

# Deloitte Haskins & Sells LLP

Chartered Accountants  
Indiabulls Finance Centre,  
Tower 3, 27th-32nd Floor,  
Senapati Bapat Marg,  
Elphinstone Road (West),  
Mumbai - 400 013,  
Maharashtra, India

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGISOL SYSTEMS LIMITED Report on the Financial Statements**

Tel: +91 22 6185 4000  
Fax: +91 22 6185 4101

We have audited the accompanying financial statements of DIGISOL SYSTEMS LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the period from 17th August, 2016 (the date of the incorporation of the Company) to 31st March, 2017, and a summary of the 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 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 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements 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

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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 obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the 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, 2017, and its loss and its cash flows for the period from 17th August, 2016 to 31st March, 2017.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143 (3) of the Act, based on our audit, we report, to the extent applicable 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 prescribed under section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – refer note 26;
    - ii. The Company did not have any long-term contracts including derivative

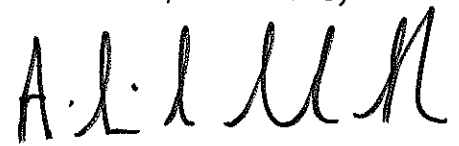
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contracts for which there were any material foreseeable losses;

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
  - iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the management.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"/"CARO 16") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W - 100018)



A. Siddharth  
(Partner)  
(Membership No. 31467)

Place: Mumbai  
Date: 17 May, 2017

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **DIGISOL SYSTEMS LIMITED** ("the Company") as of 31<sup>st</sup> March, 2017 in conjunction with our audit of the financial statements of the Company for the period from 17<sup>th</sup> August, 2016 to 31<sup>st</sup> March, 2017.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

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### **Meaning of Internal Financial Controls Over Financial Reporting**

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

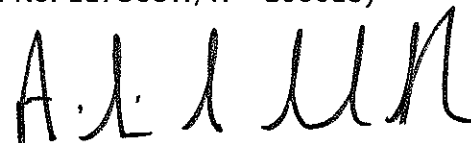
### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W - 100018)



A. Siddharth  
(Partner)  
(Membership No. 31467)

Place: Mumbai  
Date: 17 May, 2017

**ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT**

Re: Digisol Systems Limited.

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) Some of the fixed assets were physically verified by the Management during the period in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, 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 the CARO 2016 is not applicable
  
- (ii) As explained to us, the inventories were physically verified during the period by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
  
- (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.
  
- (iv) The Company has not granted any loans, made investments or provided guarantees and securities, hence reporting under clause (iv) of the CARO 2016 is not applicable.
  
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the period. There are no unclaimed deposits and hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Rules framed there under are not applicable to the Company.
  
- (vi) The maintenance of cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013, is not applicable to the Company during the current period.
  
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company is generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

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- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2017 for a period of more than six months from the date they became payable.
- (c) There were no disputed amounts payable in respect of Income-tax, Sales Tax, Service Tax, Value Added Tax, Cess and other material statutory dues in arrears as on 31<sup>st</sup> March, 2017. Details of Customs Duty and Excise Duty which have not been deposited as on 31<sup>st</sup> March, 2017 on account of disputes are given below:

Name of the Statute	Nature of dues	Forum where dispute is pending	Financial Year to which amount relates	Amount (Rs.)
Customs Act, 1962	Customs Duty	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	1,514,221 /- (Net of Rs. 900,000 of pre-deposit)
Central Excise Act, 1944	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	3,226,176/- (Net of Rs. 1,400,000 of pre-deposit)
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	4,626,176/-
Central Excise Act, 1944	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2001-2002 2002-2003 2003-2004 2004-2005	24,089,496/- (Net of Rs. 10,000,000 of pre-deposit)
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2001-2002 2002-2003 2003-2004 2004-2005	34,089,496/-
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2004-2005	100,000/-
Central Excise Act, 1944	Penalty (Excise Duty)	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)	2007-2008	362,961/-

- (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) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.

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- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the period.
- (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) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards. This is the first period of operations and hence the provisions of Section 177 of the Companies Act, 2013 are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company has made private placement of shares during the period.

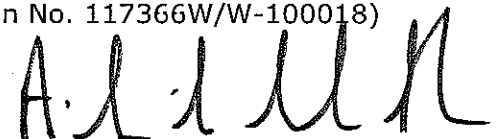
In respect of the above issue, we further report that:

- a) the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and
- b) the amounts raised have been applied by the Company during the period for the purposes for which the funds were raised.

