INDEPENDENT AUDITOR'S REPORT

To the Members of ISG Novasoft Technologies Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of ISG Novasoft Technologies Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

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

Other Matter

The comparative Ind AS financial statements of the Company for the period ended March 31, 2017, included in these Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 19, 2017. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this report are in agreement with the books of account;

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164(2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure 2" to this report; and

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

    i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 24 to the Ind AS financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Rajeev Kumar
Partner
Membership Number: 213803

Place of signature: Bengaluru
Date: May 7, 2018

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF ISG NOVASOFT TECHNOLOGIES LIMITED

Statement on the matters specified in paragraph 3 and 4 of the Companies (Auditor's Report) Order, 2016 ("the Order")

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and intangible assets.

(b) Property, plant and equipment have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management, there are no immovable properties included in property, plant and equipment of the Company and accordingly, the requirements under clause 3(i)(c) of the Order are not applicable to the Company.

(ii) The Company's business does not involve inventories and accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.

(iii) According to the information and explanations given by the management, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and, hence not commented upon.

(iv) In our opinion and according to the information and explanations given by the management, the Company has complied with the provisions of section 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

(v) The Company has not accepted any deposits within the meaning of sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act for the services of the Company.

(vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities, though there has been significant delay in remittance of advance income tax dues.

(b) According to the information and explanations given by the management, no undisputed dues in respect of provident fund, employees' state insurance, income-tax, sales- tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable, except as follows:

Name of the Statute	**Nature of the dues**	**Amount (Rs.in Lakhs)**	**Period to which the amount relates**	**Due Date**	**Date of Payment**
Income Tax Act, 1961	Advance tax	9,136,567	April 2017 to September 2017	Various dates	7 May 2018

(c) According to the records of the Company, there are no dues of income-tax, sales-tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax and cess, which have not been deposited on account of any dispute, except as follows:

Name of the Statute	**Nature of the dues**	**Disputed amount (Rs. in Lakhs)**	**Amount paid under protest (Rs. in Lakhs)**	**Period to which the amount relates (Assessment years)**	**Forum where dispute is pending**
Income Tax Act, 1961	Income tax	306	-	2007-08	Income Tax Appellate Tribunal ("ITAT")
		89	-	2008-09	
		209	300	2009-10	
		476	-	2010-11	High Court of Karnataka
		601	-	2012-13	ITAT
		461	50	2013-14	ITAT
		306	-	2014-15	*

*The Company is in the process of filing appeal against this order received from Deputy Commissioner of Income Tax.

(viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money by the way of initial public offer / further public offer / debt instruments and term loans during the year. Hence, reporting under clause 3(ix) of the Order is not applicable to the Company and, hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given by the management and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and hence not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

(xvi) According to the information and explanations given by the management, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per Rajeev Kumar
Partner
Membership number: 213803

Place of signature: Bengaluru
Date: May 7, 2018

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF ISG NOVASOFT TECHNOLOGIES LIMITED

Report on the Internal Financial Controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of ISG Novasoft Technologies Limited ("the Company") as of March 31, 2018, in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Rajeev Kumar
Partner
Membership Number: 213803

Place of signature: Bengaluru
Date: May 7, 2018

ISG Novasoft Technologies Limited
Balance Sheet as at 31 March 2018

	Notes	As at 31 March 2018	As at 31 March 2017
			(Rs. in lakhs)
ASSETS			
Non-current assets			
Property, plant and equipment	3	29	45
Intangible assets	3	2	184
Financial assets			
Loans	4	303	302
Deferred tax assets (net)	15	128	35
Other assets	5	55	320
Total non-current assets		**517**	**886**
Current assets			
Financial assets			
Trade receivables	6	-	25
Cash and cash equivalents	7	130	76
Other financial assets	8	572	7,082
Other assets	5	95	78
Total current assets		**797**	**7,261**
Total assets		**1,314**	**8,147**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	9	3,623	3,623
Other equity	10	(2,809)	4,181
Total equity		**814**	**7,804**
LIABILITIES			
Non-current liabilities			
Provisions	12	11	-
Total non-current liabilities		**11**	**-**
Current liabilities			
Financial Liabilities			
Trade payables	11	169	106
Other financial liabilities	13	125	66
Other liabilities	14	45	41
Provisions	12	44	16
Income tax liabilities (net)	15	106	114
Total current liabilities		**489**	**343**
Total equity and liabilities		**1,314**	**8,147**

Summary of significant accounting policies 2.1

The notes form an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

per Rajeev Kumar
Partner
Membership number: 213803

Place: Bengaluru
Date: May 7, 2018

Amit Kothiyal
Managing Director
DIN: 06652067

Place: Melbourne, USA
Date: May 7, 2018

Sundararajan Sampath
Director and CFO
DIN: 01783000

Place: Bengaluru
Date: May 7, 2018

Santhosh Hegde
Company Secretary
M.No: 38251

Place: Bengaluru
Date: May 7, 2018

ISG Novasoft Technologies Limited
Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 March 2018

	Notes	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
			(Rs. in lakhs)
CONTINUING OPERATIONS			
Income			
Revenue from operations	16	3,597	5,396
Other income	17	23	97
Total income		**3,620**	**5,493**
Expenses			
Employee benefits expense	18	2,118	2,295
Finance costs	19	29	34
Depreciation and amortisation expense	3	205	543
Other expenses	20	859	1,323
Total expenses		**3,211**	**4,195**
Profit from continuing operations before exceptional items and tax		**409**	**1,298**
Exceptional items	21	(7,261)	-
(Loss)/ profit from continuing operations before tax		**(6,852)**	**1,298**
Current tax	15	221	370
Deferred tax (credit)/ charge	15	(90)	4
Tax expense		**131**	**374**
(Loss)/ profit from continuing operations		**(6,983)**	**924**
DISCONTINUED OPERATIONS	31		
Profit for the year/ period from discontinued operations		-	211
Tax expense of discontinued operations		-	68
Profit from discontinued operations after tax		-	**143**
(Loss)/ profit for the year/ period		**(6,983)**	**1,067**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement (loss)/ gain on defined benefit plan		(10)	29
Income tax effect on above		3	-
Net other comprehensive income not to be reclassifed subsequently to profit or loss		**(7)**	**29**
Other comprehensive income for the year/ period, net of tax		**(7)**	**29**
Total comprehensive income for the year/ period		**(6,990)**	**1,096**
(Loss)/ Earnings per equity share - continuing operations			
Basic and Diluted (Rs.)		(19.27)	2.55
(Loss)/ Earnings per equity share - discontinued operations			
Basic and Diluted (Rs.)		-	0.39
(Loss)/ Earnings per share - continuing and discontinued operations			
Basic and Diluted (Rs.)		(19.27)	2.94
Summary of significant accounting policies	2.1		

