

3i INFOTECH UK LIMITED (CONSOL)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31,2018

Independent Auditors' Report

**To the Board of Directors
3i Infotech UK Limited**

Report on the Special Purpose Ind AS Financial Statements

We have audited the accompanying Special Purpose Ind AS Financial Statements of 3i Infotech UK Limited ("the Holding Company"), and its subsidiaries, (together referred to as "Group") which comprise the Consolidated Balance Sheet as at 31st March ,2018, the Consolidated Statement of Profit and Loss, The Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information (herein after referred to as "Ind AS Financial Statements"). The Special Purpose Ind AS Financial Statements have been prepared by the management as described in note 2(a) to the Special Purpose Ind AS Financial Statements.

Management's Responsibility for the Special Purpose Ind AS Financial Statements

Holding Company's Management is responsible for the preparation of these Special Purpose Ind AS Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued thereunder as described in note 2(a) to the Special Purpose Ind AS Financial Statements.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Special Purpose Ind AS Financial Statements based on our audit.

We have taken into account the provisions of the act, the accounting and auditing standards and the matter which are required to be included in audit report under the provisions of the Act and the Rules made thereunder, to the extent applicable.

We have 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal financial control relevant to the Holding Company's preparation of the Special Purpose Ind AS Financial Statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose Ind AS Financial Statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Ind AS Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the financial position of the Group as at March 31, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

Without qualifying, we draw attention to the following:

Going Concern

The Group has accumulated losses and its net worth is fully eroded. The Special Purpose Ind AS Financial Statements has however, been prepared on a going concern basis, in view of expected continuous support of the lenders to the ultimate Holding Company and also meeting its financial obligation as per the projected operational performance in terms of the Debt Restructuring Scheme (DRS) approved in April, 2016 and it's continued management and financial support to the Group.

Basis of Accounting and Restriction on Use

We draw attention to Note 2(a) to the Special Purpose Ind AS Financial Statements, which describes the basis of accounting. The Special Purpose Ind AS Financial Statements are prepared to assist the Ultimate Holding Company, 3i Infotech Limited, to comply with the requirements of Section 129(3) of the Act. As a result the Special Purpose Ind AS Financial Statements may not be suitable for any other purpose.

Our opinion on the Special Purpose Ind AS Financial Statements is not modified in respect of the above matter.

Other Matter

We did not audit the financial statements / financial information of three subsidiaries, whose financial statements/ financial information reflect total assets of Rs. 0.04 crore and net assets of Rs. 0.04 crore as at 31st March, 2018, total revenues of Rs. NIL and net cash outflows of Rs. Nil for the year ended on that date, as considered in the Special Purpose Ind AS Financial Statements. These financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the Special Purpose Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information are not material to the Group.

For GMJ & Company

Chartered Accountants

Firm Registration No: 103429W

Sd/-

S. Maheshwari

Partner

Membership No. 38755

Place: Navi Mumbai

Date: April 20, 2017

3I INFOTECH UK LIMITED (CONSOL)
BALANCE SHEET AS AT MARCH 31, 2018

(Amount in INR)

Particulars	Notes	March 31, 2018	March 31, 2017
ASSETS			
Non-Current Assets			
(a) Property, Plant and Equipment	3	27,038	40,796
(b) Goodwill	5	-	-
(c) Financial Assets			
(i) Other Financial Assets	4	4,99,437	4,44,497
		5,26,475	4,85,293
Current assets			
(a) Financial Assets			
(i) Trade Receivables	5	4,29,92,533	5,27,83,382
(ii) Cash and Cash Equivalents	6	91,32,818	1,34,03,262
(iii) Loans	4	-	-
(iv) Other Financial Assets	4	4,73,74,156	35,97,733
(b) Other Current Assets	7	1,23,39,077	1,20,33,027
		11,18,38,585	8,18,17,404
TOTAL		11,23,65,062	8,23,02,699
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	8	25,51,44,073	25,51,44,073
(b) Other Equity	9	(28,15,35,786)	(27,84,00,292)
Total Equity		(2,63,91,713)	(2,32,56,219)
Liabilities			
Current Liabilities			
(a) Financial Liabilities			
(i) Trade Payables	10		
Micro, Small and Medium Enterprises		-	-
Others		11,97,93,713	9,00,04,408
(iii) Other Financial Liabilities	12	9,08,067	8,08,177
(b) Other Current Liabilities	11	1,80,54,996	1,47,46,333
		13,87,56,775	10,55,58,918
TOTAL		11,23,65,062	8,23,02,699

Significant Accounting Policies and Notes on Accounts form an integral part of the financial statements. 1 to 28

As per our report of even date attached

For and on behalf of the board

For GMJ & CO
Chartered Accountants
F.R.No. 103429W

Sd/-
S. Maheshwari
Partner
M.No.: 38755

Sd/-
Padmanabhan Iyer
Director
DIN: 05282942

Sd/-
Mrinal Ghosh
Director
DIN:07232477

Place : Navi Mumbai
Date : April 20,2018

Place : Navi Mumbai
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Place : Navi Mumbai
Date : April 20,2018

3I INFOTECH UK LIMITED (CONSOL)**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018**

(Amount in INR)

