Financial Statements and Auditor's Report

DESIGNIT TOKYO LTD.

31 March 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Designit Tokyo Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances on whether the company has adequate internal financial controls with reference to the financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Matters

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

Our opinion is not modified in respect of this matter.

Restriction on distribution or use

This report is intended solely for the information of the Company’s and its ultimate holding company’s board of directors for their internal use and accordingly, should not be used, referred to or distributed for any other purpose or to any other party without our prior written consent. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company’s and ultimate holding Company’s Board of Directors, for our audit work, for this report, or for the opinions we have formed.

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

Sd/-

Seethalakshmi M
Partner
Membership No. 208545

Place of Signature: Bengaluru
Date: 29 May 2020

DESIGNIT TOKYO LTD.
Balance Sheet as at 31 March 2020
(Amount in JPY, unless otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,532,602	1,807,949
Right-of-use assets	5	1,043,968	-
Deferred tax assets (net)	23	16,799,365	16,799,365
Total non-current assets		**19,375,935**	**18,607,314**
Current assets			
Financial assets			
Trade receivables	6	62,363,327	43,306,953
Cash and cash equivalents	7	3,216,192	46,503,381
Other financial assets	8	9,775,500	9,083,000
Contract assets		-	2,196,216
Other current assets	9	1,288,644	2,471,089
Current tax assets		6,814,400	-
Total current assets		**83,458,063**	**103,560,639**
TOTAL ASSETS		**102,833,998**	**122,167,953**
EQUITY			
Share capital	10	16,500,000	16,500,000
Other equity		(93,975,249)	(109,606,681)
TOTAL EQUITY		**(77,475,249)**	**(93,106,681)**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	11	147,488,647	169,328,456
Lease Liabilities	12	884,702	-
Total non-current liabilities		**148,373,349**	**169,328,456**
Current liabilities			
Financial liabilities			
Trade payables	13	23,922,290	8,396,542
Lease Liabilities	14	179,529	-
Current tax liabilities (net)		-	25,551,187
Other current liabilities	15	7,834,079	11,998,449
Total current liabilities		**31,935,898**	**45,946,178**
TOTAL LIABILITIES		**180,309,247**	**215,274,634**
TOTAL EQUITY AND LIABILITIES		**102,833,998**	**122,167,953**

Summary of significant accounting policies 3

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

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

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Place: Bengaluru
Date: 29th May 2020

For and on behalf of the Board of Directors of
DESIGNIT TOKYO LTD.

Sd/-
Kjersti Lund
Director

Sd/-
Ashish Chawla
Director

DESIGNIT TOKYO LTD.
Statement of Profit and Loss for the year ended 31 March 2020
(Amount in JPY, unless otherwise stated)

	Notes	Year ended 31 March 2020	Year ended 31 March 2019
INCOME			
Income from operations	16	233,434,154	247,432,266
Other income	17	6,844,861	11,609,452
Total Income		**240,279,015**	**259,041,718**
EXPENSES			
Employee benefits expense	18	127,660,993	96,219,923
Finance costs	19	5,502,144	9,573,612
Depreciation and amortisation expense	4 & 5	1,748,275	1,335,843
Other expenses	20	98,485,889	72,051,006
Total expenses		**233,397,301**	**179,180,384**
Profit/(Loss) before tax		**6,881,714**	**79,861,334**
Tax expense			
Current tax:			
- Current Year		1,057,269	25,926,183
- Previous Year		(9,806,987)	-
Deferred tax		-	-
Total tax expense		**(8,749,718)**	**25,926,183**
Profit/(Loss) for the year		**15,631,432**	**53,935,151**
Other comprehensive income (OCI)		-	-
Total comprehensive income/(loss) for the year		**15,631,432**	**53,935,151**
Earnings per equity share: (Equity shares of par value JPY 500 each)	21		
Basic		473.68	1,634.40
Diluted		473.68	1,634.40
Number of shares			
Basic		33,000	33,000
Diluted		33,000	33,000
Summary of significant accounting policies	3		

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

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

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Place: Bengaluru
Date: 29th May 2020

For and on behalf of the Board of Directors of DESIGNIT TOKYO LTD.