The notes form an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

per Rajeev Kumar
Partner
Membership number: 213803

Bengaluru
May 7, 2018

Amit Kothiyal
Managing Director
DIN: 06652067

Melbourne, USA
May 7, 2018

Sundararajan Sampath
Director and CFO
DIN: 01783000

Bengaluru
May 7, 2018

Santhosh Hegde
Company Secretary
M.No: 38251

Bengaluru
May 7, 2018

ISG Novasoft Technologies Limited
Cash Flow Statement for the year ended 31 March 2018

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/ profit for the year/ period before tax	(6,852)	1,509
Adjustment to reconcile loss before tax to net cash flows:		
Depreciation and amortization expense	205	570
Provision for bad and doubtful debts, unbilled revenue and other receivables	7,046	-
Provision for service tax receivable	226	-
Provision no longer required written back	(7)	-
Employee stock compensation expense	-	(531)
Profit on sale of property, plant and equipment and other intangible assets	-	(7)
Assets written off	-	1
Unrealised foreign exchange gain, net	-	191
Remeasurement (gains)/ losses on defined benefit plan	(10)	29
Gain on sale of discontinued operations, net of tax	-	(68)
Interest income	-	(2)
Interest expenses	27	-
Operating profit before working capital changes	**635**	**1,692**
Changes in working capital		
(Increase)/ decrease in trade receivables	-	511
(Increase)/ decrease in Loans, other financial assets and other assets	(518)	(1,321)
Increase/ (decrease) in Trade payables, other financial liabilities provisions and other liabilities	170	(724)
	287	**158**
Income taxes paid (net of refund)	(256)	(464)
Net cash flows from/(used in) operating activities	**31**	**(306)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and other intangible assets	(7)	(54)
Proceed from sale of property, plant and equipment	-	89
Proceeds from disposal of discontinued operations	30	68
Interest received	-	2
Net cash flows from investing activities	**23**	**105**
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in working capital borrowings (net)	-	(3)
Net cash flows used in financing activities	**-**	**(3)**
Net (decrease) / increase in cash and cash equivalents	54	(204)
Cash and cash equivalents at beginning of the year/ period	76	280
Cash and cash equivalents at the end of the year/ period	**130**	**76**
Components of cash and bank balance:		
Cash on hand	-	-
Balances in current accounts	130	76
	130	**76**

Summary of significant accounting policies (Refer note 2.1)
The notes form an integral part of the financial statements

These cash flows represent cash flows in respect of the total operations of the Company i.e., continuing and discontinued.
For disclosure in respect of cash flows from discontinued operations refer note 31.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number:
101049W/E300004

For and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

per Rajeev Kumar
Partner
Membership number: 213803

Bengaluru
May 7, 2018

Amit Kothiyal
Managing Director
DIN: 06652067

Melbourne, USA
May 7, 2018

Sundararajan Sampath
Director
DIN: 01783000

Bengaluru
May 7, 2018

Santhosh Hegde
Company Secretary
M.No: 38251

Bengaluru
May 7, 2018

ISG Novasoft Technologies Limited
Statement of Changes in Equity for the year ended 31 March 2018

(Rs. in lakhs)

	Equity share capital	Other equity (Attributable to equity shareholders of the Company) (Refer note 10)		
		Reserves and surplus		
		Other reserves (ESOP outstanding account)*	Surplus / (deficit) in the statement of profit and loss	Total
Balance as at 1 January 2016	**3,623**	**1,086**	**2,530**	**3,616**
Changes in equity for the period from 1 January 2016 to 31 March 2017				
Stock compensation expense	-	(531)	-	**(531)**
Profit for the period	-	-	1,067	**1,067**
Transfer to items of OCI	-	-	29	**29**
Balance as at 01 April 2017	**3,623**	**555**	**3,626**	**4,181**
Changes in equity for the year ended 31 March 2018				
Loss for the year	-	-	(6,983)	**(6,983)**
Transfer to items of OCI	-	-	(7)	**(7)**
Balance as at 31 March 2018	**3,623**	**555**	**(3,364)**	**(2,809)**

* Represents ESOP reserves in respect of lapse of vested shares, refer Note 9 on Employee Stock Options.

Summary of significant accounting policies (Refer note 2.1)
The notes form an integral part of the financial statements

As per our report of even date
For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

per Rajeev Kumar
Partner
Membership number: 213803

Place: Bengaluru
Date: May 7, 2018

Amit Kothiyal
Managing Director
DIN: 06652067

Place: Melbourne, USA
Date: May 7, 2018

Sundararajan Sampath
Director and CFO
DIN: 01783000

Place: Bengaluru
Date: May 7, 2018

Santhosh Hegde
Company Secretary
M.No: 38251

Place: Bengaluru
Date: May 7, 2018

1. Corporate information

ISG Novasoft Technologies Limited (‘ISGN’ / ‘the Company’), a company incorporated under the Companies Act, 1956 is a majority-owned subsidiary of CFCL Ventures Limited, Cayman Islands (‘CVL’/ ‘the Holding Company’). CVL is a subsidiary of Chambal Fertilisers and Chemicals Limited (‘CFCL’ / ‘the Ultimate Holding Company’), which is an Indian company listed on recognised stock exchanges in India.

ISGN is engaged in the business of providing software products support services catering mainly to the mortgage lending industry in the United States of America (‘USA’). ISGN operates as the off-shore hub and along with its affiliates in the USA, delivers solutions and services to the customer base consisting primarily of mortgage banks and financial institutions.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

(a) Reporting period

A reporting period of 12 months i.e., from 1 April 2017 to 31 March 2018 was considered during preparation of financial statements of the Company (comparative being 15 months i.e., from 1 January 2016 to 31 March 2017) so as to align the reporting period of the Company with that of the Ultimate Holding Company.

