MSKA
& Associates
Chartered Accountants

Floor 3, Enterprise Centre
Nehru Road, Near Domestic Airport
Vile Parle (E), Mumbai 400099, INDIA
Tel: +91 22 3358 9800

INDEPENDENT AUDITOR'S REPORT

To the Members of Digisol Systems Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Digisol Systems Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, Statement of changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013("the Act"). in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

As mentioned in Note 49, the management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2020 and has concluded that there is no impact which is required to be recognised in the financial statements. However, the impact may be different from that assessed as at the approval of the

MSKA & ASSOCIATES Chartered Accountants

financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

Our opinion is not modified in respect of this matter.

Material Uncertainty related to Going concern

As disclosed in note 48, the Company has incurred losses of Rs. 876.49 lakhs (previous year Rs. 941.82 lakhs) during the year ended March 31, 2020 and as on date, has accumulated loss of Rs. Rs. 1,203.00 lakhs (previous year Rs. 3,206.26 lakhs). Further the Company's net worth is substantially eroded as on date. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the management has reasonable expectation, based on the estimate of future cash flow projections that support the carrying value of the tangible and intangible assets of the Company as at March 31, 2020 and committed financial support from the Holding company and the promoters, that the Company would have adequate resources to continue its operational existence for the foreseeable future. Accordingly, the financials have been prepared on going concern basis and no impairment provision has been recognised.

Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report including Annexures but does not include the financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting

MSKA & ASSOCIATES
Chartered accountants

Standards specified 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Other Matter

The comparative financial information of the Company for the year ended March 31, 2019 and the transition date opening balance sheet as at April 1, 2018 included in these financial statements are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 for the year ended March 31, 2019 on which we issued an unmodified audit opinion vide our reports dated May 15, 2019 on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have also been audited by us.
Our opinion is not modified in respect of this matter.

MSKA & ASSOCIATES * Chartered accountants *

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" 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, the Statement of Changes in Equity and the Statement of Cash Flow 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 March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

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

      i. The Company does not have any pending litigations which would impact its financial position.

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

MSKA & ASSOCIATES * Chartered accountants *

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

3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits prescribed under Section 197 of the Act and the rules thereunder.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Mundhra

Anup Mundhra
Partner
Membership No. 061083
UDIN: 20061083AAAACP5725

MSKA & ASSOCIATES Chartered accountants

Place: Pune
Date: June 22, 2020

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE FINANCIAL STATEMENTS OF DIGISOL SYSTEMS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

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

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

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

MSKA & ASSOCIATES * Chartered accountants *

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

AMundhra

Anup Mundhra
Partner
Membership No.061083
UDIN: 20061083AAAACP5725

MSKA & ASSOCIATES * Chartered accountants *

Place: Pune
Date: June 22, 2020

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF DIGISOL SYSTEMS LIMITED FOR THE YEAR ENDED MARCH 31, 2020

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

i.

(a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).

(b) All the fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us, there are no immovable properties owned by the Company, and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.

iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has not either directly or indirectly, granted any loan to any of its directors or to any other person in whom the director is interested, in accordance with the provisions of section 185 of the Act and the Company has not made investments through more than two layers of investment companies in accordance with the provisions of section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are not applicable to the Company.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.

vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.

MSKA & ASSOCIATES * Chartered accountants *

vii.

(a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, undisputed statutory dues including provident fund, employees' state insurance, tax deducted at source and income tax, duty of custom, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

(b) According to the information and explanations given to us, no undisputed amounts are payable in respect of provident fund, employees' state insurance, tax deducted at source and income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us and the records of the Company examined by us, there are no dues of tax deducted at source and income tax, goods and service tax, customs duty, cess and any other statutory dues which have not been deposited on account of any dispute.

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not taken any loans or borrowings from financial institutions and debenture holders.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.

x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private

MSKA & ASSOCIATES * Chartered accountants *

placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.

xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES * Chartered accountants *

Anup Mundhra
Partner
Membership No.061083
UDIN: 20061083AAAACP5725

Place: Pune
Date: June 22, 2020

Annexure C to the Independent Auditor's Report of even date on the Financial Statements of Digisol Systems Limited

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

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

We have audited the internal financial controls with reference to financial statements of Digisol Systems Limited ("the Company") as of March 31, 2020 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 Management 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 issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). 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 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. 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 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 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

MSKA & ASSOCIATES * Chartered accountants *

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 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were

MSKA & ASSOCIATES * Chartered accountants *

operating effectively as at March 31, 2020, 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.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Mundhra

MSKA & ASSOCIATES * Chartered accountants *

Anup Mundhra
Partner
Membership No.061083
UDIN: 20061083AAAACP5725

Place: Pune
Date: June 22, 2020

DIGISOL SYSTEMS LIMITED
BALANCE SHEET AS ON 31st MARCH, 2020
(Amount in INR, unless otherwise stated)

Particulars	Notes	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
ASSETS				
Non-current assets				
Property, plant and equipment	5	2,44,34,485	4,77,69,391	5,61,24,404
Goodwill	6	-	-	1,46,15,214
Other intangible assets	7	3,25,640	8,10,803	13,44,190
Financial assets				
(i) Other financial assets	8	18,55,078	31,65,646	26,08,929
Deferred tax asset (net)	36	-	-	-
Non Current tax assets (net)	9	2,82,444	98,676	7,964
Other non-current assets	10	2,04,87,639	2,70,52,148	3,09,37,390
Total non-current assets		**4,73,85,286**	**7,88,96,664**	**10,56,38,091**
Current assets				
Inventories	11	7,29,88,429	15,97,57,979	11,45,19,554
Financial assets				
(i) Investments	12	-	-	71,87,130
(ii) Trade receivables	13	7,66,73,639	14,52,19,441	13,18,83,192
(iii) Cash and cash equivalents	14	8,56,458	40,29,315	1,16,79,993
(iv) Bank balances other than cash and cash equivalent	15	3,28,91,959	3,08,88,087	-
(v) Other financial assets	16	4,84,665	8,75,867	11,61,542
Other current assets	17	1,65,88,267	2,84,52,135	2,14,50,170
Total current assets		**20,04,83,417**	**36,92,22,824**	**28,78,81,581**
TOTAL ASSETS		**24,78,68,703**	**44,81,19,488**	**39,35,19,672**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	18	4,10,00,000	41,00,00,000	16,00,00,000
Other equity	19	(2,40,12,291)	(30,44,87,795)	(22,64,44,611)
Total equity		**1,69,87,709**	**10,55,12,205**	**(6,64,44,611)**
Liabilities				
Non-current liabilities				
Financial liabilities				
(i) Borrowings	20	1,43,65,223	3,31,02,922	29,43,82,010
(ii) Other financial liabilities	21	-	-	95,206
Provisions	22	31,87,452	20,84,484	15,43,808
Other non-current liabilities	23	-	5,712	17,136
Total non-current liabilities		**1,75,52,675**	**3,51,93,118**	**29,60,38,160**
Current liabilities				
Financial liabilities				
(i) Borrowings	24	7,10,74,509	10,61,45,560	-
(ii) Trade payables	25			
Total outstanding dues of micro enterprises and small enterprises		23,083	1,08,694	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		11,19,49,296	16,91,25,264	12,39,87,904
(iii) Other financial liabilities	26	1,16,51,249	1,42,81,152	1,16,73,958
Other current liabilities	27	1,81,59,961	1,62,44,512	2,67,60,143
Provisions	28	4,70,221	15,08,983	15,04,118
Total current liabilities		**21,33,28,319**	**30,74,14,165**	**16,39,26,123**
TOTAL LIABILITIES		**23,08,80,994**	**34,26,07,283**	**45,99,64,283**
TOTAL EQUITY AND LIABILITIES		24,78,68,703	44,81,19,488	39,35,19,672
See accompanying notes to the financial statements	1-50			
The accompanying notes are an integral part of the financial statements				

As per my report of even date
For MSKA & Associates
Chartered Accountants
Firm Registration No.:105047W

MSKA & ASSOCIATES Chartered accountants

Anup Mundhra
Partner
Membership No. 061083

Place: Pune
Date: 22nd June,2020

DIGISOL SYSTEMS LIMITED

For and on behalf of the Board of Directors
DIGISOL SYSTEMS LIMITED
CIN : U31909GA2016PLC012970

K. R. Naik
Wholetime Director
DIN: 00002013

Place: Goa
Date: 22nd June,2020

Arati Naik
Director
DIN: 06965985

Place: Goa
Date: 22nd June,2020

DIGISOL SYSTEMS LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2020

(Amount in INR , unless otherwise stated)

Particulars	Notes	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
INCOME			
Revenue from operations	29	59,15,97,481	86,42,26,895
Other income	30	81,55,391	1,58,64,055
Total Income		59,97,52,872	88,00,90,950
EXPENSES			
Purchase of traded goods		38,84,78,623	75,34,44,858
Decrease / (Increase) in inventories of finished goods and traded goods	31	8,67,89,247	(4,52,95,344)
Employee benefits expenses	32	11,61,62,601	11,01,82,986
Finance costs	33	1,02,74,853	2,70,52,445
Depreciation and amortisation expense	34	1,29,98,593	2,93,38,378
Other expenses	35	7,26,98,079	9,95,49,260
Total expenses		68,74,01,996	97,42,72,583
(Loss) before tax		(8,76,49,124)	(9,41,81,633)
Tax expense			
Current tax	36	-	-
Deferred tax	36	-	-
Total income tax expense		-	-
(Loss) for the year		(8,76,49,124)	(9,41,81,633)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability		(8,75,372)	(72,373)
Income tax effect		-	-
Other comprehensive income for the year, net of tax		(8,75,372)	(72,373)
Total comprehensive income for the year		(8,85,24,496)	(9,42,54,006)
Earnings per Equity Share			
Basic earnings / (loss) per Equity Share	37	(2.14)	(4.92)
Diluted earnings / (loss) per Equity Share	37	(2.14)	(4.92)
See accompanying notes to the financial statements	1-50		
The accompanying notes are an integral part of the financial statements			

As per my report of even date
For MSKA & Associates
Chartered Accountants
Firm Registration No.:105047W

Anup Mundhra
Partner
Membership No. 061083

Place: Pune
Date: 22nd June,2020

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

For and on behalf of the Board of Directors
DIGISOL SYSTEMS LIMITED
CIN : U31909GA2016PLC012970

K. R. Naik	Arati Naik
Wholetime Director	*Director*
DIN: 00002013	DIN: 06965985
Place: Goa	Place: Goa
Date: 22nd June,2020	Date: 22nd June,2020

DIGISOL SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH, 2020

(Amount in INR, unless otherwise stated)

(A) Equity share capital

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Equity shares of Rs. 10/- each issued, subscribed and fully paid up			
Opening	41,00,00,000	16,00,00,000	16,00,00,000
Add: Issued during the year	-	25,00,00,000	-
Less: Reduction in share capital (Rs. 9/- per share)	(36,90,00,000)	-	-
Closing	4,10,00,000	41,00,00,000	16,00,00,000

