

Financial Statements and Independent Auditor's Report

Appirio Inc. K.K.

31 March 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Appirio Inc. K.K.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Appirio Inc. K.K. ("the Company"), which comprise the balance sheet as at 31 March 2020, and the statement of Profit and Loss including other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "financial statements").

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 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Responsibilities of the Management and Those Charged with Governance for Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards (Ind AS) prescribed under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the

financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances on whether the company has adequate internal financial controls with reference to the financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Other Matters

The audited financial statements of the Company for the corresponding year ended 31 March 2019 prepared in accordance with Ind AS included in these financial statements, have been audited by the predecessor auditors whose audit report dated 16th June 2019 expressed an unmodified opinion on those audited financial statements.

Our opinion is not modified in respect of this matter

Restriction on distribution or use

This report is intended solely for the information of the Company's and its ultimate holding company's board of directors and is not intended to be and should not be used by anyone other than specified parties. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's and ultimate holding company's board of directors, for our audit work, for this report, or for the opinions we have formed.

For **PKF Sridhar & Santhanam LLP**
Chartered Accountants
Firm's Registration No.003990S/S200018

Sd/-
M Seethalakshmi
Partner
Membership No. 208545

Place of Signature: Bangalore
Date: 29th May 2020

Appirio Inc. K.K.
BALANCE SHEET AS AT MARCH 31, 2020
(Amounts in JPY, unless otherwise stated)

	Notes	As at	
		March 31, 2020	March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,18,60,065	2,50,20,905
Right-of-use-assets	5	7,33,27,710	-
Financial assets			
Other financial assets	6	3,18,23,484	3,18,23,484
Total non-current assets		12,70,11,259	5,68,44,389
Current assets			
Financial assets			
Trade receivables	7	17,37,84,350	12,23,93,160
Cash and cash equivalents	8	23,31,09,073	28,83,82,558
Unbilled revenues		-	17,09,634
Other financial assets	6	3,13,55,940	3,13,55,940
Other assets	9	6,97,23,651	6,76,45,507
Total current assets		50,79,73,014	51,14,86,799
TOTAL ASSETS		63,49,84,273	56,83,31,188
EQUITY			
Equity Share capital	10	90,10,000	90,10,000
Other equity		(31,54,22,474)	(33,68,68,834)
TOTAL EQUITY		(30,64,12,474)	(32,78,58,834)
LIABILITIES			
Financial liabilities			
Borrowings	11	50,60,00,000	60,53,49,859
Lease liability		3,66,60,564	-
Total non-current liabilities		54,26,60,564	60,53,49,859
Financial liabilities			
Lease liability		3,74,95,949	-
Trade payables	12	-	-
Total outstanding dues of micro and small enterprises		-	-
Total outstanding dues other than above		5,15,95,977	4,20,44,159
Payables to group companies		7,77,15,753	6,44,09,801
Other financial liabilities	13	6,44,40,980	2,55,14,527
Contract liabilities		1,39,45,571	-
Current tax liabilities (net)		3,64,03,942	5,20,44,980
Other liabilities	14	10,49,41,641	10,23,32,294
Provisions	15	1,21,96,370	44,94,402
Total current liabilities		39,87,36,184	29,08,40,163
TOTAL LIABILITIES		94,13,96,747	89,61,90,022
TOTAL EQUITY AND LIABILITIES		63,49,84,273	56,83,31,188

The accompanying notes form an integral part of these standalone financial statements

As per our report attached
For PKF Sridhar & Santhanam LLP
Chartered Accountants
Firm Registration No.: 003990S/S200018

-

For and on behalf of the Board of Directors

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Sd/-
Manoj Nagpaul
Director

Sd/-
Viral Shah
Director

Place: Bengaluru
Date: May 29, 2020

Appirio Inc. K.K.
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020
(Amounts in JPY, unless otherwise stated)