(b) Functional and presentation currency

These financial statements are prepared in Indian Rupee, which is also the Company’s functional currency. All amounts have been rounded off to Indian Rupees in lakhs unless otherwise indicated.

(c) Basis of measurement

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

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

(d) Use of estimates, assumptions and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. The significant accounting estimates used in the preparation of these financial statements are as follows:

i. Depreciation

The charge in respect of periodic depreciation of the property, plant and equipment is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. 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.

ii. Business combinations and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets to be fair valued, in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of intangible assets. These valuations are conducted by independent valuation experts.

iii. Defined benefit plans

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables. These mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

iv. Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using internal valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

v. Income taxes

The Company's major tax jurisdiction is India. Significant judgements are involved in determining the provision for income taxes.

(e) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes an independent valuer that performs valuation of all significant fair value measurements, including Level 3 fair values.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.1 Summary of significant accounting policies

(a) Current / Non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:
- expected to be settled in normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities. The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(b) Measurement of fair values

In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company requires the measurement of fair values for both financial / non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes an independent valuer that performs valuation of all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(c) Foreign currencies

i. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency, are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss.

(d) Financial Instruments

i. Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised when the Company becomes a party to the contract that gives rise to financial assets and liabilities. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

ii. Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii. Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iv. Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognised in the statement of profit and loss.

v. Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit or loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

vi. Derecognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial asset/ liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

vii. Reclassification of financial assets and liabilities

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. The changes to the business model are expected to be infrequent.

The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

viii. Offsetting of financial instruments

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

(e) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Goods and Service Tax (GST)/sales tax/value added tax (VAT) and service tax is not received by the Company on its own account and is tax collected on value added to the commodity/service by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of services

Revenues from services are recognised as the services are rendered to a group company, on the basis of agreed mark-up on costs incurred in accordance with the agreement entered into with a group company.

'Unbilled revenue' represents value of services rendered in excess of amounts billed to the group company as at the balance sheet date.

Interest income

Interest income is recognized using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. Interest income is included under the head "other income" in the statement of profit and loss.

(f) Property, plant and equipment

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 January 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of such property, plant and equipment.

Property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the plant and equipment to its working condition for the intended use and cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss, as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.
Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are classified as capital advances under Long-term loans and advances. The cost of the fixed asset not ready for its intended use on such date is classified as capital work-in-progress.

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives of the assets estimated by the management, using the straight line method and is recognised in the consolidated statement of profit and loss.

Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The Company has used the following useful lives to provide depreciation on plant and equipment:

Category	Useful life (years)
Computers and accessories	3
Furniture and fixtures	5
Office equipments	5
Vehicles	5

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up-to) the date on which asset is ready for use (disposed off).

(g) Other intangible assets

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at 1 January 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets. Other intangible assets comprise of computer software.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for acquired computer software is considered as 3 years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Impairment of assets

i. Financial assets

The Company recognises loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in profit or loss.

ii. Non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

(i) Retirement and other employee benefits

Defined contribution plans

The contributions payable to recognized provident funds and employee state insurance which are defined contribution schemes are charged to the statement of profit and loss.

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to a recognised provident fund equal to a specified percentage of the covered employee's salary. The Company has no further obligations for future provident fund benefits other than its monthly contributions.

Defined benefit plans

i. Gratuity

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. The gratuity plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to gratuity are determined by actuarial valuation at each balance sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the fund administered by Kotak Mahindra Old Mutual Life Insurance Limited. The Company recognises the net obligation of the gratuity plan in the balance sheet as an asset or liability, respectively in accordance with Ind AS 19, 'Employee Benefits'. The Company's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provisions of Indian law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes changes in the net defined benefit obligation which includes service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income, as an expense in the statement of profit and loss.

ii. <u>Compensated absences</u>

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet, as it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(l) Leases

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

The Company as a lessee:

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the lease escalations are linked to inflation, in such a case the lease expense is recognised as per the terms of the lease arrangement.

(m) Income tax

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in other equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in other equity, respectively.

i. Current tax

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

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets - unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(n) Discontinued Operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from those of the rest of the Company and which represents a separate major line of business or geographical area of operations and

- is part of a single coordinated plan to dispose off a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit and loss is re-presented as if the operation had been discontinued from the start of the comparative period.

(o) Employee stock compensation costs

Employee stock compensation costs for stock options are recognized as employee benefit expenses based on the grant date fair value of the options granted to employees. The fair value of the options is estimated on the date of grant using the Black-Scholes-Merton valuation model on the basis of valuation performed by the Management and recognized in a graded manner on the basis of weighted period of services over the vesting period. The expected term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behavior of the employee who receives the option. Expected volatility during the expected term of the option is based on historical volatility, during a period equivalent to the expected term of the option, of the observed market prices of the publicly traded equity shares of comparable listed entities. Expected dividends during the expected term of the option are based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant over the expected term.

(p) Earnings/ (loss) per share

The basic earnings per share is computed by dividing the net profit/ (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit/ (loss) after tax by the weighted average number of equity shares considered for deriving base earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share or increase the net loss per share. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

(q) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash in hand and balance in bank in current accounts. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible as cash to be cash equivalents.

(r) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit / (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

(s) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating segments of the Company are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(t) Corporate social responsibility

Amount incurred on corporate social responsibility is charged to the statement of profit and loss when incurred.

ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 March 2018

3. Property, plant and equipment and intangible assets

(Rs. in lakhs)

	Property, plant and equipment					Intangible assets
	Computers and accessories	**Office equipment**	**Leasehold improvements**	**Furniture and fixtures**	**Total**	**Computer software**
Gross carrying value as of 1 January 2016	**102**	**11**	**1**	**3**	**117**	**1,312**
Additions	20	10	14	1	45	17
Disposals	(86)	(4)	-	(2)	(92)	(257)
Gross carrying value as of 1 April 2017	**36**	**17**	**15**	**2**	**70**	**1,072**
Additions	7	-	-	-	7	-
Disposals	-	-	-	-	-	-
Gross carrying value as of 31 March 2018	**43**	**17**	**15**	**2**	**77**	**1,072**
Accumulated depreciation as of 1 January 2016	**69**	**5**	**1**	**-**	**75**	**533**
Charge for the period	30	4	2	1	37	533
Accumulated depreciation/ amortisation on deletions	(85)	(1)	-	(1)	(87)	(178)
Accumulated depreciation as of 1 April 2017	**14**	**8**	**3**	**-**	**25**	**888**
Charge for the year	15	2	5	1	23	182
Accumulated depreciation/ amortisation on deletions	-	-	-	-	-	-
Accumulated depreciation as of 31 March 2018	**29**	**10**	**8**	**1**	**48**	**1,070**
Carrying value as of 31 March 2017	**22**	**9**	**12**	**2**	**45**	**184**
Carrying value as of 31 March 2018	**14**	**7**	**7**	**1**	**29**	**2**

4. Loans
(Unsecured, considered good)

	As at 31 March 2018	As at 31 March 2017
		(Rs. in lakhs)
Non-current		
Security deposits [1]	303	302
	303	**302**

[1] Financial assets carried at amortized cost 303 302

5. Other assets
(Considered good, except as otherwise stated)

	As at 31 March 2018	As at 31 March 2017
		(Rs. in lakhs)
Non-current		
Prepaid gratuity	-	16
Balance with statutory/ government authorities		
- Considered good	55	304
- Considered doubtful	299	84
Less: Provision for doubtful assets	(299)	(84)
	55	**320**
Current		
Advances to suppliers	-	1
Prepaid expenses	95	77
	95	**78**

6. Trade receivables *
(Unsecured)

	As at 31 March 2018	As at 31 March 2017
		(Rs. in lakhs)
Current		
Considered good	-	25
Considered doubtful	25	-
	25	**25**
Less: Allowance for doubtful debts	(25)	-
	-	**25**

* Receivable from a related party

7. Cash and cash equivalents

	As at 31 March 2018	As at 31 March 2017
		(Rs. in lakhs)
Cash in hand	-	-
Balances with banks		
In current accounts	130	76
	130	**76**

ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 March 2018

8. Other financial assets

		(Rs. in lakhs)
	As at 31 March 2018	**As at 31 March 2017**
Current		
Unbilled revenue receivable from related parties [1]		
Considered good	572	6,927
Considered doubtful	6,964	-
	7,536	**6,927**
Less: Allowance for doubtful unbilled revenue	(6,964)	-
	572	**6,927**
Foreign currency forward contracts [2]	-	67
Escrow receivable [1]	-	30
Other receivables from related parties [1]		
Considered good	-	58
Considered doubtful	58	-
Less: Allowance for doubtful receivables	(58)	-
	-	**58**
	572	**7,082**
[1] Financial assets carried at amortized cost	572	7,015
[2] Financial assets carried at fair value through profit or loss	-	67

9. Equity share capital

		(Rs in lakhs)
	As at 31 March 2018	As at 31 March 2017
Authorized share capital		
50,000,000 (31 March 2017: 50,000,000) equity shares of par value Rs. 10 each	5,000	5,000
	5,000	**5,000**
Issued, subscribed and paid up share capital		
36,230,700 (31 March 2017: 36,230,700) equity shares of par value Rs. 10 each fully paid up	3,623	3,623
	3,623	**3,623**

Shareholding by the Holding Company and shareholders holding more than 5 percent of shares along with the number of shares held at the beginning and at the end of the year / period is as given below:

	As at 31 March 2018		As at 31 March 2017	
	Number of shares	% of share holding	Number of shares	% of share holding
CFCL Ventures Limited, Holding Company	36,230,000	99.998%	36,230,000	99.998%

Reconcilation of shares outstanding as at the beginning and at the end of the reporting year/ period:

	As at 31 March 2018		As at 31 March 2017	
	Number of shares	Amount (Rs. in lakhs)	Number of shares	Amount (Rs. in lakhs)
Shares at the beginning and at the end of the year/ period	36,230,700	3,623	36,230,700	3,623
Add / (Less): Movement during the year / period	-	-	-	-
Shares at the end of the year/ period	**36,230,700**	**3,623**	**36,230,700**	**3,623**

Rights, preference and restrictions attached to shares
The Company has a single class of shares having a par value of Rs 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. The Company has not proposed any dividend during the current year. In the event of liquidation, the shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. However, no such preferential amounts exist currently.

Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:
There has been no issuance of bonus shares, shares issued for consideration other than cash or buy back of shares during the last five years ended 31 March 2018.

There are no shares reserved for issue under options, convertible preference shares and convertible warrants.

Employee stock options
The Board of Directors of CFCL Technologies Limited, approved the 2007 Share Option Plan ('Plan') administered by the compensation committee for granting stock options to certain employees of its subsidiaries companies as per Managements discretion. A committee has been constituted to administer the Plan along with the Board and to determine the grant date fair value which would be the exercise price for such options. A total of 6,081,498 shares were reserved for issuance under the Plan.

The fair value of the shares is determined by the management on the date of the grant of the stock options to the employees pursuant to the Plan. The fair valuation has been done using the Black-Scholes-Merton valuation model. The stock options vest equally over the period of 4 years and the exercise period is 10 years from the date of grant.

On 28 January 2016, the Company entered into a Slump Sale Agreement with Firstsource Process Management Services Limited, India, for the sale of the Knowledge Process Outsourcing (KPO) business of the Company. As per the slump sale agreement, notice of the termination of employee stock options was delivered to option holders and written confirmation from such option holders consenting to the termination was obtained. Therefore, options given to employees of the Company was forfeited on execution of this slump sale agreement.

The stock compensation cost is a component of the fair value of the stock options and the number of options, which is recognised as employee compensation cost over the vesting period, provided that the stock option holders continue to be in employment of the Company. Upon the aforesaid forefeiture the cost in relation to such forfeited options amounting to Rs. 531 Lakhs was reversed in the statement of profit and loss during the period ended 31 March 2017.