(B) Other equity

Particulars	Capital Contribution	Reserves and Surplus			Total
		Surplus / (Deficit) in the Statement of Profit and Loss	FVTOCI Reserve on Defined Benefits	Capital Reserve	
Balance as at 1st April, 2018	-	(22,64,44,611)	-	-	(22,64,44,611)
Profit / (loss) for the year	-	(9,41,81,633)	-	-	(9,41,81,633)
Additions during the year	1,62,10,822	-	-	-	1,62,10,822
Other comprehensive income / (loss) for the year	-	-	(72,373)	-	(72,373)
Total comprehensive income for the year	1,62,10,822	(9,41,81,633)	(72,373)	-	(7,80,43,184)
Balance as at 31st March, 2019	1,62,10,822	(32,06,26,244)	(72,373)	-	(30,44,87,795)

Particulars	Capital Contribution	Reserves and Surplus			Total
		Surplus / (Deficit) in the Statement of Profit and Loss	FVTOCI Reserve on Defined Benefits	Capital Reserve	
Balance as at 1st April, 2019	1,62,10,822	(32,06,26,244)	(72,373)	-	(30,44,87,795)
Profit / (Loss) for the year	-	(8,76,49,124)	-	-	(8,76,49,124)
Additions during the year	-	-	-	8,10,25,068	8,10,25,068
Other comprehensive income / (loss) for the year	-	-	(8,75,372)	-	(8,75,372)
Total comprehensive income for the year	-	(8,76,49,124)	(8,75,372)	8,10,25,068	(74,99,428)
Capital Reduction	-	28,79,74,932	-	-	28,79,74,932
Balance as at 31st March, 2020	1,62,10,822	(12,03,00,436)	(9,47,745)	8,10,25,068	(2,40,12,291)

See accompanying notes to the financial statements

The accompanying notes are an integral part of the financial statements

For MSKA & Associates
Chartered Accountants
Firm Registration No.:105047W

MSKA & ASSOCIATES * Chartered accountants *

Anup Mundhra
Partner
Membership No. 061083

Place: Pune
Date: 22nd June,2020

For and on behalf of the Board of Directors
DIGISOL SYSTEMS LIMITED
CIN : U31909GA2016PLC012970

K. R. Naik
Wholetime Director
DIN: 00002013

Place: Goa
Date: 22nd June,2020

Arati Naik
Director
DIN: 06965985

Place: Goa
Date: 22nd June,2020

DIGISOL SYSTEMS LIMITED

DIGISOL SYSTEMS LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31st MARCH, 2020
(Amount in INR , unless otherwise stated)

Particulars	For the Year Ended 31st Mar, 2020	For the Year Ended 31st March, 2019
Cash flow from operating activities		
Net (loss) before tax	(8,76,49,124)	(9,41,81,633)
Adjustments for:		
Unrealised Foreign Currency Exchange Rate Fluctuation (net)	487	(59,644)
Depreciation and amortisation expenses	1,29,98,593	2,93,38,378
Finance cost	1,02,74,853	2,70,52,445
Interest income	(22,30,112)	(10,00,586)
(Profit) / Loss on sale of property, plant & equipment	(2,119)	(1,26,757)
Fair Value gain on sale of current investments	-	(6,35,752)
EIR impact of security deposits and rent amortization	(2,09,716)	(2,16,717)
Bad Debts written off	1,17,002	83,31,020
Sundry balances written off (net)	2,85,838	3,492
Provision for doubtful debts and advances (net)	(26,27,344)	(1,17,73,676)
Gain on de recognition of Right to Use assets	(12,88,572)	-
Operating loss before working capital changes	(7,03,30,214)	(4,32,69,430)
Changes in working capital		
(Decrease) / Increase in trade payables	(5,84,40,294)	4,51,97,579
Increase in provisions	64,206	5,45,541
Decrease / (Increase) in inventories	8,67,69,550	(4,52,38,425)
Increase / (Decrease) in trade receivables	7,10,73,162	(98,97,261)
(Decrease) / Increase in financial liabilities	(1,38,709)	8,98,444
Increase / (Decrease) in non-financial liabilities	19,09,737	(1,05,27,055)
Decrease / (Increase) in other financial assets	2,14,070	(3,01,35,925)
Decrease/ (Increase) in other non-financial assets	1,84,28,377	(31,16,723)
Cash generated from / (used in) operations	4,95,49,885	(9,55,43,255)
Income tax paid	(1,83,768)	(90,712)
Net cash flows from / (used in) operating activities (A)	4,93,66,117	(9,56,33,967)
Cash flow from investing activities		
Payment for property, plant and equipment and intangible assets	(8,178)	(14,20,614)
Proceeds from Sale of property, plant and equipment and intangible assets	2,119	1,33,845
Interest received	23,18,332	1,12,499
Purchase of Current Investments	-	(6,88,00,000)
Proceeds from sale of Current Investments	-	7,66,22,883
Net cash flow from investing activities (B)	23,12,273	66,48,613
Cash flow from Financing activities		
Proceeds from Borrowings	(3,91,34,281)	10,39,82,329
Interest payments	(25,34,482)	(83,85,469)
Lease liability payments	(1,31,82,484)	(1,42,98,106)
Net Cash Flows (Used in) / from Financing Activities (C)	(5,48,51,247)	8,12,98,754
Net (Decrease) in cash and cash equivalents (A+B+C)	(31,72,857)	(76,86,600)
Cash and cash equivalents at the beginning of the year	40,29,315	1,16,79,993
Effect of exchange differences on restatement of foreign currency Cash and cash equivalents	-	35,922
Cash and cash equivalents at the end of the year	8,56,458	40,29,315
Cash and cash equivalents comprise		
Balances with banks		
On current accounts	7,95,229	11,20,502
In Exchange Earners Foreign Currency (EEFC) account	-	28,55,723
Cash on hand	61,229	53,090
Total cash and cash equivalents at end of the year	8,56,458	40,29,315

Non Cash Movement in Financing Activity

Particulars	For the Year Ended 31st Mar, 2020	For the Year Ended 31st March, 2019
Borrowings (including current maturities of long term Debt)	40,63,230	(25,44,38,356)
Lease Liabilities	(80,47,675)	90,72,874

See accompanying notes to the financial statements

The accompanying notes are an integral part of the financial statements

As per my report of even date
For MSKA & Associates
Chartered Accountants
Firm Registration No.:105047W

Anup Mundhra
Partner
Membership No. 061083

Place: Pune
Date: 22nd June,2020

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

For and on behalf of the Board of Directors
DIGISOL SYSTEMS LIMITED
CIN : U31909GA2016PLC012970

K. R. Naik
Wholetime Director
DIN: 00002013

Place: Goa
Date: 22nd June,2020

Arati Naik
Director
DIN: 06965985

Place: Goa
Date: 22nd June,2020

1 General Information

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")

2 Significant accounting policies

Significant accounting policies adopted by the Company are as under:

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Ind AS

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the "Act") read with the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The financial statements up to year ended 31st March, 2018 were prepared in accordance with the accounting standards notified under the section 133 of the Act, read with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

These financial statements for the year ended 31st March, 2018 are the first set of financial statements prepared in accordance with Ind AS. Refer note 4 for an explanation of how the Company has adopted Ind AS.

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

(b) Basis of measurement

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

Items	Measurement Basis
Certain Financial Assets and Financials Liabilites	Fair Value
Net Defined Benefit (asset) / liability	Present value of defined benefit obligation less fair value of plan assets

(c) Classification into current and non-current:

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the rendering of service and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and non current classification of assets and liabilities.

(d) Use of estimates

The preparation of financial statements in conformity with Ind AS requires the Management to make estimate and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of revenue and expenses for the year and disclosures of contingent liabilities as at the Balance Sheet date. The estimates and assumptions used in the accompanying financial statements are based upon the Management's evaluation of the relevant facts and circumstances as at the date of the financial statements. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates, if any, are recognized in the year in which the estimates are revised and in any future years affected. Refer Note 3 for details on estimates and judgments.

(e) Functional and presentation currrency

These standalone financials are presented in Indian Rupees, which is also the company's functional currency.All amounts have been rouded off to the nearest Rupee, unless otherwise indicated.

2.2 Property, plant and equipment

Property, plant and equipment, are stated at historical cost of acquisition or construction less accumulated depreciation and impairment losses, if any. Freehold land is carried at cost and is not depreciated. Cost of property, plant and equipment comprises its purchase price net of any discounts and rebates, any import duties and other taxes (other than those subsequently recovered from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses, decommissioning costs, if any, and interest on borrowings attributable to it up to the date it is ready for its intended use. Cost of property, plant and equipment that are not yet ready for their intended use at the balance sheet date are shown under capital work-in-progress.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance costs are charged to Statement of Profit and Loss during the year in which they are incurred.

Property, plant and equipment's residual values and useful lives are reviewed at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED ☆

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 1st April, 2018 measured as per the Indian GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Depreciation methods, estimated useful lives

The Company depreciates Property, plant and equipments using the straight line method over their estimated useful lives as under :

Property, plant and equipment	Useful Lives (In years)
Plant and Equipments	8
Furniture andFixtures	8
Motor Vehicle	5
Office equipment	5
Computer	3

Based on the technical experts assessment of useful life, certain items of property plant and equipment are being depreciated over useful lives different from the prescribed useful lives under Schedule II to the Companies Act, 2013. Management believes that such estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Depreciation methods, useful lives and residual values are reviewed periodically at each financial year end and adjusted prospectively, as appropriate.

2.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

2.4 Other Intangible Assets

Intangible assets are stated at acquisition cost, net of accumulated amortization.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its all intangible assets recognised as at 1st April, 2018 measured as per the Indian GAAP and use that carrying value as the deemed cost of the intangible assets.

The Company amortized intangible assets over their estimated useful lives using the straight line method. The estimated useful lives of intangible assets are as follows:

Intangible assets	Useful life
Computer Software	4 years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.5 Foreign Currency Transactions

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

(b) Transactions and balances

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Gains/Losses arising out of fluctuation in foreign exchange rate between the transaction date and settlement date are recognised in the Statement of Profit and Loss.

All monetary assets and liabilities in foreign currencies are restated at the year end at the exchange rate prevailing at the year end and the exchange differences are recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

MSKA & ASSOCIATES * Chartered Accountants *

DIGISOL SYSTEMS LIMITED

2.6 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or

b) In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the Company.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The Company's management determines the policies and procedures for fair value measurement.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

2.7 Revenue Recognition

Revenue from contract with customers is recognised when the Company satisfies the performance obligation by transferring promised goods and services to the customer. The revenue is measured based on transaction price, which is the fair value of consideration received or receivable, and is net of discounts, allowances, returns, goods and services tax and amounts collected on behalf of third party.