During the period, the Company has not made any preferential allotment or private placement of fully or partly convertible debentures.

- (xv) In our opinion and according to the information and explanations given to us, during the period, the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



A. Siddharth  
Partner

(Membership No. 31467)

Place: Mumbai  
Date: 17<sup>th</sup> May 2017

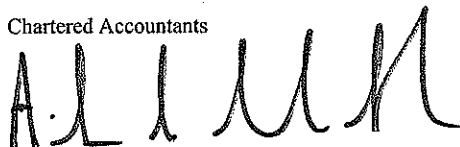


# **Digisol Systems Limited**

Balance sheet as at 31st March, 2017

Particulars	Note No.	As at 31st March, 2017 Rupees
<b>I EQUITY AND LIABILITIES</b>		
<b>(1) Shareholders' funds</b>		
(a) Share capital	3	160,000,000
(b) Reserves and surplus	4	<u>(106,665,676)</u>
		53,334,324
<b>(2) Non-current liabilities</b>		
(a) Other long term liabilities	5	212,656
(b) Long-term provisions	6	<u>1,621,658</u>
		1,834,314
<b>(3) Current liabilities</b>		
(a) Short-term borrowing	7	306,825,475
(b) Trade payables		
Total outstanding dues of micro enterprises and small enterprises	8	382,936
Total outstanding dues of creditors other than micro enterprises and small enterprises		120,615,137
(c) Other current liabilities	9	48,615,206
(d) Short-term provisions	10	<u>818,302</u>
		477,257,056
	<b>Total</b>	<u><u>532,425,694</u></u>
<b>II ASSETS</b>		
<b>(1) Non-current assets</b>		
(a) Property, plant and equipment		
(i) Tangible assets	11 a	9,806,659
(ii) Intangible assets	11 b	<u>20,388,578</u>
		30,195,237
(b) Long-term loans and advances	12	<u>14,945,303</u>
		45,140,540
<b>(2) Current assets</b>		
(a) Current investments	13	34,196,085
(b) Inventories	14	296,255,798
(c) Trade receivables	15	133,603,833
(d) Cash and cash equivalents	16	4,516,554
(e) Short-term loans and advances	17	<u>18,712,884</u>
		487,285,154
	<b>Total</b>	<u><u>532,425,694</u></u>
See accompanying notes forming part of the Financial Statements	1-36	

In terms of our report attached  
For Deloitte Haskins & Sells LLP  
Chartered Accountants




A. Siddharth  
Partner

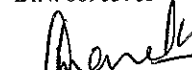
For and on behalf of the Board



Arati K. Naik  
Wholtime Director  
DIN: 06965985



Pankaj Baliga  
Director  
DIN: 00002864



Darshan Karekar  
Company Secretary

Mumbai, dated : 17th May, 2017

Mumbai, dated : 17th May, 2017

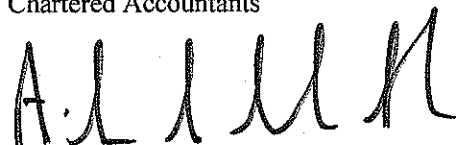
# **Digisol Systems Limited**

## **Statement of Profit and Loss for the period from 17th August, 2016 to 31st March, 2017**

<b>Particulars</b>	<b>Note No.</b>	<b>For the period from 17th August, 2016 to 31st March, 2017 Rupees</b>
<b>I Revenue from operations (gross)</b>	18	376,092,104
Less : Excise duty		16,109,922
<b>Revenue from operations (net)</b>		<u>359,982,182</u>
<b>II Other income</b>	19	4,353,827
<b>III Total Revenue ( I + II )</b>		<u><u>364,336,009</u></u>
<b>IV Expenses :</b>		
Cost of raw materials consumed	20	243,425,763
Purchases of traded goods	21	213,777,202
(Increase) in inventories of finished goods, work-in-progress and traded goods	22	(164,116,842)
Employee benefits expense	23	66,796,995
Finance costs	24	9,142,306
Depreciation and amortisation expense	11	3,246,506
Other expenses	25	98,729,755
<b>Total Expenses</b>		<u><u>471,001,685</u></u>
<b>V (Loss) for the period ( III-IV )</b>		<u><u>(106,665,676)</u></u>
<b>VI Earnings per equity share (Face value of Rs. 10/- per share)</b>		
Basic and Diluted .	32	(26.55)

