

# Financial Statements and Independent Auditor's Report

## **Designit Tokyo Ltd.**

31 March 2019

## **Independent Auditor's Report**

**To the board of directors of Designit Tokyo Ltd.**

### **Opinion**

1. We have audited the accompanying financial statements of Designit Tokyo Ltd. ('the Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Companies Act, 2013 ('the Act'), of the state of affairs of the Company as at 31 March 2019, and its profit, its cash flows and the changes in equity for the year ended on that date.
3. We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India ('ICAI'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the ICAI and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management for the Financial Statements**

4. The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
5. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

6. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing issued by ICAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
7. As part of an audit in accordance with Standards on Auditing issued by ICAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
8. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Restriction on distribution or use**

9. This report is intended solely for the information of the Company's and its ultimate holding company's board of directors for their internal use and accordingly, should not be used, referred to or distributed for any other purpose or to any other party without our prior written consent. Further, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

**Other matter**

10. The financial statements of the Company for the year ended 31 March 2018 were audited by the predecessor auditor, M/s. Appaji & Co., who have expressed an unmodified opinion on those financial statements vide their audit report dated 01 June 2018.

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

**Sd/-**  
**Nikhil Vaid**  
Partner  
Membership No.: 213356

**Place:** Hyderabad  
**Date:** 16 June 2019

**Designit Tokyo Ltd.**  
**Balance Sheet as at 31 March 2019**

(Amount in JPY, unless otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,807,949	2,183,932
Financial assets			
Other financial assets			
Deferred tax assets		16,799,365	16,799,365
		<b>18,607,314</b>	<b>18,983,297</b>
<b>Current assets</b>			
Financial assets			
Trade receivables	5	43,306,953	25,125,436
Cash and cash equivalents	6	46,503,381	29,174,257
Other financial assets	7	9,083,000	8,580,000
Current tax assets (net)		-	194,969
Contract assets		2,196,216	-
Other current assets	8	2,471,089	1,464,298
		<b>103,560,639</b>	<b>64,538,960</b>
		<b>122,167,953</b>	<b>83,522,257</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	16,500,000	16,500,000
Other equity		(109,606,681)	(163,541,832)
		<b>(93,106,681)</b>	<b>(147,041,832)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	10	169,328,456	221,162,658
Provisions	11	-	2,095,415
		<b>169,328,456</b>	<b>223,258,073</b>
<b>Current liabilities</b>			
Financial liabilities			
Trade payables	12		
Total outstanding dues of micro and small enterprises		-	-
Total outstanding dues other than above		8,396,542	1,564,619
Contract Liabilities		-	2,480,000
Current tax liabilities (net)		25,551,187	-
Other current liabilities	13	11,998,449	3,261,397
		<b>45,946,178</b>	<b>7,306,016</b>
		<b>122,167,953</b>	<b>83,522,257</b>
Summary of significant accounting policies	3		

The accompanying notes are an integral part of these financial statements.

**For and on behalf of the Board of Directors of Designit Tokyo Ltd.**

**Sd/-**  
**Kjersti Lund**  
 Director

**Sd/-**  
**Ashish Chawla**  
 Director

16 June 2019

16 June 2019

**Designit Tokyo Ltd.****Statement of Profit and Loss for the year ended 31 March 2019**

(Amount in JPY, unless otherwise stated)

	Note	Year ended 31 March 2019	Year ended 31 March 2018
<b>REVENUE</b>			
Revenue from operations	14	247,432,266	160,399,922
Other income	15	11,609,452	-
		<b>259,041,718</b>	<b>160,399,922</b>
<b>EXPENSES</b>			
Employee benefits expense	16	96,219,923	104,653,074
Finance costs	17	9,573,612	10,333,502
Depreciation expense	4	1,335,843	2,734,384
Other expenses	18	72,051,006	85,203,126
		<b>179,180,384</b>	<b>202,924,086</b>
<b>Profit/(Loss) before tax</b>		<b>79,861,334</b>	<b>(42,524,164)</b>
<b>Tax expense</b>			
Current tax		25,926,183	-
Deferred tax		-	1,065,106
		<b>25,926,183</b>	<b>1,065,106</b>
<b>Profit/(Loss) for the year</b>		<b>53,935,151</b>	<b>(43,589,270)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>53,935,151</b>	<b>(43,589,270)</b>
<b>Earnings per equity share</b>	19		
Equity shares of par value JPY 165			
Basic and diluted		539.35	(435.89)
Summary of significant accounting policies	3		

The accompanying notes are an integral part of these financial statements.

For and on behalf of the Board of Directors of Designit Tokyo Ltd.