Finance Income

Interest income is recognised on a basis of effective interest method as set out in Ind AS 109, Financial Instruments, and where no significant uncertainty as to measurability or collectability exists.

2.8 Taxes

Tax expense for the year, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the year.

(a) Current income tax

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(b) Deferred tax

Deferred tax is recognised on temporary differences, being differences between the carrying amount of assets and liabilities and corresponding tax bases used in the computation of taxable profit. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off.

Deferred tax assets are reviewed at each balance sheet date for their realizability.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity respectively.

(c) Minimum Alternate tax (MAT)

Minimum Alternate Tax credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

MSKA & ASSOCIATES Chartered accountants

DIGISOL SYSTEMS LIMITED

2.9 Leases

As a lessee

The Company's lease asset classes primarily consist of leases for office and factory premises. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to Surplus / (Deficit) in the Statement of Profit and Loss, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the Company's incremental borrowing rate at the date of initial application. The Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of Surplus / (Deficit) in the Statement of Profit and Loss as on April 1, 2019.

2.10 Inventories

Inventories are valued at the lower of cost (on weighted average basis) and net realisable value.

Cost of inventories comprises of cost of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

The net realizable value of work in progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed the net realizable value.

2.11 Impairment of non-financial assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate pre-tax discount rate to determine whether there is any indication that those assets have suffered any impairment loss. When there is an indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.12 Provisions and contingent liabilities

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. In the event the time value of money is material, provision is carried at the present value of the cash flows required to settle the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

MSKA & ASSOCIATES * Chartered Accountants

DIGISOL SYSTEMS LIMITED

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events, where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed, where an inflow of economic benefits is probable.

2.13 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks, cash on hand and short-term deposits net of bank overdraft with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

(i) Initial recognition and measurement

At initial recognition, financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:
a) at amortized cost; or
b) at fair value through other comprehensive income; or
c) at fair value through profit or loss.
The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

<u>Amortized cost</u>: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method (EIR).

<u>Fair value through other comprehensive income (FVOCI)</u>: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in Statement of Profit and Loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Profit and Loss and recognized in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

<u>Fair value through profit or loss</u>: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

<u>Equity instruments</u>: All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at Fair value through profit and loss (FVTPL). For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

(iii) Impairment of financial assets

In accordance with Ind AS 109, Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on financial assets.

For recognition of impairment loss on financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent years, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

MSKA & ASSOCIATES * Chartered Accountants

DIGISOL SYSTEMS LIMITED

Life time ECLs are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the year end.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider all contractual terms of the financial instrument (including prepayment, extension etc.) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payment is more than 30 days past due.

ECL impairment loss allowance (or reversal) recognized during the year is recognized as income/expense in the statement of profit and loss. In balance sheet ECL for financial assets measured at amortized cost is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

(iv) Derecognition of financial assets

A financial asset is derecognized only when

a) the rights to receive cash flows from the financial asset is transferred or

b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the financial asset is transferred then in that case financial asset is derecognized only if substantially all risks and rewards of ownership of the financial asset is transferred. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

(b) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and at amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statement of Profit and Loss.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss as finance costs.

(c) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract - with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. Derivatives embedded in all other host contract are separated if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

(d) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.15 Employee Benefits

(a) Short-term obligations

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period.

Benefits such as salaries and wages etc. and the expected cost of bonus/ex-gratia are recognised in the period in which the employere renders the related services.

(b) Defined Contribution schemes

(i) Company's contribution to the provident fund and employee's state insurance fund are charged to the statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective authorities.

(ii) Defined Benefit plans

The Company provides for the retirement benefits in the form of Gratuity. Benefits payable to eligible employees of the company with respect to gratuity is accounted for the on the basis of an actuarial valuation as at the balancesheet date. The present value of such obligation is determined by the projected unit credit method and adjusted for the past service cost and fair value of plan assets as at the Balance Sheet date through which the obligations are to be settled.

Remeasurements, comprising of acturial gains and losses and the return on plan assets (excluding net interest) is reflected immediately in the balance sheet with a charge/credit recognised in Other Comprehensive Income ("OCI") in the period in which they occur.

Remeasurements are recognised in OCI is reflected immediately in Surplus / (Deficit) in the Statement of Profit and Loss and is not reclassified to profit or loss in subsequent periods.

(iii) Other long term employee benefits

Company's liabilities towards compensated absences to employees which are expected to be availed or encashed beyond 12 months from the end of the year are accrued on the basis of valuations ,as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method.

Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the statement of profit and loss.

2.16 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit or loss for the year after deducting preference dividends and any attributable tax thereto for the year. The weighted average number of equity shares outstanding during the year and for all the years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

2.17 Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

All borrowing costs are charged to the Statement of Profit and Loss except:

a) Borrowing costs directly attributable to the acquisition or construction of assets that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of such assets.

b) Expenses incurred on raising long term borrowings are amortised using effective interest rate method over the period of borrowings.

Investment income earned on the temporary investment of funds of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

MSKA & ASSOCIATES * Chartered Accountants *

DIGISOL SYSTEMS LIMITED

2.18 Rounding off amounts

All amounts disclosed in financial statements and notes have been rounded off to the nearest decimals as per requirement of Schedule III of the Act, unless otherwise stated.

3 A. Significant accounting judgments, estimates and assumptions

In the preparation of the financial statements, the Company makes judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. Information about assumptions, judgements and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2020 are as below :

(a) **Useful lives of property, plant and equipment and intangible assets**

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period. Useful lives of intangible assets is determined on the basis of estimated benefits to be derived from use of such intangible assets. These reassessments may result in change in the depreciation /amortisation expense in future periods.

(b) **Taxes**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.
The Company neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

(c) **Actuarial Valuation**

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in Other Comprehensive Income. Such valuation depend upon assumptions determined after taking into account discount rate, salary growth rate, expected rate of return, mortality and attrition rate. Information about such valuation is provided in notes to the financial statements.

(d) **Impairment of non-financial assets**

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

B. Ministry of Corporate affairs ("MCA") notifies new standard or ammendments to the existing standards. There are neither new standards nor amendments to existing standards which are effective for the annual period beginning from April 1, 2020.

4 First-time adoption of Ind-AS

These financial statements are the first set of Ind AS financial statements prepared by the Company. The Accounting policies set out in note 2 have been applied in preparing the Financial Statements for the year ended March 31, 2020, the comparative information presented for the year ended March 31, 2019 and in the preparation of the opening Ind AS Balance Sheet as at April 1, 2018 (the Company's date of transition).

The Company has prepared opening Balance Sheet as per Ind AS as of April 1, 2018 (transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted to be recognised by Ind AS, reclassifying items from Previous GAAP to Ind AS as required, and applying Ind AS to measure the recognised assets and liabilities.

4.1 Exemptions availed on first time adoption of Ind AS

Ind AS 101, First-time Adoption of Indian Accounting Standards, allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly applied the following exemptions.

(a) Deemed Cost

The Company has elected to continue with carrying value for all of its property, plant and equipment as recognized in its Indian GAAP financial statements as its deemed cost at the date of transition after making adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38, Intangible Assets and Investment properties. Accordingly the management has elected to measure all of its property, plant and equipment, investment properties and intangible assets at their Indian GAAP carrying value.

MSKA & ASSOCIATES * Chartered accountants

DIGISOL SYSTEMS LIMITED

4.2 Mandatory Exemption on first-time adoption of Ind AS

(a) Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with Indian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1st April, 2018 are consistent with the estimates as at the same date made in conformity with Indian GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under Indian GAAP:

(i) Impairment of financial assets based on expected credit loss model.
(ii) Fair valuation of compound financial instrument.
(iii) Effective interest rate used in calculation of security deposit and borrowings.

(b) Derecognition of financial assets and financial liabilities

A first-time adopter should apply the derecognition requirements in Ind AS 109, Financial Instruments, prospectively to transactions occurring on or after the date of transition. Therefore, if a first-time adopter derecognized non-derivative financial assets or non-derivative financial liabilities under its Indian GAAP as a result of a transaction that occurred before the date of transition, it should not recognize those financial assets and liabilities under Ind AS (unless they qualify for recognition as a result of a later transaction or event). A first-time adopter that wants to apply the derecognition requirements in Ind AS 109,Financial Instruments, retrospectively from a date of the entity's choosing may only do so, provided that the information needed to apply Ind AS 109,Financial Instruments, to financial assets and financial liabilities derecognized as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognize provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

(c) Classification and measurement of financial assets

Ind AS 101, First-time Adoption of Indian Accounting Standards, requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

4.3 Reconciliations

The following reconciliations provides the effect of transition to Ind AS from Indian GAAP in accordance with Ind AS 101 "First-time Adoption of Indian Accounting Standards":

(a) Reconciliation of equity as at date of transition 1st April, 2018

Particulars	Notes	Indian GAAP*	Re-classification	Indian GAAP*	Adjustments	Ind AS
ASSETS						
Non-current assets						
Property, plant and equipment	vi	51,95,404	-	51,95,404	5,09,29,000	5,61,24,404
Goodwill		1,46,15,214	-	1,46,15,214	-	1,46,15,214
Intangible assets		13,44,190	-	13,44,190	-	13,44,190
Financial assets						
Other financial assets	iii	-	37,40,760	37,40,760	(11,31,831)	26,08,929
Non Current tax assets (net)		-	7,964	7,964	-	7,964
Other non-current assets		1,73,04,463	1,36,32,927	3,09,37,390	-	3,09,37,390
Total non-current assets		3,84,59,271	1,73,81,651	5,58,40,922	4,97,97,169	10,56,38,091
Current assets						
Financial assets						
Investments	i	70,00,000	-	70,00,000	1,87,130	71,87,130
Trade receivables	vii	13,48,78,523	-	13,48,78,523	(29,95,331)	13,18,83,192
Cash and cash equivalents		1,16,79,993	-	1,16,79,993	-	1,16,79,993
Other financial assets		-	11,61,542	11,61,542	-	11,61,542
Inventories		11,45,19,554	-	11,45,19,554	-	11,45,19,554
Other current assets		3,99,93,363	(1,85,43,193)	2,14,50,170	-	2,14,50,170
Total current assets		30,80,71,433	(1,73,81,651)	29,06,89,782	(28,08,201)	28,78,81,581
Total assets		34,65,30,704	-	34,65,30,704	4,69,88,968	39,35,19,672
EQUITY AND LIABILITIES						
Equity						
Equity share capital		16,00,00,000	-	16,00,00,000	-	16,00,00,000
Other equity		(22,36,21,297)	-	(22,36,21,297)	(28,23,314)	(22,64,44,611)
Total equity		(6,36,21,297)	-	(6,36,21,297)	(28,23,314)	(6,64,44,611)
Liabilities						
Non-current liabilities						
Financial liabilities						
Borrowings	vi	25,00,00,000	-	25,00,00,000	4,43,82,010	29,43,82,010
Other financial liabilities		-	95,206	95,206	-	95,206
Provisions	iv	22,09,362	(6,65,554)	15,43,808	-	15,43,808
Other non current liabilities		1,12,342	(95,206)	17,136	-	17,136
Total non-current liabilities		25,23,21,704	(6,65,554)	25,16,56,150	4,43,82,010	29,60,38,160
Current liabilities						
Financial liabilities						
Trade payables		12,39,87,904	-	12,39,87,904	-	12,39,87,904
Other financial liabilities	vi	-	62,43,686	62,43,686	54,30,272	1,16,73,958
Provisions	iv	7,50,991	7,53,127	15,04,118	-	15,04,118
Other current liabilities		3,30,91,402	(63,31,259)	2,67,60,143	-	2,67,60,143
Total current liabilities		15,78,30,297	6,65,554	15,84,95,851	54,30,272	16,39,26,123
Total liabilities		41,01,52,001	-	41,01,52,001	4,98,12,282	45,99,64,283
Total equity and liabilities		34,65,30,704	-	34,65,30,704	4,69,88,968	39,35,19,672

