Rupees)**
Current service cost	1,582,889	1,420,069
Past service cost	-	1,662,166
Interest cost	171,632	145,181
Net gratuity cost	**1,754,521**	**3,227,416**

f. **Remeasurements income recognised in other comprehensive income:**

Particulars	**Year ended 31 March 2019 (Rupees)**	**Year ended 31 March 2018 (Rupees)**
Actuarial (gain) loss on defined benefit obligation	246,940	(684,720)
Return on plan assets excluding interest income	(78,662)	(171,700)
	168,278	**(856,420)**

Particulars	**Year ended 31 March 2019**	**Year ended 31 March 2018**
	(Rupees)	**(Rupees)**
g. Assumptions :-		
Economic assumptions		
Discount rate	7.00%	7.40%
Salary escalation rate	8.00%	8.00%

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.

Salary escalation rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Expected rate of return on plan assets:

This is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

h. **Demographic assumptions**		
Retirement age	58 years	58 years
Mortality table	Indian Assured Lives Mortality	Indian Assured Lives Mortality (2006-08)
Withdrawal rates		
	Ages Withdrawal Rate %	Ages Withdrawal Rate %
	21-50 years - 16%	21-50 years - 20%
	51-54 years - 2%	51-54 years - 2%
	55-57 years -1%	55-57 years -1%
i. **Category of assets**		
Insurer managed funds	17,229,621	11,643,708

J. **Sensitivity analysis**

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

Particulars	**Year ended 31 March 2019**		**Year ended 31 March 2018**	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	(469,159)	491,019	(358,684)	374,593
Salary escalation rate (0.5% movement)	358,175	(361,538)	283,476	(284,922)

2.30 Segment reporting

Based on the guiding principles stated in indAS 108 on “Segment Reporting” with the accounting standards specified under section 133 of the Act, as applicable, the Company has identified its business of providing software development services as one reportable business segment only. Accordingly, no additional disclosure for segment reporting have been made in the financial statements.

2.31 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 international transactions entered into with associated enterprises during the period/year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its 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 expense and that of provision for taxation.

2.32 **Expenditure On Corporate Social Responsibility**

Particulars	**Year ended 31 March 2019**	**Year ended 31 March 2018**
	(Rupees)	**(Rupees)**
Gross amount required to be spent by Company during the year ended 31 March 2019 - 31 March 2018 :	1,115,424	1,086,173
Amount spent during the period on purposes other than Construction/acquisition of any asset	-	-

2.33 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.

For **B S R & ASSOCIATES LLP**
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

Sd/-
MANISH GUPTA
Partner
Membership number : 095037

Place : Noida
Date : 22 April 2019

Sd/-
VISHNU R DUSAD
Director

Sd/-
RAVI PRATAP SINGH
Director

Place : Noida
Date : 22 April 2019