Sd/-
Kjersti Lund
Director

Sd/-
Ashish Chawla
Director

DESIGNIT TOKYO LTD.
Cash Flow Statement for the year ended 31 March 2020
(Amount in JPY, unless otherwise stated)

		Year ended 31 March 2020	Year ended 31 March 2019
Cash flows from operating activities:			
Profit for the year		15,631,432	53,935,151
Adjustments			
(Gain) / loss on sale of property, plant and equipment, net		44,229	-
Depreciation and amortisation expense		1,748,275	1,335,843
Finance Costs		5,502,144	9,573,612
Income tax expense		(8,749,718)	25,926,183
Exchange Differences, net		(6,431,414)	(11,609,452)
Interest (income)/expenses		(233)	-
Operating profit before working capital changes		7,744,715	79,161,337
Adjustments for working capital changes:			
(Increase) / Decrease in Trade receivables		(19,056,374)	(18,181,517)
(Increase) / Decrease in Contract assets		2,196,216	(2,196,216)
(Increase) / Decrease in Loans & Advances and Other assets		489,945	(2,149,582)
(Increase) / Decrease in Trade payables, other liabilities		11,361,378	15,568,975
(Decrease) in Provisions		-	(2,095,415)
(Decrease) in Contract liabilities		-	(2,480,000)
Cash generated from operations		2,735,880	67,627,582
Direct taxes (paid)		(23,615,869)	(180,027)
Net cash generated from operating activities	**(A)**	**(20,879,989)**	**67,447,555**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(1,439,596)	(959,860)
Interest received		233	415
Net cash generated from/(used in) investing activities	**(B)**	**(1,439,363)**	**(959,445)**
Cash flows from financing activities:			
(Repayment) of loans & borrowings		(15,651,584)	(41,055,576)
Finance Costs		(5,242,455)	(8,103,410)
Repayment of lease liabilites		(73,798)	-
Net cash generated from/(used in) financing activities	**(C)**	**(20,967,837)**	**(49,158,986)**
Net increase in cash and cash equivalents during the year (A+B+C)		**(43,287,189)**	**17,329,124**
Cash and cash equivalents at the beginning of the year		46,503,381	29,174,257
Cash and cash equivalents at the end of the year (refer note 7)		**3,216,192**	**46,503,381**
Components of cash and cash equivalents (note 7)			
Balances with banks			
In current accounts		**3,216,192**	**46,503,381**

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

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

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Place: Bengaluru
Date: 29th May 2020

For and on behalf of the Board of Directors of
DESIGNIT TOKYO LTD.

Sd/-
Kjersti Lund
Director

Sd/-
Ashish Chawla
Director

DESIGNIT TOKYO LTD.
Statement of Changes in Equity for the year ended 31 March 2020
(Amount in JPY, unless otherwise stated)

Equity share capital	Balance as at 01 April 2018	Changes in equity share capital during the year	Balance as at 01 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
Equity share capital of Face value JPY 500 each	**16,500,000**	**-**	**16,500,000**	**-**	**16,500,000**
	16,500,000	**-**	**16,500,000**	**-**	**16,500,000**

Other equity

Particulars	Retained Earnings	Total
Balance as at 1 April 2018	**(163,541,832)**	**(163,541,832)**
(Loss) for the year	53,935,151	53,935,151
Other comprehensive income for the year	-	-
Balance as at 31 March 2019	**(109,606,681)**	**(109,606,681)**
Profit for the year	15,631,432	15,631,432
Other comprehensive income for the year	-	-
Balance as at 31 March 2020	**(93,975,249)**	**(93,975,249)**

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

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

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Place: Bengaluru
Date: 29th May 2020

For and on behalf of the Board of Directors of
DESIGNIT TOKYO LTD.