* The Indian GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

MSKA & ASSOCIATES * Chartered Accountants *

DIGISOL SYSTEMS LIMITED

(b) Reconciliation of equity as at 31ts March, 2019

Particulars	Notes	Indian GAAP*	Re-classification	Indian GAAP*	Adjustments	Ind AS
ASSETS						
Non-current assets						
Property, plant and equipment	vi	46,22,879	-	46,22,879	4,31,46,512	4,77,69,391
Intangible assets		8,10,803	-	8,10,803	-	8,10,803
Financial assets						
Other financial assets	iii	-	50,50,447	50,50,447	(18,84,801)	31,65,646
Non Current tax assets (net)		-	98,676	98,676	-	98,676
Other non-current assets		1,75,27,358	95,24,790	2,70,52,148	-	2,70,52,148
Total non-current assets		2,29,61,040	1,46,73,913	3,76,34,953	4,12,61,711	7,88,96,664
Current assets						
Financial assets						
Trade receivables	vii	14,70,68,765	-	14,70,68,765	(18,49,324)	14,52,19,441
Cash and cash equivalents		3,40,29,315	(3,00,00,000)	40,29,315	-	40,29,315
Bank balances other than Cash and cash equivalent		-	3,00,00,000	3,00,00,000	8,88,087	3,08,88,087
Other financial assets		4,31,13,828	(4,22,37,961)	8,75,867	-	8,75,867
Inventories		15,97,57,979	-	15,97,57,979	-	15,97,57,979
Other current assets		8,88,087	2,75,64,048	2,84,52,135	-	2,84,52,135
Total current assets		38,48,57,974	(1,46,73,913)	37,01,84,061	(9,61,237)	36,92,22,824
Total assets		40,78,19,014	-	40,78,19,014	4,03,00,474	44,81,19,488
EQUITY AND LIABILITIES						
Equity						
Equity share capital		41,00,00,000	-	41,00,00,000	-	41,00,00,000
Other equity		(30,27,84,809)	-	(30,27,84,809)	(17,02,986)	(30,44,87,795)
Total equity		10,72,15,191	-	10,72,15,191	(17,02,986)	10,55,12,205
Liabilities						
Non-current liabilities						
Financial liabilities						
Borrowings	vi	-	-	-	3,31,02,922	3,31,02,922
Provisions	iv	27,67,151	(14,27,932)	13,39,219	7,45,265	20,84,484
Other non current liabilities		5,712	-	5,712	-	5,712
Total non-current liabilities		27,72,863	(14,27,932)	13,44,931	3,38,48,187	3,51,93,118
Current liabilities						
Financial liabilities						
Borrowings	viii	10,84,20,685	-	10,84,20,685	(22,75,125)	10,61,45,560
Trade payables		16,92,33,958	-	16,92,33,958	-	16,92,33,958
Other financial liabilities	vi	-	31,05,489	31,05,489	1,11,75,663	1,42,81,152
Provisions	iv	7,48,377	15,05,871	22,54,248	(7,45,265)	15,08,983
Other current liabilities		1,94,27,940	(31,83,428)	1,62,44,512	-	1,62,44,512
Total current liabilities		29,78,30,960	14,27,932	29,92,58,892	81,55,273	30,74,14,165
Total liabilities		30,06,03,823	-	30,06,03,823	4,20,03,460	34,26,07,283
Total equity and liabilities		40,78,19,014	-	40,78,19,014	4,03,00,474	44,81,19,488

* The Indian GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

MSKA & Associates Chartered

DIGISOL SYSTEMS LIMITED

(c) Reconciliation of Total Comprehensive Income for the year ended 31st March, 2019

Particulars	Notes	Indian GAAP*	Reclassification	Indian GAAP*	Adjustments	Ind AS
INCOME						
Revenue from operations		88,06,16,757	(1,63,89,862)	86,42,26,895	-	86,42,26,895
Other income	i & ii	38,50,512	1,08,37,949	1,46,88,461	11,75,594	1,58,64,055
Total income		88,44,67,269	(55,51,913)	87,89,15,356	11,75,594	88,00,90,950
EXPENSES						
Purchase of traded goods		75,34,44,858	-	75,34,44,858	-	75,34,44,858
Decrease / (Increase) in inventories of finished goods, work-in-progress and traded goods		(4,52,95,344)	-	(4,52,95,344)	-	(4,52,95,344)
Employee benefits expenses	iv	11,02,55,359	-	11,02,55,359	(72,373)	11,01,82,986
Finance costs	vi & viii	86,91,978	-	86,91,978	1,83,60,467	2,70,52,445
Depreciation and amortization expense	vi	1,71,34,652	-	1,71,34,652	1,22,03,726	2,93,38,378
Other expenses	vi & vii	11,93,99,278	(55,51,913)	11,38,47,365	(1,42,98,105)	9,95,49,260
Total expenses		96,36,30,781	(55,51,913)	95,80,78,868	1,61,93,715	97,42,72,583
(Loss) Before Tax		(7,91,63,512)	-	(7,91,63,512)	(1,50,18,121)	(9,41,81,633)
Tax expense						
Current tax		-	-	-	-	-
Deferred tax		-	-	-	-	-
Total tax expense		-	-	-	-	-
(Loss) for the year		(7,91,63,512)	-	(7,91,63,512)	(1,50,18,121)	(9,41,81,633)
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurement of net defined benefit liability	iv & v	-	-	-	(72,373)	(72,373)
Income tax effect						
Other comprehensive income for the year, net of tax		-	-	-	(72,373)	(72,373)
Total comprehensive income for the year		(7,91,63,512)	-	(7,91,63,512)	(1,50,90,494)	(9,42,54,006)

* The Indian GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

(d) Reconciliation of Statement of Cashflow for the year ended 31st March, 2019

Particulars	Indian GAAP*	Adjustments	Ind AS
Net cash flows (used in) operating activities	(8,43,56,606)	(1,12,77,361)	(9,56,33,967)
Net cash flows (used in) / from investing activities	(2,33,65,210)	3,00,13,823	66,48,613
Net Cash Flows from Financing Activities	10,00,35,216	(1,87,36,462)	8,12,98,754

* The Indian GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

(e) Notes to first-time adoption

(i) Fair Valuation of Mutual Funds

Under Indian GAAP, the Company has recognised investments in Mutual Funds at lower of cost or fair value. Under Ind AS, such investments are measured at fair value through profit and loss account. On the transition date, difference between the instruments' fair value and Indian GAAP carrying amount has been recognised in Surplus / (Deficit) in the Statement of Profit and Loss.

(ii) Gain /(loss) net recognized on mutual funds

Gain /(loss) net recognized on mutual funds recognized in Indian GAAP calculated taking cost as base has been reversed now and Gain / (loss), net recognized on the basis of carrying value on date of derecognition as base has been recognized in accordance with paragraph 3.2.12 of Ind AS 109.

	Amounts
Gain already recognized in local GAAP reversed	(8,22,882)
Gain calculated as per Ind AS recognized	6,35,752
	(1,87,130)

(iii) Security deposit

Under Indian GAAP, interest-free security deposit given are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognized at fair value. Accordingly the Company has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognized as Right-of-use asset

(iv) Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Company recognized costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to Statement of Profit and Loss. Under Ind AS, re-measurements comprising of actuarial gains and losses are recognized immediately in the balance sheet with a corresponding debit or credit to Surplus / (Deficit) in the Statement of Profit and Loss through OCI.

Thus the employee benefit cost for the year ended 31 March 2019 is reduced by INR 72,373/- and re-measurement gains/ losses on defined benefit plans of the corresponding amount has been recognized in the OCI, net of taxes.

(v) Other comprehensive income

The concept of Other Comprehensive Income (OCI) did not exist under Indian GAAP.

(vi) Leases

Under the Previous GAAP, office premises taken on lease (operating lease) were accounted as per Accounting for leases by charging the rent to the Statement of Profit and loss.

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2018 and applied the standard to its leases prospectively. Accordingly, the Company has elected to use the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of transition of April 1, 2018 as the deemed cost of the right-of-use assets along with the value of the lease liability at the date of transition to the Ind AS.

(vii) Expected Credit losses

Under the Previous GAAP, the Company had created provision for doubtful debts on receivables on the basis of incurred loss. Under Ind AS, loss allowance on financial assets has been provided on the basis of Expected Credit Loss (ECL). Consequently, the Company has recognised ECL on its financial assets as at March 2019 aggregating INR 18,49,324/-. This has resulted in decrease in equity and financial assets as at March 31, 2019 and decrease in profit before tax for the year ended March 31, 2019.

