

DIGISOL SYSTEMS LIMITED

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL
STATEMENTS**

For the Financial Year Ended 31st March, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Digisol Systems Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Digisol Systems Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss and the Cash Flows Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements of the Company 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 there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 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 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 the 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 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 Company's financial statements.



Opinion

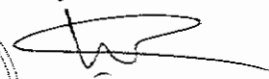
In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,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

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 Section 143(11) of the Act, we give in the Annexure 'A', a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
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 purposes 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 and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) on the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act; and
 - (f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 'B'.
 - (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:
 - 1) the Company has disclosed the impact of pending litigations on its financial position in its financial statements in note 27 to the financial statements;
 - 2) the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - 3) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Sharp & Tannan LLP
Chartered Accountants
Firm's Registration No. 127145WW100218
By the hand of




Darryl Frank
Partner
(Membership No. 104096)

Place : Mumbai
Date : 11th May, 2018

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in Paragraph 1 of our report of even date)

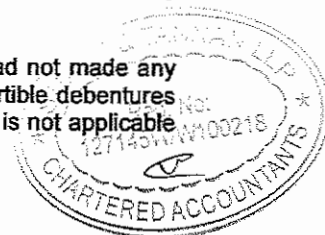
- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
- (c) The company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause (i) (c) of CARO 2016 is not applicable.
- (ii) As explained to us, inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and book records, which were not material, have been properly dealt with in the books of account.
- (iii) The Company has not granted 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. Accordingly, the provision of Paragraph 3(iii) of the Order is not applicable to the Company.
- (iv) According to the information provided to us and explanations given to us, the Company has not given any guarantees or provided any security within the meaning of section 186 of the Act. Accordingly, the provision of Paragraph 3(iv) of the Order is not applicable to the Company.
- (v) According to the information and explanations given to us and the records examined by us, the Company has not accepted any deposits from the public during the year. Accordingly, the provision of Paragraph 3(v) of the Order is not applicable to the Company.
- (vi) The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Companies Act, 2013 for manufacturing of networking products. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under Section 148(1) of the Companies Act, 2013 and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) a) According to the information and explanations given to us and records examined by us, the Company has been generally regular in depositing statutory dues relating to sales tax, goods and service tax, custom duty, value added tax, professional tax, provident fund, employees state insurance and other statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they become payable.
- b) According to the information and explanations given to us and records examined by us, the particulars of income tax, sales tax, goods and service tax, value added tax, provident fund, employees state insurance, custom duty and duty of excise payable as at 31st March, 2018 which have not been deposited on account of a dispute pending, are as under:



Name of the statute	Financial year	Nature of dues	Disputed Amount (in Rs. lakhs)*	Forum where the dispute is pending
The Central Excise Act, 1944	2001-05	Central excise demand	240.90	Central Excise and Service Tax Appellate Tribunal (CESTAT)
	2001-05	Penalty on Central excise demand	340.90	Central Excise and Service Tax Appellate Tribunal (CESTAT)
	2004-05	Central excise demand	32.26	Central Excise and Service Tax Appellate Tribunal (CESTAT)
	2004-05	Penalty on Central excise demand	46.26	Central Excise and Service Tax Appellate Tribunal (CESTAT)
	2007-08	Penalty on Central excise demand	3.62	Central Excise and Service Tax Appellate Tribunal (CESTAT)
Total			663.94	

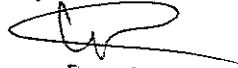
* Net of pre-deposits.

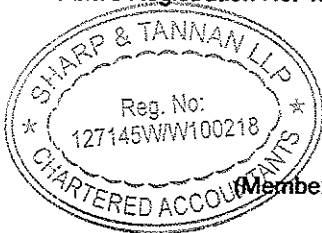
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings from banks, and dues to debenture holders. The Company has not taken any loans or borrowings from financial institutions and government.
- (ix) According to information and explanations given to us, the Company has not raised monies by way of initial public offer or further public offer (including debt instruments). Accordingly, the provision of Paragraph 3(ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any fraud by the Company or any fraud on the Company by its officers or employees noticed or reported during the year nor have we been informed of such by management.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, the provision of Paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us, all the transactions with the related parties are in compliance with Sections 177 and 188 of the Act and the relevant details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the Company had not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provision of Paragraph 3 (xiv) of the Order is not applicable to the Company.



- (xv) According to the information and explanations given to us, the Company had not entered into any non-cash transactions with directors or persons connected with him during the year. Accordingly, the provision of Paragraph 3 (xv) of the Order is not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

Place : Mumbai
Date : 11th May, 2018

For Sharp & Tannan LLP
Chartered Accountants
Firm's Registration No. 127145W/W100218
By the hand of

Darryl Frank
Partner
(Membership No. 104096)



ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2(f) of our report of even date)

We have audited the internal financial controls with reference to financial statements of **Digisol Systems Limited** ("the Company") as of 31st March, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements 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 (the 'Guidance Note') issued by the Institute of Chartered Accountants of India (ICAI). 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 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 Companies Act, 2013 (the 'Act').

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 Company's internal financial controls system with reference to financial statements.



Meaning of Internal Financial Controls with reference to financial statements

A company's internal financial control with reference to financial statements 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 with reference to financial statements 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.

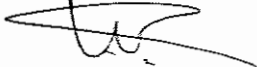
Inherent Limitations of Internal Financial Controls with reference to financial statements

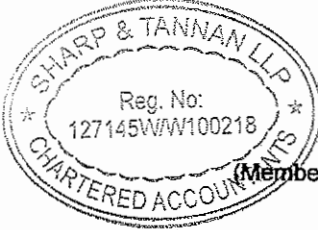
Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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 with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31st March, 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Place: Mumbai
Date : 11th May, 2018

For Sharp & Tannan LLP
Chartered Accountants
Firm's Registration No.127145WW/100218
By the hand of

Darryl Frank
Partner
(Membership No. 104096)