	Notes	Year ended	
		March 31, 2020	March 31, 2019
REVENUE			
Revenue from rendering of services	16	93,39,20,094	1,07,10,05,325
Other income	17	73,02,831	2,25,288
Total Income		94,12,22,925	1,07,12,30,613
EXPENSES			
Employee benefits expense	18	62,91,57,755	59,16,24,445
Finance costs	19	1,43,95,225	2,85,68,150
Depreciation	4	7,17,07,264	50,34,717
Other expenses	20	19,87,00,828	36,09,95,915
Total expenses		91,39,61,072	98,62,23,227
Profit before tax		2,72,61,853	8,50,07,386
Tax expense			
Current tax		44,25,962	-
Total tax expense		44,25,962	-
Profit after tax		2,28,35,891	8,50,07,386
Other comprehensive income		-	-
Total comprehensive income for the period		2,28,35,891	8,50,07,386
Earnings per equity share:	21		
Basic		25,345	94,348
Diluted		25,345	94,348
Number of shares			
Basic		901	901
Diluted		901	901
Summary of Significant accounting policies	2 & 3		

The accompanying notes form an integral part of these standalone financial statements

As per our report attached
For PKF Sridhar & Santhanam LLP
Chartered Accountants
Firm Registration No.: 003990S/S200018

For and on behalf of the Board of Directors

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Sd/-
Manoj Nagpaul
Director

Sd/-
Viral Shah
Director

Place: Bengaluru
Date: May 29, 2020

Appirio Inc. K.K.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

(Amounts in JPY, unless otherwise stated)

	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
Cash flows from operating activities:		
Profit / (Loss) for the year	2,28,35,891	8,50,07,386
Adjustments:		
Depreciation	7,17,07,264	50,34,717
Exchange loss, net	(58,74,657)	3,16,83,111
Income tax expense/(write-back)	44,25,962	-
Interest (income), net	1,29,67,051	2,85,68,150
Other non cash items	-	(2,25,288)
Operating profit/ (loss) before working capital changes	10,60,61,511	15,00,68,076
Adjustment for working capital changes		
Increase / Decrease in Trade receivables	(5,13,91,190)	(3,15,80,280)
Increase / Decrease in Unbilled revenue	17,09,634	14,37,07,345
Increase / Decrease in Other assets	(20,78,144)	(6,78,49,914)
Increase / Decrease in Trade payables	2,28,57,770	47,45,404
Increase / Decrease in Unearned revenue	1,39,45,571	-
Increase / Decrease in Accrued expenses, other liabilities and provisions	4,72,84,046	3,53,74,981
Net cash generated from operations	3,23,27,687	8,43,97,536
Income taxes paid, net	2,00,67,000	-
Net cash generated by operating activities	11,83,22,198	23,44,65,612
Cash flows from investing activities:		
Purchase of property, plant and equipment	(39,04,000)	(2,00,24,292)
Interest received	14,28,174	20,33,597
Cash used in investing activities before taxes	(24,75,826)	(1,79,90,695)
Net cash used in investing activities	(24,75,826)	(1,79,90,695)
Cash flows from financing activities:		
(Repayment) of /Proceeds from loans and borrowings	(9,34,75,202)	2,79,65,630
Lease Liability Payment	(6,52,03,152)	-
Interest paid on loans and borrowings	(1,24,41,503)	(3,06,01,747)
Net cash used in financing activities	(17,11,19,857)	(26,36,117)
Net increase/(decrease) in cash and cash equivalents during the year	(5,52,73,485)	21,38,38,800
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	28,83,82,558	7,45,43,758
Cash and cash equivalents at the end of the year (Note 7)	23,31,09,073	28,83,82,558

The accompanying notes form an integral part of these Financial Statements

As per our report attached

For PKF Sridhar & Santhanam LLP
Chartered Accountants
Firm Registration No.: 003990S/S200018

For and on behalf of the Board of Directors

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Sd/-
Manoj Nagpaul
Director

Sd/-
Viral Shah
Director

Place: Bengaluru
Date: May 29, 2020

Appirio Inc. K.K.
STATEMENT OF CHANGES IN EQUITY

(Amounts in JPY, unless otherwise stated)

A. EQUITY SHARE CAPITAL

	March 31, 2020		March 31, 2019	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares	910	90,10,000	910	90,10,000
Equity shares issued	-	-	-	-
Closing number of equity shares	910	90,10,000	910	90,10,000

B. OTHER EQUITY

	Retained Earnings	Total Other Equity
Balance as at April 01, 2019	(33,68,68,834)	(33,68,68,834)
Total comprehensive income for the period	2,28,35,891	2,28,35,891
Adjustment on adoption of IND AS 116	(13,89,531)	(13,89,531)
Balance as at March 31, 2020	(31,54,22,474)	(31,54,22,474)

