

Palred Technology Services Private Limited

Financial Statements and Independent Auditor's Report

31 March 2017

Contents

Independent Auditor's Report

Balance Sheet

Statement of Profit and Loss

Cash Flow Statement

Summary of significant accounting policies and other explanatory information

Independent Auditor's Report

To the Members of Palred Technology Services Private Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Palred Technology Services Private Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the 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 2017, and its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. Further to our comments in Annexure 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 purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the financial statements dealt with by this Report are in agreement with the books of account;

- d. in our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;
- f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 26 May 2017 as per Annexure B expresses unmodified opinion; and
- g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company does not have any pending litigation 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; and
 - iv. the Company, as detailed in Note 21 to the financial statements, has made requisite disclosures in these financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these are in accordance with the books of account maintained by the company.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place : Hyderabad
Date : 26 May 2017

Annexure A to the Independent Auditor's Report of even date to the members of Palred Technology Services Private Limited, on the financial statements for the year ended 31 March 2017

Annexure A

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.
- (ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products / services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

Annexure A to the Independent Auditor's Report of even date to the members of Palred Technology Services Private Limited, on the financial statements for the year ended 31 March 2017

- (vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, except service tax where there has been significant delay noted in a few cases. Undisputed amounts payable in respect thereof, which was outstanding at the year-end for a period of more than six months from the date they became payable are as follows:

Statement of arrears of statutory dues outstanding for more than six months

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Due Date	Date of Payment
The Finance Act, 1994 (as amended)	Service tax	72,500	Financial year 2015-2016	Various	Not yet paid

- (b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.
- viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion, all transactions with the related parties are in compliance with Section 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements, as required by the applicable accounting standards. Further, in our opinion, the Company is not required to constitute audit committee under Section 177 of the Act.
- (xiv) During the year, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

Annexure A to the Independent Auditor's Report of even date to the members of Palred Technology Services Private Limited, on the financial statements for the year ended 31 March 2017

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

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 26 May 2017

Annexure B to the Independent Auditor's Report of even date to the members of Palred Technology Services Private Limited, on the financial statements for the year ended 31 March 2017

Annexure B

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Palred Technology Services Private Limited ('the Company') as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Annexure B to the Independent Auditor's Report of even date to the members of Palred Technology Services Private Limited, on the financial statements for the year ended 31 March 2017

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 26 May 2017

Palred Technology Services Private Limited**Balance Sheet as at 31 March 2017**

(All amounts in ₹, unless otherwise stated)

	Notes	As at 31 March	
		2017	2016
I. Equity and liabilities			
(1) Shareholders' funds			
(a) Share capital	3	60,100,000	60,100,000
(b) Reserves and surplus	4	(21,140,720)	(9,818,822)
Total Shareholders' funds		38,959,280	50,281,178
(2) Non-current liabilities			
(a) Long-term provisions	5	221,782	93,369
Total non-current liabilities		221,782	93,369
(3) Current liabilities			
(a) Other current liabilities	6	726,106	1,000,232
(b) Short-term provisions	7	925	259
Total current liabilities		727,031	1,000,491
	Total	39,908,093	51,375,038
II. Assets			
(1) Non-current assets			
(a) Fixed assets			
-Tangible assets	8	871,039	487,907
-Intangible assets	9	312,285	166,498
		1,183,324	654,405
(b) Non-current investment	10	13,190,475	12,065,635
(c) Long-term loans and advances	11	822,000	384,000
Total non-current assets		15,195,799	13,104,040
(2) Current assets			
(a) Current investments	12	23,537,606	36,706,372
(b) Trade receivables	13	-	781,051
(c) Cash and cash equivalents	14	745,624	493,934
(d) Short-term loans and advances	15	429,064	289,641
Total current assets		24,712,294	38,270,998
	Total	39,908,093	51,375,038

The accompanying notes are integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Walker Chandiook & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

For and on behalf of Board of Directors of
Palred Technology Services Private Limited

Palem Srikanth Reddy
Director
DIN : 00025889

MVLN Murthy
Director
DIN : 07010804

Harish Naidu Pinekalapati
Director
DIN : 07010812

Place: Hyderabad
Date : 26 May 2017

Place: Hyderabad
Date : 26 May 2017

Palred Technology Services Private Limited
Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in ₹, unless otherwise stated)

	Notes	For the year ended 31 March	
		2017	2016
I Revenue from operations	16	4,000,000	3,840,000
II Other income	17	1,481,234	1,706,372
III Total revenue		5,481,234	5,546,372
IV Expenses			
Employee benefits expense	18	14,457,107	10,854,900
Depreciation and amortization expense	8, 9	513,546	361,716
Other expenses	19	1,832,479	3,161,267
Total expenses		16,803,132	14,377,883
V Loss before tax		(11,321,898)	(8,831,511)
VI Tax expense			
Current tax		-	-
VII Loss for the year		(11,321,898)	(8,831,511)
Earnings per equity share [EPES]			
Basic and diluted EPES		(1.88)	(2.04)
Weighted average number of equity shares considered in calculating basic and diluted EPES		6,010,000	4,329,672
Par value of equity shares		10	10