Particulars	Notes	2017-18	2016-17
REVENUE			
Revenue from operations (net)	13	13,63,92,449	10,71,29,637
Other income	14	-	50,75,880
Total Revenue (I)		13,63,92,449	11,22,05,517
EXPENSES			
Employee benefits expense	16	76,56,535	61,13,767
Cost of third party products and services	15	10,38,03,217	8,71,92,340
Finance costs	17	1,06,756	70,128
Depreciation and amortization expense	18	16,684	24,228
Other expenses	19	2,79,44,750	3,01,05,041
Total Expenses (II)		13,95,27,943	12,35,05,504
Profit/(loss) before exceptional items and tax (I-II)		(31,35,494)	(1,12,99,987)
Exceptional Items	20	-	-
Profit/(loss) before tax		(31,35,494)	(1,12,99,987)
Tax expense:			
Current tax		-	-
Adjustment of tax relating to earlier periods		-	-
Deferred tax		-	-
Profit/(loss) for the period		(31,35,494)	(1,12,99,987)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(31,35,494)	(1,12,99,987)
Earnings per share attributable to equity shareholders	20		
Basic EPS		(0.97)	(3.50)
Dilluted EPS		(0.97)	(3.50)

Significant Accounting Policies and Notes on Accounts form an integral part of the financial statements. 1 to 28

As per our report of even date attached

For and on behalf of the board

For GMJ & CO
Chartered Accountants
F.R.No. 103429W

Sd/-
S. Maheshwari
Partner
M.No.: 38755

Sd/-
Padmanabhan Iyer
Director
DIN: 05282942

Sd/-
Mrinal Ghosh
Director
DIN:07232477

Place : Navi Mumbai
Date : April 20,2018

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3I INFOTECH UK LIMITED (CONSOL)**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2018**

(Amount in INR)

Particulars	2017-18	2016-17
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit/(Loss) before income tax from:		
Continuing operations	(31,35,494)	(1,12,99,987)
Discontinued operations		
Profit before income tax	(31,35,494)	(1,12,99,987)
Adjustments for:		
Depreciation and amortisation expense	16,684	24,228
Difference due to change in Forex rate for opening retained earnings	-	(24,78,179)
Translation effect	(2,926)	49,65,563
Provision for doubtful debts made / (written back)	1,10,09,799	19,34,003
Net foreign exchange differences	38,76,483	(24,07,358)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade receivables	(12,18,951)	(68,94,770)
Increase/(decrease) in trade payables	2,59,12,822	1,16,90,556
(Increase) in other financial assets	(54,939)	(4,44,497)
(Increase) in other financial assets - Current	(4,37,76,423)	(2,55,483)
(Increase)/decrease in other current assets	(3,06,050)	2,08,59,992
Increase/(decrease) in Financial Liability	99,889	8,08,177
Increase in other current liabilities	33,08,662	(1,88,06,950)
Cash generated from operations	(42,70,444)	(23,04,705)
Less: Income taxes paid	-	-
Net cash inflow from operating activities	(42,70,444)	(23,04,705)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	-	-
Net cash outflow from investing activities	-	-
Net increase (decrease) in cash and cash equivalents	(42,70,444)	(23,04,705)
Cash and Cash Equivalents at the beginning of the financial year	1,34,03,262	1,57,07,968
Effects of exchange rate changes on Cash and Cash Equivalents		
Cash and Cash Equivalents at end of the year	91,32,818	1,34,03,263

Notes :

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Ind AS 7 on "Statement of Cash Flows" notified by the Companies Act, 2013.

Significant Accounting Policies and Notes on Accounts form an integral part of the financial statements.

1 to 28

As per our report of even date attached

For and on behalf of the board

For GMJ & CO

Chartered Accountants

F.R.No. 103429W

Sd/-

S. Maheshwari

Partner

M.No.: 38755

Sd/-

Padmanabhan Iyer

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Mrinal Ghosh

Director

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Place : Navi Mumbai

Date : April 20,2018

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Date : April 20,2018

3I INFOTECH UK LIMITED (CONSOL)**STATEMENT OF CHANGES IN EQUITY AS AT MARCH 31, 2018****A Equity Share Capital**

(Amount in INR)

Particulars	Balance at the Beginning of the period	Changes in Equity share capital during the year	Balance at the end of the period
March 31, 2017			
Numbers	32,26,000	-	32,26,000
Amount	25,51,44,152	-	25,51,44,152
March 31, 2018			
Numbers	32,26,000	-	32,26,000
Amount	25,51,44,073	-	25,51,44,073

B Other Equity

(Amount in INR)

Particulars	Share Application money pending allotment	Equity Component of Compound financial instruments	Reserves and Surplus			Total other equity attributable to parent
			Capital Reserve	Securities Premium Reserve	Retained Earnings	
As at April 1, 2016	-	-	-	-	(26,95,78,484)	(26,95,78,484)
Loss for the period					(1,12,99,987)	(1,12,99,987)
Other comprehensive income					-	-
Total comprehensive income for the year	-	-	-	-	(28,08,78,471)	(28,08,78,471)
Difference due to change in Forex rate for retained earnings					24,78,179	24,78,179
As at March 31, 2017	-	-	-	-	(27,84,00,292)	(27,84,00,292)
Loss for the period					(31,35,494)	(31,35,494)
Other comprehensive income					-	-
Total comprehensive income for the year	-	-	-	-	(28,15,35,786)	(28,15,35,786)
Difference due to change in Forex rate for retained earnings					-	-
As at March 31, 2018	-	-	-	-	(28,15,35,786)	(28,15,35,786)

Significant Accounting Policies and Notes on Accounts form an integral part of the financial statements. 1 to 28

As per our report of even date attached

For and on behalf of the board

For GMJ & CO
Chartered Accountants
F.R.No. 103429W

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DIN:07232477

Place : Navi Mumbai
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3i INFOTECH UK LIMITED (CONSOL)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

1 Corporate Information

These statements comprise Consolidated Financial Statements of 3i Infotech UK limited (the Group) and its subsidiaries (collectively referred as 'the Group') for the year ended March 31, 2018.