The following table details the movement of options under the Plan mentioned above:

	For the year ended 31 March 2018			For the period from 1 January 2016 to 31 March 2017		
	Number	**Weighted average exercise price (in USD)**	**Weighted average exercise price (in INR)**	**Number**	**Weighted average exercise price (in USD)**	**Weighted average exercise price (in INR)***
Options outstanding at the beginning of the year/period	-	-	-	2,427,167	1.12	74.29
Options forfeited during the year / period	-	-	-	2,427,167	1.12	74.29
Options outstanding at the end of the year / period	-	-	-	-	-	-
Options exercisable at the end of the year / period	-	-	-	-	-	-

* converted using the closing rate as at 31 March 2017

The estimated weighted average fair value of options granted during the previous period was in the range of USD 0.64 to USD 0.75. This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Fair value per share (USD)	USD 1.09 to USD 1.26
Exercise price (USD)	USD 1.09 to USD 1.26
Average risk-free interest rate	1.25% - 1.47%
Expected volatility of share price	0.6585
Expected life of options granted (in years)	6
Expected dividend yield	Nil
Fair value of the options (USD)	USD 0.65 to USD 0.75

10. Other equity

(Rs. in lakhs)

	As at 31 March 2018	As at 31 March 2017
Surplus / (deficit) in the statement of profit and loss		
Balance as per last financial statements	**3,626**	**2,530**
(Loss)/ profit for the year/ period	(6,983)	1,067
OCI - Remeasurement (losses)/ gains on defined benefit plan	(7)	29
Closing balance	**(3,364)**	**3,626**
Employee stock options reserve		
Balance as per last financial statements	**555**	**1,086**
Less: Compensation on ESOP lapsed during the year/ period	**-**	(531)
Closing balance	**555**	**555**
Total other equity	**(2,809)**	**4,181**

11. Trade payables*

(Rs. in lakhs)

	As at 31 March 2018	As at 31 March 2017
Current		
- Total outstanding dues of micro enterprises and small enterprises	**-**	**-**
- Total outstanding dues of creditors other than micro enterprises and small enterprises	169	106
	169	**106**

* Financial liabilities at amortized cost

Trade payables are non-interest bearing and are normally settled on 30 - 45 days terms.

Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under " The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act)" as at 31 March 2018 and 31 March 2017.

12. Provisions

(Rs. in lakhs)

	As at 31 March 2018	As at 31 March 2017
Non-current		
Gratuity	11	**-**
	11	-
Current		
Gratuity	9	**-**
Compensated absences	35	16
	44	**16**

13. Other financial liabilities

(Rs. in lakhs)

	As at 31 March 2018	As at 31 March 2017
Current		
Employee related liabilities [(1)]	112	40
Foreign currency forward contracts [(2)]	2	-
Other expenses payable [(1)]	11	-
Payables to related parties [(1)]	**-**	26
	125	**66**
[(1)]Financial liabilities carried at amortized cost	123	66
[(2)]Financial assets liabilities at fair value through profit or loss	2	**-**

14. Other current liabilities

(Rs. in lakhs)

	As at 31 March 2018	As at 31 March 2017
Statutory dues payable	45	41
	45	**41**

15. Income taxes

Income tax expense in the statement of profit and loss comprises:

		(Rs. in lakhs)
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Current taxes	221	370
Deferred taxes	(90)	4
Income tax expense of continuing operations	**131**	**374**

Income tax expense of continuing operations does not include the following:

		(Rs. in lakhs)
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Tax expense from sale of discontinued operations	-	68

Income tax expense in the statement of other comprehensive income comprises:

		(Rs. in lakhs)
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Remeasurement of gain/ (loss) on defined benefit plan	(3)	-

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 below:

		(Rs. in lakhs)
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Profit before income taxes	(6,852)	1,298
Enacted tax rates in India	33.06%	34.61%
Computed expected tax expense	(2,266)	450
Non-deductible expenses	2,394	(76)
Income tax expense of continuing operations	**128**	**374**

The applicable statutory tax rate for fiscal 2018 and fiscal 2017 is 33.063% and 34.61%.

The following table provides the details of income tax assets and income tax liabilities as of 31 March 2018 and 31 March 2017:

		(Rs. in lakhs)
	As at 31 March 2018	**As at 31 March 2017**
Provision for income tax (net of advance taxes)	106	114
	106	**114**

The gross movement in the current income tax asset / (liability) for the year ended 31 March 2018 and for the period from 1 January 2016 to 31 March 2017 is as follows:

		(in Rs. lakhs)
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Net current income tax liability at the beginning of the year/ period	(114)	(140)
Income tax paid	256	464
Current income tax expense	(221)	(370)
Interest on income tax	(27)	-
Income tax on discontinued operations	-	(68)
Net current income tax liability at the end of the year/ period	**(106)**	**(114)**

The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:

		(in Rs. lakhs)
	As at 31 March 2018	**As at 31 March 2017**
Deferred tax assets		
Fixed assets	50	16
Provision for employee benefits	15	20
Others	60	-
On other comprehensive income	3	-
Deferred tax asset	**128**	**36**
Deferred tax liabilities		
Provision for employee benefits	-	(1)
	-	**(1)**
Deferred tax assets after set off	**128**	**35**

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the Company will realize the benefits of those temporary differences. The amount of the deferred income 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.

The gross movement in the deferred tax asset/ (liability) for the year ended 31 March 2018 and for the period from 1 January 2016 to 31 March 2017 is as follows:

		(in Rs. lakhs)
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Net deferred tax asset at the beginning of the year/ period	35	39
Credits / (charge) relating to temporary differences	90	(4)
Temporary differences on other comprehensive income	3	-
Net deferred tax asset at the end of the year/ period	**128**	**35**

16. Revenue from operations

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
Income from software support services	3,597	5,396
	3,597	**5,396**

17. Other income

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
Provisions no longer required written back	7	-
Sub-lease income	-	88
Profit on sale of property, plant and equipment	-	7
Miscellaneous income	16	2
	23	**97**

18. Employee benefits expense

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
Salaries and bonus	1,938	2,521
Contribution to provident and other funds	95	173
Gratuity expense	26	24
Stock compensation expense	-	(531)
Staff welfare expenses	59	108
	2,118	**2,295**

19. Finance costs

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
Interest expense	27	30
Bank Charges	2	4
	29	**34**

20. Other expenses

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
Sub-contracting expenses	14	74
Power and fuel	44	56
Rent	237	276
Repairs and maintenance:		
- computer equipment	227	301
- others	91	76
Payments to auditors (refer details below) *	7	18
Rates and taxes	14	1
Travelling and conveyance	60	122
Communication	66	96
Consultancy, legal and professional charges	122	121
Asset write off	-	1
Provision for service tax receivable	-	40
Exchange fluctuation (gain)/ loss (net) #	(85)	60
Corporate social responsibility expenditure	31	29
Security charges	24	26
Miscellaneous expenses	7	26
	859	**1,323**

Includes loss on fair valuation of foreign currency forward contracts of Rs. 2 Lakhs (Period ended March 31, 2017 gain of Rs. 67 Lakhs).