See accompanying notes forming part of the Financial Statements 1-36

In terms of our report attached  
For Deloitte Haskins & Sells LLP  
Chartered Accountants




**A. Siddharth**  
Partner

For and on behalf of the Board



**Arati K. Naik**  
Wholtime Director  
DIN: 06965985



**Pankaj Baliga**  
Director  
DIN: 00002864



**Darshan Karekar**  
Company Secretary

Mumbai, dated : 17th May, 2017

Mumbai, dated : 17th May, 2017

# **Digisol Systems Limited**

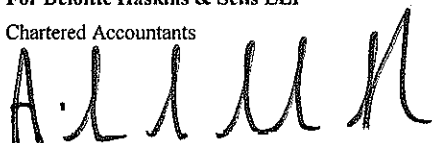
Cash flow statement for the period from 17th August, 2016 to 31st March, 2017

	For the period from 17th August, 2016 to 31st March, 2017
	<u>Rupee</u>
<b>A. Cash flows from operating activities</b>	
(Loss) before tax	(106,665,676)
Adjustments for:	
Depreciation and amortisation expense	3,246,506
Gain on sale of current investments (net)	(796,085)
Provision for doubtful debts and advances (net)	2,551,295
Unrealised exchange differences	(654,071)
Sundry balances written back	(10,708)
Finance costs	9,142,306
Interest income	(79,635)
<b>Operating (loss) before working capital changes</b>	<b>(93,266,068)</b>
Decrease in trade receivables	9,295,974
(Increase) in inventories	(115,778,348)
Decrease in loans and advances	11,107,211
Increase in trade and other payables	29,052,356
<b>Cash (used in) operations</b>	<b>(159,588,875)</b>
Direct taxes (paid)	(7,964)
<b>Net cash (used in) operating activities</b>	<b>(159,596,839)</b>
<b>B. Cash flows from investing activities</b>	
Purchase of Property, plant and equipment (Refer note 2)	(5,696,681)
Purchase of current investments	(254,900,000)
Sale of current investments	221,500,000
Purchase consideration paid for transfer of business, net of working capital adjustment	(259,884,723)
Interest received	79,635
<b>Net cash (used in) investing activities</b>	<b>(298,901,769)</b>
<b>C. Cash flows from financing activities</b>	
Proceeds from issue of Equity shares	160,000,000
Proceeds from issue of Redeemable Debentures	300,000,000
Proceeds from short term borrowings	6,825,475
Interest paid	(3,809,800)
<b>Net cash generated from financing activities</b>	<b>463,015,675</b>
<b>Net Increase in cash and cash equivalents</b>	<b>4,517,067</b>
Cash and cash equivalents at the beginning of the period	-
Effect of exchange differences on restatement of foreign currency Cash and cash equivalents.	(513)
Cash and cash equivalents at the end of the period as defined in AS3 on 'Cash Flow Statements'	<b>4,516,554</b>

**Notes :**

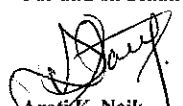
1. Cash flows are reported using the indirect method.
2. Purchase of Property, plant and equipment are stated inclusive of movements of capital work in progress and capital creditors between the commencement and end of the period and are considered as part of investing activity.

In terms of our report attached  
For Deloitte Haskins & Sells LLP  
Chartered Accountants

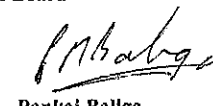


**A. Siddharth**  
Partner

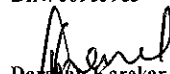
For and on behalf of the Board



**Arati K. Naik**  
Wholetime Director  
DIN: 06965985



**Pankaj Ballga**  
Director  
DIN: 00002864



**Darshan Karekar**  
Company Secretary

Mumbai, dated : 17th May, 2017

Mumbai, dated : 17th May, 2017

# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

### **NOTE 1 : BACKGROUND OF THE COMPANY**

Digisol Systems Limited ("Company") is 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 Network Systems 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 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	
<b>Property, Plant and Equipment</b>	
Gross Block	41,760,386
Less: Accumulated Depreciation	34,735,340
<b>Net block</b>	<b>7,025,046</b>
<b>Current Assets, Loans and Advances</b>	
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
<b>Total - Current Assets</b>	<b>370,795,958</b>
<b>Total Assets (A)</b>	<b>377,821,004</b>
<b>Current Liabilities and Provisions</b>	
Long-term provisions	688,605
Trade payables	130,761,552
Other current liabilities	7,206,140
<b>Total Liabilities (B)</b>	<b>138,656,297</b>
<b>Total (A-B)</b>	<b>239,164,707</b>

### **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 under the historical cost convention.

#### **(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 tangible assets 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

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# **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 recognised 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 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) Property, plant and equipment**

#### **i) Tangible assets**

Tangible assets 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**

i. Provident fund liability is determined on the basis of contribution as required under the statute / rules and when services are rendered by the employees.

ii. The Digisol Group Gratuity Trust has taken a Group Gratuity cum Life Assurance policy from the Life Insurance Corporation of India (LIC).