Sd/-
Kjersti Lund
Director

Sd/-
Ashish Chawla
Director

DESIGNIT TOKYO LTD.
NOTES TO THE FINANCIAL STATEMENTS
(Amount in JPY unless otherwise stated)

1. The Company overview

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

2. Basis of preparation of financial statements

(i) Statement of compliance and basis of preparation

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), the provisions of the Companies Act, 2013 ("the Companies Act").
Accounting policies have been applied consistently to all periods presented in these financial statements, except for new accounting standards adopted by the Company.
All amounts included in the financial statements are reported in JPY, unless otherwise stated. Previous year figures have been regrouped/re-arranged, wherever necessary.

The Company has accumulated losses amounting JPY 93,975,249 as on 31 March 2020 and overall net worth is negative. However, based on the positive future cash flow projections the company believes it will not have any liquidity issues and hence the financial statements have been prepared on a 'Going Concern' basis.

(ii) Basis of measurement

These financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following material items which have been measured at fair value as required by relevant Ind AS:

a) Derivative financial instruments;

b) Financial instruments classified as fair value through other comprehensive income or fair value through profit or loss; and

c) The defined benefit asset/(liability) is recognized as the present value of defined benefit obligation less fair value of plan assets.

(iii) Use of estimates and judgment

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

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

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

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

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

e) Impact of Covid'19: Kindly refer Note No. 29 for impact of Covid'19 on company's operations.

3. Significant accounting policies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and translation

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

(iii) Financial instruments

a) Non-derivative financial instruments:

Non derivative financial instruments consist of:

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

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

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

A. Cash and cash equivalents

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

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

B. Other financial assets:

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

C. Trade and other payables

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

(iv) Equity and share capital

a) Share capital and share premium

The authorized share capital of the Company as of March 31, 2020 and March 31, 2019 is 33000 Equity shares of 500 JPY per share. Par value of the equity shares is recorded as share capital and the amount received in excess of par value is classified as share premium.

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

b) Retained earnings

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

c) Foreign currency translation reserve

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

d) Other reserves

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

(v) Property, plant and equipment

a) Recognition and measurement

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

b) Depreciation

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

Category	**Useful life**
Buildings	Useful Life or Lease Term whichever is lower
Furniture, fixtures and equipment	3 to 10 years
Office equipment.	2 to 7 years

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

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

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

The Company as a lessee

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

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

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

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

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

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

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

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

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

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

The Company as a lessor

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

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

(vii) Impairment

Non - financial assets

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

(viii) Employee benefits

a) Short-term benefits

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

b) Termination benefits

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

c) Compensated absences

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

(ix) Provisions

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

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

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

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

(x) Revenue

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

a) Services

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

A. Time and materials contracts

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

B. Fixed-price contracts

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

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

C. Maintenance contracts

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

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

b) Products

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

(xi) Finance Costs

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

(xii) Other income

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

(xiii) Income tax

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

a) Current income tax

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

b) Deferred income tax

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

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

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

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

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

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

(xiv) Earnings per share

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

(xv) Cash flow statement

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

New Accounting standards adopted by the Company:

Ind AS 116 – Lease

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

(a) The Company will not reassess whether a contract is or contains a lease. Accordingly, the definition of lease in accordance with Ind AS 17 will continue to be applied to lease contracts entered by the Company or modified by the Company before April 1, 2019.
(b) The Company has applied a single discount rate to a portfolio of leases of similar assets in similar economic environment. Consequently, the Company has recorded its lease liability using the present

value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the right-of- use asset at its carrying amount as if the standard had been applied since the commencement date of the lease but discounted using the incremental borrowing rate at the date of initial application

(c) The Company excluded the initial direct costs from measurement of the RoU asset;
(d) The Company does not recognize RoU assets and lease liabilities for leases with less than twelve months of lease term and low-value assets on the date of initial application.