(viii) Loan from a Director

Under the Previous GAAP, there was no concept of fair valuation of financial liabilites. Under Ind AS, fair valuation has been done for financial liabilites which majorly includes a loan received from a Director at a rate of interest which is below the market rate. The fair valuation has been done as per the amortised cost method. This has resulted in the decrease in the value of financial liabilities and increase in the equity by an amount of INR 32,55,661/- as on March 31, 2019. Further, the fair valuation has resulted in an increase in the finance cost by an amount of INR 6,72,070/- and increase in the loss for the year ended March 31, 2019 by the like amount.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

5 PROPERTY, PLANT AND EQUIPMENT

Particulars	Gross block				Depreciation				Net block	
	As at 1st April, 2019	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2020	As at 1st April, 2019	For the period	Deductions/ Adjustments	As at 31st March, 2020	As at 31st March, 2020	As at 31st March, 2019
Plant and equipment	89,69,441	-	-	89,69,441	63,60,978	4,76,722	-	68,37,700	21,31,741	26,08,463
Furniture and fixture	86,68,586	-	-	86,68,586	85,13,737	82,467	-	85,96,204	72,382	1,54,849
Office equipment	21,36,259	8,178	-	21,44,437	19,97,374	52,638	-	20,50,012	94,425	1,38,885
Electrical installations	9,11,146	-	-	9,11,146	8,46,584	43,474	-	8,90,058	21,088	64,562
Air conditioners	7,97,490	-	-	7,97,490	5,98,760	45,709	-	6,44,469	1,53,021	1,98,730
Computers	1,68,14,158	-	85,142	1,67,29,016	1,53,56,768	7,35,481	85,142	1,60,07,107	7,21,909	14,57,390
Right-of-use assets	5,53,50,237	27,35,278	2,01,44,448	3,79,41,067	1,22,03,725	1,10,76,939	65,79,516	1,67,01,148	2,12,39,919	4,31,46,512
Total	9,36,47,317	27,43,456	2,02,29,590	7,61,61,183	4,58,77,926	1,25,13,430	66,64,658	5,17,26,698	2,44,34,485	4,77,69,391

Particulars	Gross block				Depreciation				Net block	
	As at 1st April, 2018	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2019	As at 1st April, 2018	For the period	Deductions/ Adjustments	As at 31st March, 2019	As at 31st March, 2019	As at April 1, 2018 (Deemed cost)
Plant and equipment	89,69,441	-	-	89,69,441	57,42,263	6,18,715	-	63,60,978	26,08,463	32,27,178
Furniture and fixture	86,68,586	-	-	86,68,586	82,57,565	2,56,172	-	85,13,737	1,54,849	4,11,021
Vehicles	6,09,084	-	6,09,084	-	5,69,704	39,380	6,09,084	-	-	39,380
Office equipment	21,19,225	17,034	-	21,36,259	19,35,477	61,897	-	19,97,374	1,38,885	1,83,748
Electrical installations	9,11,146	-	-	9,11,146	7,55,729	90,855	-	8,46,584	64,562	1,55,417
Air conditioners	7,97,490			7,97,490	5,50,171	48,589		5,98,760	1,98,730	2,47,319
Computers	1,54,51,534	14,03,580	40,956	1,68,14,158	1,45,20,193	8,70,443	33,868	1,53,56,768	14,57,390	9,31,341
Right-of-use assets	5,09,29,000	44,21,237	-	5,53,50,237	-	1,22,03,725	-	1,22,03,725	4,31,46,512	5,09,29,000
Total	8,84,55,506	58,41,851	6,50,040	9,36,47,317	3,23,31,102	1,41,89,776	6,42,952	4,58,77,926	4,77,69,391	5,61,24,404

Note:

The Company has elected to continue with carrying value for all of its property, plant and equipment as recognized in its Indian GAAP financial statements, as its deemed cost at the date of transition under Ind AS 101 'First-time adoption of Indian Accounting Standards' i.e. 1st April, 2018.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

DIGISOL SYSTEMS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2020
(Amount in INR, unless otherwise stated)

6 GOODWILL

Particulars	Gross block				Depreciation				Net block	
	As at 1st April, 2019	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2020	As at 1st April, 2019	For the period	Deductions/ Adjustments	As at 31st March, 2020	As at 31st March, 2020	As at 31st March, 2019
Goodwill	2,07,20,016	-	-	2,07,20,016	2,07,20,016	-	-	2,07,20,016	-	-
Total	2,07,20,016	-	-	2,07,20,016	2,07,20,016	-	-	2,07,20,016	-	-

Particulars	Gross block				Depreciation				Net block	
	As at 1st April, 2018	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2019	As at 1st April, 2018	For the period	Deductions/ Adjustments	As at 31st March, 2019	As at 31st March, 2019	As at April 1, 2018
Goodwill	2,07,20,016	-		2,07,20,016	61,04,802	1,46,15,214		2,07,20,016	-	1,46,15,214
Total	2,07,20,016	-	-	2,07,20,016	61,04,802	1,46,15,214	-	2,07,20,016	-	1,46,15,214

Note:
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. During the financial year 2018-19, there has been a revision in the estimated useful life of Goodwill from 5 years to 2.5 years.

7 INTANGIBLE ASSETS

Particulars	Gross block				Depreciation				Net block	
	As at 1st April, 2019	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2020	As at 1st April, 2019	For the period	Deductions/ Adjustments	As at 31st March, 2020	As at 31st March, 2020	As at 31st March, 2019
Computer Software	70,31,704	-	-	70,31,704	62,20,901	4,85,163	-	67,06,064	3,25,640	8,10,803
Total	70,31,704	-	-	70,31,704	62,20,901	4,85,163	-	67,06,064	3,25,640	8,10,803

Particulars	Gross block				Depreciation				Net block	
	As at 1st April, 2018 (Deemed cost)	Additions/ Adjustments	Deductions/ Adjustments	As at 31st March, 2019	As at 1st April, 2018 (Deemed cost)	For the period	Deductions/ Adjustments	As at 31st March, 2019	As at 31st March, 2019	As at 1st April, 2018 (Deemed cost)
Computer Software	70,31,704	-	-	70,31,704	56,87,514	5,33,387	-	62,20,901	8,10,803	13,44,190
Total	70,31,704	-	-	70,31,704	56,87,514	5,33,387	-	62,20,901	8,10,803	13,44,190

Note:
The Company has elected to continue with carrying value for all of its intangible assets as recognized in its Indian GAAP financial statements, as its deemed cost at the date of transition under Ind AS 101 "First-time adoption of Indian Accounting Standards", i.e. 1st April, 2018.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

8 OTHER FINANCIAL ASSETS (NON-CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Security Deposits	18,55,078	31,65,646	26,08,929
Total	18,55,078	31,65,646	26,08,929

9 NON CURRENT TAX ASSETS (NET)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Advance income tax (net of provisions)	2,82,444	98,676	7,964
Total	2,82,444	98,676	7,964

10 OTHER NON-CURRENT ASSETS

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Balances with statutory/Government authorities	2,04,87,639	2,70,52,148	3,09,37,390
Total	2,04,87,639	2,70,52,148	3,09,37,390

11 INVENTORIES (AT COST OR NET REALISABLE VALUE)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Finised goods	-	-	36,33,124
Traded Goods	7,29,61,259	15,97,50,506	11,08,22,038
(Including Goods-in-transit Rs. 20,573,143/- (As at 31st March, 2019 Rs 2,049,301/-; As at 1st April, 2018 Rs 7,138,187/-))			
Stores, spares and packing materials	27,170	7,473	64,392
Total	7,29,88,429	15,97,57,979	11,45,19,554

12 INVESTMENTS (CURRENT FINANCIAL ASSETS)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
CURRENT INVESTMENTS			
Unquoted			
Fair Value through profit & loss			
Investment - Franklin Templeton Low Duration Mutual Fund - Direct Plan (354,092.8950 units on 1st April 2018)	-	-	71,87,130
Total	-	-	71,87,130

Aggregate amount of quoted investments	-	-	-
Market Value of quoted investments	-	-	-
Aggregate amount of unquoted investments	-	-	71,87,130
Aggregate amount of impairment in value of investments	-	-	-

Current	-	-	71,87,130
Non- Current	-	-	-
Total	-	-	71,87,130

13 TRADE RECEIVABLES

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Unsecured			
-Considered good (Refer note below)	7,66,73,639	14,52,19,441	13,18,83,192
-Considered doubtful	11,82,507	38,09,851	1,55,83,526
Less : Provision for doubtful debts	(11,82,507)	(38,09,851)	(1,55,83,526)
Total	7,66,73,639	14,52,19,441	13,18,83,192
Note			
Receivable from related parties			
Smartlink Holdings Ltd	87,955	45,637	-
Telesmart SCS Limited	30,04,962	23,652	4,25,066

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

14 CASH AND CASH EQUIVALENTS

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Balances with banks:			
On current accounts	7,95,229	11,20,502	88,49,118
In Exchange Earners Foreign Currency (EEFC) account	-	28,55,723	27,98,843
Cash on hand	61,229	53,090	32,032
Total	**8,56,458**	**40,29,315**	**1,16,79,993**

15 BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENT

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
In Fixed deposit with maturity of more than 3 months but less than 12 months from balance sheet date *	3,20,92,092	3,00,00,000	-
Interest receivable on fixed deposit	7,99,867	8,88,087	-
Total	**3,28,91,959**	**3,08,88,087**	**-**

* Fixed deposits are under lien with the banks as margin money against credit facility availed by the Company.

16 OTHER FINANCIAL ASSETS (CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Loan / Advance to employees	3,80,665	5,57,867	5,29,942
Security Deposit	1,04,000	3,18,000	6,31,600
Total	**4,84,665**	**8,75,867**	**11,61,542**

17 OTHER CURRENT ASSETS

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Prepaid expenses	8,27,919	23,28,084	14,51,535
Balance with government authorities	1,23,18,311	1,84,10,555	1,43,51,955
Advances to vendors	34,42,037	77,13,496	56,46,680
Total	**1,65,88,267**	**2,84,52,135**	**2,14,50,170**

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

18 EQUITY SHARE CAPITAL

Particulars	As at 31st March 2020	As at 31st March 2019	As at 1st April 2018
Authorized Share Capital			
41,000,000 Equity shares of Re 1/- each (Previous year 41,000,000; As at 1st April 2018 16,000,000; Equity Shares of Rs.10/- each)	4,10,00,000	41,00,00,000	16,00,00,000
	4,10,00,000	41,00,00,000	16,00,00,000
Equity shares			
Issued, subscribed and paid up			
41,000,000 Equity shares of Re 1/- each (Previous year 41,000,000; As at 1st April 2018 16,000,000; Equity Shares of Rs.10/- each) fully paid up	4,10,00,000	41,00,00,000	16,00,00,000
Total	4,10,00,000	41,00,00,000	16,00,00,000

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the year

Particulars	As at 31st March 2020	As at 31st March 2019	As at 1st April 2018
Outstanding at the beginning of the year	4,10,00,000	1,60,00,000	1,60,00,000
Add: Issued during the year	-	2,50,00,000	-
Less: Bought back during the year	-	-	-
Outstanding at the end of the year	4,10,00,000	4,10,00,000	1,60,00,000

(b) Rights, preferences and restrictions attached to shares

The Company has only one class of Equity shares having a par value of Re. 1/- per share (Previous year Rs 10/-). 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. In the event of liquidation of the Company, the holders of equity shares will be entitled to recieve remaing assests of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c)

Shares held by the holding company:	As at 31st March 2020	As at 31st March 2019	As at 1st April 2018
Smartlink Holdings Limited			
Equity shares of Re. 1/- each (Previous years Rs.10/- each) fully paid-up.	4,10,00,000	4,10,00,000	1,60,00,000

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at31st March 2020		As at31st March 2019		As at1st April 2018	
	Number of shares	% of holding in the class	Number of shares	% of holding in the class	Number of shares	% of holding in the class
Name of the shareholder						
Equity shares of Re. 1/- each (Previous years Rs.10/- each) fully paid-up						
Smartlink Holdings Limited	4,10,00,000	100%	4,10,00,000	100%	1,60,00,000	100%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(e) Reduction of share capital

During the financial year ended 31st March, 2019, the terms of 8% 2,500,000 Non-convertible Debentures of Rs. 100/- amounting to Rs. 250,000,000 were changed from Non-convertible Debentures to Compulsorily Convertible Debentures (CCD) vide approval given by shareholders at its meeting held on February 2, 2019. Further, based on the request letter received from the Debenture Holder, Smartlink Holdings Limited, the Company exercised the option of converting CCDs into Equity shares with swap ratio as 10:1 (Ten equity shares of Rs. 10/- each for each CCD of Rs. 100/-). On application made by the Company, the National Company Law Tribunal (NCLT) passed order on 11th July, 2019 reducing the paid-up equity share capital from Rs. 41,00,00,000/- (4,10,00,000 equity shares of Rs. 10/- each, fully paid up) to Rs. 4,10,00,000/- (4,10,00,000 equity shares of Re. 1/- each, fully paid up), thereby reducing the nominal value of equity shares from Rs. 10/- each to Re. 1/- each by cancelling the equity share capital of Rs. 9/- per equity share. Post reduction of equity share capital, company's issued and subscribed capital is Rs. 4,10,00,000/- (4,10,00,000 equity shares of Re.1/- each). The reduction in share capital of Rs. 36,90,00,000/- has been used to write off the accumulated losses to the extent of Rs. 28,79,74,932/- and balance amount of Rs. 8,10,25,268/- has been taken to 'Capital Reserve'.