Provision is made in respect of difference between the actuarially determined gratuity liability and the fund available with LIC at the period end.

iii. Provision for Leave encashment is made on actuarial valuation done as at the period end.

### **(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 33 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, 2017  
Rupees

## **NOTE 3 : SHARE CAPITAL**

### Authorised

16,000,000 Equity Shares of Rs.10/- each

160,000,000

### Issued, subscribed and paid-up

16,000,000 Equity Shares of Rs.10/- each, fully paid-up

160,000,000

Total

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 repayment of capital.

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

As at 31st March, 2017  
No. of Shares

At the beginning of the period

-

Add : Shares issued during the period

16,000,000

Shares outstanding at the end of the period

16,000,000

#### **c) Details of shares held by Holding Company**

As at 31st March, 2017

	No. of Shares	% holding in the class
Equity shares of Rs.10/- each fully paid-up. Smartlink Network Systems Limited	16,000,000	100%

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

As at 31st March, 2017

	No. of Shares	% holding in the class
Equity shares of Rs.10/- each fully paid-up. Smartlink Network Systems Limited	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, 2017  
Rupees

### Surplus / (Deficit) in Statement of Profit and Loss

(Loss) for the period

(106,665,676)

Total

(106,665,676)

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

As at 31st March, 2017

Rupees

### **NOTE 5 : OTHER LONG-TERM LIABILITIES**

Other payables :

Security deposits	184,096
Unearned revenue	28,560
<b>Total</b>	<b>212,656</b>

### **NOTE 6 : LONG-TERM PROVISIONS**

Provision for employee benefits

For Leave encashment	1,621,658
<b>Total</b>	<b>1,621,658</b>

### **NOTE 7 : SHORT TERM BORROWING**

Unsecured Debentures :

8%, 3,000,000 Non-Convertible Debentures of Rs. 100/- each redeemable on 14th November, 2017	300,000,000
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Bank Overdraft (Ref footnote below)	6,825,475
<b>Total</b>	<b>306,825,475</b>

Footnote :

Overdraft with banks are secured, by a charge ranking pari passu, by way of hypothecation of all present and future current assets.

### **NOTE 8 : THE DISCLOSURES UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006**

The disclosures under the Micro, Small and Medium Enterprises Development Act, 2006 have been made on the basis of confirmations received from suppliers regarding their status under the said Act;

Particulars

Outstanding principal amount and interest as on 31st March, 2017	
- Principal Amount	382,936
- Interest due thereon	94

Amount of interest paid along with the amounts of payment made beyond the appointed day

-

Amount of interest due and payable (where the principal has already been paid but interest has not been paid)	6,385
---	-------

The amount of interest accrued and remaining unpaid at the end of each accounting year	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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### **NOTE 9 : OTHER CURRENT LIABILITIES**

Unearned revenue	13,092
Interest accrued on Debentures	5,326,027
Other payables :	
Statutory dues	15,434,280
Security deposits	2,152,259
Interest accrued on trade payables (Refer Note 8)	6,479
Payable to customer	25,106,702
Advance from customers	576,367
<b>Total</b>	<b>48,615,206</b>