Sd/-  
Kjersti Lund  
Director

16 June 2019

Sd/-  
Ashish Chawla  
Director

16 June 2019

**Designit Tokyo Ltd.**  
**Cash Flow Statement for the year ended 31 March 2019**

(Amount in JPY, unless otherwise stated)

	Year ended 31 March 2019	Year ended 31 March 2018
<b>Cash flow from operating activities</b>		
<b>Profit for the year</b>	<b>53,935,151</b>	<b>(43,589,270)</b>
Adjustments		
Depreciation	1,335,843	2,734,384
Income tax expense	25,926,183	1,065,106
Finance cost	9,573,612	10,333,502
Exchange Differences, net	(11,609,452)	18,214,608
<b>Operating profit before working capital changes</b>	<b>79,161,337</b>	<b>(11,241,670)</b>
<b>Adjustments for working capital changes:</b>		
(Increase) / Decrease in trade receivables	(18,181,517)	37,077,790
(Decrease) in contract assets	(2,196,216)	-
(Increase) in loans & advances and other assets	(2,149,582)	(18,344,986)
Increase in trade payables and other liabilities	15,568,975	18,970,494
(Decrease) in contract liabilities	(2,480,000)	-
(Decrease) in provisions	(2,095,415)	-
<b>Cash generated from operations</b>	<b>67,627,582</b>	<b>26,461,628</b>
Direct taxes (paid)	(180,027)	(179,975)
<b>Net cash generated by operating activities</b>	<b>(A) 67,447,555</b>	<b>26,281,653</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(959,860)	(417,604)
Interest received	415	-
<b>Net cash (used in) investing activities</b>	<b>(B) (959,445)</b>	<b>(417,604)</b>
<b>Cash flows from financing activities:</b>		
Finance Costs	(8,103,410)	(10,333,502)
(Repayment) of loans & borrowings	(41,055,576)	-
<b>Net cash (used in) financing activities</b>	<b>(C) (49,158,986)</b>	<b>(10,333,502)</b>
<b>Net increase in cash and cash equivalents during the period (A+B+C)</b>	<b>17,329,124</b>	<b>15,530,547</b>
Cash and cash equivalents at the beginning of the year	29,174,257	13,643,710
<b>Cash and cash equivalents at the end of the period (refer note 6)</b>	<b>46,503,381</b>	<b>29,174,257</b>
<b>Components of cash and cash equivalents (note 6)</b>		
Balances with banks		
in current account	46,503,381	29,174,257

The accompanying notes are an integral part of these financial statements.

For and on behalf of the Board of Directors of Designit Tokyo Ltd.

Sd/-  
**Kjersti Lund**  
 Director

16 June 2019

Sd/-  
**Ashish Chawla**  
 Director

16 June 2019

**Designit Tokyo Ltd.****Statement of Changes in Equity for the year ended 31 March 2019**

(Amount in JPY, unless otherwise stated)

Equity share capital	Balance as at 01 April 2017	Changes in equity share capital during the year	Balance as at 01 April 2018	Changes in equity share capital during the year	Balance as at 31 March 2019
Equity share capital of Face value JPY 165 each	16,500,000	-	16,500,000	-	16,500,000
	<b>16,500,000</b>	<b>-</b>	<b>16,500,000</b>	<b>-</b>	<b>16,500,000</b>

**Other equity**

Particulars	Retained Earnings	Total
<b>Balance as at 1 April 2017</b>	<b>(119,952,562)</b>	<b>(119,952,562)</b>
Loss for the year	(43,589,270)	(43,589,270)
Other comprehensive income for the year	-	-
<b>Balance as at 31 March 2018</b>	<b>(163,541,832)</b>	<b>(163,541,832)</b>
Profit for the year	53,935,151	53,935,151
Other comprehensive income for the year	-	-
<b>Balance as at 31 March 2019</b>	<b>(109,606,681)</b>	<b>(109,606,681)</b>

The accompanying notes are an integral part of these financial statements.

For and on behalf of the Board of Directors of Designit Tokyo Ltd.

Sd/-  
**Kjersti Lund**  
Director

16 June 2019

Sd/-  
**Ashish Chawla**  
Director

16 June 2019



# Designit Tokyo Ltd.

## Summary of significant accounting policies and other explanatory information

(amount in JPY, unless otherwise stated)

### 1. The Company overview

Design Tokyo Ltd is a subsidiary of Designit A/S ('the holding company'). The Company is incorporated in Japan and is engaged in design services. The functional Currency of the company is JPY and the reporting currency for these financial statements is JPY. These financial statements have been prepared and audited to attach with the accounts of the holding company, to comply with the provisions of Indian Companies Act, 2013.