Digisol Systems Limited

Balance sheet as at 31st March, 2018

Particulars	Note No.	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
I EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	160,000,000	160,000,000
(b) Reserves and surplus	4	(223,621,297)	(106,665,676)
		(63,621,297)	53,334,324
(2) Non-current liabilities			
(a) Long-term borrowings	5	250,000,000	-
(b) Other long term liabilities	6	112,342	212,656
(c) Long-term provisions	7	2,209,362	1,621,658
		252,321,704	1,834,314
(3) Current liabilities			
(a) Short-term borrowing	8	-	306,825,475
(b) Trade payables	9	-	-
Total outstanding dues of micro enterprises and small enterprises		-	382,936
Total outstanding dues of creditors other than micro enterprises and small enterprises		123,987,904	120,615,137
(c) Other current liabilities	10	33,091,402	48,615,206
(d) Short-term provisions	11	750,991	818,302
		157,830,297	477,257,056
Total		346,530,704	532,425,694
II ASSETS			
(1) Non-current assets			
(a) Fixed Assets			
(i) Property, plant and equipment	12 a	5,195,404	9,806,659
(ii) Intangible assets	12 b	15,959,404	20,388,578
		21,154,808	30,195,237
(b) Long-term loans and advances	13	17,304,463	14,945,303
		38,459,271	45,140,540
(2) Current assets			
(a) Current investments	14	7,000,000	34,196,085
(b) Inventories	15	114,519,554	296,255,798
(c) Trade receivables	16	134,878,523	133,603,833
(d) Cash and bank balance	17	11,679,993	4,516,554
(e) Short-term loans and advances	18	39,993,363	18,712,884
		308,071,433	487,285,154
Total		346,530,704	532,425,694

See accompanying notes forming part of the
Financial Statements

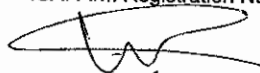
1-36

In terms of our report attached

For Sharp & Tannan LLP

Chartered Accountants

ICAI Firm Registration No. 127145W/W100218



Darryl Frank
Partner
Membership No. 104096



Mumbai, dated : 11th May, 2018

For and on behalf of the Board

Arati K. Naik
Wholtime Director
DIN: 06965985

Pankaj Baliga
Director
DIN: 00002864

Darshan Karekar
Company Secretary

K. G. Prabhu
Chief Financial Officer

Mumbai, dated : 11th May, 2018

Digisol Systems Limited

Statement of Profit and Loss for the year ended 31st March, 2018

Particulars	Note No.	For the year ended	For the period
		31st March, 2018	from 17th August, 2016 to 31st March, 2017
		Rupees	Rupees
I Revenue from operations (gross)	19	824,733,536	376,092,104
Less : Excise duty		6,339,328	16,109,922
Revenue from operations (net)		818,394,208	359,982,182
II Other income	20	4,085,987	4,353,827
III Total Revenue (I + II)		822,480,195	364,336,009
IV Expenses :			
Cost of raw materials consumed	21	28,253,562	243,425,763
Purchases of traded goods	22	479,947,689	213,777,202
Decrease / (Increase) in inventories of finished goods, work-in-progress and traded goods	23	154,163,652	(164,116,842)
Employee benefits expense	24	123,510,952	66,796,995
Finance costs	25	22,626,521	9,142,306
Depreciation and amortisation expense	12	6,941,927	3,246,506
Other expenses	26	123,991,513	98,729,755
Total Expenses		939,435,816	471,001,685
V (Loss) before tax (III - IV)		(116,955,621)	(106,665,676)
VI Tax Expenses			
- Current tax		-	-
- Deferred tax		-	-
VII (Loss) for the period (V-VI)		(116,955,621)	(106,665,676)
VIII Earnings per equity share (Face value of Rs. 10/- per share)			
Basic and Diluted	33	(7.31)	(26.55)
See accompanying notes forming part of the Financial Statements	1-36		

In terms of our report attached

For Sharp & Tannan LLP

Chartered Accountants

ICAI Firm Registration No. 127145W/W100218

Darryl Frank

Partner

Membership No. 104096



Mumbai, dated : 11th May, 2018

For and on behalf of the Board

Arati K. Naik
Wholetime Director
DIN: 06965985

Darshan Karekar
Company Secretary

Pankaj Baliga
Director
DIN: 00002864

K. G. Prabhu
Chief Financial Officer

Mumbai, dated : 11th May, 2018

Digisol Systems Limited

Cash flow statement for the year ended 31st March, 2018

	For the year ended 31st March, 2018	For the period from 17th August, 2016 to 31st March, 2017
	Rupees	Rupees
A. Cash flows from operating activities		
(Loss) before tax	(116,955,621)	(106,665,676)
Adjustments for:		
Depreciation and amortisation expense	6,941,927	3,246,506
Gain on sale of current investments (net)	(2,855,754)	(796,085)
Profit on Fixed Assets sold/written off (net)	(115,765)	-
Provision for doubtful debts and advances (net)	(573,043)	2,551,295
Bad debts written off	-	-
Unrealised exchange differences	(88,823)	(654,071)
Sundry balances written back	-	(10,708)
Finance costs	22,626,521	9,142,306
Interest income	-	(79,635)
Operating (loss) before working capital changes	(91,020,558)	(93,266,068)
(Increase) / Decrease in trade receivables	(1,084,097)	9,295,974
Decrease/(Increase) in inventories	181,736,244	(115,778,348)
(Increase)/Decrease in loans and advances	(23,639,639)	11,107,211
(Decrease)/Increase in trade and other payables	(11,800,962)	29,052,356
Cash from / (used in) operations	54,190,988	(159,588,875)
Direct taxes (paid)	-	(7,964)
Net cash from / (used in) operating activities	54,190,988	(159,596,839)
B. Cash flows from investing activities		
Purchase of fixed assets (Refer note 2)	(538,924)	(5,696,681)
Sale of fixed assets	2,753,191	-
Purchase of current investments	(483,273,313)	(254,900,000)
Sale of current investments	513,325,150	221,500,000
Purchase consideration paid for transfer of business, net of working capital adjustment	-	(259,884,723)
Interest received	-	79,635
Net cash from / (used in) investing activities	32,266,104	(298,901,769)
C. Cash flows from financing activities		
Proceeds from issue of Equity shares	-	160,000,000
(Repayment of Debentures) / Proceeds from issue of Redeemable Debentures	(50,000,000)	300,000,000
Proceeds from short term borrowings	(6,825,475)	6,825,475
Interest paid	(22,614,993)	(3,809,800)
Net cash (used in) / generated from financing activities	(79,440,468)	463,015,675
Net Increase in cash and cash equivalents	7,016,624	4,517,067
Cash and cash equivalents at the beginning of the period	4,516,554	-
Effect of exchange differences on restatement of foreign currency Cash and cash equivalents.	7,416	(513)
Cash and cash equivalents at the end of the period as defined in AS3 on 'Cash Flow Statements'	11,679,993	4,516,554

Notes :

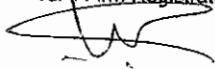
- Cash flows are reported using the indirect method.
- Purchase of Fixed assets are stated inclusive of movements of capital work in progress and capital creditors between the commencement and end of the period and are considered as part of investing activity.