### **NOTE 10 : SHORT-TERM PROVISIONS**

Provision for employee benefits

For Leave encashment	818,302
<b>Total</b>	<b>818,302</b>

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## Digisol Systems Limited

Notes forming part of the financial statements

### NOTE 11 : PROPERTY, PLANT AND EQUIPMENT

Nature of assets	Gross block			Depreciation / Amortisation			Net block	
	Additions	Adjustment on account of transfer of business	As at 31st March, 2017	For the period	Adjustment on account of transfer of business	As at 31st March, 2017	As at 31st March, 2017	As at 31st March, 2017
a <u>Tangible assets:</u>								
Plant and Equipment	3,275,485	8,342,419	11,617,904	457,444	4,647,434	5,104,878	6,513,026	6,513,026
Furniture and Fixture	71,943	8,596,643	8,668,586	154,617	7,787,568	7,942,185	726,401	726,401
Vehicles	-	1,174,397	1,174,397	111,340	601,714	713,054	461,343	461,343
Office equipment	49,250	1,971,245	2,020,495	43,679	1,816,308	1,859,987	160,508	160,508
Others								
Electrical installations	-	911,146	911,146	43,068	621,806	664,874	246,272	246,272
Air conditioners	138,977	658,513	797,490	23,021	475,650	498,671	298,819	298,819
Computers	684,072	14,748,273	15,432,345	287,287	13,744,768	14,032,055	1,400,290	1,400,290
<b>Tangible assets totals</b>	<b>4,219,727</b>	<b>36,402,636</b>	<b>40,622,363</b>	<b>1,120,456</b>	<b>29,695,248</b>	<b>30,815,704</b>	<b>9,806,659</b>	<b>9,806,659</b>
b <u>Intangible assets:</u>								
Goodwill	20,720,016	-	20,720,016	1,963,068	-	1,963,068	18,756,948	18,756,948
Computer software - acquired	1,476,954	5,357,750	6,834,704	162,982	5,040,092	5,203,074	1,631,630	1,631,630
<b>Intangible assets totals</b>	<b>22,196,970</b>	<b>5,357,750</b>	<b>27,554,720</b>	<b>2,126,050</b>	<b>5,040,092</b>	<b>7,166,142</b>	<b>20,388,578</b>	<b>20,388,578</b>
<b>Total</b>	<b>26,416,697</b>	<b>41,760,386</b>	<b>68,177,083</b>	<b>3,246,506</b>	<b>34,735,340</b>	<b>37,981,846</b>	<b>30,195,237</b>	<b>30,195,237</b>

Footnote:

1. Goodwill represents the difference between assets and liabilities transferred and the purchase consideration paid to Smartlink Network Systems Limited pursuant to scheme of arrangement for transfer of business.

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

As at 31st March, 2017  
Rupees

### **NOTE 12 : LONG-TERM LOANS AND ADVANCES**

Unsecured, considered good (unless stated otherwise) :

Security deposits	481,600
Others :	
Advance payment of taxes	7,964
Customs duty receivable	2,155,739
Pre-deposit with Government authorities in connection with appeals filed (Refer note 26 A)	12,300,000
<b>Total</b>	<b>14,945,303</b>

### **NOTE 13 : CURRENT INVESTMENTS**

**Investments in Mutual Funds (unquoted)**

**(At lower of cost and fair value)**

14,024.3410 Units in Reliance Mutual Fund - Liquidity Fund - Growth Plan Growth Option	34,196,085
<b>Total</b>	<b>34,196,085</b>

Footnote :

**Aggregate value of investments (net of adjustment)**

Unquoted - cost	34,196,085
-----------------	------------

### **NOTE 14 : INVENTORIES**

**(At lower of cost and net realisable value)**

Raw materials and components	24,583,652
Work-in-progress	44,693
Finished goods	149,602,762
Traded goods	118,971,359
(Includes Goods-in-transit of Rs. 8,198,160/-)	
Stores, spares and packing materials	3,053,332
<b>Total</b>	<b>296,255,798</b>

### **NOTE 15 : TRADE RECEIVABLES**

Unsecured

a) Outstanding for a period exceeding six month from the date they were due for payment

Considered doubtful	13,021,841
Less: Provision for doubtful receivables	13,021,841

b) Others

Considered good (Refer footnote (i) below)	133,603,833
<b>Total</b>	<b>133,603,833</b>

Footnote:

(i) Receivable from related parties.

Smartlink Network Systems Limited	182,427
Telesmart SCS Limited	14,727

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

As at 31st March, 2017

Rupees

### **NOTE 16 : CASH AND CASH EQUIVALENTS**

a) Cash on hand	44,682
b) Cheque on hand	5,000
c) Balances with bank	
In Current accounts	4,443,528
In Exchange Earners Foreign Currency (EEFC) account	23,344
<b>Total</b>	<b><u>4,516,554</u></b>