3i Infotech UK Ltd (referred to as "3i" or "the Group") is a Global Information Technology Group committed to Empowering Business Transformation. The principle activity is the provision of software & services to the international banking and securities markets, particularly with regard to its investment management and stock broking products, selling products and services from India. The Group is also the parent Group for a number of companies within the 3i Infotech group in the UK.

The Company incorporated in UK. The address of its registered office is at Level 35, Mail Drop CGC 35-02, 25 Canada Square, Canary Wharf, London, E145LQ.

The consolidated financial statements for the year ended March 31, 2018 were approved by the Board of Directors and authorised for issue on April 20, 2018.

2 Significant Accounting Policies

a) Statement of compliance

"These consolidated financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules as amended from time to time. These consolidated financial statements have been prepared to assist the Ultimate Holding Group (3i Infotech Limited) to comply with the requirements of section 129(3) of the Companies Act, 2013."

b) Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on March 31. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(iii) Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in below.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statement of profit and loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of profit and loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to statement of profit and loss where appropriate.

d) Group companies translation

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

e) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Group to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the consolidated financial statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

Key sources of estimation of uncertainty at the date of the consolidated financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of impairment of investments, useful lives of property, plant and equipment, valuation of deferred tax assets, provisions and contingent liabilities.

(i) Impairment of investments

The Group reviews its carrying value of investments carried at amortised cost annually, or more frequently when there is an indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

(ii) Useful lives of property, plant and equipment

The Group reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

(iii) Valuation of deferred tax assets

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period.

(iv) Provisions and Contingent liabilities

A provision is recognised when the Group 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 (excluding retirement benefits and compensated absences) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the consolidated financial statements. A contingent asset in neither recognised nor disclosed in the consolidated financial statements.

f) Revenue Recognition

The Group revenue generated from licensing and maintenance of software products.

(i) Revenue from IT solutions

The Group earns revenue from IT solutions comprises of revenue from the sale of software products, providing IT services and sale of hardware and third party software.

- Revenue from Software Products is recognized on delivery/installation, as per the predetermined/laid down policy across all geographies or a lower amount as considered appropriate in terms of the contract. Maintenance revenue in respect of products is deferred and recognized ratably over the period of the underlying maintenance agreement.
- Revenue from IT Services is recognized either on time and material basis or fixed price basis or based on certain measurable criteria as per relevant contracts. Revenue on Time and Material Contracts is recognized as and when services are performed. Revenue on Fixed-Price Contracts is recognized on the percentage of completion method. Provisions for estimated losses, if any, on such uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.
- Revenue from Supply of Hardware/Other Material and Sale of Third Party Software License/Term License/Other Materials incidental to the aforesaid services is recognized based on delivery/installation, as the case may be. Recovery of incidental expenses is added to respective revenue.

Unbilled and unearned revenue :

- Revenue recognized over and above the billings on a customer is classified as "unbilled revenue" and advance billing to customer is classified as "advance from customer/unearned revenue" and included in other liabilities.

(ii) Revenue from Transaction Services:

- Revenue from transaction services and other service contracts is recognized based on transactions processed or manpower deployed.

g) Interest / Dividend Income

Dividend income is recorded when the right to receive payment is established. Interest income is recognised using the effective interest method.

h) Leases**(i) Finance lease**

Assets taken on lease by the Group in its capacity as a lessee, where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is recognised for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

(ii) Operating lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in the statement of profit and loss, unless the lease agreement explicitly states that increase is on account of inflation.

i) Cost recognition

Costs and expenses are recognised when incurred and have been classified according to their nature.

The costs of the Group are broadly categorised in employee benefit expenses, cost of third party products and services, finance costs ,depreciation and amortisation and other expenses. Employee benefit expenses include employee compensation, allowances paid, contribution to various funds and staff welfare expenses. Cost of third party products and services mainly include purchase of software licenses and products ,fees to external consultants ,cost of running its facilities, cost of equipment and other operating expenses. Finance cost includes interest and other borrowing cost. Other expenses is an aggregation of costs which are individually not material such as commission and brokerage, printing and stationery ,communication, repairs and maintenance etc.

j) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss.

Non monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

k) Income taxes**Current income taxes**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Advance taxes and provisions for current income taxes are presented in the Balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intends to settle the asset and liability on a net basis.

Deferred income taxes

Deferred income tax is recognised using the Balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax asset are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Cash and cash equivalents

The Group considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

(ii) Financial assets**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

- Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- (a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

- (b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

- Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

- **Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L. Interest in subsidiaries, associates and joint ventures are accounted at cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Group has not designated any financial liability as at fair value through profit and loss.

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

- Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

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

(vi) Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m) Compound financial Instruments

Compound financial Instruments are separated into liability and equity components based on the terms of the contract.