*** Payment to auditors (excluding applicable taxes)**

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017 #
As auditor:		
- Statutory audit fee	5	5
- Tax audit fee	2	13
	7	**18**

represents amount paid to erstwhile auditor.

21. Exceptional items (refer note below)

(Rs. in lakhs)

	For the year ended 31 March 2018	For the period from 1 January 2016 to 31 March 2017
Provision for unbilled revenue receivable from a related party	6,964	-
Provision for other receivable from a related party	58	-
Provision for inter company trade receivables from a related party	25	-
Provision for ineligible service tax credit	215	-
	7,261	**-**

Note:

As at March 31, 2018, the Company has unbilled receivables aggregating to Rs. 7,619 Lakhs (including Rs. 6,964 Lakhs aged more than one year) from ISGN Corporation, USA ("ISGN USA"), a fellow subsidiary. These unbilled receivables were accumulated over a period of time on account of Transfer Pricing requirements under the Income Tax Act and inability of ISGN USA to pay these receivables due to difficult financial condition. After considering the current financial position and future business prospects of ISGN USA, the Company has deemed the same as doubtful of recovery and accordingly the aforesaid receivables of Rs. 6,964 Lakhs have been fully provided for as at year end.

Further, the Company has provided for trade receivables of Rs. 25 Lakhs and other receivables of Rs. 58 Lakhs which are considered doubtful of recovery.

Further, the management, basis external advise, is of view that the aforesaid is in compliance with provisions of the Foreign Exchange Management Act, 1999.

Service tax input credit in relation to the aforesaid services has also been provided.

22. Financial instruments by category

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

(Rs. in lakhs)

	Amortised cost	Fair value through profit or loss	Total carrying value	Total fair value
Assets:				
Cash and cash equivalents	130	-	130	130
Trade receivables	-	-	-	-
Other financial assets	572	-	572	572
Loans	303	-	303	303
	1,005	**-**	**1,005**	**1,005**
Liabilities:				
Trade payables	169	-	169	169
Other financial liabilities	123	2	125	125
	292	**2**	**294**	**294**

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

(Rs. in lakhs)

	Amortised cost	Fair value through profit or loss	Total carrying value	Total fair value
Assets:				
Cash and cash equivalents	76	-	76	76
Trade receivables	25	-	25	25
Other financial assets	7,015	67	7,082	7,082
Loans	302	-	302	302
	7,418	**67**	**7,485**	**7,485**
Liabilities:				
Trade payables	106	-	106	106
Other financial liabilities	66	-	66	66
	172	**-**	**172**	**172**

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

All financial assets and liabilities carried at amortised cost are at Level 3 of Fair value heirarchy.

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

(Rs. in lakhs)

	As at 31 March 2018	Fair value measurement at end of the reporting period/ year using		
		Level 1	Level 2	Level 3
Liabilities				
Foreign currency forward contracts	2	-	2	-

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

(Rs. in lakhs)

	As at 31 March 2017	Fair value measurement at end of the reporting period/ year using		
		Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	67	-	67	-

Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance.

Market risk

Foreign Currency Risk

The Company operates in India and is exposed to foreign exchange risk on account of its services to fellow subsidiary ISG Novasoftt Corporation Inc., in the United States of America. The Group holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the Indian Rupee and US Dollars has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

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

		(in USD)
	As at	
	31 March 2018	**31 March 2017**
Foreign currency forward contracts	2,225,000	1,850,036

Below is the summary of foreign currency exposure of Company's financial assets:

		(Rs. in lakhs)
	As at	
	31 March 2018	**31 March 2017**
Unbilled revenue	572	6,927
Trade receivables	-	25
Other receivables	-	58
	572	**7,010**

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates on the profit before exceptional items [increase/ (decrease)] of the Company:

		(Rs. in lakhs)
	For the year/ period ended	
	31 March 2018	**31 March 2017**
INR/ USD - depreciates by 1 %	6	70
INR/ USD - appreciates by 1 %	(6)	(70)

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from unbilled revenues amounting to Rs. 572 Lacs and Rs. 6,927 Lakhs as of 31 March 2018 and 31 March 2017, respectively and trade receivables amounting to Rs. Nil and Rs. 25 Lakhs as of 31 March 2018 and 31 March 2017, respectively, arising from its rendering of services to its fellow subsidiary ISG Novasoft Corporation Inc. Also, refer note 21.

Liquidity risk

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company believes that the working capital and the support provided by the Holding Company is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

All the significant financial liabilities of the Company are contractually expected to mature within 1 year from the balance sheet date.

23. Capital management

The Company is a wholly owned subsidiary of CFCL Ventures Limited and does not have borrowings. The Company is largely dependent on the equity capital from its Parent Company and funds generated from its operations for managing its capital.

24. Contingent liabilities and commitments

a) Contingent Liabilities

	As at 31 March 2018	As at 31 March 2017
		(Rs. in lakhs)
Income tax demands, under appeal [refer Note (i) below]	2,431	1,515
Others [refer Note (ii) below]	168	168

(i) The tax authorities have made various adjustments relating to transfer pricing and other disallowances to taxable income for various assessment years i.e. 2007-2008 to 2014-15.

(ii) These include deposits placed by ISGN India with the High Court of Chennai, India towards an employee claim against it pending at the court.

The Company is contesting aforesaid demands and the management, based on external advise, believes that its position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the aforesaid demands raised. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations. The Company does not expect any reimbursements in respect of the above contingent liabilities.
In addition, the Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect on the Company's results of operations or financial condition.

b) Commitments

The Company does not have any commitments as at the balance sheet date, except towards operating lease as disclosed in Note 25.