In terms of our report attached

For Sharp & Tannan LLP

Chartered Accountants

ICAI Firm Registration No. 127145WW100218



Darryl Frank

Partner

Membership No. 104096



Mumbai, dated : 11th May, 2018

For and on behalf of the Board



Arati K. Naik

Wholetime Director

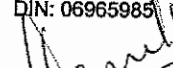
DIN: 06965985



Pankaj Baliga

Director

DIN: 00002864



Darshan Karekar

Company Secretary



K. G. Prabhu

Chief Financial Officer

Mumbai, dated : 11th May, 2018

Digisol Systems Limited

Notes forming part of the financial statements

NOTE 1 : BACKGROUND OF THE COMPANY

Digisol Systems Limited ("Company") was incorporated on 17th August, 2016. The Company is in the business of developing, manufacturing, marketing, distributing and servicing of various categories of Networking and Information Technology (IT) Products sold under brand name "DIGISOL", hereinafter referred to as ("Digisol Business")

The Board of Directors at its meeting held on 25th August, 2016 approved the purchase of "Digisol business" from Smartlink Holdings Limited ("Holding Company") and the Company signed the Business Transfer Agreement on 24th September, 2016 with the Holding Company for purchase of its "Digisol Business" on slump sale basis. The transfer of "Digisol business" was done on 10th October, 2016 for a total consideration net of working capital adjustment of Rs. 259,884,723/- .

In accordance with the Business Transfer Agreement, the following have been given effect to in the books of accounts of the Company.

The details of Assets, Liabilities accounted in the books with effect from 10th October, 2016:

Amount in Rupees	
Fixed Assets	
Gross Block	41,760,386
Less: Accumulated Depreciation	34,735,340
Net block	7,025,046
Current Assets, Loans and Advances	
Inventories	180,477,450
Sundry Debtors	145,561,078
Long-term Loans and Advances	18,080,556
Short-term Loans and Advances	26,676,874
Total - Current Assets	370,795,958
Total Assets (A)	377,821,004
Current Liabilities and Provisions	
Long-term provisions	688,605
Trade payables	130,761,552
Other current liabilities	7,206,140
Total Liabilities (B)	138,656,297
Total (A-B)	239,164,707

NOTE 2 : SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act"), and the relevant provisions of the Act. The financial statements have been prepared on accrual basis and going concern assumption under the historical cost convention. The accounting policies adopted in preparation of the financial statements are consistent with those followed in the previous year.

(b) Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the year in which the results are known / materialised.

(c) Inventories

Items of inventory are valued at lower of cost and net realisable value, on the following basis:

- (i) Raw materials, components, stores and spares - on weighted average basis.
- (ii) Work-in-progress and finished goods - on the basis of absorption costing comprising of direct costs and overheads other than financial charges.
- (iii) Traded goods - on weighted average basis.

(d) Depreciation and amortisation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on property, plant and equipments has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.:

Motor Vehicle	- 5 years
Plant and Equipment	- 8 years
Furniture and Fixture	- 8 years

Intangible assets are amortised over their estimated useful life on straight line method as follows:

Acquired Goodwill	- 5 years
Computer Software	- 4 years



Digisol Systems Limited

Notes forming part of the financial statements

(e) Revenue recognition

Revenue (income) is recognized when no significant uncertainty as to determination / realization exists.

Revenue from sale of products is recognized net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods. Sales include excise duty but exclude sales tax, goods and service tax and value added tax.

Revenue from services is recognised when the services are rendered. Revenue from maintenance contracts are recognised pro-rata over the period of contract.

Interest income is accounted on accrual basis.

Dividend income is accounted for when the right to receive the same is established.

(f) Fixed Assets

i) Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition or construction less accumulated depreciation and impairment loss, if any.

ii) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

(g) Foreign currency transactions

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of contract. Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognised as income or expense. At the year-end, monetary items denominated in foreign currency and the relevant foreign exchange contracts are reported using the closing rate of exchange.

Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expenses in the relevant year.

(h) Investments

Long-term (non-current) investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognize the decline. Current investments are carried at lower of cost and fair value.

(i) Employee Benefits

Compensation to employees for service rendered is accounted for in accordance with AS-15 on "Employee Benefits".

Employee Benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident and other funds, which fall due for payment within a period of 12 months after rendering services, are charged as expense to the Statement of profit and loss in the period in which the service is rendered.

Employee Benefits such as defined benefit plan and other long term employee benefits, such as gratuity and compensated absences which fall due for payment after a period of 12 months from rendering services and after completion of employment are measured by the Project Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The company's obligation recognised in the balance sheet represents the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

(m) Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

(j) Taxes on income

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

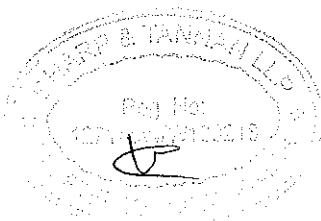
Deferred income-tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future income will be available except that deferred tax assets in case there are unabsorbed depreciation and losses are recognised if there is virtual certainty that supported by convincing evidence sufficient future taxable income will be available to realise the same (Refer note 34 below)

(k) Impairment of assets

At the end of each accounting period, the Company determines whether a provision should be made for impairment loss on Property, plant and equipment by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets". An impairment loss is charged to the Statement of Profit and Loss in the period in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

(l) Provisions and contingencies

Provision is recognised in the accounts when there is a present obligation as a result of past event/s and it is probable that an outflow of resources will be required to settle the obligation. Contingent liabilities, if any are disclosed in the notes to the financial statements.



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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
NOTE 3 : SHARE CAPITAL		
<u>Authorised</u>		
16,000,000 Equity Shares of Rs.10/- each	160,000,000	160,000,000
<u>Issued, subscribed and paid-up</u>		
16,000,000 Equity Shares of Rs.10/- each, fully paid-up	160,000,000	160,000,000
Total	160,000,000	160,000,000

Footnotes:

a) Terms / rights attached to equity shares

The Company has only one class of Equity shares having a par value of Rs. 10/- per share. Each holder of Equity shares is entitled to one vote per share and each Equity share carries an equal right to dividend and in case of

b) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at 31st March, 2018 No. of Shares	As at 31st March, 2017 No. of Shares
At the beginning of the period	16,000,000	-
Add : Shares issued during the period	-	16,000,000
Shares outstanding at the end of the period	16,000,000	16,000,000

c) Details of shares held by Holding Company

	As at 31st March, 2018		As at 31st March, 2017	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs.10/- each fully paid-up. Smartlink Holdings Limited	16,000,000	100%	16,000,000	100%

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

	As at 31st March, 2018		As at 31st March, 2017	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs.10/- each fully paid-up. Smartlink Holdings Limited	16,000,000	100%	16,000,000	100%

The above shareholding represents both legal and beneficial ownership of shares as at the balance sheet date.