On issuance of the Compound financial Instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the Compound financial Instruments based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

n) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives adopted by Group

Category of Assets	Useful lives adopted by Group	Useful Lives prescribed under Schedule II of the Act
Computers	1-6 years	3-6 years
Plant and Machinery, Electrical Installation	5 years	15 years
Office Equipment	1-5 years	5 years
Furniture and Fixtures	3-10 years	10 years
Vehicles	3-8 years	10 years
Leasehold Improvement	5 years	5 years

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The useful lives have been determined based on technical evaluation done by the management's expert which are higher than those specified by Schedule II to the Companies Act; 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

o) Intangible assets**(i) Goodwill**

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

(ii) Patents, copyrights, Business commercial rights and other rights

Separately acquired patents and copyrights are shown at historical cost. Patents, copyrights and non-compete acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software Products - Meant for sale

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

3I INFOTECH UK LIMITED (CONSOL)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria specified above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation methods and periods

The Group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Category of Assets	Useful lives adopted by Group
Business Commercial rights	10 years
Software others	5 years or as per license period

(v) Software Products- Others

Purchased software meant for in house consumption and significant upgrades thereof which have a probable economic benefit exceeding one year are capitalised at the acquisition price.

p) Impairment

(i) Financial assets (other than at fair value)

The Group assesses at each date of Balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Group recognises lifetime expected losses for all contract assets and/or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk or the financial asset has increased significantly since initial recognition.

(ii) Non-financial assets

Tangible and intangible assets

Property, plant and equipment and intangible assets within finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The Group operates the following post-employment schemes:

- (a) defined benefit plans such as gratuity; and
- (b) defined contribution plans such as provident fund.

- Gratuity obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

- **Defined contribution plans**

The Group pays provident fund contributions to publicly administered provident funds as per local regulations. The Group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Option Plan and share-appreciation rights.

(v) Employee options

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within XX days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

s) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

t) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

u) Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

x) Current/non current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

y) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing the inventory to its present location and condition are included in the cost of inventories.

Hardware and Supplies

Carried at lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

z) Cash Flow Statement

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

aa) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest rupee as per the requirement of Schedule III, unless otherwise stated.

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018**

3. PROPERTY, PLANT AND EQUIPMENT		
(Amount in INR)		
Particulars	Computer Hardwares	Total
GROSS CARRYING VALUE		
As at April 1, 2016	74,229	74,229
Additions	-	-
Disposals	(2,926)	(2,926)
Other Adjustments	(5,888)	(5,888)
As at March 31, 2017	65,415	65,415
Additions	-	-
Other Adjustments	2,926	2,926
As at March 31, 2017	68,341	68,341
ACCUMULATED DEPRECIATION/IMPAIRMENT		
As at April 1, 2016	-	-
Depreciation for the year	24,228	24,228
Deductions\Adjustments during the period	390	390
As at March 31, 2017	24,619	24,619
Depreciation for the year	16,684	16,684
Deductions\Adjustments during the period	-	-
As at March 31, 2017	41,302	41,302
Net Carrying value as at March 31, 2018	27,038	27,039
Net Carrying value as at March 31, 2017	40,796	40,796

4. FINANCIAL ASSETS

(Amount in INR)

Particulars	March 31, 2018	March 31, 2017
(A) OTHER FINANCIAL ASSETS		
Non Current		
Financial assets carried at amortised cost		
Security Deposits	4,99,437	4,44,497
Total	4,99,437	4,44,497
Current		
Financial assets carried at amortised cost		
Unbilled Revenue	5,38,22,778	35,97,733
Less: Loss Allowances	(64,48,623)	-
Total	4,73,74,156	35,97,733

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018****5. TRADE RECEIVABLES****(Amount in INR)**

Particulars	March 31, 2018	March 31, 2017
Current		
Trade Receivables from customers	4,29,92,533	5,27,83,382
	4,29,92,533	5,27,83,382
Breakup of Security details		
Secured, considered good	4,29,92,533	5,27,83,382
Doubtful	72,64,873	17,85,825
	5,02,57,406	5,45,69,207
Impairment Allowance (allowance for bad and doubtful debts)		
Unsecured, considered good		
Doubtful	72,64,873	17,85,825
	72,64,873	17,85,825
	72,64,873	17,85,825
	4,29,92,533	5,27,83,382

Trade or Other Receivable due from directors or other officers of the company either severally or jointly with any other person amounted to INR NIL (Previous year INR NIL)

Trade or Other Receivable due from firms or private companies respectively in which any director is a partner, a director or a member amounted to INR NIL (Previous year INR NIL)

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(Amount in INR)

Particulars	March 31, 2018	March 31, 2017
Balances with banks:		
- On current accounts	91,32,818	1,34,03,262
	91,32,818	1,34,03,262

7. OTHER ASSETS

(Amount in INR)

Particulars	March 31, 2018	March 31, 2017
Current		
Advances other than Capital advances		
- Other Advances	1,22,56,992	1,09,08,696
Others		
- Prepaid expenses	82,086	5,39,818
- Balances with Statutory, Government Authorities	-	5,84,513
Total	1,23,39,077	1,20,33,027

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018****8. SHARE CAPITAL****i. Authorised Share Capital****(Amount in INR)**

Particulars	Equity Share	
	Number	Amount
At April 1, 2016	32,26,000	32,26,000
Increase/(decrease) during the year	-	
At March 31, 2017	32,26,000	32,26,000
Increase/(decrease) during the year	-	
At March 31, 2018	32,26,000	32,26,000

During the year ended March 31, 2018, the authorised share capital was unchanged.