The accompanying notes are integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date : 26 May 2017

For and on behalf of Board of Directors of
Palred Technology Services Private Limited

Palem Srikanth Reddy **MVLN Murthy**
Director Director
DIN : 00025889 DIN : 07010804

Harish Naidu Pinekalapati
Director
DIN : 07010812

Place: Hyderabad
Date : 26 May 2017

Palred Technology Services Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

1. Company Overview

Palred Technology Services Private Limited (the 'Company') is a private company domiciled in India and incorporated under the provisions of the Companies Act 2013. The Company is engaged in the business of providing information technology (IT) solutions and services including platform for database management.

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared under historical cost convention on an accrual basis in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), and the relevant provisions of the Act, pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The accounting policies applied by the Company are consistent with those used in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of business, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

(b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure relating to contingent liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Examples of such estimates include estimated useful life of tangible and intangible assets, future obligation under employee benefit plans, income taxes, recognition of deferred tax assets, and classification of assets and liabilities into current and non-current.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(c) Tangible assets

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure on tangible assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Gains or losses arising from de-recognition of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is de-recognized.

(d) Depreciation on tangible assets

Depreciation is provided using the written down value method based on useful lives of the assets as estimated by the management which coincides with the useful lives prescribed under Schedule II to the Act, except for leasehold improvements which are amortized over the lower of the lease period and the useful lives prescribed under the Schedule II to the Act.

Palred Technology Services Private Limited
Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost of acquisition, less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight-line method based on the estimated useful life of assets i.e. five years.

(f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments, in respect of cancellable operating leases are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

(h) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value, if any is made to recognize a decline other than temporary in the value of the investments.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of services and Licenses

Revenue from the sale of user licenses for software applications is recognized on delivery as per the terms of contract with the customers which constitute transfer of all risk and rewards and has no further obligation under these arrangements. Revenue from support and other services is recognized as the related services are performed.

The amount recognized as revenue is exclusive of discounts and taxes, if any.

Dividend

Income from dividend is recognized when the Company's right to receive payment is established by the reporting date.

Palred Technology Services Private Limited
Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

(j) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transactions.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(k) Retirement and other employee benefits

Defined contribution plans

A retirement benefit in the form of provident fund scheme is a defined contribution and the contribution is charged to the Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

Defined benefit plans

Gratuity is a post-employment benefit and is a defined benefit obligation. The liability recognized in the Balance Sheet represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Independent actuary using the projected unit credit method calculated the defined benefit obligations annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the year in which such gains or losses arises.

(l) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty, supported by convincing evidence, that all such deferred tax assets can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets of earlier periods and recognized to the extent that it has become reasonably certain or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realized.

Palred Technology Services Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(m) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(n) Earnings per equity share

Basic earnings per equity share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per equity share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

(o) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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Palred Technology Services Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

3. Share capital

	As at 31 March	
	2017	2016
Authorized share capital		
6,351,400 (31 March 2016: 6,351,400) equity shares of ₹10 each	63,514,000	63,514,000
Issued, subscribed and fully paid-up equity shares		
6,010,000 (31 March 2016: 6,010,000) equity shares of ₹10 each	60,100,000	60,100,000
Total issued, subscribed and fully paid-up equity share capital	60,100,000	60,100,000

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

	31 March 2017		31 March 2016	
	No. of shares	Amount	No. of shares	Amount
At the beginning of the year	6,010,000	60,100,000	1,010,000	10,100,000
Add: Issue of shares	-	-	5,000,000	50,000,000
Balance at the end of the year	6,010,000	60,100,000	6,010,000	60,100,000

(b) Terms/Rights attached to shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing general meeting.

(c) Details of shares held by the Holding Company in the Company

	31 March 2017		31 March 2016	
	Number of shares	Amount	Number of shares	Amount
Palred Technologies Limited	6,010,000	60,100,000	6,000,000	60,000,000

(d) Details of Shareholders holding more than 5% equity shares in the Company

	31 March 2017		31 March 2016	
	Number of shares	% of holding	Number of shares	% of holding
Palred Technologies Limited*	6,010,000	100.00%	6,000,000	99.83%

As per records of the Company's share transfer agent, and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

4. Reserves and Surplus

	As at 31 March	
	2017	2016
Deficit in Statement of Profit and Loss		
Balance at the beginning of the year	(9,818,822)	(987,311)
Add: Net loss for the year	(11,321,898)	(8,831,511)
Balance at the end of the year	(21,140,720)	(9,818,822)