### 2. Basis of preparation of financial statements

#### (i) Statement of compliance and basis of preparation

These financial statements are prepared in conformity with accounting principles generally accepted in India including Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 ('the Act').

#### (ii) Basis of measurement

These financial statements have been prepared on a historical cost convention and on an accrual basis.

#### (iii) Use of estimates and judgment

The preparation of the financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

**a) Revenue recognition:** The Company uses the percentage of completion method using the input (cost expended) method to measure progress towards completion in respect of fixed price contracts. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates of future labor costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognized revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the period in which the loss becomes probable. Volume discounts are recorded as a reduction of revenue. When the amount of discount varies with the levels of revenue, volume discount is recorded based on estimate of future revenue from the customer.

**b) Income taxes:** The major tax jurisdictions for the Company are India and the United States of America. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

**c) Deferred taxes:** Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

**d) Expected credit losses on financial assets:** On application of Ind AS109, the impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

# Designit Tokyo Ltd.

## Summary of significant accounting policies and other explanatory information

(amount in JPY, unless otherwise stated)

### 3. Significant accounting policies

#### (i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which this entity operates (i.e. the “functional currency”). The functional currency of the company is JPY and these financial statements are also presented in JPY

#### (ii) Foreign currency transactions and translation

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the exchange rates prevailing at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit and loss and reported within foreign exchange gains/(losses), net within results of operating activities except when deferred in other comprehensive income as qualifying cash flow hedges. Gains/(losses) relating to translation or settlement of borrowings denominated in foreign currency are reported within finance expense. Non-monetary assets and liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on non-monetary financial assets measured at fair value at the reporting date, such as equities classified as FVTOCI are included in other comprehensive income, net of taxes.

#### (iii) Financial instruments

##### a) Non-derivative financial instruments:

Non derivative financial instruments consist of:

- financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, finance lease receivables, employee and other advances, investments in equity and debt securities and eligible current and non-current assets;
- financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payables, eligible current and non-current liabilities.

Non derivative financial instruments are recognized initially at fair value. Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

##### A. Cash and cash equivalents

The Company's cash and cash equivalents consist of cash on hand and in banks and demand deposits with banks, which can be withdrawn at any time, without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system. In the Balance Sheet, bank overdrafts are presented under borrowings within current liabilities.

##### B. Other financial assets:

Other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. These are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. These comprise trade receivables, unbilled revenues, cash and cash equivalents and other assets.

##### C. Trade and other payables

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method. For these financial instruments, the carrying amounts approximate fair value due to the short term maturity of these instruments.

## Designit Tokyo Ltd.

### Summary of significant accounting policies and other explanatory information

(amount in JPY, unless otherwise stated)

#### (iv) Equity and share capital

##### a) Share capital and share premium

The authorized share capital of the Company as of March 31, 2019 and March 31, 2018 is 100000 Equity shares of 165 JPY per share. Par value of the equity shares is recorded as share capital and the amount received in excess of par value is classified as share premium.

Every holder of the equity shares, as reflected in the records of the Company as of the date of the shareholder meeting shall have one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

##### b) Retained earnings

Retained earnings comprises of the Company's undistributed earnings after taxes.

##### c) Foreign currency translation reserve

The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is presented within equity in the FCTR.

##### d) Other reserves

Changes in the fair value of financial instruments measured at fair value through other comprehensive income and actuarial gains and losses on defined benefit plans are recognized in other comprehensive income (net of taxes), and presented within equity in other reserves.

#### (v) Property, plant and equipment

##### a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset. General and specific borrowing costs directly attributable to the construction of a qualifying asset are capitalized as part of the cost.

##### b) Depreciation

The Company depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are available for use. Assets acquired under finance lease and leasehold improvements are amortized over the shorter of estimated useful life of the asset or the related lease term. Term licenses are amortized over their respective contract term. Freehold land is not depreciated. The estimated useful life of assets is reviewed and where appropriate are adjusted, annually. The estimated useful lives of assets are as follows:

Category	Useful life
Buildings	Useful Life or Lease Term whichever is lower
Furniture, fixtures and equipment	5 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

The cost of property, plant and equipment not available for use before each reporting date are disclosed under capital work- in-progress. Deposits & advances paid towards acquisition of fixed assets, outstanding at each balance sheet date are shown as capital advances under the head of other non-current assets.

#### (vi) Leases

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

## **Designit Tokyo Ltd.**

### **Summary of significant accounting policies and other explanatory information**

(amount in JPY, unless otherwise stated)

#### a) Arrangements where the Company is the lessee

Leases of property, plant and equipment, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of profit and loss on a straight-line basis over the lease term.