The weighted average rate of discount applied to lease liabilities, as at Nov 10, 2019 is 1.9125%

On adoption of Ind AS 116

(e) the Company had recognized right-of-use assets JPY 10,43,968 and corresponding lease liabilities JPY 10,64,231

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

Appendix C to Ind AS 12 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. The adoption of Appendix C to Ind AS 12 did not have any material impact on the standalone financial statements of the Company.

Amendment to Ind AS 12 – Income Taxes

The Ministry of Corporate Affairs issued amendments to Ind AS 12 – Income Taxes. The amendments clarify that an entity shall recognize the income tax consequences of dividends on financial instruments classified as equity according to where the entity originally recognized those past transactions or events that generated distributable profits were recognized. The adoption of amendment to Ind AS 12 did not have any material impact on the standalone financial statements of the Company.

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

The Ministry of Corporate Affairs issued amendments to Ind AS 19, ‘Employee Benefits’, in connection with accounting for plan amendments, curtailments and settlements requiring an entity to determine the current service costs and the net interest for the period after the re-measurement using the assumptions used for the remeasurement; and determine the net interest for the remaining period based on the remeasured net defined benefit liability or asset. The adoption of amendment to Ind AS 19 did not have any material impact on the standalone financial statements of the Company.

New Accounting Standards not yet adopted by the Company

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

4 Property, plant and equipment

	Building	Furniture and fixtures	Computers and Printers	Total
Gross block (at cost)				
Balance as at 01 April 2018	**2,178,700**	**1,428,300**	**3,563,469**	**7,170,469**
Additions	-	-	959,860	**959,860**
Disposals	-	-	-	-
Balance as at 31 March 2019	**2,178,700**	**1,428,300**	**4,523,329**	**8,130,329**
Additions	-	-	1,439,596	**1,439,596**
Disposals	-	-	661,348	**661,348**
Balance as at 31 March 2020	**2,178,700**	**1,428,300**	**5,301,577**	**8,908,577**
Accumulated depreciation				
Balance as at 01 April 2018	**1,307,220**	**618,980**	**3,060,337**	**4,986,537**
Depreciation charge	435,740	285,660	614,443	**1,335,843**
Disposals	-	-	-	-
Balance as at 31 March 2019	**1,742,960**	**904,640**	**3,674,780**	**6,322,380**
Depreciation charge	435,740	285,660	949,314	**1,670,714**
Disposals	-	-	617,119	**617,119**
Balance as at 31 March 2020	**2,178,700**	**1,190,300**	**4,006,975**	**7,375,975**
Net block				
Balance as at 31 March 2019	**435,740**	**523,660**	**848,549**	**1,807,949**
Balance as at 31 March 2020	**-**	**238,000**	**1,294,602**	**1,532,602**

5 Right-of-use assets

	ROU Assets	Total
Gross block (at cost)		
Balance as at 1 Apr 2019	**-**	**-**
Additions	1,121,529	**1,121,529**
Disposals	-	-
Balance as at 31 March 2020	**1,121,529**	**1,121,529**
Accumulated depreciation		
Balance as at 1 Apr 2019	**-**	**-**
Depreciation charge	77,561	**77,561**
Disposals	-	-
Balance as at 31 March 2020	**77,561**	**77,561**
Net block		
Balance as at 31 March 2020	**1,043,968**	**1,043,968**

DESIGNIT TOKYO LTD.
Summary of significant accounting policies and other explanatory information
(Amount in JPY, unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
6	**Trade receivables**		
	Unsecured		
	Considered good	62,363,327	34,469,614
	Considered doubtful	-	-
		62,363,327	34,469,614
	Less: Provision for doubtful receivables	-	-
		62,363,327	34,469,614
	With Group Companies - Considered good	-	8,837,339
		62,363,327	**43,306,953**

		As at 31 March 2020	As at 31 March 2019
7	**Cash and cash equivalents**		
	Balances with banks		
	In current accounts	3,216,192	46,503,381
		3,216,192	**46,503,381**

		As at 31 March 2020	As at 31 March 2019
8	**Other financial assets**		
	Current		
	Security Deposits	9,775,500	9,083,000
		9,775,500	**9,083,000**