NOTE 4 : RESERVES AND SURPLUS

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
<u>Surplus in Statement of Profit and Loss</u>		
As per last Balance sheet	(106,665,676)	-
(Loss) for the period	(116,955,621)	(106,665,676)
Closing balance	(223,621,297)	(106,665,676)
Total	(223,621,297)	(106,665,676)

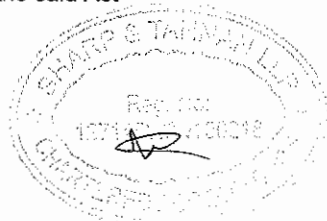


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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
<u>NOTE 5 : LONG -TERM BORROWINGS</u>		
Unsecured Debentures :		
8%, 2,500,000 Non-Convertible Debentures of Rs. 100/- each redeemable on 14th November, 2021 (Ref footnote 1 to Note 8)	250,000,000	-
Total	250,000,000	-
<u>NOTE 6 : OTHER LONG-TERM LIABILITIES</u>		
Other payables :		
Security deposits	95,206	184,096
Unearned revenue	17,136	28,560
Total	112,342	212,656
<u>NOTE 7 : LONG-TERM PROVISIONS</u>		
Provision for employee benefits		
For Gratuity (Refer note 30)	803,603	-
For Leave encashment	1,405,759	1,621,658
Total	2,209,362	1,621,658
<u>NOTE 8 : SHORT TERM BORROWING</u>		
Unsecured Debentures :		
8%, 3,000,000 Non-Convertible Debentures of Rs. 100/- each redeemable on 14th November, 2017 (Ref footnote 1 below)	-	300,000,000
Bank Overdraft (Refer footnote 2 below)		6,825,475
Total	-	306,825,475
Footnote :		
1) Out of 3,000,000 Debentures issued for 1 year, 2,500,000 have been rolled over for 4 years during the year. The same is classified under Long Term Borrowings as at date.		
2) Overdraft with banks are secured, by a charge ranking pari passu, by way of hypothecation of all present and future current assets.		
<u>NOTE 9 : TRADE PAYABLE</u>		
Total outstanding dues of micro enterprises and small enterprises (Refer footnote below)	-	382,936
Total outstanding dues of creditors other than micro enterprises and small enterprises	123,987,904	120,615,137
Total	123,987,904	120,998,073
Footnote :		
The disclosures under the Micro, Small and Medium Enterprises Development Act, 2006 have been made in respect of such vendors to the extent they could be identified as micro and small enterprises on the basis of information available with the Company.		
Particulars		
Outstanding principal amount and interest as on 31st March.		
- Principal Amount	-	382,936
- Interest due thereon	-	94
Amount of interest paid along with the amounts of payment made beyond the appointed day	6,479	-
Amount of interest due and payable (where the principal has already been paid but interest has not been paid)	11,528	6,385
The amount of interest accrued and remaining unpaid at the end of each accounting year	11,528	6,479
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid for the purpose of disallowance as a deductible expenditure under section 23 of the said Act	-	-



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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
<u>NOTE 10 : OTHER CURRENT LIABILITIES</u>		
Unearned revenue	11,424	13,092
Interest accrued on Debentures	4,438,356	5,326,027
Other payables :		
For Gratuity (Refer note 30)	87,573	-
Statutory dues	3,314,232	15,434,280
Security deposits	1,793,802	2,152,259
Interest accrued on delayed payment to MSME vendors (Refer Note 9)	11,528	6,479
Payable to customers	22,845,435	25,106,702
Advance from customers	589,052	576,367
Total	<u>33,091,402</u>	<u>48,615,206</u>
<u>NOTE 11 : SHORT-TERM PROVISIONS</u>		
Provision for employee benefits		
For Leave encashment	750,991	818,302
Total	<u>750,991</u>	<u>818,302</u>



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Digisol Systems Limited

Notes forming part of the financial statements

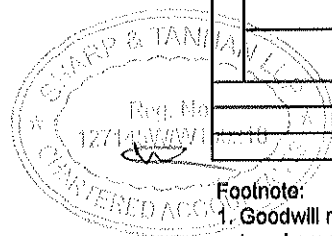
NOTE 12 : FIXED ASSETS

(Rupees)

Nature of assets	Gross block					Depreciation / Amortisation					Net block	
	As at	Additions	Deductions	Adjustment on account of transfer of business	As at	Upto	For the period	Deductions	Adjustment on account of transfer of business	As at	As at	
	01st April, 2017				31st March, 2018	01st April, 2017				31st March, 2018	31st March, 2018	
a Property, Plant and Equipment :												
Plant and Equipment	11,617,904	59,999	2,708,462	-	8,969,441	5,104,878	990,235	352,850	-	5,742,263	3,227,178	
	-	(3,275,485)	-	(8,342,419)	(11,617,904)	-	(457,444)	-	(4,647,434)	(5,104,878)	(6,513,026)	
Furniture and Fixture	8,668,586	-	-	-	8,668,586	7,942,185	315,380	-	-	8,257,565	411,021	
	-	(71,943)	-	(8,596,643)	(8,668,586)	-	(154,617)	-	(7,787,568)	(7,942,185)	(726,401)	
Vehicles	1,174,397	-	565,313	-	609,084	713,054	169,203	312,553	-	569,704	39,380	
	-	-	-	(1,174,397)	(1,174,397)	-	(111,340)	-	(601,714)	(713,054)	(461,343)	
Office equipment	2,020,495	98,730	-	-	2,119,225	1,859,987	75,490	-	-	1,935,477	183,748	
	-	(49,250)	-	(1,971,245)	(2,020,495)	-	(43,679)	-	(1,816,308)	(1,859,987)	(160,508)	
Others												
Electrical installations	911,146	-	-	-	911,146	664,874	90,855	-	-	755,729	155,417	
	-	-	-	(911,146)	(911,146)	-	(43,668)	-	(621,806)	(664,874)	(246,272)	
Air conditioners	797,490	-	-	-	797,490	498,671	51,500	-	-	550,171	247,319	
	-	(138,977)	-	(658,513)	(797,490)	-	(23,021)	-	(475,650)	(498,671)	(298,819)	
Computers	15,432,345	183,195	164,006	-	15,451,534	14,032,055	623,090	134,952	-	14,520,193	931,341	
	-	(684,072)	-	(14,748,273)	(15,432,345)	-	(287,287)	-	(13,744,768)	(14,032,055)	(1,400,290)	
Property, Plant and Equipment Total	40,622,363	341,924	3,437,781	-	37,526,506	30,815,704	2,315,753	800,355	-	32,331,102	5,195,404	
Previous year	-	(4,219,727)	-	(36,402,636)	(40,622,363)	-	(1,120,456)	-	(29,695,248)	(30,815,704)	(9,806,659)	
b Intangible assets :												
Goodwill	20,720,016	-	-	-	20,720,016	1,963,068	4,141,734	-	-	6,104,802	14,615,214	
	-	(20,720,016)	-	-	(20,720,016)	-	(1,963,068)	-	-	(1,963,068)	(18,756,948)	
Computer software - acquired	6,834,704	197,000	-	-	7,031,704	5,203,074	484,440	-	-	5,687,514	1,344,190	
	-	(1,476,954)	-	(5,357,750)	(6,834,704)	-	(162,982)	-	(5,040,092)	(5,203,074)	(1,631,630)	
Intangible assets totals	27,554,720	197,000	-	-	27,751,720	7,166,142	4,626,174	-	-	11,792,316	15,959,404	
Previous year	-	(22,196,970)	-	(5,357,750)	(27,554,720)	-	(2,126,050)	-	(5,040,092)	(7,166,142)	(20,388,578)	
Total	68,177,083	538,924	3,437,781	-	65,278,226	37,981,846	6,941,927	800,355	-	44,123,418	21,154,808	
Previous year	-	(26,416,697)	-	(41,760,386)	(68,177,083)	-	(3,246,506)	-	(34,735,340)	(37,981,846)	(30,195,237)	