#### b) Arrangements where the Company is the lessor

In certain arrangements, the Company recognizes revenue from the sale of products given under finance leases. The Company records gross finance receivables, unearned income and the estimated residual value of the leased equipment on consummation of such leases. Unearned income represents the excess of the gross finance lease receivable plus the estimated residual value over the sales price of the equipment. The Company recognizes unearned income as finance income over the lease term using the effective interest method.

### **(vii) Impairment**

#### Non - financial assets

The Company assesses long-lived assets such as property, plant, equipment and acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. If any such indication exists, the Company estimates the recoverable amount of the asset or group of assets. The recoverable amount of an asset or cash generating unit is the higher of its fair value less cost to sell (FVLCTS) and its value-in-use (VIU). If the recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the reporting date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the impairment losses previously recognized are reversed such that the asset is recognized at its recoverable amount but not exceeding written down value which would have been reported if the impairment losses had not been recognized initially.

### **(viii) Employee benefits**

#### a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recorded as expense as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### b) Termination benefits

Termination benefits are expensed when the Company can no longer withdraw the offer of those benefits.

#### c) Compensated absences

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognizes accumulated compensated absences based on actuarial valuation using the projected unit credit method. Non-accumulating compensated absences are recognized in the period in which the absences occur.

## **Designit Tokyo Ltd.**

### **Summary of significant accounting policies and other explanatory information**

(amount in JPY, unless otherwise stated)

#### **(ix) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

#### **(x) Revenue**

The Company derives revenue primarily from software development, maintenance of software/hardware and related services, business process services, sale of IT and other products.

##### **a) Services**

The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

##### **A. Time and materials contracts**

Revenues and costs relating to time and materials contracts are recognized as the related services are rendered.

##### **B. Fixed-price contracts**

Revenues from fixed-price contracts, including systems development and integration contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable. When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period. 'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services have been rendered are presented as 'Advance from customers'.

##### **C. Maintenance contracts**

Revenue from maintenance contracts is recognized ratably over the period of the contract using the percentage of completion method. When services are performed through an indefinite number of repetitive acts over a specified period of time, revenue is recognized on a straight-line basis over the specified period unless some other method better represents the stage of completion.

In certain projects, a fixed quantum of service or output units is agreed at a fixed price for a fixed term. In such contracts, revenue is recognized with respect to the actual output achieved till date as a percentage of total contractual output. Any residual service unutilized by the customer is recognized as revenue on completion of the term.

##### **b) Products**

Revenue from products are recognized when the significant risks and rewards of ownership have been transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **Designit Tokyo Ltd.**

### **Summary of significant accounting policies and other explanatory information**

(amount in JPY, unless otherwise stated)

#### **(xi) Finance Costs**

Finance Costs comprise interest cost on borrowings, impairment losses recognized on financial assets, gains/ (losses) on translation or settlement of foreign currency borrowings and changes in fair value and gains/ (losses) on settlement of related derivative instruments. Borrowing costs that are not directly attributable to a qualifying asset are recognized in the statement of profit and loss using the effective interest method.

#### **(xii) Other income**

Other income comprises interest income on deposits, dividend income and gains / (losses) on disposal of financial assets that are measured at FVTPL, and debt instruments classified as FVTOCI. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

#### **(xiii) Income tax**

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to a business combination, or items directly recognized in equity or in other comprehensive income.

##### **a) Current income tax**

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted as at the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and liability simultaneously.

##### **b) Deferred income tax**

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

Deferred income tax assets are recognized to the extent 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.

Deferred income tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and foreign branches where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Company offsets deferred income tax assets and liabilities, where it has a legally enforceable right to offset current tax assets against current tax liabilities, and they relate to taxes levied by the same taxation authority on either the same taxable entity, or on different taxable entities where there is an intention to settle the current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

#### **(xiv) Earnings per share**

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period adjusted for treasury shares held. Diluted earnings per share is computed using the weighted-average number of equity and dilutive equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

## Designit Tokyo Ltd.

### Summary of significant accounting policies and other explanatory information

(amount in JPY, unless otherwise stated)

#### (xv) Cash flow statement

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

#### (xvi) Ind AS 115 – Revenue from Contract with Customers

##### A. Contract Asset and Liabilities

The Company classifies its right to consideration in exchange for deliverables as either a receivable or a contract asset.

A receivable is a right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. For example, the company recognizes a receivable for revenues related to time and materials contracts or volume-based contracts. We present such receivables as part of Trade receivables at their net estimated realizable value.