25. Leases

Company as lessee (Operating leases)

The Company is obligated under non-cancellable leases for office premises and certain equipment. Future minimum lease payments of non-cancellable leases are as follows:

	As at 31 March 2018	As at 31 March 2017
		(Rs. in lakhs)
Not later than one year	167	45
Later than one year but not later than 5 years	302	67
Later than five years	-	-
Total	**469**	**112**

The total rental expense recognized under non-cancellable and cancellable operating leases in the statement of profit and loss for the year ended 31 March 2018 is Rs 237 Lakhs [period ended 31 March 2017: Rs. 375 lakhs (including Rs. 99 Lakhs in relation to discontinued operations)]. The lease arrangements have been entered up to a maximum of 3 years from their respective dates of inception.

ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 March 2018

26. Related party disclosures:

Related parties where control exists

Ultimate Holding Company	Chambal Fertilizers and Chemicals Limited, India
Immediate Holding Company	CFCL Ventures Limited, Cayman Islands (w.e.f 20 December 2016)
	CFCL Technologies Limited (upto 19 December 2016)
Subsidiary Company	Inuva Info Management Private Limited, India
Fellow subsidiary	ISGN Corporation Inc., USA
Key management personnel	Amit Kothiyal, CEO and Whole-time director
	Sundararajan Sampath, CFO and Whole-time director
	Ranjaraman Ramaswamy, Independent Director
	Mohan Subramaniam, Independent Director

Details of the transactions with the related parties during the year ended March 31, 2018 and

(Rs. in lakhs)

	For the year/ period ended	
	31 March 2018	**31 March 2017**
Revenure Earned from software support services		
ISGN Corporation Inc. (continuing operations)	3,597	5,396
ISGN Corporation Inc. (discontinued operations)	-	1,103
	3,597	**6,499**
Reimbursement of expenses incurred on behalf of		
Inuva Info Management Private Limited,India	6	-
	6	-
Provison made during the year		
Provision for Unbilled revenue receivable from ISGN Corporation Inc.	6,964	-
Provision for trade receivables from ISGN Corporation Inc.	25	-
Provision for other receivables from ISGN Corporation Inc.	58	-
	7,047	-
Key managerial personnel		
Salary and Perquisite		
Amit Kothiyal	278	362
Sundararajan Sampath	85	107
	364	**469**
Director Sitting Fees		
Ranjaraman Ramaswamy	3	3
Mohan Subramaniam	2	2
	5	**4**

Details of balances receivable from and payable to related parties are as follows:

(Rs. in lakhs)

	As at	
	31 March 2018	**31 March 2017**
ISGN Corporation, USA		
Trade Receivables [net of Provision for doubtful debts of Rs. 25 Lakhs (March 31, 2017: Rs. Nil)]	-	25
Other receivables [net of Provision for doubtful receivables of Rs. 58 Lakhs (March 31, 2017: Rs. Nil)]	-	58
Unbilled Revenue [net of Provision for doubtful unbilled revenue receivables of Rs. 6,964 Lakhs (March 31, 2017: Rs. Nil)]	572	6,927
	572	**7,010**
Other payables		
Inuva Info Management Private Limited	-	26
	-	**26**

27. Segment Reporting:

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. The operating segments, operating results are reviewed by Company's Chief Operating Decision Maker (CEO) to make decisions about resources to be allocated to the segments and assess their performance. The company's business activities fall within one business segment software support services to its fellow subsidiary. Accordingly, separate segment disclosures as per the requirements of Ind AS 108, Operating Segments, are not considered necessary.

The Company's Non-current non-operating assets are located in India.

28. Employee Benefits:

The following table sets set out the details of gratuity plan as required under Ind AS 19 Employee Benefits:

(Rs. in lakhs)

	As at 31 March 2018	**As at 31 March 2017**
Present Value of obligation as at the beginning of the period/year	72	148
Interest Cost	5	14
Current Service Cost	26	16
Past Service cost	1	-
Benefits paid	(8)	(41)
Acturial (gain)/loss on obligation	11	(27)
Transfer in/ (out)	-	(38)
Present Value of obligation at the end of the period /year (A)	**106**	**72**
Fair Value of Plan Assets at the beginning of the period	88	75
Transfer in/ (out)	-	(38)
Contributions by employer	2	85
Benefits paid	(8)	(41)
Interest income on plan assets	5	-
Acturial gain/(loss) on plan assets	1	2
Expected return on plan assets	(2)	5
Fair Value of Plan Assets at the end of the period (B)	**86**	**88**
Present Value of obligation at the end of the period (A)	106	72
Fair Value of Plan Assets at the end of the period (B)	86	88
Funded status of the plan - (liability)/ asset (B-A)	**(20)**	**16**

Amount for the period ended 31 March 2018 and 31 March 2017 recognized in the statement of profit and loss under employee benefits expense:

(Rs. in lakhs)

	As at 31 March 2018	**As at 31 March 2017**
Current Service Cost	26	16
Interest Cost	5	14
Expected return on plan assets	(5)	(5)
Past Service Cost	1	-
Expenses to be recognized in the Statement of Profit and Loss	**26**	**25**

Amount for the period ended 31 March 2018 and 31 March 2017 recognized in the statement of other comprehensive income under employee benefit expense:

(Rs. in lakhs)

	As at 31 March 2018	**As at 31 March 2017**
Actuarial gains / (losses) due to financial assumptions change	(7)	-
Actuarial gains / (losses) due to experience adjustment	(3)	29
Total expenses recognised through OCI	**(10)**	**29**

The principal assumptions used in determining gratuity obligations for the Group's plans are shown below:

	As at 31 March 2018	As at 31 March 2017
Discount Rate	7.60%	6.30%
Salary escalation	7.00%	7.00%
Expected rate of return on plan asset	6.30%	7.40%
Employee turnover	10.00%	35.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the year over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The plan assets are funded as investment with insurers. A quantitative sensitivity analysis for significant assumption is as below:

(Rs. in lakhs)

	31 March 2018	
	1% increase	1% decrease
Impact on defined benefit obligation		
Discount rate	(9)	10
Salary escalation	10	(9)
Employee turnover	-	-

(Rs. in lakhs)

	31 March 2017	
	1% increase	1% decrease
Impact on defined benefit obligation		
Discount rate	(6)	6
Salary escalation	6	(6)
Employee turnover	-	-

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable change in key assumptions occurring at the end of the reporting period.