### **NOTE 17 : SHORT-TERM LOANS AND ADVANCES**

#### **Unsecured, considered good (unless otherwise stated) :**

Security deposits (refer footnote below)	850,000
Advances / Loans to Employees	515,857
Prepaid expenses	3,013,614
Others :	
VAT credit receivable	23,321
CENVAT / Service tax credit receivable	6,257,276
Custom duty receivable	322,051
Advances to suppliers	7,730,765
<b>Total</b>	<b><u>18,712,884</u></b>

#### **Footnote :**

(i) Deposit with related party	
Arati Naik	600,000

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

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

Rupees

### **NOTE : 18 REVENUE FROM OPERATIONS**

Sale of products (Refer Footnote (i) below)	356,137,705
Sale of services (Refer Footnote (ii) below)	19,943,691
Other operating revenues (Refer Footnote (iii) below)	10,708
<b>Total</b>	<b><u>376,092,104</u></b>

#### **Footnotes :**

(i) Sale of products comprises of

##### Finished goods

Networking products 158,451,587

##### Traded goods

Networking products 197,686,118

**Total** **356,137,705**

(ii) Sale of Services comprises of

Repair services

19,936,548

AMC services

7,143

**Total** **19,943,691**

(iii) Other operating revenues

Sundry balances written back

10,708

**Total** **10,708**

### **NOTE 19 : OTHER INCOME**

Interest income on overdue trade receivables	79,635
Gain on sale of current investments (net)	796,085
Exchange gain (net) (Refer note 27 (b))	2,553,269
Scrap income	924,838
<b>Total</b>	<b><u>4,353,827</u></b>

### **NOTE 20 : COST OF RAW MATERIALS CONSUMED**

#### Raw materials consumed comprises

Intergrated circuits	71,291,983
Power supplies, batteries and accessories	33,389,570
Enclosures and parts	18,025,573
Inductors, chip beads & transformers	16,296,203
PCBs	13,265,608
Others	91,156,826

**Total** **243,425,763**

### **NOTE 21 : PURCHASE OF TRADED GOODS**

Networking products

213,777,202

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

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

### **NOTE 22 : (INCREASE) IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS**

Stock as at 10th October, 2016 taken over pursuant to scheme of  
arrangement for transfer of business.

Finished goods	
- Manufactured	9,623,294
- Traded	94,878,678
Work-in-progress	-
	<u>104,501,972</u>
<u>Less : Stock as at 31st March, 2017</u>	
Finished goods	
- Manufactured	149,602,762
- Traded	118,971,359
Work-in-progress	44,693
	<u>268,618,814</u>
	<u>(164,116,842)</u>

(Increase)

(164,116,842)

### **NOTE 23 : EMPLOYEE BENEFITS EXPENSE**

Salaries and wages	61,245,702
Contribution to provident and other funds (Refer Note 29)	1,654,268
Staff welfare expenses	3,242,037
Gratuity	302,548
Leave encashment	352,440
<b>Total</b>	<u>66,796,995</u>

### **NOTE 24 : FINANCE COSTS**

Interest Expenses on :	
Interest on debentures	8,942,466
Bank overdraft account	183,374
Trade payables (Refer Note 8 )	6,479
Others	
- Interest on delayed payment of income tax	8,576
- Interest on statutory payments etc.	1,411
<b>Total</b>	<u>9,142,306</u>

### **NOTE 25 : OTHER EXPENSES**

Stores, spares and packing material consumed	5,991,611
Excise duty (Refer Note No. 36 (f) )	9,712,578
Power and fuel	3,372,437
Rent	14,415,513
Rates and taxes	405,522
Insurance	1,377,377
<u>Repairs and maintenance</u>	
Machinery	2,272
Others	937,864
	<u>940,136</u>
Travelling and conveyance expenses	5,321,589
Communication expenses	2,534,217
Legal and Professional fees	12,452,887
Advertisement and sales development expenses	21,639,094
Freight Outward	5,100,554
Servicing expenses	4,241,388
Provision for doubtful debts and advances	2,551,295
Miscellaneous expenses	8,673,557
<b>Total</b>	<u>98,729,755</u>

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

As at 31st March, 2017  
Rupees

### **NOTE 26 : CONTINGENT LIABILITIES AND COMMITMENTS**

#### **A. Contingent liabilities in respect of**

All the below contingent liabilities have been transferred from Smartlink Network Systems Limited pursuant to Business Transfer Agreement

a. Disputed demands of custom duty pending before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) (Amount deposited as pre-deposit Rs.900,000/-) in connection with classification of networking products.	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
c. Disputed penalty demands of Excise Authorities with regard to (b) above, pending before the CESTAT	39,178,633
d. Custom duty paid under protest	764,011

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. The total duty demand was Rs.3,883,884/-.