During the year ended March 31, 2019, the Company recognized revenue of JPY 2,480,000 arising from opening unearned revenue as at April 1, 2018.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period

##### B. Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Applying the practical expedient, the Company has not disclosed its right to consideration from customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date which are, contracts invoiced on time and material basis and volume based.

As at March 31, 2019, the aggregate amount of transaction price allocated to remaining performance obligations, other than those meeting the exclusion criteria above, was JPY 16,269,467, of which approximately 100% is expected to be recognized as revenues within 1 year, and the remainder thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment; the occurrence of the same is expected to be remote.

##### C. Disaggregation of Revenues

The table below presents disaggregated revenues from contracts with customers by business segment and contract-type. The Company believes that the below disaggregation best depicts the nature, amount, timing and uncertainty of revenue and cash flows from economic factors.

Particulars	Total
<b>Revenue</b>	<b>247,432,266</b>
Sales of services	247,432,266
<b>Revenue by nature of contract</b>	<b>247,432,266</b>
Fixed price and volume based	247,432,266

# **Designit Tokyo Ltd.**

## **Summary of significant accounting policies and other explanatory information**

(amount in JPY, unless otherwise stated)

### **New Accounting standards adopted by the Company:**

#### **New accounting standards not yet adopted:**

Certain new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after April 1 2018, and have not been applied in preparing these financial statements. New standards, amendments to standards and interpretations that could have potential impact on the financial statements of the Company are:

#### **Ind AS 116**

On March 30, 2019, the Ministry of Corporate Affairs issued Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IND AS 116 introduces a single lessee accounting model and requires a lessee to recognised assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees.

The standard allows for two methods of transition: the full retrospective approach, requires entities to retrospectively apply the new standard to each prior reporting period presented and the entities need to adjust equity at the beginning of the earliest comparative period presented, or the modified retrospective approach, under which the date of initial application of the new leases standard, lessees recognize the cumulative effect of initial application as an adjustment to the opening balance of equity as at annual periods beginning on or after January 1, 2019.

The Company will adopt this standard using modified retrospective method effective April 1, 2019, and accordingly, the comparative for year ended March 31, 2018 and 2019, will not be retrospectively adjusted. The Company has elected certain available practical expedients on transition.

#### **Appendix C to Ind AS 12 - Uncertainty over income tax treatments**

On March 30, 2019, Ministry of Corporate Affairs issued Appendix C to Ind AS 12, which clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. The entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The effective date for adoption of Appendix C to Ind AS 12 is April 1, 2019. The Company will apply Appendix C to Ind AS 12 prospectively from the effective date and the effect on adoption of Ind AS 12 on the financial statement is insignificant.

#### **Amendment to Ind AS 12 – Income Taxes**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 12 – Income Taxes. The amendments clarify that an entity shall recognise the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the entity originally recognised those past transactions or events that generated distributable profits were recognised. The effective date of these amendments is annual periods beginning on or after April 1, 2019. The Company is currently assessing the impact of this amendment on the Company's standalone financial statements.

#### **Amendment to Ind AS 19 - Plan Amendment, Curtailment or Settlement**

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements requiring an entity to determine the current service costs and the net interest for the period after the re-measurement using the assumptions used for the re-measurement; and determine the net interest for the remaining period based on the re-measured net defined benefit liability or asset. These amendments are effective for annual reporting periods beginning on or after April 1, 2019. The Company will apply the amendment from the effective date and the effect on adoption of the amendment on the standalone financial statement is insignificant



**Designit Tokyo Ltd.**  
**Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

**4 Property, plant and equipment**

	Building	Furniture and fixtures	Total
<b>Gross block (at cost)</b>			
<b>Balance as at 01 April 2017</b>	<b>2,178,700</b>	<b>3,852,878</b>	<b>6,031,578</b>
Additions	-	417,604	417,604
Disposals	-	-	-
<b>Balance as at 31 March 2018</b>	<b>2,178,700</b>	<b>4,270,482</b>	<b>6,449,182</b>
Additions	-	959,860	959,860
Disposals	-	-	-
<b>Balance as at 31 March 2019</b>	<b>2,178,700</b>	<b>5,230,342</b>	<b>7,409,042</b>
<b>Accumulated depreciation</b>			
<b>Balance as at 01 April 2017</b>	<b>389,420</b>	<b>1,141,446</b>	<b>1,530,866</b>
Depreciation charge	1,307,160	1,427,224	2,734,384
Disposals	-	-	-
<b>Balance as at 31 March 2018</b>	<b>1,696,580</b>	<b>2,568,670</b>	<b>4,265,250</b>
Depreciation charge	435,740	900,103	1,335,843
Disposals	-	-	-
<b>Balance as at 31 March 2019</b>	<b>2,132,320</b>	<b>3,468,773</b>	<b>5,601,093</b>
<b>Net block</b>			
<b>Balance as at 31 March 2018</b>	<b>482,120</b>	<b>1,701,812</b>	<b>2,183,932</b>
<b>Balance as at 31 March 2019</b>	<b>46,380</b>	<b>1,761,569</b>	<b>1,807,949</b>