The following payments are expected contribution to the defined benefit plans in future years:

(Rs. in lakhs)

	As at 31 March 2018	As at 31 March 2017
Within next 12 months	9	27
Between 2 to 5 years	77	89
Between 6 to 10 years	133	45
	219	**161**

The average duration of the defined benefit plan obligation at the end of the reporting period is 8 years (31 March 2017 - 7 years).

29. (Loss)/ earnings per share

	(Rs. in lakhs)	
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Continuing operations		
(Loss)/ Profit after tax	(6,983)	924
Discontinued operations		
Profit after tax	-	143
Weighted average number of ordinary shares considered in calculating Basic and Diluted Earnings Per Share ('EPS')	36,230,700	36,230,700
(Loss)/ Earnings per share - continuing operations - Basic and Diluted (Rs.)	(19.27)	2.55
(Loss)/ Earnings per equity share - discontinued operations - Basic and Diluted (Rs.)	-	0.39
(Loss)/ Earnings per equity share - discontinued operations - Basic and Diluted (Rs.)	(19.27)	2.94

30. Expenditures and Earnings in Foreign currency

	(Rs. in lakhs)	
	For the year ended 31 March 2018	**For the period from 1 January 2016 to 31 March 2017**
Expenditures in foreign currency		
Travelling and conveyance	4	10
Earnings in foreign currency		
Revenue from Continuing Operations	3,597	5,396
Revenue from Discontinued Operations	-	1,103

Provision for unbilled revenue receivables of Rs. 6,964 Lakhs, trade receivables of Rs. 25 Lakhs and other receivables of Rs. 58 Lakhs has not been included in the aforesaid disclosure. Also, refer note 21.

31. Discontinued operations

On 28 January 2016, the Company entered into a Slump Sale Agreement for the sale of a portion of its business (i.e) the Knowledge Process Outsourcing (KPO) business for an amount of INR 30,000,000 with Firstsource Process Management Services Limited, India. The aforesaid arrangements were concluded effective 31 March 2016.

The above arrangements were concluded effective 31 March 2016. Accordingly, the operations have in relation to KPO business for the period from 1 January 2016 to 31 March 2016 have been disclosed as discontinued operations.

A. The results of these discontinued operations for the period ended 31 March 2017 are disclosed below. There are no discontinued operations during the year ended 31 March 2018, except collection of Escrow receivables:

	(Rs. in lakhs) For the period from 1 January 2016 to 31 March 2017
Revenue from discontinued operations	**1,103**
Expenses	
Employee benefits	694
Depreciation and amortisation	27
Other expenses	239
Total expenses	**960**
Gain on sale of discontinued operation	68
Profit from discontinued operations before tax	**211**
Tax expense	
Current tax	50
Income tax on gain on sale of discontinued operation	18
	68
Profit from discontinued operations, net of tax	**143**
Gain on sale of discontinued operations, net of tax	**50**

B. The net cash flows attributable to the discontinued operations was as follows:

	For the year ended 31 March 2018	**(Rs. in lakhs)** For the period from 1 January 2016 to 31 March 2017
Operating activities	-	25
Investing activities	30	68
Financing activities	-	-
Net cash inflow	**30**	**93**

32. The Company has entered into 'International transactions' with 'Associated Enterprises' which are subject to Transfer Pricing regulations in India. The Company is in the process of carrying out transfer pricing study for the year ended March 31, 2018 in this regard, to comply with the requirements of the Income Tax Act, 1961. The Management of the Company, is of the opinion that such transactions with Associated Enterprises are at arm's length and hence in compliance with the aforesaid legislation. Consequently, this will not have any impact on the standalone financial statements, particularly on account of tax expense and that of provision for taxation.

33. The managerial remuneration paid by the Company to its whole time directors for the period 1 January 2016 to 31 March 2017 was in excess of the lmits specified under Companies Act, 2013. Subsequently during the year ended 31 March 2018, the Company has obtained an approval from the Central Government in this regard.

34. As per Section 135 of the Companies Act, 2013, a Corporate Social Responsibility (‘CSR’) committee has been formed by the Company. The primary function of the Committee is to assist the Board of Directors in formulating a CSR Policy and review the implementation and progress of the same from time to time. The CSR policy focuses on promotion of education. Gross amount required to be spent by the Company during the year was Rs. 31 Lakhs (previous period ended 31 March 2017: Rs. 29 Lakhs). The expenses incurred towards CSR activities amounting to Rs. 31 Lakhs (previous period ended 31 March 2017: Rs. 29 Lakhs) has been charged to the statement of profit and loss and is disclosed under other expenses.

Amount spent during the year ending 31 March 2018:

	(Rs. in lakhs)
	For the year ended 31 March 2018
Amounts spent in cash	
(i) Construction/acquisition of any asset	-
(ii) On purposes other than (i) above	31
	31
Amounts yet to be paid in cash	-
Total amount spent	**31**

35. Standards issued but not yet effective

Ind AS 115- Revenue from Contract with Customers
Ind AS 115 was issued on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede virtually all current revenue recognition requirements under Ind AS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 April 2018. The Company plans to adopt the new standard on the required effective date and is currently assessing the potential adoption method and impact, the adoption of this standard will have on its financial statements and disclosures.

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration
On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from 1 April, 2018. The Company is evaluating the impact of this amendment on its financial statements.

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36. Previous period figures

Previous period figures have been regrouped / reclassified, where necessary, to conform to this year's classification. Also, the current year figures are not comparable with previous period figures of fifteen months.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per Rajeev Kumar
Partner
Membership number: 213803

Place: Bengaluru
Date: May 7, 2018

For and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

Amit Kothiyal
Managing Director
DIN: 06652067

Place: Melbourne, USA
Date: May 7, 2018

Sundararajan Sampath
Director and CFO
DIN: 01783000

Place: Bengaluru
Date: May 7, 2018

Santhosh Hegde
Company Secretary
M.No: 38251

Place: Bengaluru
Date: May 7, 2018