		As at 31 March 2020	As at 31 March 2019
9	**Other Current assets**		
	Advances to suppliers	1,288,644	2,469,299
	Salary Recoverable	-	1,790
	Total	**1,288,644**	**2,471,089**

10	**Share capital**		
	Authorised capital		
	33,000 Equity Shares (Par Value of JPY 500 per share)	16,500,000	16,500,000
	Issued, subscribed and paid up share capital		
	33,000 Equity Shares (Par Value of JPY 500 per share)	16,500,000	16,500,000
		16,500,000	**16,500,000**
a)	**Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:**		
	Number of shares outstanding as at beginning of the year	33,000	33,000
	Number of shares issued during the year	-	-
	Number of shares outstanding as at the end of the year	**33,000**	**33,000**

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

	As at 31 March 2020	As at 31 March 2019
Name of shareholders		
Designit A/S		
No of Shares	33,000	33,000
% of the holding	100%	100%

c) Terms / Rights attached to equity shares

The Company has only one class of equity shares having a par value of JPY 500 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pay dividends in Japanese Yen. The dividend proposed by the Board of Directors is subject to shareholders approval in the ensuing Annual General Meeting.

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

DESIGNIT TOKYO LTD.
Summary of significant accounting policies and other explanatory information
(Amount in JPY, unless otherwise stated)

11. Borrowings

	As at 31 March 2020	As at 31 March 2019
Non-current		
Secured		
Long term maturities of obligations	147,488,647	169,328,456
	147,488,647	**169,328,456**

12. Lease Liabilities

	As at 31 March 2020	As at 31 March 2019
Non-current		
Lease liabilities	884,702	-
Lease liabilities	**884,702**	**-**

13. Trade payables

	As at 31 March 2020	As at 31 March 2019
Total outstanding dues of micro and small enterprises	**-**	**-**
Total outstanding dues other than above		
Trade payables	1,622,363	3,030,194
Balance with group companies	22,299,927	5,366,348
	23,922,290	**8,396,542**

14. Lease Liabilities

	As at 31 March 2020	As at 31 March 2019
Current		
Lease liabilities	179,529	-
Lease liabilities	**179,529**	**-**

15. Other Current liabilities

	As at 31 March 2020	As at 31 March 2019
Statutory and other liabilities	7,834,079	11,998,449
Total	**7,834,079**	**11,998,449**

DESIGNIT TOKYO LTD.
Summary of significant accounting policies and other explanatory information
(Amount in JPY, unless otherwise stated)

16. Revenue from operations

	Year ended 31 March 2020	Year ended 31 March 2019
Sale of Services	233,434,154	247,432,266
	233,434,154	**247,432,266**

Disclosure required as per Ind AS 115 - Disaggregation of Revenues

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

	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from Operations		
Sale of Services	233,434,154	247,432,266
Sale of Products	-	-
	233,434,154	**247,432,266**
Revenue by nature of contract		
Fixed price and volume based	233,434,154	247,432,266
	233,434,154	**247,432,266**

17. Other income

	Year ended 31 March 2020	Year ended 31 March 2019
Interest income	233	415
Others	6,844,628	11,609,037
	6,844,861	**11,609,452**

18. Employee benefits

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and Bonus	119,150,779	91,443,188
Staff Welfare Expenses	8,510,214	4,776,735
	127,660,993	**96,219,923**

19. Finance costs

	Year ended 31 March 2020	Year ended 31 March 2019
Interest expense	5,502,144	9,573,612
	5,502,144	**9,573,612**

20. Other Expenses

	Year ended 31 March 2020	Year ended 31 March 2019
Sub-contracting / technical fees / third party application	67,027,506	41,779,703
Travel	10,257,073	9,760,906
Facility expenses	14,022,795	14,171,341
Communication	2,386,718	2,861,043
Legal and professional charges	4,449,791	3,211,475
Marketing and brand building	297,777	266,538
Loss on Sale of fixed assets	44,229	-
	98,485,889	**72,051,006**