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**Designit Tokyo Ltd.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
<b>5 Trade receivables</b>		
<b>Unsecured</b>		
Unsecured, considered good	34,469,614	25,125,436
Considered doubtful	-	-
* Includes dues from related party (refer note 20)		
	<u>34,469,614</u>	<u>25,125,437</u>
<b>Impairment Allowance (allowance for bad and doubtful debts)</b>		
Trade Receivables - credit impaired	-	-
Provision for doubtful receivables	8,837,339	-
With Group Companies - Considered good		
	<u>43,306,953</u>	<u>25,125,437</u>
	As at 31 March 2019	As at 31 March 2018
<b>6 Cash and cash equivalents</b>		
Balances with banks		
In current accounts	46,503,381	29,174,257
	<u>46,503,381</u>	<u>29,174,257</u>
	As at 31 March 2018	As at 31 March 2017
<b>7 Other financial assets</b>		
<b>Current</b>		
Security Deposits	9,083,000	8,580,000
	<u>9,083,000</u>	<u>8,580,000</u>
	As at 31 March 2019	As at 31 March 2018
<b>8 Other Current assets</b>		
Prepaid expenses	-	1,464,298
Advances to suppliers	2,469,299	-
Salary Recoverable	1,790	-
<b>Total</b>	<u>2,471,089</u>	<u>1,464,298</u>

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**Designit Tokyo Ltd.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

**9 Share capital****Authorised capital**

100,000 Equity Shares (Par Value of JPY 165 per share) (2018: 100,000)	16,500,000	16,500,000
<b>Issued, subscribed and paid up share capital</b>		
100,000 Equity Shares (Par Value of JPY 165 per share) (2018: 100,000)	16,500,000	16,500,000
	<b>16,500,000</b>	<b>16,500,000</b>

**a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:**

Number of shares outstanding as at beginning of the year	100,000	100,000
Number of shares issued during the year	-	-
<b>Number of shares outstanding as at the end of the year</b>	<b>100,000</b>	<b>100,000</b>

**b) Details of shareholders holding more than 5% shares in the company**

<b>Name of shareholders</b>	<b>As At 31st March 2019</b>	<b>As At 31st March 2018</b>
Designit A/S		
No of Shares	100,000	100,000
% of the holding	100%	100%

**c) Terms / Rights attached to equity shares**

The Company has only one class of equity shares having a par value of JPY 165 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pay dividends in Japanese Yen. The dividend proposed by the Board of Directors is subject to shareholders approval in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the equity shareholders will be entitled to receive the remaining assets of the Company, after distributing of all preferential amounts, if any, in proportion to the number of equity shares held by the shareholders.

**10 Borrowings****Non-current**

## Secured

Long term maturities of obligations

	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
	169,328,456	221,162,658
	<b>169,328,456</b>	<b>221,162,658</b>

**11 Provisions****Non-current**

Provision for employee benefits

	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
	-	2,095,415
	<b>-</b>	<b>2,095,415</b>

**12 Trade payables**

Total outstanding dues of micro and small enterprises

Total outstanding dues other than above:

Trade payable

Payable to related parties (refer note 20)

	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
	-	-
	3,030,194	1,564,619
	5,366,348	-
	<b>8,396,542</b>	<b>1,564,619</b>

**13 Other Liabilities****Current**

Statutory liabilities

	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
	11,998,449	3,261,397
	<b>11,998,449</b>	<b>3,261,397</b>