	Retained Earnings	Total Other Equity
Balance as at April 01, 2018	(42,18,76,220)	(42,18,76,220)
Total comprehensive income for the period	8,50,07,386	8,50,07,386
Balance as at March 31, 2019	(33,68,68,834)	(33,68,68,834)

As per our report attached
For PKF Sridhar & Santhanam LLP
Chartered Accountants
Firm Registration No.: 003990S/S200018

For and on behalf of the Board of Directors

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Sd/-
Manoj Nagpaul
Director

Sd/-
Viral Shah
Director

Place: Bengaluru
Date: May 29, 2020

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

1. The Company overview

Appirio, K.K. (the "Company"), incorporated in the state of Tokyo, is a 100% subsidiary of Appirio Inc. (USA), is a leading global consultancy and provider of cloud-based services to business enterprises Information Technology (IT) cloud solutions. The Company offers professional services and subscription Software-as-a-Service (SaaS) products on a Platform-As-a-Service (PaaS) that help enterprises accelerate their adoption to cloud-based computing.

The Company utilises its knowledge and partnerships with leading SaaS-based providers, such as Salesforce.com and Workday to provide unique solutions to its customer's IT Needs. The Company derives the majority of its revenues in Japan.

Appirio, Inc. was acquired by Wipro IT Services Inc. with effect from November 23, 2016 after which the entity is part of the Wipro Limited.

During the year ended March 31, 2019, Appirio, Inc. has concluded the sale of Workday and Cornerstone On Demand except in Portugal, France and Sweden.

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 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 recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the 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, recognised 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. Revenue is recognized on net basis in scenario where the company is not the primary obligor.
- b) **Income taxes:** The major tax jurisdictions for the Company is in 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.

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

- 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 realisable, 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:** 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 history of collections, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.
- e) **Useful lives of property, plant and equipment:** The Company depreciates property, plant and equipment on a straight-line basis over estimated useful lives of the assets. The charge in respect of periodic depreciation is derived based on an estimate of an asset's expected useful life and the expected residual value at the end of its life. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The estimated useful life is reviewed at least annually.
- f) **Leases:** Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term. The option to extend the lease term is included in the lease term, if it is reasonably certain that the lessee would exercise the option. The Company reassesses the option when significant events or changes in circumstances occur that are within the control of the lessee.

3. Significant accounting policies

(i) Functional and presentation currency

These financial statements are presented in JPY, which is the functional currency of the Company.

(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 recognised 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 and qualifying net investment hedges. Gains/(losses), net, 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 fair value through other comprehensive income 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 assets are derecognised 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 derecognised only when the Company has not retained control over the financial asset.

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

- 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 recognised initially at fair value.

a) Non-derivative financial instruments (Cont'd):

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 recognised at fair value and subsequently measured at amortised 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 recognised at fair value, and subsequently carried at amortised 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. .

(iv) Equity

a) Share capital and share premium

The authorised share capital of the Company as of March 31, 2020 is JPY 9,010,000 (JPY 9,010,000 as of March 31,2019) divided into 901 equity shares of JPY 10,000 each. 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.

b) Retained earnings

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

c) Dividend

A final dividend, including tax thereon, on equity shares is recorded as a liability on the date of approval by the shareholders. An interim dividend, including tax thereon, is recorded as a liability on the date of declaration by the board of directors.

d) Other reserves

Changes in the fair value of financial instruments measured at fair value through other comprehensive income, other than impairment loss, and actuarial gains and losses on defined benefit plans is 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 capitalised as part of the cost.

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

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 amortised over the shorter of estimated useful life of the asset or the related lease term. Term licenses are amortised over their respective contract term. Freehold land is not depreciated. The estimated useful life of assets are 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
Computer equipment and software	2 to 7 years
Furniture, fixtures and equipment	3 to 10 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 capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

The cost of property, plant and equipment not available for use before such date are disclosed under capital work- in-progress.

(vi) Leases

The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under Ind AS 116.

The Company as a lessee

The Company enters into an arrangement for lease of land, buildings, plant and machinery including computer equipment and vehicles. Such arrangements are generally for a fixed period but may have extension or termination options. The Company assesses, whether the contract is, or contains, a lease, at its inception. A contract is, or contains, a lease if the contract conveys the right to –

- a) control the use of an identified asset,
- b) obtain substantially all the economic benefits from use of the identified asset, and
- c) direct the use of the identified asset

The Company determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease, where the Company is reasonably certain to exercise that option.