Palred Technology Services Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

5. Long-term provisions

	As at 31 March	
	2017	2016
Provision for gratuity (refer note 23)	221,782	93,369
	221,782	93,369

6. Other current liabilities

	As at 31 March	
	2017	2016
Capital creditors	-	155,629
Liabilities for expenses	336,973	511,412
Statutory dues payable	389,133	333,191
	726,106	1,000,232

7. Short-term provisions

	As at 31 March	
	2017	2016
Provision for gratuity (refer note 23)	925	259
	925	259

(The space has been intentionally left blank)

Palred Technology Services Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

8. Tangible assets

	Leasehold improvements	Office equipments	Computers	Furniture and fixtures	Total
Gross block					
As at 1 April 2015	-	-	-	-	-
Additions during the year	-	-	803,210	-	803,210
As at 31 March 2016	-	-	803,210	-	803,210
Additions during the year	271,938	109,950	25,800	397,934	805,622
As at 31 March 2017	271,938	109,950	829,010	397,934	1,608,832
Accumulated depreciation					
Up to 31 March 2015	-	-	-	-	-
Charge for the year	-	-	315,303	-	315,303
Up to 31 March 2016	-	-	315,303	-	315,303
Charge for the year	51,097	22,387	313,101	35,905	422,490
Up to 31 March 2017	51,097	22,387	628,404	35,905	737,793
Net block					
As at 31 March 2017	220,841	87,563	200,606	362,029	871,039
As at 31 March 2016	-	-	487,907	-	487,907

9. Intangible assets

	Software
Gross block	
As at 1 April 2015	-
Additions during the year	212,911
As at 31 March 2016	212,911
Additions during the year	236,843
As at 31 March 2017	449,754
Accumulated amortization	
Up to 31 March 2015	-
Charge for the year	46,413
Up to 31 March 2016	46,413
Charge for the year	91,056
Up to 31 March 2017	137,469
Net block	
As at 31 March 2017	312,285
As at 31 March 2016	166,498

Palred Technology Services Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

10. Non-current Investments

	As at 31 March	
	2017	2016
Investments in equity instruments, trade, unquoted, fully paid up		
Investment in subsidiaries		
10 (31 March 2016: 10) representing 100% equity shares of Nil par value, in Palred Technology Services Inc, USA	12,065,635	12,065,635
3,688 (31 March 2016: Nil) representing 100% equity shares of ₹1,000 each, in Thati Consultants Private Limited, India	1,124,840	-
	13,190,475	12,065,635

11. Long-term loans and advances

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Advance tax (net of provision)	786,000	384,000
Security deposit	36,000	-
	822,000	384,000

12. Current Investments

	As at 31 March	
	2017	2016
Investments in mutual funds, non-trade, quoted (Market value: ₹3,537,606)		
349,874 (31 March 2016: 3,650,522) units of IDFC - Ultra Short Term Fund	3,537,606	36,706,372
Aggregate amount of quoted investments	3,537,606	36,706,372
Investments in preference shares, non-trade, unquoted, fully paid up		
2,000,000 (31 March 2016: Nil) representing 7% Non-convertible non-cumulative non-participating redeemable preference shares of ₹10 each ("Preference shares"), in Palred Online Technologies Private Limited	20,000,000	-
Aggregate amount of unquoted investments	20,000,000	-
Total current investments	23,537,606	36,706,372

Subsequent to the year ended on 31 March 2017, the preference shares has been redeemed by Palred Online Technologies Private Limited.

13. Trade receivables

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Other debts	-	781,051
	-	781,051

Include ₹Nil (31 March 2016: ₹781,051) due from Palred Online Technologies Private Limited, a group company in which the directors of the Company are directors.

Palred Technology Services Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

14. Cash and cash equivalents

	As at 31 March	
	2017	2016
Cash on hand	10,066	11,731
Balances with banks in current accounts	735,558	482,203
	745,624	493,934

15. Short-term loans and advances

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Prepaid expenses	96,666	74,641
Security deposit	-	142,500
CENVAT Credit	72,500	72,500
Other advances	259,898	-
	429,064	289,641

16. Revenue from operations

	For the year ended 31 March	
	2017	2016
Sale of services	3,000,000	3,000,000
Sale of licenses	1,000,000	840,000
	4,000,000	3,840,000

17. Other income

	For the year ended 31 March	
	2017	2016
Dividend income from mutual funds	1,481,234	1,706,372
	1,481,234	1,706,372

18. Employee benefit expense

	For the year ended 31 March	
	2017	2016
Salaries and wages	13,451,096	10,037,570
Contribution to provident and other funds (refer note (a))	620,587	537,082
Gratuity (refer note 23)	36,451	93,628
Staff welfare expenses	348,973	186,620
	14,457,107	10,854,900