19 OTHER EQUITY

A. Capital contribution *

Particulars	As at 31st March 2020	As at 31st March 2019	As at 1st April 2018
Opening balance	1,62,10,822	-	
Add: Addition during the year	-	1,62,10,822	
Closing balance	1,62,10,822	1,62,10,822	-

* This pertains to Capital contribution of Rs. 32,55,661/- on account of loan from Director at a lower rate than market rate of interest, and Rs.1,29,55,161/- on account of fair valuation impact on conversion of debentures into equity share capital.

MSKA & ASSOCIATES * Chartered Accountants *

DIGISOL SYSTEMS LIMITED ☆

B. Capital Reserve *

Particulars	As at 31st March 2020	As at 31st March 2019	As at 1st April 2018
Opening balance	-	-	
Add: Reduction of Share capital	8,10,25,068	-	
Closing balance	8,10,25,068	-	-

* This pertains to the balance amount remaining from reduction in equity capital after writing off accumulated losses to the extent of Rs. 28,79,74,932/-. Refer note 18(e).

C. FVTOCI reserve on defined benefits (net of tax)

Particulars	As at 31st March 2020	As at 31st March 2019	As at 1st April 2018
Opening balance	(72,373)	-	
Add: Addition during the year	(8,75,372)	(72,373)	
Closing balance	(9,47,745)	(72,373)	-

* This repsents remeasurements, comprising of acturial gains and losses and the return on plan assets (excluding net interest) on employee defined benefit plans.

D. Surplus / (Deficit) in the Statement of Profit and Loss

Particulars	As at 31st March 2020	As at 31st March 2019	As at 1st April 2018
Opening balance	(32,06,26,244)	(22,64,44,611)	
Add: Net Profit / (Loss) for the year	(8,76,49,124)	(9,41,81,633)	
Less: Reduction of Share capital	28,79,74,932	-	
Closing balance	(12,03,00,436)	(32,06,26,244)	(22,64,44,611)

Total other equity	(2,40,12,291)	(30,44,87,795)	(22,64,44,611)

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

20 BORROWINGS (NON-CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Borrowings measured at Amortised Cost			
Unsecured			
8%, 2,500,000 Non-Convertible Debentures of Rs. 100/- Refer note 18(e).	-	-	25,44,38,356
Lease Liability	1,43,65,223	3,31,02,922	3,99,43,654
Total	**1,43,65,223**	**3,31,02,922**	**29,43,82,010**

21 OTHER FINANCIAL LIABILITIES (NON-CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Deposits Payable	-	-	95,206
Total	-	-	**95,206**

22 PROVISIONS (NON-CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Provision for gratuity (funded)	21,28,157	13,39,219	8,03,603
Provision for leave encashment (unfunded)	10,59,295	7,45,265	7,40,205
Total	**31,87,452**	**20,84,484**	**15,43,808**

23 OTHER NON-CURRENT LIABILITIES

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Revenue received in advance	-	5,712	17,136
Total	-	**5,712**	**17,136**

24 BORROWINGS (CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Secured			
Bank overdraft	1,92,86,404	5,84,20,685	-
Unsecured			
Loan from a director	5,17,88,105	4,77,24,875	-
Total (I)	**7,10,74,509**	**10,61,45,560**	-

Terms and conditions:

Secured Loan:

Overdraft with banks are secured, by a charge ranking pari passu, by way of hypothecation of all present and future current assets, Bank Guarantee from Smartlink Holdings Limited (Holding Company) and lien on Fixed Deposit.

Unsecured Loan

Loan from Director taken for a tenure of 90 days with an option to roll over for further 4 term of 90 days each.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

25 TRADE PAYABLES

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Total outstanding dues of micro, small and medium enterprises (refer foot note below)	23,083	1,08,694	-
Total outstanding dues of creditors other than micro, small and medium enterprises	11,19,49,296	16,91,25,264	12,39,87,904
Total (II)	**11,19,72,379**	**16,92,33,958**	**12,39,87,904**

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	As at 31st March, 2020	As at 31st March, 2019
Outstanding principal amount and interest as on 31st March.		
-Principal Amount	23,084	1,08,694
-Interest due thereon		
Amount of interest paid along with the amounts of payment made beyond the appointed day		11,493
Amount of interest due and payable (where the principal has already been paid but interest has not been paid)	1,266	9,571
The amount of interest accrued and remaining unpaid at the end of each accounting year	10,837	9,571
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.		

26 OTHER FINANCIAL LIABILITIES (CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Interest accrued on delayed payment to MSME (Refer Note 25)	10,837	9,571	11,528
Security deposits	26,48,743	27,87,452	17,93,802
Lease liabilities	89,91,669	1,14,84,129	98,68,628
Total (III)	**1,16,51,249**	**1,42,81,152**	**1,16,73,958**

Total financial liabilities (I+II+III)	**19,46,98,137**	**28,96,60,670**	**13,56,61,862**

27 OTHER CURRENT LIABILITIES

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Statutory dues payable	3,21,329	6,84,487	33,14,232
Advance from customers	5,48,777	3,62,423	5,89,052
Provision of GST for inventory held in trust	1,72,84,143	1,51,86,178	2,28,45,435
Revenue received in advance	5,712	11,424	11,424
Total	**1,81,59,961**	**1,62,44,512**	**2,67,60,143**

28 PROVISIONS (CURRENT)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Provision for gratuity (funded)	28,774	77,939	87,573
Provision for leave encashment (unfunded)	4,41,447	14,31,044	14,16,545
Total	**4,70,221**	**15,08,983**	**15,04,118**

MSKA & ASSOCIATES * Chartered Accountants *

DIGISOL SYSTEMS LIMITED

DIGISOL SYSTEMS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2020

(Amount in INR, unless otherwise stated)

29 REVENUE FROM OPERATIONS

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Sale of goods	55,15,24,256	82,44,96,964
Sale of services	3,98,64,750	3,97,29,931
Sale of Scrap	2,08,475	-
Total	59,15,97,481	86,42,26,895

Geographical markets	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
India	54,94,84,331	82,48,75,606
Outside India	4,21,13,150	3,93,51,289
Total	59,15,97,481	86,42,26,895

30 OTHER INCOME

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Interest income		
- on fixed deposits designated as amortized cost	22,26,525	9,86,763
Interest income on overdue trade receivables	3,587	13,823
Gain on derecognition of financial instrument measured at amortised cost	12,88,572	-
Miscellaneous Income	7,21,946	-
Interest income on security deposits	2,09,716	2,16,717
Gain on sale/disposal of property plant and equipment	2,119	1,26,757
Foreign exchange fluctuation	4,81,398	19,00,287
Fair value gain on sale of current investments	-	6,35,752
Provision for doubtful debts written back	26,27,344	1,17,73,676
Recovery of trade receivables earlier written off	5,94,184	2,10,280
Total	81,55,391	1,58,64,055

31 CHANGES OF INVENTORIES OF FINISHED GOODS AND TRADED GOODS

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Inventories at the beginning of the year		
Finished goods		
- Manufactured	-	36,33,124
- Traded	15,97,50,506	11,08,22,038
	15,97,50,506	11,44,55,162
Less: Inventories at the end of the year		
Finished goods		
- Manufactured	-	-
- Traded	7,29,61,259	15,97,50,506
	7,29,61,259	15,97,50,506
Net Decrease / (Increase) in inventories	8,67,89,247	(4,52,95,344)

32 EMPLOYEE BENEFITS EXPENSES

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Salaries, allowances, bonus and ex-gratia	10,83,83,204	10,12,71,632
Contribution to Provident and other funds	30,98,468	32,44,956
Contribution to Gratuity fund	9,97,419	9,54,368
Staff welfare and other employee expenses	36,83,510	47,12,030
Total	11,61,62,601	11,01,82,986

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

33 FINANCE COSTS

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Interest on bank overdraft account	19,80,615	21,50,621
Interest on unsecured loan from director	45,97,311	12,73,714
Interest on debentures	-	1,79,41,462
Interest on delayed payment to MSME vendors	1,266	9,571
Interest on others	19,787	9,43,841
Interest on lease liabilities	36,75,874	47,33,236
Total	1,02,74,853	2,70,52,445

34 DEPRECIATION AND AMORTIZATION EXPENSE

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Depreciation on property, plant & equipment	1,25,13,430	1,41,89,777
Amortization on Intangibles	4,85,163	5,33,387
Amortization on goodwill	-	1,46,15,214
Total	1,29,98,593	2,93,38,378

35 OTHER EXPENSES

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Bank charges and commission	4,46,191	10,02,563
Communication Cost	25,62,899	27,58,925
Printing and Stationery	3,88,556	4,50,194
Repairs and maintenance expenses		
Machinery	4,748	15,000
Others	5,77,594	7,60,873
Conveyance and travelling expenses	73,67,221	75,70,102
Consumption of store and spares	5,32,452	9,15,230
Insurance charges	27,65,499	36,36,618
Legal and professional charges	1,57,16,608	1,71,05,576
Lease Rent and License Fees	12,74,960	15,07,623
Power and fuel	23,06,910	53,15,292
Rates and Taxes	3,28,481	43,52,405
Freight Outward	1,36,78,426	1,44,20,628
Bad debts written off	1,17,002	83,31,020
Auditor's Remuneration*	4,18,065	4,89,530
Computer consumables, software maintainence charges	25,41,444	23,67,534
Servicing Expenses	77,96,173	80,64,367
Director's Sitting Fees	5,50,000	6,50,000
Office Expenses	14,08,979	11,99,449
Differential Excise duty paid	-	33,68,274
Sundry Balances Written off	2,85,838	3,492
Advertisement and business promotion	1,07,01,711	1,41,56,676
Miscellaneous expenses	9,28,322	11,07,889
Total	7,26,98,079	9,95,49,260