The Company at the commencement of the lease contract recognizes a Right-of-Use (RoU) asset at cost and corresponding lease liability, except for leases with term of less than twelve months (short term leases) and low-value assets. For these short term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term.

The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the inception date of the lease, plus any initial direct costs, less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, if any. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful life of right-of-use assets are determined on the same basis as those of property, plant and equipment.

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

The Company applies Ind AS 36 to determine whether an RoU asset is impaired and accounts for any identified impairment loss as described in the impairment of non-financial assets below.

For lease liabilities at the commencement of the lease, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, if that rate is not readily determined, the lease payments are discounted using the incremental borrowing rate that the Company would have to pay to borrow funds, including the consideration of factors such as the nature of the asset and location, collateral, market terms and conditions, as applicable in a similar economic environment.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Company recognizes the amount of the re-measurement of lease liability as an adjustment to the right-of-use assets. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in statement of profit and loss.

Lease liability payments are classified as cash used in financing activities in the statement of cash flows.

The Company as a lessor

Leases under which the Company is a lessor are classified as finance or operating leases. Lease contracts where all the risks and rewards are substantially transferred to the lessee, the lease contracts are classified as finance leases. All other leases are classified as operating leases.

For leases under which the Company is an intermediate lessor, the Company accounts for the head-lease and the sub-lease as two separate contracts. The sub-lease is further classified either as a finance lease or an operating lease by reference to the RoU asset arising from the head-lease.

(vii) Impairment

A) Financial assets

The Company 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 company 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 lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

B) Non - financial assets

The Company assesses long-lived assets such as property, plant and 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 of disposal (FVLCD) and its value-in-use (VIU). The VIU of long-lived assets is calculated using projected future cash flows. FVLCD of a cash generating unit is computed using turnover and earnings multiples. 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 recognised 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 recognised are reversed such that the asset is recognised at its recoverable amount but not exceeding written down value which would have been reported if the impairment losses had not been recognised initially.

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

(viii) Employee benefits

a) Termination benefits

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

b) 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 recognised 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.

c) Compensated absences

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise 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 recognises accumulated compensated absences based on actuarial valuation using the projected unit credit method. Non-accumulating compensated absences are recognised in the period in which the absences occur.

(ix) Provisions

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

The amount recognised 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 recognised 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 recognised 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

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

The Company recognises 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 recognised as the related services are rendered.

B. Fixed-price contracts

Revenues from fixed-price contracts, including systems development and integration contracts are recognised 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 recognised 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 recognised 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 recognised. 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 recognised 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 recognised 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 recognised with respect to the actual output achieved till date as a percentage of total contractual output. Any residual service unutilised by the customer is recognised as revenue on completion of the term.

b) Products

Revenue from products are recognised 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.

(xi) Finance cost

Finance cost comprise interest cost on borrowings, gain or losses arising on re-measurement of financial assets at FVTPL, 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 recognised 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), net, on disposal of investments. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

(xiii) Income tax

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

Income tax comprises current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent it relates to a business combination, or items directly recognised 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 recognised amounts and where it intends either to settle on a net basis, or to realise the asset and liability simultaneously.

b) Deferred income tax

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 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 recognised 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 utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences that is expected to reverse within the tax holiday period, 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 utilised.

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

Deferred income tax(Cont'd)

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 realised 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.

(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.

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

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.

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.

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	Amount in JPY
Revenue	
Sale of services	933,920,094
Revenue by nature of contract	
Fixed Fee Contracts	933,920,094

New Accounting standards adopted by the Company:

(xvii) Ind AS 116 – Leases

On April 1, 2019, the Company has adopted Ind AS 116, Leases, which, applied to all lease contracts outstanding as at April 1, 2019, using modified retrospective method by recording the cumulative effect of initial application as an adjustment to opening retained earnings. The Company has made use of the following practical expedients available in its transition to Ind AS 116 –

- The Company will not reassess whether a contract is or contains a lease. Accordingly, the definition of lease in accordance with Ind AS 17 will continue to be applied to lease contracts entered by the Company or modified by the Company before April 1, 2019.
- The Company has applied a single discount rate to a portfolio of leases of similar assets in similar economic environment. Consequently, the Company has recorded its lease liability using the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the right-of-use asset at its carrying amount as if the standard had been applied since the commencement date of the lease but discounted using the incremental borrowing rate at the date of initial application.
- The Company excluded the initial direct costs from measurement of the RoU asset;

Appirio, K.K.