**Designit Tokyo Ltd.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

	<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2018</b>
<b>14 Revenue from operations</b>		
Sale of services	247,432,266	160,399,922
	<b>247,432,266</b>	<b>160,399,922</b>
	<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2018</b>
<b>15 Other income</b>		
Interest Income	415	-
Others	11,609,037	-
	<b>11,609,452</b>	<b>-</b>
	<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2018</b>
<b>16 Employee benefits expense</b>		
Salaries and Bonus	91,443,188	102,362,667
Contribution to Provident and Other Funds	-	1,261,778
Staff Welfare Expenses	4,776,735	1,028,629
	<b>96,219,923</b>	<b>104,653,074</b>
	<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2018</b>
<b>17 Finance Cost</b>		
Interest on borrowings	9,573,612	10,333,502
	<b>9,573,612</b>	<b>10,333,502</b>
	<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2018</b>
<b>18 Other expenses</b>		
Sub-contracting / technical fees / third party application	41,779,703	29,557,331
Travel	9,760,906	10,654,096
Facility expenses	14,171,341	16,079,610
Communication	2,861,043	2,163,153
Legal and professional charges	3,211,475	3,839,301
Marketing and brand building	266,538	-
Other Exchange Differences, net	-	18,214,608
Miscellaneous expenses	-	4,695,027
	<b>72,051,006</b>	<b>85,203,126</b>
	<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2018</b>
<b>19 Earning per share (EPS)</b>		
Net profit/(loss) after tax attributable to the equity shareholders	53,935,151	(43,589,270)
Weighted average number of equity shares - for basic and diluted EPS	100,000	100,000
Earnings per share		
Basic and diluted	539.35	(435.89)

## Designit Tokyo Ltd.

### Summary of significant accounting policies and other explanatory information

(Amount in JPY, unless otherwise stated)

#### 20 Related party disclosure

##### a Parties where control exists:

Name	Relationship
Designit A/S	Holding Company
Designit Sweden AB	Fellow Subsidiary
Designit Spain Digital S.L.	Fellow Subsidiary
Cooper Software, Inc.	Fellow Subsidiary
Designit Denmark A/S	Fellow Subsidiary
Wipro Limited	Ultimate Holding Company

##### b The Company has the following related party transactions:

Particulars	Relationship	Year ended 31 March 2019	Year ended 31 March 2018
<b>Sale of services</b>			
Wipro Limited	Ultimate Holding Company	38,617,250	18,963,588
Designit Spain Digital S.L.	Fellow Subsidiary	135,024	-
<b>Subcontracting &amp; Technical Fees</b>			
Designit A/S	Holding Company	10,242,272	19,290,290
Designit Denmark A/S	Fellow Subsidiary	5,301,451	210,297
Designit Sweden AB	Fellow Subsidiary	-	61,832
Designit Spain Digital S.L.	Fellow Subsidiary	7,827,576	-
Cooper Software, Inc.	Fellow Subsidiary	2,574,640	-
<b>Interest expense</b>			
Designit A/S	Holding Company	8,841,837	10,333,502

##### c Balances with related parties as at year end are summarised below:

Particulars	Relationship	Year ended 31 March 2019	Year ended 31 March 2018
<b>Payable:</b>			
Designit A/S	Holding Company	2,293,071	-
Designit Spain Digital S.L.	Fellow Subsidiary	1,893,909	-
Cooper Software, Inc.	Fellow Subsidiary	1,098,035	-
Designit Denmark A/S	Fellow Subsidiary	81,333	-
Receivables			
Wipro Limited	Ultimate Holding Company	8,837,339	-
<b>Loan Payable</b>			
Designit A/S	Holding Company	169,328,456	221,162,658
		<b>Year ended 31 March 2019</b>	<b>Year ended 31 March 2018</b>

#### 21 Effective Tax Rate (ETR) reconciliation

Income tax expense in the Statement of Profit and Loss comprises of:

Current tax	25,926,183	-
Deferred tax	-	1,065,106
	<b>25,926,183</b>	<b>1,065,106</b>

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

	Year ended 31 March 2019	Year ended 31 March 2018
Profit before income tax	79,861,334	(42,524,164)
Enacted tax rates in the Japan (%)	32.46%	32.46%
Computed expected tax expense	25,926,183	-
Deferred Tax	-	1,065,106
<b>Tax expense as per financials</b>	<b>25,926,183</b>	<b>1,065,106</b>

## Designit Tokyo Ltd.

### Summary of significant accounting policies and other explanatory information

(Amount in JPY, unless otherwise stated)

#### 22 Fair value measurements

##### (i) Financial instruments by category

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

Particulars	Note	Amortised cost	FVTPL	FVTOCI
<b>Assets:</b>				
Financial Asset				
Cash and cash equivalents (refer note 6)	6	46,503,381	-	-
Trade receivables (refer note 5)	5	43,306,953	-	-
Other financial asset (refer note 7)	7	9,083,000	-	-
<b>Total</b>		<b>98,893,334</b>	-	-
<b>Liabilities:</b>				
Financial liabilities				
Trade payables (refer note 12)	12	8,396,542	-	-
Borrowings (refer note 10)	10	169,328,456	-	-
<b>Total</b>		<b>177,724,998</b>	-	-