*Note : The following is the break-up of Auditor's remuneration (excluding input credit of GST availed, if any)

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
As auditor:		
Statutory audit	4,00,000	4,00,000
In other capacity:		
Other matters	-	85,000
Reimbursement of expenses	18,065	4,530
Total	4,18,065	4,89,530

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

36 DEFERRED TAX ASSET (NET) / TAX EXPENSE

	Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
(A)	**Deferred tax relates to the following:**			
	Deferred tax assets			
	On property, plant and equipment	26,13,052	36,11,504	6,80,389
	On Carry forward losses			
	- Business loss	6,75,69,459	5,74,63,822	4,14,20,104
	- Unabsorbed depreciation	50,39,497	46,16,210	30,94,557
	On provision for slow moving stock	1,15,75,272	1,03,50,477	91,55,916
	On provision for doubtful debts	2,70,558	5,09,737	32,72,931
	On others	14,59,265	18,66,821	18,58,198
		8,85,27,103	7,84,18,571	5,94,82,095
	Deferred tax liabilities			
	Preliminary expenses	(2,878)	(3,271)	(3,271)
		(2,878)	(3,271)	(3,271)
	Deferred tax asset	8,85,24,225	7,84,15,300	5,94,78,824
	Less: Deferred tax asset not recognized	8,85,24,225	7,84,15,300	5,94,78,824
	Deferred tax asset, net	-	-	-

(B) Recognition of deferred tax asset to the extent of deferred tax liability in balance sheet

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Deferred tax asset	(2,878)	(3,271)	(3,271)
Deferred tax liabilities	2,878	3,271	3,271
Deferred tax assets/ (liabilities), net	-	-	-

(C) Deferred tax assets/ (liabilities) to be recognized in Statement of Profit and Loss

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Tax liability	-	-
Tax asset	-	-
	-	-

(D) Year wise details of brought-forward losses as per income-tax returns filed and expiry for claiming the losses is follows:

Assessment Year	Business Loss	Last Assessment Year for claim	Unabsorbed Depreciation*
2017-18	4,79,01,273	2025-26	48,06,507
2018-19	10,80,58,263	2026-27	70,95,636
2019-20	6,37,92,598	2027-28	58,34,790
Total	21,97,52,134		1,77,36,933

*Depreciation losses are available for offset in the future years for an indefinite period

MSPA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

DIGISOL SYSTEMS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2020
(Amount in INR, unless otherwise stated)

37 *EARNINGS/ LOSS PER SHARE*

Basic earnings /(loss) per share amounts are calculated by dividing the profit/loss for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Ordinary equity shareholders		
(Loss) attributable to ordinary equity holders	(8,76,49,124)	(9,41,81,633)
Weighted average number of equity shares for basic EPS	4,10,00,000	1,91,50,685
Face Value per share	1	10
Basic earnings per share (INR)	(2.14)	(4.92)
Diluted earnings per share (INR)	(2.14)	(4.92)

38 *CONTINGENT LIABILITIES*

There are No contingent liabilities to be disclosed as at March 31, 2020, March 31, 2019 and April 01, 2018.

39 *CAPITAL AND OTHER COMMITMENTS*

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Capital Commitments	-	-	-
Other Commitments - Non-cancellation lease liabilities (Refer Note 41)	2,65,23,199	5,63,84,867	6,25,55,816

40 *EMPLOYEE BENEFITS*

(A) Defined Contribution Plans

During the year, the Company has recognized the following amounts in the Statement of Profit and Loss -

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Employers' Contribution to Provident Fund, Employee State Insurance and other funds (Refer note 32)	30,98,468	32,44,956

(B) Defined benefit plans

a) Gratuity payable to employees

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
i) Actuarial assumptions			
Discount rate (per annum)	6.77%	7.66%	7.64%
Rate of increase in Salary	5.00%	5.00%	5.00%
Expected average remaining working lives of employees (years)	16.75	17.10	17.32
Attrition rate	9.00%	9.00%	9.00%
Mortality table used	IALM (2012-14) Ult.	IALM (2006-08) Ult.	IALM (2006-08) Ult.
ii) Changes in the present value of defined benefit obligation			
Present value of obligation at the beginning of the year	79,10,720	69,02,727	62,89,644
Interest cost	6,02,976	5,12,625	3,74,720
Past service cost	-	-	9,29,395
Current service cost	9,32,761	9,05,269	10,47,207
Benefits paid	(52,18,103)	(3,85,956)	(13,76,889)
Actuarial (gain)/ loss on obligations	5,73,548	(23,945)	(3,61,350)
Present value of obligation at the end of the year*	**48,01,902**	**79,10,720**	**69,02,727**
*Included in provision for employee benefits (Refer note 22 and 28)			
iii) Change in the fair value of plan assets:			
Opening fair value of plan assets	64,93,562	60,11,551	64,51,824
Adjustment to opening fair value of plan assets	1,20,425	(3,719)	(3,495)
Expected return on plan assets	5,38,318	4,63,526	4,04,702
Contributions by employer	10,12,593	5,04,478	5,78,950
Benefits paid	(52,18,103)	(3,85,956)	(13,76,889)
Return on plan assets excluding interest income	(3,01,824)	(96,318)	(43,541)
Closing fair value of plan assets	**26,44,971**	**64,93,562**	**60,11,551**

iv) Expense recognized in the Statement of Profit and Loss	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Current service cost	9,32,761	9,05,269
Past service cost	-	-
Interest cost	64,658	49,099
Total expenses recognized in the Statement Profit and Loss*	9,97,419	9,54,368

*Included in Employee benefits expense (Refer Note 32).

MS & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
v) Expense recognized in Other comprehensive income		
Actuarial (gain) / loss on Obligation for the period	5,73,548	(23,945)
Return on plan assets excluding interest income	3,01,824	96,318
Net actuarial (gains) / losses recognised in OCI	8,75,372	72,373

vi) Assets and liabilities recognized in the Balance Sheet:	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Present value of unfunded obligation as at the end of the year	48,01,902	79,10,720	69,02,727
Fair Value of Plan Assets at the end of the year	26,44,971	64,93,562	60,11,551
Funded Status (Surplus / (Deficit))	(21,56,931)	(14,17,158)	(8,91,176)
Net asset / (liability) recognized in Balance Sheet*	(21,56,931)	(14,17,158)	(8,91,176)

*Included in provision for employee benefits (Refer note 22 and 28)

vii) Expected contribution to the fund in the next year INR 8,35,311/-

viii) A quantitative sensitivity analysis for significant assumption as at 31st March, 2020 is as shown below:

Impact on defined benefit obligation

Discount rate	Amount Rs
1% increase	41,63,041
1% decrease	55,64,434

Rate of increase in salary	Amount Rs
1% increase	55,68,302
1% decrease	41,49,357

ix) Maturity profile of defined benefit obligation

Year	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Apr 2020- Mar 2021	28,774	77,939
Apr 2021- Mar 2022	29,086	55,671
Apr 2022- Mar 2023	37,774	80,831
Apr 2023- Mar 2024	36,412	74,043
Apr 2024- Mar 2025	91,073	70,306
Apr 2025 onwards	13,81,714	43,03,401

41 *LEASES*

(A) Operating leases where Company is a lessee:

The Company has entered into lease transactions mainly for leasing of office premise for periods between 1 to 6 years. The terms of lease include renewal, cancellation and increase in rents in future period, which are in line with general inflation and terms of cancellation.The amount with respect to operating leases in accordance with Ind AS 116 is as follows:

i. Right-of-use assets

Particulars	Prepaid Rent	Factory Building	Total
Balance as at 1 April, 2018	11,16,717	4,98,12,283	5,09,29,000
Additions	81,600	43,39,637	44,21,237
Deletions	-	-	-
Depreciation	2,48,211	1,19,55,514	1,22,03,725
Balance as at 31 March, 2019	9,50,106	4,21,96,406	4,31,46,512
Additions	55,328	26,79,950	27,35,278
Deletions	4,20,103	1,31,44,829	1,35,64,932
Depreciation	2,23,747	1,08,53,192	1,10,76,939
Balance as at 31 March, 2020	3,61,584	2,08,78,335	2,12,39,919

ii. Lease liabilities

Particulars	Premises
Balance as at 1 April, 2018	4,98,12,282
Additions	90,72,873
Deletions	-
Payments	1,42,98,105
Balance as at 31 March, 2019	4,45,87,051
Additions	63,55,824
Deletions	1,44,03,500
Payments	1,31,82,484
Balance as at 31 March, 2020	2,33,56,892

iii. Break-up of current and non-current lease liabilities

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Current Lease Liabilities	89,91,669	1,14,84,129	98,68,628
Non-current Lease Liabilities	1,43,65,223	3,31,02,922	3,99,43,654

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

DIGISOL SYSTEMS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2020
(Amount in INR, unless otherwise stated)

iv. Maturity analysis of lease liabilities (Cash Outflow)

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
a. Not later than one year	1,04,17,458	1,53,75,278	1,38,78,342
b. Later than one year and not later than five years	1,61,05,741	4,10,09,589	4,86,77,474
c. Later than five years	-	-	-

v. Other details

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Amounts recognised in statement of Profit and Loss account - Interest on Lease Liabilities	36,75,874	47,33,236
Amounts recognised in statement of Cash Flows - Total Cash outflow for leases	(1,31,82,484)	(1,42,98,106)

vi. Salient features of leases

1. The lease term is for a definite period with no unconditional right with the Company to extend the lease period.
2. The lease agreements provide for an escalation in lease rent.
3. The agreements provide for a subleasing of the leased land with prior approval of the lessor.
4. The agreements provide for renewal option of the lease period. The option to be exercised within the time stipulated in the lease agreements.