During the period Customs department accepted the classification adopted by the Company and allowed refund of Rs.3,119,873/- in one of the above cases.

The balance differential duty paid under protest, is included under Long term loans and advances in Note 12, pending resolution of the dispute at Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

The Company is confident of successfully contesting the demands and does not expect any significant liability to crystallise.

### **NOTE 27 : 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, 2017

	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, 2017

	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

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

	Rupees
Exchange gain	3,859,423
Exchange loss	1,306,154

### **NOTE 28 : PAYMENT TO AUDITORS (NET OF SERVICE TAX)**

a. As Auditors	500,000
	500,000

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Total  
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# Digisol Systems Limited

## Notes forming part of the financial statements

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

### NOTE 29 : EMPLOYEE BENEFITS

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

	Gratuity (Funded)
<b>I. Reconciliation of opening and closing balances of Defined Benefit obligation</b>	
Defined Benefit obligation at beginning of the period	-
Liability taken over pursuant to scheme of arrangement for transfer of business.	6,134,847
Current Service Cost	650,576
Interest Cost	322,777
Actuarial (gain) / loss	(669,618)
Benefits paid	(148,938)
Defined Benefit obligation at period-end	<u>6,289,644</u>
<b>II. Reconciliation of opening and closing balances of fair value of plan assets</b>	
Fair value of plan assets at beginning of the period	-
Expected return on plan assets	159,999
Actuarial gain/(loss)	(158,812)
Employer contribution	464,728
Transfer in pursuant to scheme of arrangement for transfer of business.	6,134,847
Benefits paid	(148,938)
Fair value of plan assets at period end	<u>6,451,824</u>
<b>III. Reconciliation of fair value of assets and obligations</b>	
Present value of obligation as at 31st March, 2017	6,289,644
Fair value of plan assets as at 31st March, 2017	<u>6,451,824</u>
Amount recognized in Balance Sheet	<u>162,180</u>
<b>IV. Expense recognized during the period (Under the head "Employees benefits expense" - Refer to note 23)</b>	
Current Service Cost	650,576
Interest Cost	322,777
Expected return on plan assets	(159,999)
Actuarial (gain) / loss	(510,806)
Net Cost	<u>302,548</u>
<b>V. Actuarial assumptions</b>	
Discount rate (per annum)	6.69%
Expected rate of return on plan assets (per annum)	7.50%
Rate of escalation in salary (per annum)	5.00%
Mortality Table used	Indian Assured Lives Mortality 2006-08 ultimate table
<b>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.</b>	
<b>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.</b>	
Experience Adjustment	<u>31-Mar-17</u>
On plan liabilities	(669,618)
On plan assets	(158,812)
Present value of benefit obligation	6,289,644
Fair value of plan assets	6,451,824
Excess of (obligation over plan assets) / plan assets over obligation	162,180
<b>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>	

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

i) Contribution to provident fund Rs. 1,634,632/-

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

### **NOTE 30 : 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*

<b>Particulars</b>	<b>Domestic</b>	<b>Exports</b>	<b>Unallocated</b>	<b>Total</b>
Revenues from external customers (net) (including sale of services)	340,421,980	19,560,202	-	359,982,182
Segment assets	484,531,519	9,173,572	38,720,603	532,425,694
Additions to Property, plant and equipment during the	26,416,697	-	-	26,416,697

### **NOTE 31 : OPERATING LEASE RENTALS**

Lease rental charged to the statement of Profit and Loss in respect of premises taken on cancellable operating lease are Rs.14,415,513/- The tenure of these leases is 11 to 36 months.

### **NOTE 32 : 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:

	<b>For the period from 17th August, 2016 to 31st March, 2017</b>
Loss for the period attributable to Equity Shareholders (Rupees)	(106,665,676)
Weighted average number of equity shares	4,017,621
Par value per share (Rupees)	10.00
Basic and Diluted earnings per share net of tax (Rupees)	(26.55)

### **NOTE 33 : DEFERRED TAX (NET)**

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

	<b>As at 31st March, 2017</b>
	<b>Rupees</b>
a. Deferred Tax Liability	-
b. Deferred Tax Asset	
Fiscal allowances of Property, plant and equipment	213,809
Carry-forward depreciation loss	2,165,459
Carry-forward business loss	27,780,706
Provision for doubtful debts	4,023,749
Provision for slow moving stock	9,574,636
Others	1,872,432
Total	<u>45,630,791</u>
Deferred Tax Asset (net)	<u>NIL</u>