Summary of significant accounting policies and other explanatory information (Amounts in JPY, unless otherwise stated)

- (d) The Company does not recognize RoU assets and lease liabilities for leases with less than twelve months of lease term and low-value assets on the date of initial application.

The weighted average rate of discount applied to lease liabilities as at April 1, 2019 is 2.03% p.a.

On adoption of Ind AS 116,

- a) the Company had recognized right-of-use assets JPY 137,970,134 and corresponding lease liabilities JPY 168,278,955.
- b) the net carrying value of assets procured under the finance lease JPY 73,327,710 (gross carrying and accumulated depreciation value of JPY 137,970,134 and JPY 64,642,424, respectively) have been reclassified from property, plant and equipment to right- of-use assets.
- c) the obligations under finance leases of JPY 74,156,513 (non-current and current obligation under finance leases JPY 36,660,564 and JPY 37,495,949 respectively) have been reclassified to lease liabilities.

The adoption of the new standard has resulted in a reduction of JPY 1,389,531 in retained earnings

Refer to Note 5 for additions to right-of-use assets during the year ended March 31, 2020 and carrying amount of right-of-use assets as at March 31, 2020 by class of underlying asset.

Lease payments during the year are disclosed under financing activities in the statement of cash flows.

The comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted

The adoption of Ind AS 116 did not have any material impact on the Company's statement of profit and loss and earnings per share.

The difference between the lease obligation disclosed as of March 31, 2019 under Ind AS 17 and the value of the lease liabilities as of April 1, 2019 is primarily on account of practical expedients exercised for low value assets and short term leases, as at adoption of the standard, in measuring lease liability and discounting the lease liabilities to the present value in accordance with Ind AS 116.

4. New accounting standards not yet adopted: NIL

Appirio Inc. K.K.
NOTES TO THE FINANCIAL STATEMENTS
(Amounts in JPY, unless otherwise stated)

4. Property, Plant and Equipment

As at March 31, 2020

Gross Carrying Value:	Building	Plant & Machinery	Total
As at April 1, 2019	2,04,51,981	1,47,29,732	3,51,81,713
Additions	-	39,04,000	39,04,000
Disposal/Adjustments	-	-	-
As at March 31, 2020	2,04,51,981	1,86,33,732	3,90,85,713

Accumulated Depreciation/ Impairment	Building	Plant & Machinery	Total
As at April 1, 2019	(31,26,545)	(70,34,263)	(1,01,60,808)
Depreciation	(22,52,725)	(48,12,115)	(70,64,840)
Disposal/Adjustments	9,38,590	(9,38,590)	-
As at March 31, 2020	(44,40,680)	(1,27,84,968)	(1,72,25,648)

Net Carrying Value	Building	Plant & Machinery	Total
As at March 31, 2019	1,73,25,436	76,95,469	2,50,20,905
As at March 31, 2020	1,60,11,301	58,48,764	2,18,60,065

As at March 31, 2019

Gross Carrying Value	Building	Plant & Machinery	Total
As at April 1, 2018	68,82,042	82,75,379	1,51,57,421
Additions	1,35,69,939	64,54,353	2,00,24,292
Disposal/Adjustments	-	-	-
As at March 31, 2019	2,04,51,981	1,47,29,732	3,51,81,713

Accumulated Depreciation/ Impairment	Building	Plant & Machinery	Total
As at April 1, 2018	(13,87,431)	(37,38,660)	(51,26,091)
Depreciation	(17,39,114)	(32,95,603)	(50,34,717)
Disposal/Adjustments	-	-	-
As at March 31, 2019	(31,26,545)	(70,34,263)	(1,01,60,808)

Net Carrying Value	Building	Plant & Machinery	Total
As at March 31, 2018	54,94,611	45,36,719	1,00,31,330
As at March 31, 2019	1,73,25,436	76,95,469	2,50,20,905

Appirio Inc. K.K.
NOTES TO THE FINANCIAL STATEMENTS
(Amounts in JPY, unless otherwise stated)

5. Right of use assets

As at March 31, 2020

Gross Carrying Value:	Building
As at April 1, 2019	-
Additions	13,79,70,134
Disposal/Adjustments	-
As at March 31, 2020	13,79,70,134