Terms/rights attached to equity shares

The company has only one class of equity shares having par value of GBP 1 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 is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii. Issued Capital

Particulars	Number	Amount
Equity shares of GBP 1 each issued, subscribed and fully paid		
At April 1, 2016	32,26,000	25,51,44,152
Issued during the period	-	
At March 31, 2017	32,26,000	25,51,44,073
Issued during the period	-	
At March 31, 2018	32,26,000	25,51,44,073

iii. Shares held by holding/ ultimate holding company and / or their subsidiaries / associates

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

Particulars	March 31, 2018	March 31, 2017
3i Infotech Ltd		
Equity shares	32,26,000	32,26,000

iv. Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at March 31, 2018		As at March 31, 2017	
	Number	% holding	Number	% holding
Equity shares of GBP 1 each fully paid				
3i Infotech Ltd	32,26,000	100	32,26,000	100

v. Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date are NIL

9. OTHER EQUITY**i. Reserves and Surplus****(Amount in INR)**

Particulars	March 31, 2018	March 31, 2017
Retained Earnings	(28,15,35,786)	(27,84,00,292)
	(28,15,35,786)	(27,84,00,292)

(a) Retained Earnings**(Amount in INR)**

Particulars	March 31, 2018	March 31, 2017
Opening balance	(27,84,00,292)	(26,95,78,484)
Net Profit/(Loss) for the period	(31,35,494)	(1,12,99,987)
Add/(Less):		
Difference due to change in Forex rate for retained earnings	-	24,78,179
Closing balance	(28,15,35,786)	(27,84,00,292)

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018****10. TRADE PAYABLES**

(Amount in INR)

Particulars	March 31, 2018	March 31, 2017
Current		
Trade Payables to Related Parties (Refer note 23)	9,64,53,256	6,97,30,346
Trade Payables to Others	2,33,40,458	2,02,74,062
Total	11,97,93,713	9,00,04,408

11. OTHER LIABILITIES

(Amount in INR)

Particulars	March 31, 2018	March 31, 2017
Current		
Revenue received from customers	1,65,82,824	1,45,25,338
Others		
Statutory Liabilities	14,72,172	2,20,995
Total	1,80,54,996	1,47,46,333

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018****12. OTHER FINANCIAL LIABILITIES**

Particulars	(Amount in INR)	
	March 31, 2018	March 31, 2017
Current		
Financial Liabilities at amortised cost		
Dues to employees	9,08,067	8,08,177
Total	9,08,067	8,08,177

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018****13. REVENUE FROM OPERATIONS****(Amount in INR)**

Particulars	2017-18	2016-17
Sale of products		
IT Solutions - SOP	2,78,15,916	3,54,38,614
Sale of services		
IT Solutions - SOS	10,85,76,533	7,16,91,023
	13,63,92,449	10,71,29,637

14. OTHER INCOME**(Amount in INR)**

Particulars	2017-18	2016-17
Interest income on Others	-	27,150
Foreign Exchange Fluctuation Gain	-	24,07,358
Rent received	-	24,31,316
Miscellaneous Income	-	2,10,056
	-	50,75,880

15. COST OF THIRD PARTY PRODUCTS AND SERVICES**(Amount in INR)**

Particulars	2017-18	2016-17
Cost of third party products / outsourced services		
For own use	5,18,05,035	19,10,964
For service delivery to clients	5,19,98,183	8,52,81,376
	10,38,03,217	8,71,92,340

16. EMPLOYEE BENEFITS EXPENSE**(Amount in INR)**

Particulars	2017-18	2016-17
Salaries, wages and bonus	68,04,208	53,04,224
Contribution to provident and other funds	8,00,873	8,08,774
Staff welfare expenses	51,454	768
	76,56,535	61,13,767

17. FINANCE COST**(Amount in INR)**

Particulars	2017-18	2016-17
Other borrowing costs		
Others	1,06,756	70,128
	1,06,756	70,128

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018****18. DEPRECIATION AND AMORTISATION EXPENSE****(Amount in INR)**

Particulars	2017-18	2016-17
Depreciation on tangible assets	16,684	24,228
	16,684	24,228

19. OTHER EXPENSES**(Amount in INR)**

Particulars	2017-18	2016-17
Advertisement	-	1,65,757
Bad Debts written off	-	1,19,51,507
Insurance	6,84,085	6,94,340
Legal and professional fees	71,62,169	70,98,964
Rent	29,20,650	36,47,466
Hire Charges	-	42,020
Sales promotion expenses	6,815	17,650
Telephone and internet expenses	3,79,015	10,04,481
Travelling & conveyance expenses	4,06,232	28,04,385
Allowance for doubtful debts and advances	1,10,09,799	19,34,003
Miscellaneous expenses	14,96,171	5,90,212
Foreign exchange fluctuation loss	38,76,483	-
Printing and stationery	-	3,048
Office Expenses	3,331	1,51,208
	2,79,44,750	3,01,05,041

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018****20. EARNINGS PER SHARE****(Amount in INR)**