Notes :

1. The Company has a Deferred Tax Asset as at 31st March, 2017. 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.

*DMU*

*PKG*

*DD*

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# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

### **NOTE 34 : RELATED PARTY DISCLOSURES**

a) Name of related parties where control exists

**Name of the related parties**

Smartlink Network Systems 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 Network Systems 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	Total
Sale of Products				
Smartlink Network Systems Limited	182,427			182,427
Telesmart SCS Limited		14,726		14,726
Job Work Charges				
Synegra EMS Limited		21,909,456		21,909,456
Telesmart SCS Limited		563,768		563,768
Managerial Remuneration				
Ms. Arati K. Naik			2,017,142	2,017,142
Rent Expense				
Smartlink Network Systems Limited *	11,602,750			11,602,750
Ms. Arati K. Naik			360,000	360,000
Management Support Fees Expense				
Smartlink Network Systems Limited *	2,569,355			2,569,355
Interest Expense				
Smartlink Network Systems Limited	8,942,466			8,942,466
Subscription to share capital				
Smartlink Network Systems Limited	160,000,000			160,000,000
Issue of Debentures				
Smartlink Network Systems Limited	300,000,000			300,000,000
Purchase Consideration including working capital Adjustment				
Smartlink Network Systems Limited	259,884,723			259,884,723
Corporate Guarantee issued to banks for facilities given to the Company				
Smartlink Network Systems Limited	90,000,000			90,000,000
<b>As at the period end</b>				
Amount due from				
Ms. Arati K. Naik (Rent Deposit)			600,000	600,000
Smartlink Network Systems Limited	182,427			182,427
Telesmart SCS Limited		14,727		14,727
Amount due to				
Smartlink Network Systems Limited	307,937,853			307,937,853
Synegra EMS Limited		3,535,883		3,535,883
Telesmart SCS Limited		255,873		255,873
Ms. Arati K. Naik			1,050,000	1,050,000

\* The amounts are exclusive of Service Tax.

*DMU*

*PMB*

*[Signature]*

*[Signature]*



# **Digisol Systems Limited**

## **Notes forming part of the financial statements**

### **NOTE 35: Specified Bank Notes disclosure (SBN)**

During the period, the Company had specified bank notes as defined in the MCA notification G.S.R. 308 (E) dated 31st March, 2017 on details of specified bank notes held and transacted during the period from 8th November, 2016 to 30th December, 2016.

The SBN and other denomination wise details as per the notification is given below.

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	45,000	46,161	91,161
(+) Permitted receipts	-	183,246	183,246
(-) Permitted payments	-	192,754	192,754
(-) Amount deposited in Banks	45,000	-	45,000
Closing cash in hand as on 30.12.2016	-	36,653	36,653

### **NOTE 36 : OTHER DISCLOSURE**

	Rupees	% age to total consumption
<b>a) Raw materials consumed</b>		
imported	208,022,656	85.46
indigenous	35,403,107	14.54
<b>Total</b>	<b>243,425,763</b>	<b>100.00</b>
<b>b) Stores, spares and packing materials consumed</b>		
imported	4,095,245	68.35
indigenous	1,896,366	31.65
<b>Total</b>	<b>5,991,611</b>	<b>100.00</b>
<b>c) C.I.F. value of goods imported</b>		
Raw materials and components		162,835,164
Stores, spares and packing materials		3,712,274
Capital goods		30,458
Traded goods		67,381,079
<b>d) Expenditure in foreign currency</b>		
Travelling expenses		117,539
Professional fees		66,623
Advertisement, Sales development, reimbursement of expenses, etc.		22,767
<b>e) Earnings in foreign exchange</b>		
Income from services		19,560,202

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

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 25 in the statement of profit and loss as "Excise Duty"

g) The Company was incorporated on 17th August, 2016, hence comparable previous period figures are not available.

Signature to notes 1 to 36

DHL

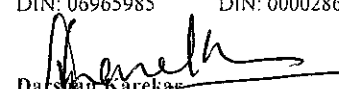
For and on behalf of the Board



Arati K. Nail  
Wholetime Director  
DIN: 06965985



Pankaj Baliga  
Director  
DIN: 00002864

  
Darshan Karekar  
Company Secretary

Mumbai, dated : 17th May, 2017