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

Particulars	Notes	Amortised cost	FVTPL	FVTOCI
<b>Assets:</b>				
Financial Asset				
Cash and cash equivalents	6	29,174,257	-	-
Trade receivables	5	25,125,436	-	-
Other financial asset	7	8,580,000	-	-
<b>Total</b>		<b>62,879,693</b>	-	-
<b>Liabilities:</b>				
Financial liabilities				
Trade payables	12	1,564,619	-	-
Borrowings	10	221,162,658	-	-
<b>Total</b>		<b>222,727,277</b>	-	-

##### Notes to financial instruments

- i. The management assessed that the fair value of cash and cash equivalents, trade receivables, other financial assets, trade payables and borrowings approximate the carrying amount largely due to short-term maturity of these instruments.

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

##### ii. Fair value of financial assets and liabilities measured at amortised cost

The management assessed that for amortised cost instruments, fair value approximate largely to the carrying amount.

##### iii. Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for financial instruments.

Level 2: the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data relying as little as possible on entity specific estimates.

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

## Designit Tokyo Ltd.

### Summary of significant accounting policies and other explanatory information

(Amount in JPY, unless otherwise stated)

#### 23 Financial risk management

The Company's principal financial liabilities, comprises of trade and other payables. The Company's principal financial assets include trade receivables, and cash and bank balances and other balances that derive directly from its operations.

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

##### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk. Financial instruments affected by market risk include trade and other receivables/payables. The Company is not exposed to foreign currency risk, interest rate risk and certain other price risk, which are a result from both its operating and investing activities as the Company's transactions are carried out in JPY and it does not hold any investments or financial instruments in currency other than JPY.

##### (b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

###### i. Cash and cash equivalents

Credit risk from balances with banks is managed in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components as at the Balance sheet date are the carrying amounts as furnished in Note 6.

###### ii. Trade receivables

Customer Credit Risk is managed as per Company's established policy, procedures and controls relating to customer credit risk management which interalia involves obtaining credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the company grants credit terms in normal course of business.

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

#### 'Maturities of financial liabilities

The tables below analyze the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 March 2019	Less than 1 year	1 year to 5 years	More than 5 years	Total
Other financial liabilities	-	169,328,456	-	169,328,456
Trade Payables	8,396,542	-	-	8,396,542.00
	<b>8,396,542</b>	<b>169,328,456</b>	-	<b>177,724,998</b>

  

As at 31 March 2018	Less than 1 year	1 year to 5 years	More than 5 years	Total
Other financial liabilities	-	221,162,658	-	221,162,658
Trade Payables	1,564,619	-	-	1,564,619
	<b>1,564,619</b>	<b>221,162,658</b>	-	<b>222,727,277</b>

## Designit Tokyo Ltd.

### Summary of significant accounting policies and other explanatory information

(Amount in JPY, unless otherwise stated)

#### 24 Capital Management

For the purpose of the Company's capital management, capital includes issued capital, additional paid in capital 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 monitors capital using a gearing ratio, which is net debt divided by total equity as below:

- Equity includes equity share capital and all other equity components, which attributable to the equity holders.
- Net Debt includes borrowings, less cash and cash equivalents.

Particulars	Note	As at	
		31 March 2019	31 March 2018
Borrowings	10	169,328,456	221,162,658
Less: Cash and cash equivalents	6	46,503,381	29,174,257
<b>Net debt</b>		<b>122,825,075</b>	<b>191,988,401</b>
Equity share capital	9	16,500,000	16,500,000
Other equity		(109,606,681)	(163,541,832)
<b>Total capital</b>		<b>(93,106,681)</b>	<b>(147,041,832)</b>
<b>Gearing ratio</b>		<b>(1.32)</b>	<b>(1.31)</b>

In order to achieve the objective of maximising shareholders value, the Company's capital management, amongst other things, aims to manage its capital structure and makes adjustments in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the current and previous years.

#### 25 Segment reporting

The Company is engaged in providing design services which is considered to be the only reportable business segment as per Ind AS 108, 'Segment Reporting'. The Company operates primarily in Japan and there is no other significant geographical segment. The company has only one significant customer which contributes more than 80% of revenue and has no other significant customer base.

#### 26 Events occurring after the reporting date

No adjusting or significant non-adjusting events have occurred between 31 March 2019 and the date of authorization of these financial statements.

#### 27 Prior period comparatives

Figures for the previous year have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosure.

The accompanying notes form an integral part of the financial statements.

For and on behalf of the Board of Directors of Designit Tokyo Ltd.

Sd/-  
Kjersti Lund  
Director

16 June 2019

Sd/-  
Ashish Chawla  
Director

16 June 2019