Particulars	2017-18	2016-17
(a) Basic earnings per share		
From continuing operations attributable to the equity holders of the company	(0.97)	(3.50)
From discontinuing operations attributable to the equity holders of the company	-	-
Total basic earnings per share attributable to the equity holders of the company	(0.97)	(3.50)
(b) Dilluted earnings per share		
From continuing operations attributable to the equity holders of the company	(0.97)	(3.50)
From discontinuing operations attributable to the equity holders of the company	-	-
Total dilluted earnings per share attributable to the equity holders of the company	(0.97)	(3.50)
(c) Reconciliations of earnings used in calculating earnings per share		
<i>Basic earnings per share</i>		
Loss attributable to the equity holders of the company used in calculating basic earnings per share		
From continuing operations	(31,35,494)	(1,12,99,987)
	(31,35,494)	(1,12,99,987)
<i>Dilluted earnings per share</i>		
Loss from continuing operations attributable to the equity holders of the company		
Used in calculating basic earnings per share	(31,35,494)	(1,12,99,987)
Loss from discontinuing operations	-	-
Loss attributable to the equity holders of the company used in calculating dilluted earnings per share	(31,35,494)	(1,12,99,987)
(d) Weighted average number of equity shares used as the denominator in calculating dilluted earnings per share	32,26,000	32,26,000

21. COMMITMENTS AND CONTINGENCIES

(Amount in INR)

A. Commitments**i. Leases****Operating lease commitments - Company as lessee**

The company leases various offices, warehouses and retail stores under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The company has paid INR 29,20,650 (March 31, 2017: INR 36,47,466) during the year towards minimum lease payment.

Particulars	March 31, 2018	March 31, 2017
Commitments for minimum lease payments in relation to non cancellable operating leases are as follows		
Within one year	30,74,369	29,93,304
Later than one year but not later than five years	-	-
later than five years	-	-
	30,74,369	29,93,304

22. INCOME TAX

Particulars	March 31, 2018	March 31, 2017
Unrecognised deferred tax assets		
Deductible temporary differences	-	-
Unrecognised tax losses	4,03,08,276	4,02,59,372
Unrecognised tax credits	-	-

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority

Considering the probability of availability of future taxable profits in the period in which tax losses expire, deferred tax assets have not been recognised in respect of tax losses carried forward by the Company

Reconciliation of tax expense and accounting profit multiplied by income tax rate for March 31, 2018 and March 31, 2017

Particulars	March 31, 2018	March 31, 2017
Loss before tax from continuing operations	(31,35,494)	(1,12,99,987)
Loss before tax from discontinuing operations		
Accounting profit before income tax	(31,35,494)	(1,12,99,987)
Enacted tax rate in India	34.61%	34.61%
Income tax on accounting Loss	(10,85,132)	(39,10,700)
<i>Non-deductible expenses for tax purposes:</i>		
Other non deductible expenses	6,27,099	22,59,997
<i>Allowable expenses for tax purposes:</i>		
Effect of differential tax rate	4,58,033	16,50,702
Tax at effective income tax rate	-	-

3i INFOTECH UK LIMITED (CONSOL)**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018**

(Amount in INR)

23. RELATED PARTY TRANSACTIONS**(i) List of related parties as per the requirements of Ind-AS 24 - Related Party Disclosures**

Name of Related Party	Percentage of holding & Relationship	Country of Incorporation
3i Infotech Limited	Holding company	India
3i Infotech Inc.	100% held by 3i Infotech Holdings Private Limited	USA
3i Infotech Asia Pacific Pte Limited	100% held by Holding company	Singapore
3i Infotech SDN BHD	100% held by 3i Infotech Asia Pacific Pte Limited	Malaysia
3i Infotech (Thailand) Limited	100% held by 3i Infotech Asia Pacific Pte Limited	Thailand
3i Infotech Services SDN BHD	100% held by 3i Infotech Asia Pacific Pte Limited	Malaysia
3i Infotech (Western Europe) Holdings Limited	Wholly Owned Subsidiary	UK
3i Infotech (Western Europe) Group Limited	100% held by 3i Infotech (Western Europe) Holdings Limited	UK
Rhyme Systems Limited	100% held by 3i Infotech (Western Europe) Group Limited	UK
3i Infotech Holdings Private Limited	100% held by Holding company	Mauritius
3i Infotech Financial Software Inc. (Merged with 3i Infotech Inc (USA) effective December 31, 2017)	100% held by 3i Infotech Holdings Private Limited	USA
3i Infotech Saudi Arabia LLC	100% held by Holding company	Saudi Arabia
3i Infotech (Africa) Limited	100% held by 3i Infotech (Middle East) FZ LLC	Kenya
Professional Access Software Development Private Limited	100% held by Black Barret Holdings Limited	India
3i Infotech (Middle East) FZ LLC	100% held by 3i Infotech Holdings Private Limited	UAE
3i Infotech Consultancy Services Limited	100% held by Holding company	India
3i Infotech BPO Limited	100% held by Holding company	India
Locuz Enterprise Solutions Limited	74% held by the Holding company	India
Elegon Infotech Limited	100% held by Ultimate Holding company	China
IFRS Cloud Solutions Limited	100% held by 3i Inc. (USA) pursuant to merger of 3i Infotech Financial Software Inc (USA) with 3i Infotech Inc (USA) effective December 31, 2017	India
3i Infotech (South Africa) (Pty) Limited	100% held by 3i Infotech Holding Private Limited	Republic of South Africa
Locuz Inc.	100% held by Locuz Enterprise Solutions Limited	USA
Black Barret Holdings Limited	100% held by 3i Infotech Holdings Private Limited	Cyprus

Key Managerial Personnel (KMP) :

Name of Related Party	Designation
1. Mr. Padmanabhan Iyer	Director
2. Mr. Mrinal Ghosh	Director

(ii) Transactions with related parties

The following transactions occurred with related parties

Name	Nature of Relationship	Nature of Transaction	March 31, 2018	March 31, 2017
3i Infotech Ltd	Holding Company	Expense	1,36,85,878	4,53,97,572
3i Infotech (Middle East) FZ LLC	Fellow Subsidiary	Expense	32,89,797	8,70,951
3i Infotech Inc	Fellow Subsidiary	Expense	53,147	5,56,385