Accumulated Depreciation/ Impairment	Building
As at April 1, 2019	-
Depreciation	(6,46,42,424)
Disposal/Adjustments	-
As at March 31, 2020	(6,46,42,424)

Net Carrying Value	Building
As at March 31, 2019	-
As at March 31, 2020	7,33,27,710

As at March 31, 2019

Gross Carrying Value	Building
As at April 1, 2018	-
Additions	-
Disposal/Adjustments	-
As at March 31, 2019	-

Accumulated Depreciation/ Impairment	Building
As at April 1, 2018	-
Depreciation	-
Disposal/Adjustments	-
As at March 31, 2019	-

Net Carrying Value	Building
As at March 31, 2018	-
As at March 31, 2019	-

Appirio Inc. K.K.
NOTES TO THE FINANCIAL STATEMENTS
(Amounts in JPY, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
Note 6. Other financial assets		
Non current		
Lease deposits	3,18,23,484	3,18,23,484
	<u>3,18,23,484</u>	<u>3,18,23,484</u>
Current		
Lease deposits	3,13,55,940	3,13,55,940
	<u>3,13,55,940</u>	<u>3,13,55,940</u>
Note 7. Trade receivables		
Unsecured:		
Considered good	17,37,84,350	12,23,93,160
Considered doubtful	-	-
	<u>17,37,84,350</u>	<u>12,23,93,160</u>
Less: Provision for doubtful receivables	-	-
	<u>17,37,84,350</u>	<u>12,23,93,160</u>
Note 8. Cash and cash equivalents		
Balances with bank:		
Current accounts	23,31,09,073	28,83,82,558
	<u>23,31,09,073</u>	<u>28,83,82,558</u>
Note 9. Other assets		
Current		
Prepaid expenses	6,97,23,651	6,76,45,507
	<u>6,97,23,651</u>	<u>6,76,45,507</u>
Note 11. Borrowings		
Non-current borrowings		
Unsecured		
Borrowings from related parties (refer note 23)	50,60,00,000	60,53,49,859
	<u>50,60,00,000</u>	<u>60,53,49,859</u>
Note 12. Trade payables		
Total outstanding due of micro and small enterprises	-	-
Total outstanding due other than above	5,15,95,977	4,20,44,159
Payable to group companies (Refer note 23)	7,77,15,753	6,44,09,801
	<u>12,93,11,730</u>	<u>10,64,53,960</u>
Note 13. Other financial liabilities		
Current		
Employees dues	6,44,40,980	2,55,14,527
	<u>6,44,40,980</u>	<u>2,55,14,527</u>
Note 14. Other liabilities		
Current		
Statutory dues payable	10,49,41,641	10,23,32,294
	<u>10,49,41,641</u>	<u>10,23,32,294</u>
Note 15. Provisions		
Current		
Provision for employee benefits	1,21,96,370	44,94,402
	<u>1,21,96,370</u>	<u>44,94,402</u>

Appirio Inc. K.K.
NOTES TO THE FINANCIAL STATEMENTS
(Amounts in JPY, unless otherwise stated)

Note 10. Equity Share Capital (Values in JPY)

	As at March 31, 2020	As at March 31, 2019
I. Authorised capital		
901 (March 31, 2019: 901) equity shares	90,10,000	90,10,000
	90,10,000	90,10,000
II. Issued, subscribed and fully paid-up capital		
901 (March 31, 2019: 901) equity shares	90,10,000	90,10,000
	90,10,000	90,10,000
 (i.) Shares held by holding company (Appirio Inc, the holding company)		
No. of Equity shares of JPY 10,000 each	901	901
	901	901

(ii.) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period:

	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	JPY	No. of Shares	JPY
No. of shares outstanding as at the beginning of the year	901	90,10,000	901	90,10,000
No. of shares issued during the year	-	-	-	-
Closing number of equity shares	901	90,10,000	901	90,10,000

(iii.) Details of shareholders holding more than 5% of the total equity shares of the Company

Name of the Shareholder	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	% held	No. of Shares	% held
Appirio Inc	901	100.00	901	100.00

Appirio Inc. K.K.
Notes to Statement of profit and loss
(Amounts in JPY, unless otherwise stated)