21. Earnings per equity share

	Year ended 31 March 2020	Year ended 31 March 2019
Profit attributable to equity holders of the Company	15,631,432	53,935,151
Weighted average number of equity shares outstanding	33,000	33,000
Basic earnings per share	473.68	1,634.40

22 Related party disclosure

a Parties where control exists:

Name	Relationship
Designit A/S	Holding Company
Designit Sweden AB	Fellow Subsidiary
Designit Spain Digital S.L.	Fellow Subsidiary
Cooper Software, Inc.	Fellow Subsidiary
Designit Denmark A/S	Fellow Subsidiary
Designit A/S (Australia & New Zealand)	Fellow Subsidiary
Designit Germany GmbH	Fellow Subsidiary
Designit TLV Ltd	Fellow Subsidiary
Wipro Limited	Ultimate Holding Company

b The Company has the following related party transactions:

Particulars	Relationship	Year ended 31 March 2020	Year ended 31 March 2019
Sale of services			
Wipro Limited	Ultimate Holding Company	19,257,324	38,617,250
Designit Spain Digital S.L.	Fellow Subsidiary	-	135,024
Subcontracting & Technical Fees			
Designit A/S	Holding Company	15,234,940	10,242,272
Designit Denmark A/S	Fellow Subsidiary	-	5,301,451
Designit Sweden AB	Fellow Subsidiary	15,920,226	-
Designit Spain Digital S.L.	Fellow Subsidiary	5,699,335	7,827,576
Cooper Software, Inc.	Fellow Subsidiary	227,563	2,574,640
Designit A/S (Australia & New Zealand)	Fellow Subsidiary	2,331,540	-
Designit Germany GmbH	Fellow Subsidiary	18,894,917	-
Designit TLV Ltd	Fellow Subsidiary	2,567,470	-
Interest Expense			
Designit A/S	Holding Company	4,803,445	8,841,837

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

Particulars	Relationship	Year ended 31 March 2020	Year ended 31 March 2019
Payable:			
Designit A/S	Holding Company	3,662,477	2,293,071
Designit Spain Digital S.L.	Fellow Subsidiary	3,750,501	1,893,909
Cooper Software, Inc.	Fellow Subsidiary	218,306	1,098,035
Designit Denmark A/S	Fellow Subsidiary	-	81,333
Designit Germany GmbH	Fellow Subsidiary	6,264,089	-
Designit Sweden AB	Fellow Subsidiary	8,404,554	-
Receivables			
Wipro Limited	Ultimate Holding Company	-	8,837,339
Loan Payable			
Designit A/S	Holding Company	147,488,647	169,328,456

23 Effective Tax Rate (ETR) reconciliation

	Year ended 31 March 2020	Year ended 31 March 2019
Income tax expense in the Statement of Profit and Loss comprises of:		
Current tax	(8,749,718)	25,926,183
Deferred tax	-	-
	(8,749,718)	**25,926,183**

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

	Year ended 31 March 2020	Year ended 31 March 2019
Profit before income tax	6,881,714	79,861,334
Enacted tax rates in the Japan (%)	32.46%	32.46%
Computed expected tax expense	2,234,080	25,926,183
On account of tax adjustments	(1,176,811)	-
Reversal of Provision for last year	(9,806,987)	-
Tax expense as per financials	**(8,749,718)**	**25,926,183**

The components of deferred tax assets and liabilities are as follows

	Year ended 31 March 2020	Year ended 31 March 2019
Business Loses	16,799,365	16,799,365
Amounts presented in the balance sheet		
Deferred tax assets	16,799,365	16,799,365
Deferred tax liabilities	-	-

24 Fair value measurements
(i) Financial instruments by category
The carrying value and fair value of financial instruments by categories as of 31 March 2020 were as follows:

Particulars	Amortised cost	Financial assets/liabilities at FVTPL	Financial assets/liabilities at FVTOCI
Assets:			
Financial Asset			
Cash and cash equivalents	3,216,192	-	-
Trade receivables	62,363,327	-	-
Other financial asset	9,775,500	-	-
Total	**75,355,019**	**-**	**-**
Liabilities:			
Financial liabilities			
Trade payables	23,922,290	-	-
Borrowings	147,488,647	-	-
Lease Liabilities	1,064,231	-	-
Total	**172,475,168**	**-**	**-**

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

Particulars	Amortised cost	Financial assets/liabilities at FVTPL	Financial assets/liabilities at FVTOCI
Assets:			
Financial Asset		-	-
Cash and cash equivalents	46,503,381	-	-
Trade receivables	43,306,953	-	-
Other financial asset	9,083,000	-	-
Total	**98,893,334**	**-**	**-**
Liabilities:			
Financial liabilities			
Trade payables	8,396,542	-	-
Borrowings	169,328,456		
Total	**177,724,998**	**-**	**-**

Notes to financial instruments

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

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

(ii) Fair value of financial assets and liabilities measured at amortised cost

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

(iii) Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for financial instruments.
Level 2: the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data relying as little as possible on entity specific estimates.
Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

25 Financial risk management

The Company's principal financial liabilities, comprises of trade and other payables. The Company's principal financial assets include trade receivables, and cash and bank balances and other balances that derive directly from its operations.
Kindly refer Note No. 29 for impact of Covid'19 on company's operations.

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

(a) Market risk

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

(b) Credit risk

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

i) Cash and cash equivalents

Credit risk from balances with banks is managed in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components as at the Balance sheet date are the carrying amounts as furnished in Note 7.

ii) Trade receivables

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

There are four customers which accounted more than 10% of the revenue for the year ended 31st March 2020. The Company expects to maintain this relationship with the customer. We perform ongoing credit evaluations of our customers' financial condition and do not anticipate non-performance by counterparties given their high creditworthiness.

(c) Liquidity risk

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

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

Maturities of financial liabilities

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

31 March 2020	Less than 1 year	1 year to 5 years	5 years and above	Total
Non-derivatives				
Borrowings	-	147,488,647	-	147,488,647
Trade payables	23,922,290	-	-	23,922,290
Lease Liabilities	179,529	884,702	-	1,064,231
Total	24,101,819	148,373,349	-	172,475,168

31 March 2019	Less than 1 year	1 year to 5 years	5 years and above	Total
Non-derivatives				
Borrowings	-	169,328,456	-	**169,328,456**
Trade payables	8,396,542	-	-	**8,396,542**
Total	**8,396,542**	**169,328,456**	**-**	**177,724,998**

D. Interest rate risk

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

Particulars	31st March 2020	31st March 2019
Variable rate borrowing	-	-
Fixed rate borrowing	147,488,647	169,328,456
Total	**147,488,647**	**169,328,456**

26. Capital Management

For the purpose of the Company's capital management, capital includes issued capital, additional paid in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity as below:

Particulars	Note	As at 31 March 2020	As at 31 March 2019
Borrowings	Financial liability	147,488,647	169,328,456
Less: Cash and cash equivalents	Financial asset	3,216,192	46,503,381
Net debt		144,272,455	122,825,075
Equity share capital	Equity	16,500,000	16,500,000
Other equity	Equity	(93,975,249)	(109,606,681)
Total capital		(77,475,249)	(93,106,681)
Gearing ratio		(1.86)	(1.32)

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

27. Events ocurring after the reporting date

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

28. Prior period comparatives

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

29 Impact of Covid-19

The Company basis its assessment believes that the probability of the occurrence of forecasted transactions is not impacted by COVID-19. However the impact of COVID-19 remains uncertain and may be different from what we have estimated as of the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

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

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

Sd/-
Seethalakshmi M
Partner
Membership No: 208545

Place: Bengaluru
Date: 29th May 2020

For and on behalf of the Board of Directors of DESIGNIT TOKYO LTD.

Sd/-
Kjersti Lund
Director

Sd/-
Ashish Chawla
Director