Footnote:

- Goodwill represents the difference between assets and liabilities transferred and the purchase consideration paid to Smartlink Holdings Limited pursuant to scheme of arrangement for transfer of business.
- Figures in brackets are those of the previous year.



Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
NOTE 13 : LONG-TERM LOANS AND ADVANCES		
<u>Unsecured, considered good (unless stated otherwise) :</u>		
Security deposits	3,740,760	481,600
Others :		
Advance payment of taxes	7,964	7,964
Customs duty receivable	2,155,739	2,155,739
Pre-deposit with Government authorities in connection with appeals filed (Refer note 27 A)	11,400,000	12,300,000
Total	<u>17,304,463</u>	<u>14,945,303</u>
NOTE 14 : CURRENT INVESTMENTS		
Investments in Mutual Funds (unquoted)		
(At lower of cost and fair value)		
NIL (Previous year, 14,024.3410) Units in Reliance Mutual Fund - Liquidity Fund - Growth Plan Growth Option	-	34,196,085
354,092.8950 (Previous year, NIL) Units in Franklin Templeton Mutual Fund India Low Duration Fund - Direct	7,000,000	-
Total	<u>7,000,000</u>	<u>34,196,085</u>
Footnote :		
Aggregate value of investments (net of adjustment)		
Unquoted - cost	7,000,000	34,196,085
NOTE 15 : INVENTORIES		
(At lower of cost and net realisable value)		
Raw materials and components	-	24,583,652
Work-in-progress	-	44,693
Finished goods	3,633,124	149,602,762
Traded goods	110,822,038	118,971,359
(Includes Goods-in-transit of Rs.7,138,187/- (Previous year Rs.8,198,160/-))		
Stores, spares and packing materials	64,392	3,053,332
Total	<u>114,519,554</u>	<u>296,255,798</u>
NOTE 16 : TRADE RECEIVABLES		
<u>Unsecured</u>		
a) Outstanding for a period exceeding six month from the date they were due for payment		
Considered doubtful	12,588,195	13,021,841
Less: Provision for doubtful receivables	12,588,195	13,021,841
	-	-
b) Others		
Considered good (Refer footnote (i) below)	134,878,523	133,603,833
Total	<u>134,878,523</u>	<u>133,603,833</u>
Footnote:		
(i) Receivable from related parties.		
Smartlink Holdings Limited	-	182,427
Telesmart SCS Limited	425,066	14,727



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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
<u>NOTE 17 : CASH AND BANK BALANCE</u>		
a) Cash on hand	32,032	44,682
b) Cheque on hand	-	5,000
c) Balances with bank		
In Current accounts	8,849,118	4,443,528
In Exchange Earners Foreign Currency (EEFC) account	2,798,843	23,344
Total	<u>11,679,993</u>	<u>4,516,554</u>
<u>NOTE 18 : SHORT-TERM LOANS AND ADVANCES</u>		
<u>Unsecured, considered good (unless otherwise stated) :</u>		
Security deposits (refer footnote below)	631,600	850,000
Advances / Loans to Employees	529,942	515,857
Prepaid expenses	1,451,535	3,013,614
Others :		
VAT credit receivable	-	23,321
CENVAT / Service tax credit receivable	-	6,257,276
GST Receivable	31,636,107	-
Custom duty receivable	97,499	322,051
Advances to suppliers	5,646,680	7,730,765
Total	<u>39,993,363</u>	<u>18,712,884</u>
<u>Footnote:</u>		
Deposit with related party Arati Naik	-	600,000