	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
Note 16 Revenue from Operations		
Rendering of services	93,39,20,094	1,07,10,05,325
	93,39,20,094	1,07,10,05,325
Note 17 Other Income		
Foreign exchange gains / (losses), net	58,74,657	-
Miscellaneous income	14,28,174	2,25,288
	73,02,831	2,25,288
Note 18 Employee benefits expense		
Salaries and wages	62,51,53,616	58,86,16,001
Staff welfare expenses	40,04,139	30,08,444
	62,91,57,755	59,16,24,445
Note 19 Finance costs		
Interest expense	1,43,95,225	2,85,68,150
	1,43,95,225	2,85,68,150
Note 20 Other expenses		
Foreign exchange losses	-	3,16,83,111
Other General & Administrative expenses	1,59,88,577	57,17,968
Sub contracting / technical fees	12,04,33,106	17,37,17,525
Travel	1,51,72,456	1,79,01,915
Facility expenses	24,86,144	7,26,72,070
Recruiting and relocation	2,11,36,924	2,15,76,782
Legal and professional charges	1,24,47,677	1,29,34,297
Marketing and brand building	1,10,35,944	2,47,92,247
	19,87,00,828	36,09,95,915
Note 21 Earnings per Equity share		
Net profit after tax attributable to the equity shareholder	2,28,35,891	8,50,07,386
Weighted Average no. of Equity share- Basic and diluted	901	901
Basic earnings per share- Basic and diluted	25,345	94,348

Appirio Inc. K.K.
NOTES TO THE FINANCIAL STATEMENTS
(Amounts in JPY, unless otherwise stated)

22. Related Party Relationships, Transactions and Balances

i) The following are the entities with which the Company has related party transactions:

Name of the Party	Relationship with the Company
Appirio Inc.	Holding Company

ii) The Company had the following transactions with related parties during the year ended March 31, 2020

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
<i>Appirio Inc.</i>		
Interest income	(14,28,174)	(20,33,597)
Interest expense	1,24,41,503	3,06,01,747

iii) Balances with related parties as at March 31, 2020 are summarised below

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Payables:</i>		
Appirio Inc.	(7,77,15,753.00)	(6,44,09,801)
Total	(7,77,15,753)	(6,44,09,801)
<i>Receivables:</i>		
Appirio Inc.	22,92,623	-
Total	22,92,623	-
<i>Loan amount outstanding:</i>		
Appirio Inc.	(50,60,00,000)	60,53,49,859
Total	(50,60,00,000)	60,53,49,859

23. Commitments and contingencies

Capital commitments: As at March 31, 2020, the company did not have material capital commitments.

Contingencies: As at March 31, 2020, the company did not have material contingencies.

24. Segment reporting

The Company operates in one business segment, namely sale of software services. In line with IND-AS 108, as the relevant information is available from balance sheet and the statement of profit and loss itself, and keeping in view the objective of segment reporting, the Company is not required to disclose segment information as per IND AS -108.

Appirio Inc. K.K.
Summary of significant accounting policies and other explanatory information
(Amounts in JPY, unless otherwise stated)

25 Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at March 31, 2020 were as follows :

Particulars	Note	FVTPL	Amortized cost	Total carrying value	Total fair value
Financial assets :					
Trade receivables		-	17,37,84,350	17,37,84,350	17,37,84,350
Cash and cash equivalents		-	23,31,09,073	23,31,09,073	23,31,09,073
Unbilled revenues		-	-	-	-
Other financial assets		-	6,31,79,424	6,31,79,424	6,31,79,424
Total financial assets		-	47,00,72,847	47,00,72,847	47,00,72,847
Financial liabilities :					
Borrowings		-	50,60,00,000	50,60,00,000	50,60,00,000
Lease liability		-	7,41,56,513	7,41,56,513	7,41,56,513
Trade payables		-	12,93,11,730	12,93,11,730	12,93,11,730
Other financial liabilities		-	6,44,40,980	6,44,40,980	6,44,40,980
Total financial liabilities		-	77,39,09,223	77,39,09,223	77,39,09,223

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

Particulars	Note	FVTPL	Amortized cost	Total carrying value	Total fair value
Financial assets :					
Trade receivables		-	12,23,93,160	12,23,93,160	12,23,93,160
Cash and cash equivalents		-	28,83,82,558	28,83,82,558	28,83,82,558
Unbilled revenues		-	17,09,634	17,09,634	17,09,634
Other financial assets		-	6,31,79,424	6,31,79,424	6,31,79,424
Total financial assets		-	47,56,64,776	47,56,64,776	47,56,64,776
Financial liabilities :					
Borrowings		-	60,53,49,859	60,53,49,859	60,53,49,859
Trade payables		-	10,64,53,960	10,64,53,960	10,64,53,960
Other financial liabilities		-	2,55,14,527	2,55,14,527	2,55,14,527
Total financial liabilities		-	73,73,18,346	73,73,18,346	73,73,18,346