(iii) Outstanding balances arising from sales/purchases of goods and services

Name	Nature of Relationship	March 31, 2018	March 31, 2017
Trade Payables			
3i Infotech Ltd	Holding Company	9,02,14,890	6,84,84,765
3i Infotech (Middle East) FZ LLC	Fellow Subsidiary	58,29,473	9,31,963
3i Infotech Inc	Fellow Subsidiary	4,08,893	3,13,618

24. FAIR VALUE MEASUREMENTS

i. Financial Instruments by Category

(Amount in INR)

Particulars	Carrying Amount		Fair Value	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
FINANCIAL ASSETS				
Amortised cost				
Trade Receivables	4,29,92,533	5,27,83,382	4,29,92,533	5,27,83,382
Loans	-	-	-	-
Cash and Cash Equivalents	91,32,818	1,34,03,262	91,32,818	1,34,03,262
Other Bank Balances	-	-	-	-
Other Financial Assets	4,78,73,592	40,42,230	4,78,73,592	40,42,230
Total	9,99,98,944	7,02,28,874	9,99,98,944	7,02,28,874
FINANCIAL LIABILITIES				
Amortised cost				
Trade Payables	11,97,93,713	9,00,04,408	11,97,93,713	9,00,04,408
Other financial liabilities	9,08,067	8,08,177	9,08,067	8,08,177
Total	12,07,01,780	9,08,12,585	12,07,01,780	9,08,12,585

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

The fair values for loans and security deposits were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the Fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

The fair values of non current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

ii. Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measure at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into three levels prescribed under the accounting standard. An explanation of each level follows underneath the table:

Assets and liabilities measured at fair value - recurring fair value measurement:

Particulars	March 31, 2018			Total	March 31, 2017			Total
	Fair value measurement using				Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Quoted prices in active markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial Assets								
Deposits	-	-	4,99,437	4,99,437	-	-	4,44,497	4,44,497
Total Financial Assets	-	-	4,99,437	4,99,437	-	-	4,44,497	4,44,497
Total Assets	-	-	4,99,437	4,99,437	-	-	4,44,497	4,44,497

There have been no transfers among Level 1, Level 2 and Level 3 during the period

Level 1 - Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

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

Level 3 - If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity shares, contingent consideration and indemnification assets included in level 3.

iii. Valuation technique used to determine fair value

Specific Valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of foreign currency option contracts is determined using discounted cash flow analysis

v. Valuation processes

The finance department of the company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee. Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every three months, in line with the company's quarterly reporting periods.

25. FINANCIAL RISK MANAGEMENT

The Company is exposed primarily to fluctuations in foreign currency exchange rates ,credit ,liquidity and interest rate risk ,which may adversely impact the fair value of its financial instruments. The Company has a risk management policy which covers risks associated with the financial assets and liabilities . The risk management policy is approved by Board of Directors . The focus of the risk management committee is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Company.

i. Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the change in market prices . Such changes in the value of financial instruments may result from changes in the foreign currency exchange, interest rates ,credit ,liquidity and other market changes. The Company's exposure to market risk is primarily on account of foreign currency exchange rate risk.

(a) Foreign currency exchange rate risk

The fluctuation in foreign currency exchange rate may have potential impact on the statement of profit and loss and the other comprehensive income and equity ,where any transaction reference more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the Company.

Considering the countries and the economic environment in which the Company operates, its operations are subject to risk arising from fluctuations in exchange rates in those countries. The risks primarily relates to fluctuations in US Dollar, Great Britain Pound and Euro against the functional currency of the Company.

The Company , as per its current risk management policy ,does not use any derivatives instruments to hedge foreign exchange . Further ,any movement in the functional currency of the various operations of the Company against major foreign currencies may impact the Company's revenue in international business.

The Company evaluates the impact of the foreign exchange rate fluctuation by assessing its exposure to exchange rate risks. Apart from exposures of foreign currency payables and receivables, which partially are naturally hedged against each other, the Company does not use any hedging instruments to hedge its foreign currency exposures; in line with the current risk management policies.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rate shift of all the currencies by 10% against the functional currency of the Company.

The following analysis has been worked out based on the net exposures of the Company as of the date of Balance Sheet which could affect the statement of profit and loss and the other comprehensive income and equity .

The following table set forth information relating to foreign currency exposure as at March 31,2018:

	(Amount in INR)			
	USD	GBP	EUR	Total
Total financial assets	-	9,94,99,507	-	9,94,99,507
Total financial liabilities	-	12,07,01,780	-	12,07,01,780

1% appreciation/depreciation of the respective foreign currencies with respect to functional currency of the Company would result in decrease /increase in the Company 's profit before tax by approximately Rs 1,47,537 for the year ended March 31,2018.

The following table sets forth information relating to foreign currency exposure as at March 31, 2017:

	(Amount in INR)			
	USD	GBP	EUR	Total
Total financial assets	-	6,97,84,377	-	6,97,84,377
Total financial liabilities	-	9,08,12,585	-	9,08,12,585

1% appreciation/depreciation of the respective foreign currencies with respect to functional currency of the Company would result in decrease /increase in the Company 's profit before tax by approximately Rs 2,10,282 for the year ended March 31,2017.

(b)Interest rate risk

The Company's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market.