(a) Disclosure related to defined contribution plan

	For the year ended 31 March	
	2017	2016
Recognized as expense in the Statement of Profit and Loss		
Provident fund contribution	570,778	516,804
Employee state insurance contribution	49,809	20,278
	620,587	537,082

Palred Technology Services Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

19. Other expenses

	For the year ended 31 March	
	2017	2016
Rent	700,000	642,000
Rates and taxes	32,486	535,350
Repairs and maintenance	104,059	-
Office maintenance	125,188	158,888
Communication	46,197	14,504
Postage and courier	8,650	4,851
Power and fuel	269,937	496,593
Travelling and conveyance	28,123	128,000
Legal and professional charges	269,375	496,167
Payments to auditor		
-Statutory audit fees	200,000	171,750
Sitting fees	-	500,000
Bank charges	15,713	13,164
Printing and stationery	10,120	-
General Insurance	22,631	-
	1,832,479	3,161,267

20. Expenditure in foreign currency (on accrual basis)

	For the year ended 31 March	
	2017	2016
Legal and professional charges	-	422,536
	-	422,536

21. Additional disclosures pursuant to Clause X of Schedule III of the Companies Act, 2013

Details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 are as follows:

Particulars	Specified Bank Notes	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	7,000	610	7,610
Add : Permitted receipts	-	10,000	10,000
Less : Permitted payments	-	(9,438)	(9,438)
Less : Amounts deposited in Banks	(7,000)	-	(7,000)
Closing cash in hand as on 30 December 2016	-	1,172	1,172

Palred Technology Services Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

22. Related party disclosures

(a) Names of the related parties and nature of relationship

Names of the related party	Country	Nature of relationship
Palred Technologies Limited	India	Holding company
Palred Online Technologies Private Limited	India	Fellow subsidiary
Palred Technology Services Inc.	USA	Wholly owned subsidiary
Mr. Palem Srikanth Reddy		Key management personnel (KMP)
Mr. MVLN Murthy		KMP
Ms. Supriya Reddy		Relative of KMP

(b) Nature of transactions

	For the year ended 31 March	
	2017	2016
Palred Technologies Limited		
-Issue of equity shares	-	50,000,000
-Expenses incurred on behalf of Company	234,341	-
Palred Online Technologies Private Limited		
-Sale of services	3,000,000	3,000,000
-Investment in preference shares	20,000,000	-
Palred Technology Services Inc.		
-Investment in equity shares	-	12,065,635
-Expenses incurred on behalf of Palred Technology Services Inc.	127,659	-
Mr. Palem Srikanth Reddy		
-Purchase of equity shares of Thati Consultants Private Limited	1,124,840	-
Mr. MVLN Murthy		
-Remuneration	2,646,000	-
Mrs. Supriya Reddy		
-Office rent	402,500	-

(c) Balances receivable

	As at 31 March	
	2017	2016
Palred Technology Services Inc.	127,659	-

23. Defined benefit plan – gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The following tables summarize the components of net employee benefit expense recognized in the statement of profit and loss and amounts recognized in the balance sheet for the gratuity.

(a) Change in obligation at the end of the year

	As at 31 March	
	2017	2016
Obligation at the beginning of the year	93,628	-
Current service cost	98,927	93,628
Interest cost on benefit obligation	7,060	-
Recognized net actuarial (gain)/loss	(69,536)	-
Liabilities transferred in	92,628	-
Obligation at the end of the year	222,707	93,628

Palred Technology Services Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

(b) Amount recognized in the statement of profit and loss

	As at 31 March	
	2017	2016
Current service cost	98,927	93,628
Interest cost on benefit obligation	7,060	-
Net actuarial (gain)/losses recognised	(69,536)	-
	36,451	93,628

(c) The assumptions used in accounting for the gratuity plan are set out as below:

	As at 31 March	
	2017	2016
Discount rate	7.09%	7.54%
Salary escalation	7.00%	7.00%
Attrition rate		
For service 4 years and below	30.00%	17.00%
For service 5 years and above	2.00%	17.00%

The Company has not invested the accrued liability as of 31 March 2017. The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Company evaluates these assumptions annually based on its long term plans of growth and industry standards.

24. Segment reporting

The Company's business model and considering the internal financial reporting has identified "Business of providing information technology (IT) solutions and services including platform for database management" as the only reportable segment. Further, all operations of the Company are based only in India and hence, no separate financial disclosures have been provided for the segment reporting.

25. Additional information

Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

For and on behalf of Board of Directors of
Palred Technology Services Private Limited

Palem Srikanth Reddy **MVLN Murthy**
Director Director
DIN : 00025889 DIN : 07010804

Harish Naidu Pinekalapati
Director
DIN : 07010812

Place: Hyderabad
Date : 26 May 2017

Place: Hyderabad
Date : 26 May 2017