Notes to financial instruments

- i. The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables, borrowings and other financial liabilities 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 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: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

Measurement of fair value of financial instruments

The Company's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialist for complex valuations, wherever necessary. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

Appirio Inc. K.K.
Summary of significant accounting policies and other explanatory information
(Amounts in JPY, unless otherwise stated)

26 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement
Credit risk	Cash and cash equivalent, trade receivables, financial assets	Ageing analysis
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts
Market risk – Interest rate	Long-term borrowings at variable rates	Sensitivity analysis

The Company's risk management is carried out by a central treasury department (of the group) under policies approved by the board of directors. The board of directors provides written principles for overall risk management, as well as policies covering specific areas, such interest rate risk, credit risk and investment of excess liquidity.

A Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, investments carried at amortized cost and deposits with banks and financial institutions.

Credit risk management

The finance function of the Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics.

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 on-going basis throughout each reporting period. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due. A default on a financial asset is when the 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.

Expected credit loss for trade receivables under simplified approach

During the periods presented, the Company made no write-offs of trade receivables and it does not expect to receive future cash flows or recoveries from collection of cash flows previously written off.

B 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.

March 31, 2020	Less than 1 year	1 year to 5 years	5 years and above	Total
Non-derivatives				
Borrowings		50,60,00,000	-	50,60,00,000
Lease liability	3,74,95,949	3,66,60,564	-	7,41,56,513
Trade payables	12,93,11,730	-	-	12,93,11,730
Other financial liabilities	6,44,40,980	-	-	6,44,40,980
Total	23,12,48,659	54,26,60,564	-	77,39,09,223
March 31, 2019	Less than 1 year	1 year to 5 years	5 years and above	Total
Non-derivatives				
Borrowings	-	60,53,49,859	-	60,53,49,859
Trade payables	10,64,53,960	-	-	10,64,53,960
Other financial liabilities	2,55,14,527	-	-	2,55,14,527
Total	13,19,68,487	60,53,49,859	-	73,73,18,346

Appirio Inc. K.K.
Summary of significant accounting policies and other explanatory information
(Amounts in JPY, unless otherwise stated)

26 Financial risk management (continued)

C Interest rate risk

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

The Company's variable rate borrowing is subject to interest rate. Below is the overall exposure of the borrowing:

Particulars	March 31, 2020	March 31, 2019
Variable rate borrowing	50,60,00,000	60,53,49,859
Fixed rate borrowing	-	-
	50,60,00,000	60,53,49,859

Interest rate risk

Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates.

Particulars	March 31, 2020	March 31, 2019
Interest rates – increase by 50 basis points (50 bps)	25,30,000	28,86,921
Interest rates – decrease by 50 basis points (50 bps)	(25,30,000)	(28,86,921)

27 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 plus net debt as below:

- Equity includes equity share capital and all other equity components, which attributable to the equity holders

- Net Debt includes trade payables and other financial liabilities, less cash and cash equivalents.

	Note	As at March 31, 2019	As at March 31, 2018
Borrowings	Financial liabilities	50,60,00,000	60,53,49,859
Lease liability	Financial liabilities	3,66,60,564	-
Less: Cash and cash equivalents	Financial assets	23,31,09,073	28,83,82,558
Net Debt		30,95,51,491	31,69,67,301
Equity share capital	Equity	90,10,000	90,10,000
Other equity	Equity	(31,54,22,474)	(33,68,68,834)
Total capital		(30,64,12,474)	(32,78,58,834)

Gearing Ratio

(1.01) (0.97)

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.

28 Events occurring after the reporting date

No adjusting or significant non-adjusting events have occurred between March 31, 2020 and the date of authorization of these financial statements.

29 Comparatives

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

As per our report attached
For PKF Sridhar & Santhanam LLP
Chartered Accountants
Firm Registration No.: 003990S/S200018

For and on behalf of the Board of Directors of Appirio Ltd.

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Sd/-
Manoj Nagpaul
Director

Sd/-
Viral Shah
Director

Place: Bengaluru
Date: May 29, 2020