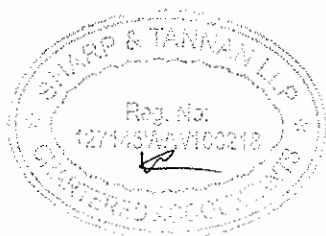


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Digisol Systems Limited

Notes forming part of the financial statements

	For the year ended 31st March, 2018	For the period from 17th August, 2016 to 31st March, 2017
	Rupees	Rupees
NOTE : 19 REVENUE FROM OPERATIONS		
Sale of products (Refer Footnote (i) below)	785,615,034	356,137,705
Sale of services (Refer Footnote (ii) below)	38,545,459	19,943,691
Other operating revenues (Refer Footnote (iii) below)	573,043	10,708
Total	824,733,536	376,092,104
Footnotes :		
(i) Sale of products comprises of		
<u>Finished goods</u>		
Networking products	192,577,157	158,451,587
<u>Traded goods</u>		
Networking products	593,037,877	197,686,118
Total	785,615,034	356,137,705
(ii) Sale of Services comprises of		
Repair services	38,148,367	19,936,548
AMC services	13,092	7,143
Training services	384,000	-
Total	38,545,459	19,943,691
(iii) Other operating revenues		
Provision for doubtful debts and advances written back	573,043	-
Sundry balances written back	-	10,708
Total	573,043	10,708
NOTE 20 : OTHER INCOME		
Interest income on overdue trade receivables	-	79,635
Gain on sale of current investments (net)	2,855,754	796,085
Exchange gain (net) (Refer note 27 (b))	789,443	2,553,269
Scrap income	325,025	924,838
Profit on fixed assets sold / written off (net)	115,765	-
Total	4,085,987	4,353,827
NOTE 21 : COST OF RAW MATERIALS CONSUMED		
<u>Raw materials consumed comprises</u>		
Integrated circuits	9,968,143	71,291,983
Power supplies, batteries and accessories	2,248,808	33,389,570
Enclosures and parts	3,693,470	18,025,573
Inductors, chip beads & transformers	1,078,263	16,296,203
PCBs	3,109,537	13,265,608
Others	8,155,341	91,156,826
Total	28,253,562	243,425,763
NOTE 22 : PURCHASE OF TRADED GOODS		
Networking products	479,947,689	213,777,202



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Digisol Systems Limited

Notes forming part of the financial statements

	For the year ended 31st March, 2018 Rupees	For the period from 17th August, 2016 to 31st March, 2017 Rupees
NOTE 23 : DECREASE / (INCREASE) IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS		
<u>Stock as at 1st April, 2017</u>		
Finished goods		
- Manufactured	149,602,762	9,623,294
- Traded	118,971,359	94,878,678
Work-in-progress	44,693	-
	<u>268,618,814</u>	<u>104,501,972</u>
<u>Less : Stock as at 31st March, 2018</u>		
Finished goods		
- Manufactured	3,633,124	149,602,762
- Traded	110,822,038	118,971,359
Work-in-progress	-	44,693
	<u>114,455,162</u>	<u>268,618,814</u>
Decrease/(Increase)	<u>154,163,652</u>	<u>(164,116,842)</u>
NOTE 24 : EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	113,747,614	61,245,702
Contribution to provident and other funds	3,289,186	1,861,819
Staff welfare expenses	4,346,937	3,034,486
Gratuity (Refer Note 30)	1,628,811	302,548
Leave encashment	498,404	352,440
Total	<u>123,510,952</u>	<u>66,796,995</u>
NOTE 25 : FINANCE COSTS		
Interest Expenses on :		
Interest on debentures	22,257,535	8,942,466
Bank overdraft account	274,503	183,374
Delayed payment to MSME vendors (Refer Note 9)	11,528	6,479
Others		
- Interest on delayed payment of income tax	-	8,576
- Interest on statutory payments etc.	82,955	1,411
Total	<u>22,626,521</u>	<u>9,142,306</u>
NOTE 26 : OTHER EXPENSES		
Stores, spares and packing material consumed	3,768,405	5,991,611
Excise duty (Refer Note No. 36 (f))	(11,942,745)	9,712,578
Power and fuel	7,127,527	3,372,437
Rent	17,793,135	14,415,513
Rates and taxes	285,079	405,522
Insurance	4,326,319	1,377,377
<u>Repairs and maintenance</u>		
Machinery	6,834	2,272
Others	<u>1,755,140</u>	<u>937,864</u>
Travelling and conveyance expenses	1,761,974	940,136
Communication expenses	8,756,968	5,321,589
Legal and Professional fees	4,294,148	2,534,217
Advertisement and sales development expenses	20,472,773	12,452,887
Freight Outward	31,958,583	21,639,094
Servicing expenses	14,230,944	5,100,554
Provision for doubtful debts and advances	12,183,229	4,241,388
Sundry balances written-off	-	2,551,295
Miscellaneous expenses	18,553	-
Total	<u>123,991,513</u>	<u>98,729,755</u>



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Digisol Systems Limited

Notes forming part of the financial statements

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
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NOTE 27 : CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities in respect of

a. Disputed demands of custom duty pending before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) in connection with classification of networking products. During the year the company has received the order from CESTAT partly accepting classification and the balance liability has been paid by the company after adjusting pre-deposit of Rs. 900,000/-.	-	2,414,221
b. Disputed demand of excise duty in connection with valuation of products manufactured by the Company pending before CESTAT (Amount deposited as pre-deposit Rs.11,400,000/-)	38,715,672	38,715,672
c. Disputed penalty demands of Excise Authorities with regard to (b) above, pending before the CESTAT. The Penalty of Rs. 100,000/- has been dropped during the year.	39,078,633	39,178,633
d. Custom duty paid under protest The raw material/trading material/software imported by the Company are subjected to different rates of customs duty based on classification under respective Tariff Head. The Customs department has objected to the classifications adopted by the Company for certain items and has demanded additional duty for the same. During the period CESTAT accepted the classification adopted by the Company and the company is in the process of filing the refund claim for the duty paid under protest. The differential duty paid under protest, is included under Long term loans and advances in Note 13. The company is confident of successfully contesting the demand and does not expect any significant liability to crystallise.	-	764,011

NOTE 28 : FOREIGN CURRENCY

a) The period end foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

Amount receivable in foreign currency on account of the following:

As at 31st March, 2018

As at 31st March, 2017

	In foreign Currency		In Rupees	
Trade receivables	USD	111,655	7,275,450	
Loans and advances	USD	35,747	2,296,363	

	In foreign Currency		In Rupees	
Trade receivables	USD	141,491	9,173,572	
Loans and advances	USD	81,415	5,502,731	

Amount payable in foreign currency on account of the following:

As at 31st March, 2018

As at 31st March, 2017

	In foreign Currency		In Rupees	
Trade payable	USD	329,511	21,477,541	

	In foreign Currency		In Rupees	
Trade payable	USD	614,080	39,820,034	

b) Amount of exchange differences included in the Statement of Profit and Loss

Exchange gain
Exchange loss

	For the year ended 31st March, 2018 Rupees	For the year ended 31st March, 2017 Rupees
Exchange gain	2,237,445	3,859,423
Exchange loss	1,448,002	1,306,154

NOTE 29 : PAYMENT TO AUDITORS (NET OF GST AND SERVICE TAX)

As Auditors

Total

400,000	500,000
400,000	500,000



Digisol Systems Limited

Notes forming part of the financial statements

For the year ended 31st March, 2018

For the period from 17th August, 2016 to 31st March, 2017

NOTE 30 : EMPLOYEE BENEFITS

A The disclosure as required under AS-15 regarding the Company's defined benefit plans is as follows:

	For the year ended 31st March, 2018	For the period from 17th August, 2016 to 31st March, 2017
	Gratuity (Funded)	Gratuity (Funded)
I. Reconciliation of opening and closing balances of Defined Benefit obligation		
Defined Benefit obligation at beginning of the period	6,289,644	-
Liability taken over pursuant to scheme of arrangement for transfer of business.	-	6,134,847
Current Service Cost	1,047,207	650,576
Interest Cost	374,720	322,777
Past service cost - (vested benefit)	929,395	-
Actuarial (gain) / loss	(361,350)	(669,618)
Benefits paid	(1,376,889)	(148,938)
Defined Benefit obligation at period-end	6,902,727	6,289,644
II. Reconciliation of opening and closing balances of fair value of plan assets		
Fair value of plan assets at beginning of the period	6,451,824	-
Adjustment to opening balance	(3,495)	-
Expected return on plan assets	408,332	159,999
Actuarial gain/(loss)	(47,171)	(158,812)
Employer contribution	578,950	464,728
Transfer in pursuant to scheme of arrangement for transfer of business.	-	6,134,847
Benefits paid	(1,376,889)	(148,938)
Fair value of plan assets at period end	6,011,551	6,451,824
III. Reconciliation of fair value of assets and obligations		
Present value of obligation as at 31st March, 2018	6,902,727	6,289,644
Fair value of plan assets as at 31st March, 2018	6,011,551	6,451,824
Amount recognized in Balance Sheet	(891,176)	162,180
IV. Expense recognized during the period (Under the head "Employees benefits expense" - Refer to note 24)		
Current Service Cost	1,047,207	650,576
Interest Cost	374,720	322,777
Expected return on plan assets	(408,332)	(159,999)
Actuarial (gain) / loss	(314,179)	(510,806)
Net Cost	1,628,811	302,548
V. Actuarial assumptions		
Discount rate (per annum)	7.64%	6.69%
Expected rate of return on plan assets (per annum)	6.75%	7.50%
Rate of escalation in salary (per annum)	5.00%	5.00%
Mortality Table used	Indian Assured Lives Mortality 2006-08 ultimate table	Indian Assured Lives Mortality 2006-08 ultimate table
Disclosed under Note 7 - Long-Term Provisions	803,603	-
Disclosed under Note 10 - Other current liabilities	87,573	-
VI. The assumptions 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.		
VII. The amounts of the present value of the obligation, fair value of the plan assets, surplus or deficit in the plan, experience adjustments arising on plan liabilities and plan assets are furnished below.		
Experience Adjustment	31-Mar-18	31-Mar-17
On plan liabilities	(361,350)	(669,618)
On plan assets	(47,171)	(158,812)
Present value of benefit obligation	6,902,727	6,289,644
Fair value of plan assets	6,011,551	6,451,824
Excess of (obligation over plan assets) / plan assets over obligation	(891,176)	162,180

VIII. The plan assets are managed by the Gratuity trust formed by the Company. The management of funds is entrusted with Life Insurance Corporation of India. The details of investments made by them are not available.

B The disclosure as required under AS-15 regarding the Company's defined contribution plans is as follows :

- Contribution to provident fund Rs.2,857,804/- (previous year Rs.1,634,632/-)
- Contribution to National Pension Scheme Rs. 25,606/- (previous year Rs.19,636/-)
- Contribution to ESIC Rs. 405,776/- (previous year Rs. 207,551/-)



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Digisol Systems Limited

Notes forming part of the financial statements

NOTE 31 : SEGMENT INFORMATION

(A) Segment information for primary reporting (by business segment)

The Company has its operations in developing, manufacturing, marketing, distributing and servicing networking products. These networking products are sold to distributors, Original Equipment Manufacturers (OEM's) and System Integrators (SI). The primary reporting segment for the Company therefore, is the business segment, viz., networking products.

(B) Segment information for secondary segment reporting (by geographical segments)

The secondary reporting segment for the Company is the geographical segment based on location of customers, which is as follows

- i) Domestic
- ii) Export

Information about secondary segments

Particulars	Domestic	Exports	Unallocated	Total
Revenues from external customers (net) (including sale of services)	780,581,931 (340,421,980)	37,812,277 (19,560,202)	- -	818,394,208 (359,982,182)
Segment assets	320,567,297 (484,531,519)	7,275,450 (9,173,572)	18,687,957 (38,720,603)	346,530,704 (532,425,694)
Additions to Property, plant and equipment during the year	538,924 (26,416,697)	- -	- -	538,924 (26,416,697)

Figures in brackets are for the previous year

NOTE 32 : OPERATING LEASE RENTALS

Lease rental charged to the statement of Profit and Loss in respect of premises taken on cancellable operating lease are Rs.17,793,135 (previous year Rs.14,415,513/-) The tenure of these leases is 11 to 60 months.

NOTE 33 : EARNINGS PER SHARE

Earnings per share is calculated by dividing the Profit / (loss) attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the period, as under:

	For the year ended 31st March, 2018	For the period from 17th August, 2016 to 31st March, 2017
(Loss) for the period attributable to Equity Shareholders (Rupees)	(116,955,621)	(106,665,676)
Weighted average number of equity shares	16,000,000	4,017,621
Par value per share (Rupees)	10.00	10.00
Basic and Diluted earnings per share net of tax (Rupees)	(7.31)	(26.55)

NOTE 34 : DEFERRED TAX (NET)

The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:

	As at 31st March, 2018 Rupees	As at 31st March, 2017 Rupees
a. Deferred Tax Liability		
Preliminary Expenses	(3,271)	-
Total	(3,271)	-
b. Deferred Tax Asset		
Fiscal allowances of Property, plant and equipment	680,389	213,809
Carry-forward depreciation loss	3,094,557	2,165,459
Carry-forward business loss	41,420,104	27,780,706
Provision for doubtful debts	3,272,931	4,023,749
Provision for slow moving stock	9,155,916	9,574,636
Others	1,858,198	1,872,432
Total	59,482,095	45,630,791
Deferred Tax Asset (net)	NIL	NIL

Note :

The Company has a Deferred Tax Asset as at 31st March, 2018. However, in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised, the Company has not accounted for the same.