3I INFOTECH UK LIMITED (CONSOL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

(ii) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations leading to a financial loss. Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables and unbilled revenues.

(1) Credit risk management

- Trade receivables and Unbilled revenues

Credit risk has always been managed by the company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the company grants credit terms in the normal course of business.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables and unbilled revenue. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

- Other Financial Assets

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 the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

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

(2) Credit risk exposure

- Trade receivables and Unbilled revenues

The carrying amount of trade receivables and unbilled revenues represents the maximum credit exposure from customers. The maximum exposure to credit risk from customers is INR 968,15,312 (March 31, 2017: INR 563,81,114). The lifetime expected credit loss on customer balance for the year ended March 31, 2018 is 1,37,13,495 (March 31, 2017: 17,85,825).

Reconciliation of loss allowance provision - Trade receivables and Unbilled revenue

Particulars	March 31, 2018	March 31, 2017
Balance at the beginning	17,85,825	-
Impairment loss recognised/reversed	1,10,09,799	19,34,003
Forex on Translation	9,17,871	(1,48,178)
Balance at the end	1,37,13,495	17,85,825

(iii) Liquidity risks

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient The Company consistently generated sufficient cash flow from operations to meet its financial obligation as and when they fall due .

The table below provides details regarding the contractual maturities of significant financial liabilities as at :

(Amount in INR)

March 31,2018	Due in 1st year	Due in 2nd year	Due in 3rd to 5th year	Due after 5 year	Total
Non-derivative financial liabilities :					-
Trade and other payables	13,78,48,709	-	-	-	13,78,48,709
Other financial liabilities	9,08,067	-	-	-	9,08,067
					-
Total	13,87,56,775	-	-	-	13,87,56,775

(Amount in INR)

March 31,2017	Due in 1st year	Due in 2nd year	Due in 3rd to 5th year	Due after 5 year	Total
Non-derivative financial liabilities :					-
Trade and other payables	10,47,50,741	-	-	-	10,47,50,741
Other financial liabilities	8,08,177	-	-	-	8,08,177
					-
Total	10,55,58,918	-	-	-	10,55,58,918

3I INFOTECH UK LIMITED (CONSOL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31,

(Amount in INR)

26. CAPITAL MANAGEMENT

For the purpose of the company's capital management, capital includes issued equity capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company is a wholly owned subsidiary of 3i infotech Limited, India (being Ultimate Holding Company). The primary objective of the Ultimate Parent Company's capital management is to maximise its shareholder value. The Ultimate Parent company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the ultimate holding company may adjust the dividend payments, return capital to shareholders or issue new shares. The Company is not exposed to any externally imposed capital requirement. No changes were made in the objective or policies during the year March 31, 2018 and March 31, 2017.

Particulars	March 31, 2018	March 31, 2017
Borrowings other than convertible preference shares	-	-
Trade payables	11,97,93,713	9,00,04,408
Other payables	1,89,63,062	1,55,54,511
Less: cash and cash equivalents	(91,32,818)	(1,34,03,262)
Net Debt	12,96,23,957	9,21,55,656
Equity Share Capital	25,51,44,073	25,51,44,073
Other Equity	(28,15,35,786)	(27,84,00,292)
Total Capital	(2,63,91,713)	(2,32,56,219)
Capital and net debt	10,32,32,244	6,88,99,437
Gearing ratio	126	134

3I INFOTECH UK LIMITED (CONSOL)**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018**

(Amount in INR)

27. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table presents the recognised financial instruments that are offset and other agreements but not offset, as at March 31, 2018, March 31, 2017. The column 'net amount' shows the impact on the company's balance sheet if all set-off rights were exercised.

Particulars	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amount	Gross amounts set off in the balance sheet	Net amount presented in the balance sheet	Financial instruments collateral	Net amount
March 31, 2018					
Financial assets					
Cash and cash equivalents	91,32,818	-	91,32,818	-	91,32,818
Trade receivables	4,29,92,533	-	4,29,92,533	-	4,29,92,533
Other financial assets	4,78,73,592	-	4,78,73,592	-	4,78,73,592
Total	9,99,98,944	-	9,99,98,944	-	9,99,98,944
Financial liabilities					
Trade payables	11,97,93,713	-	11,97,93,713	-	11,97,93,713
Total	11,97,93,713	-	11,97,93,713	-	11,97,93,713
March 31, 2017					
Financial assets					
Cash and cash equivalents	1,34,03,262	-	1,34,03,262	-	1,34,03,262
Trade receivables	5,27,83,382	-	5,27,83,382	-	5,27,83,382
Other financial assets	40,42,230	-	40,42,230	-	40,42,230
Total	7,02,28,874	-	7,02,28,874	-	7,02,28,874
Financial liabilities					
Trade payables	9,00,04,408	-	9,00,04,408	-	9,00,04,408
Total	9,00,04,408	-	9,00,04,408	-	9,00,04,408

3I INFOTECH UK LIMITED (CONSOL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

28. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Ind AS 115 - Revenue from Contracts with Customers

Ind AS 115 was issued in February 2016 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This standard will come into force from accounting period commencing on or after April 1, 2018. The Group will adopt the new standard on the required effective date.

For and on behalf of the board

**Sd/-
Padmanabhan Iyer
Director
DIN: 05282942**

**Sd/-
Mrinal Ghosh
Director
DIN:07232477**

**Place : Navi Mumbai
Date : April 20,2018**

**Place : Navi Mumbai
Date : April 20,2018**