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Digisol Systems Limited

Notes forming part of the financial statements

NOTE 35 : RELATED PARTY DISCLOSURES

a) Name of related parties where control exists

Name of the related parties
Smartlink Holdings Limited

Nature of relationship
Holding Company

b) List of related parties with whom transactions have taken place during the period and nature of relationship

Name of the related parties

Smartlink Holdings Limited
Synegra EMS Limited
Telesmart SCS Limited
Ms. Arati K. Naik (Whole Time Director / Chief Operating Officer)

Nature of relationship

Holding Company
Fellow Subsidiary
Fellow Subsidiary
Key management person

c) Details of related party transactions during the period

Nature of transactions	Rupees			
	Holding Company	Fellow Subsidiary	Key Management Person	Total
Sale of Products				
Smartlink Holdings Limited	1,350,214 (182,427)	- -	- -	1,350,214 (182,427)
Telesmart SCS Limited	- -	5,368,490 (14,726)	- -	5,368,490 (14,726)
Synegra Ems Limited	- -	2,662,300 -	- -	2,662,300 -
Sale of Assets				
Telesmart SCS Limited	- -	2,355,612 -	- -	2,355,612 -
Job Work Charges				
Synegra EMS Limited	- -	1,711,500 (21,909,456)	- -	1,711,500 (21,909,456)
Telesmart SCS Limited	- -	708,739 (563,768)	- -	708,739 (563,768)
Purchase of Traded Products				
Synegra EMS Limited	- -	61,559,660 -	- -	61,559,660 -
Telesmart SCS Limited	- -	42,940,173 -	- -	42,940,173 -
Managerial Remuneration				
Ms. Arati K. Naik	- -	- -	2,770,200 (2,017,142)	2,770,200 (2,017,142)
Charges paid towards Consumption of Electricity				
Smartlink Holdings Limited	600,000 -	- -	- -	600,000 -
Rent Expense				
Smartlink Holdings Limited *	13,065,000 (11,602,750)	- -	- -	13,065,000 (11,602,750)
Ms. Arati K. Naik	- -	- -	320,000 (360,000)	320,000 (360,000)



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Digisol Systems Limited

Notes forming part of the financial statements

Nature of transactions	Holding Company	Fellow Subsidiary	Key Management Person	Total
Management Support Fees Expense Smartlink Holdings Limited *	1,350,000 (2,569,355)	- -	- -	1,350,000 (2,569,355)
Interest Expense Smartlink Holdings Limited	22,257,535 (8,942,466)	- -	- -	22,257,535 (8,942,466)
Subscription to share capital Smartlink Holdings Limited	- (160,000,000)	- -	- -	- (160,000,000)
Issue of Debentures Smartlink Holdings Limited	- (300,000,000)	- -	- -	- (300,000,000)
Repayment of Debentures Smartlink Holdings Limited	50,000,000 -	- -	- -	50,000,000 -
Purchase Consideration including working capital Adjustment Smartlink Holdings Limited	- (259,884,723)	- -	- -	- (259,884,723)
Corporate Guarantee issued to banks for facilities given to the Company Smartlink Holdings Limited	- (90,000,000)	- -	- -	- (90,000,000)
As at the period end				
Amount due from Ms. Arati K. Naik (Rent Deposit)	- -	- -	- (600,000)	- (600,000)
Smartlink Holdings Limited	- (182,427)	- -	- -	- (182,427)
Telesmart SCS Limited	- -	425,066 (14,727)	- -	425,066 (14,727)
Amount due to Smartlink Holdings Limited - Creditors	675,200 (2,611,826)	- -	- -	675,200 (2,611,826)
Smartlink Holdings Limited - Debentures	250,000,000 (300,000,000)	- -	- -	250,000,000 (300,000,000)
Smartlink Holdings Limited - Debenture Interest Accrued	4,438,356 (5,326,027)	- -	- -	4,438,356 (5,326,027)
Synegra EMS Limited	- -	21,046,386 (3,535,883)	- -	21,046,386 (3,535,883)
Telesmart SCS Limited	- -	7,431,149 (255,873)	- -	7,431,149 (255,873)
Ms. Arati K. Naik	- -	- -	- (1,050,000)	- (1,050,000)

* The amounts are exclusive of Service Tax.

Note

1) Figures in brackets are those of the previous year.



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Digisol Systems Limited

Notes forming part of the financial statements

NOTE 36 : OTHER DISCLOSURE

	For the year ended 31st March, 2018		For the period from 17th August,2016 to 31st March, 2017	
	Rupees	% age to total consumption	Rupees	% age to total consumption
a) Raw materials consumed				
imported	24,457,533	86.56	208,022,656	85.46
indigenous	3,796,029	13.44	35,403,107	14.54
Total	28,253,562	100.00	243,425,763	100.00
b) Stores, spares and packing materials consumed				
imported	770,235	20.44	4,095,245	68.35
indigenous	2,998,170	79.56	1,896,366	31.65
Total	3,768,405	100.00	5,991,611	100.00
c) C.I.F. value of goods imported				
Raw materials and components			9,710,983	162,835,164
Stores, spares and packing materials			42,020	3,712,274
Capital goods			-	30,458
Traded goods			202,451,769	67,381,079
d) Expenditure in foreign currency				
Travelling expenses			95,493	117,539
Professional fees				66,623
Advertisement, Sales development, reimbursement of expenses, etc.			21,878	22,767
e) Earnings in foreign exchange				
Income from services			37,812,277	19,560,202

f) Excise duty collected from customers against sales has been disclosed as a deduction from turnover . The excise duty related to the difference between the opening and closing stock of finished goods is disclosed separately in Note 26 in the statement of profit and loss as "Excise Duty"


g) The Company has incurred cash losses of Rs. 1,100.14 lakhs during the year ended 31st March 2018 and, as on that date, the Company's net worth is fully erode and the accumulated losses stands at Rs. 2,236 lakhs. However, the year ended 31st March 2018 being the first full year of operations, and based on future profitability/cash flows and financial support from the holding company and promoters, the management is of the opinion that no material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements for the year ended 31st March 2018 are drawn up on going concern basis.

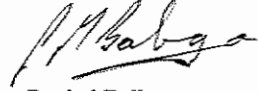
h) Previous year's figures have been regrouped , wherever necessary, to correspond with those of the current year. However previous year's figures are for the period from 7th August, 2016 to 31st March, 2017 hence are not comparable with current year.


Signature to notes 1 to 36

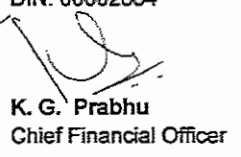


For and on behalf of the Board


Arati K. Naik
Wholtime Director
DIN: 06965985


Pankaj Baliga
Director
DIN: 00002864


Darshan Karekar
Company Secretary


K. G. Prabhu
Chief Financial Officer

Mumbai, dated : 11th May, 2018