42 *RELATED PARTY DISCLOSURES:*

(A) Names of related parties and description of relationship as identified and certified by the Company:

Holding Company
Smartlink Holdings Limited

Entity under common control
Synegra EMS Limited
Telesmart SCS Ltd

Key Management Personnel (KMP)
Mr. Kamalaksha R. Naik - Wholetime Director
Ms Arati K. Naik - Director
Mr. Devendra Kamtekar - Chief Executive Officer (w.e.f. 1st July 2019 to 31st March 2020)
Mr. Pankaj Baliga - Independent Director
Mr. Pradeep Rane - Independent Director
Mr. Nataranjan Sankara - Executive Director (upto 11th February 2020)

(B) Details of transactions with related party in the ordinary course of business for the year ended 31st March, 2020:

Nature of transactions	Holding Company	Entity under Common Control	Key Management Person	Total
Sale of Products				
Smartlink Holdings Limited	10,14,661	-	-	10,14,661
	(1,61,158)	-	-	(1,61,158)
Synegra EMS Limited	-	76,909	-	76,909
	-	(1,90,490)	-	(1,90,490)
Telesmart SCS Ltd	-	51,82,361	-	51,82,361
	-	(2,35,973)	-	(2,35,973)
Purchase of Traded Products				
Synegra EMS Limited	-	1,48,79,381	-	1,48,79,381
	-	(20,27,24,735)	-	(20,27,24,735)
Telesmart SCS Ltd	-	3,23,70,932	-	3,23,70,932
	-	(6,69,39,600)	-	(6,69,39,600)
Managerial Remuneration				
Ms Arati K Naik	-	-	-	-
	-	-	(2,48,200)	(2,48,200)
Mr. Devendra Kamtekar	-	-	45,43,664	45,43,664
	-	-	-	-
Director sitting fees				
Mr. Pankaj Baliga	-	-	2,00,000	2,00,000
	-	-	(3,00,000)	(3,00,000)
Mr. Pradeep Rane	-	-	2,00,000	2,00,000
	-	-	(3,00,000)	(3,00,000)
Mr. Nataranjan Sankara	-	-	1,50,000	1,50,000
	-	-	(50,000)	(50,000)
Charges paid towards consumption of electricity				
Smartlink Holdings Limited	6,00,000	-	-	6,00,000
	(24,00,000)	-	-	(24,00,000)
Rent Expense				
Smartlink Holdings Limited	52,80,000	-	-	52,80,000
	(52,80,000)	-	-	(52,80,000)
Ms Arati K Naik	-	-	2,40,000	2,40,000
	-	-	(2,40,000)	(2,40,000)

MSKA & ASSOCIATES * Chartered Accountants *

DIGISOL SYSTEMS LIMITED

DIGISOL SYSTEMS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2020
(Amount in INR, unless otherwise stated)

Nature of transactions	Holding Company	Entity under Common Control	Key Management Person	Total
Interest Expense				
Smartlink Holdings Limited	-	-	-	-
	(49,86,301)	-	-	(49,86,301)
Mr Kamlaksha R Naik	-	-	45,97,311	45,97,311
	-	-	(12,73,714)	(12,73,714)
Conversion of debentures to Equity Shares				
Smartlink Holdings Limited	-	-	-	-
	(25,00,00,000)	-	-	(25,00,00,000)
Loan from Director				
Mr Kamlaksha R Naik	-	-	-	-
	-	-	(5,00,00,000)	(5,00,00,000)
Amounts due to / due from as at the year end				
Amounts due from				
Smartlink Holdings Limited	87,955	-	-	87,955
	(45,637)	-	-	(45,637)
Telesmart SCS Ltd	-	30,04,962	-	30,04,962
	-	(23,652)	-	(23,652)
Amounts due to				
Smartlink Holdings Limited - Creditors	25,11,000	-	-	25,11,000
	(26,35,800)	-	-	(26,35,800)
Mr Kamlaksha R. Naik - Unsecured Loan	-	-	5,17,88,105	5,17,88,105
	-	-	(4,77,24,875)	(4,77,24,875)
Synegra EMS Limited	-	-	-	-
	-	(3,91,58,664)	-	(3,91,58,664)
Telesmart SCS Ltd	-	1,19,91,906	-	1,19,91,906
	-	(2,35,19,517)	-	(2,35,19,517)

Figures in brackets pertains to the previous year

43 *SEGMENT REPORTING*

The Wholetime Director of the Company acts as the chief operating decision maker (CODM) of the Company in accordance with Operating Segment (Ind AS 108), for purpose of assessing the financial performance and position of the Company, and make strategic decisions. The Company's business activities are mainly related to developing, manufacturing, marketing, distributing and servicing networking products. These networking products are sold to distributors, Original Equipment Manufacturers (OEM's) and System Integrators (SI) ,which are primarily assessed as a single reportable operating segment in accordance with Ind AS 108 by the CODM.

The information based on geographical areas in relation to revenue and non-current assets are as below:

(A) Revenue from operations

Particulars	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Within India	54,94,84,331	82,48,75,606
Outside India	4,21,13,150	3,93,51,289
Total	**59,15,97,481**	**86,42,26,895**

(B) Non-current operating assets

All non -current assets other than financial instruments, deferred tax assets of the company are located in India

(C) Details of customers contributing to more than 10% of total revenue are as below

Name	For the Year Ended 31st March, 2020	For the Year Ended 31st March, 2019
Customer A	6,60,80,423	9,18,65,829

44 *FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES*

A. *Accounting classification and fair values*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

B. Measurement of fair value

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

The following methods and assumptions were used to estimate the fair values:

1. Fair value of cash, bank balances,short-term deposits, trade and other short-term receivables, trade payables, other current liabilities and other financial liabilities approximate their carrying amounts largely due to short-term maturities of these instruments.

2.The fair value of non-current financial assets comprising of term deposits at amortised cost using Effective Interest Rate (EIR) are not significantly different from the carrying amount

3.The fair value of borrowings and liability component of convertible debentures are calculated based on cash flows discounted using a current lending rate. They are classified at level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including own and counterparty credit risk.

M & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

45 *FAIR VALUE HIERARCHY*

The fair value of financial instruments as referred to above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

•Level 1 - Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds that have quoted price. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period.

•Level 2 - The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

•Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value measurement hierarchy of assets and liabilities

Particulars	Fair value heirarchy	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Financial assets measured at amortized cost				
Trade receivables	Level 3	7,66,73,639	14,52,19,441	13,18,83,192
Cash and cash equivalents	Level 3	8,56,458	40,29,315	1,16,79,993
Bank balances other than cash and cash equivalent	Level 3	3,28,91,959	3,08,88,087	-
Other financial assets	Level 3	23,39,743	40,41,513	37,70,471
Financial assets measured at fair value				
Investments	Level 1	-	-	71,87,130
Financial liabilities measured at amortized cost				
Non current borrowings	Level 3	1,43,65,223	3,31,02,922	29,43,82,010
Other non current financial liabilities	Level 3	-	-	95,206
Current borrowings	Level 3	7,10,74,509	10,61,45,560	-
Trade payables	Level 3	11,19,72,379	16,92,33,958	12,39,87,904
Other financial liabilities	Level 3	1,16,51,249	1,42,81,152	1,16,73,958

There have been no transfers between Level 1 and Level 2 during the period

46 *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES*

The Company is exposed to various financial risks. These risks are categorized into market risk, credit risk and liquidity risk. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

(A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings and derivative financial instruments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have exposure to the risk of changes in market interest rates as the Company's long-term debt obligations are with fixed interest rates.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

(a) The Company's exposure to foreign currency risk at the end of the year is as follows

Particulars	Currency	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Trade Receivables	INR	39,22,172	45,75,898	72,75,450
	USD	51,839	66,183	1,11,655
Trade Payables	INR	1,45,87,237	35,59,427	2,14,77,541
	USD	1,92,749	51,467	3,29,511

(b) Foreign currency sensitivity

The following table details the Company's sensitivity to a INR 1 increase and decrease against the US Dollar. INR 1 is the sensitivity used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only net outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a INR 1 change in foreign currency rates.

Particulars	As at 31st March, 2020	As at 31st March, 2019
Impact of INR 1 strengthening - Decrease in Loss	1,40,910	14,716
Impact of INR 1 weakening - Increase in loss	1,40,910	14,716

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

(B) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amounts of financial assets represents maximum credit risk exposure.

Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables.

However, the credit risk arising on cash and cash equivalents is limited as the Company invest in deposits with banks and financial institution with credit ratings and strong repayment capacity.

Trade Receivables

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Particulars	As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Not Due	5,43,72,423	12,43,96,398	12,30,76,512
Past due 1 -180 days	2,24,75,328	2,44,33,507	2,33,20,819
Past due for more than 180 days	10,08,395	1,99,387	10,69,387

Expected credit loss assessment

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (e.g. timeliness of payments, available press information etc.) and applying experienced credit judgement

Expoures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macroeconomic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue

Movement of provision for doubtful debts:

Particulars	As at 31st March, 2020	As at 31st March, 2019
Balance at the beginning of the year	38,09,851	1,55,83,526
Amount provided during the year (net of reversal)	(26,27,344)	(1,17,73,675)
Balance at the end of the year	11,82,507	38,09,851

(C) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The table below summarizes the maturity profile of the Company's financial liabilities:

Particulars	Less than 3 months	3 months to 12 months	1 year to 5 years	More than 5 years	Total
As at 31st March, 2020					
Short term borrowings	7,10,74,509	-	-	-	7,10,74,509
Long-term borrowings	-	-	1,43,65,223	-	1,43,65,223
Trade payables	11,19,72,379	-	-	-	11,19,72,379
Other financial liabilities	46,73,438	69,77,811	-	-	1,16,51,249
	18,77,20,326	69,77,811	1,43,65,223	-	20,90,63,360
As at 31st March, 2019					
Short term borrowings	10,61,45,560	-	-	-	10,61,45,560
Long-term borrowings	-	-	3,31,02,922	-	3,31,02,922
Trade payables	16,92,33,958	-	-	-	16,92,33,958
Other financial liabilities	53,41,743	89,39,409	-	-	1,42,81,152
	28,07,21,261	89,39,409	3,31,02,922	-	32,27,63,592
As at 1st April, 2018					
Short term borrowings	-	-	-	-	-
Long-term borrowings	-	-	29,43,82,010	-	29,43,82,010
Trade payables	12,39,87,904	-	-	-	12,39,87,904
Other financial liabilities	47,54,639	69,19,319	95,206	-	1,17,69,164
	12,87,42,543	69,19,319	29,44,77,216	-	43,01,39,078

47 *CAPITAL MANAGEMENT*

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to safeguard the Company's ability to remain as a going concern and maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions, annual operating plans, long term and other strategic plans and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust its dividend payment ratio to shareholders, return capital to shareholders or issue fresh shares.

MSKA & ASSOCIATES * Chartered accountants *

DIGISOL SYSTEMS LIMITED

DIGISOL SYSTEMS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2020
(Amount in INR, unless otherwise stated)

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as liabilities, comprising interest-bearing loans and borrowings less cash and cash equivalents. Equity comprises all components of equity including share premium and all other equity reserves attributable to the equity share holders.

The Company's adjusted net debt to equity ratio are as follows:

Particulars		As at 31st March, 2020	As at 31st March, 2019	As at 1st April, 2018
Equity	(I)	1,69,87,709	10,55,12,205	(6,64,44,611)
Borrowings		8,54,39,732	13,92,48,482	29,43,82,010
Less: cash and cash equivalents		8,56,458	40,29,315	1,16,79,993
Adjusted Net Debt	(II)	8,45,83,274	13,52,19,167	28,27,02,017
Adjusted Net Debt to Equity ratio	(II)/ (I)	498%	128%	-425%

No material changes were made in the objectives, policies or processes for managing capital during the years ended 31st March, 2020, 31st March, 2019 and 1st April, 2018.

48 The Company has incurred losses of INR 8,76,49,124/- (previous year INR 9,41,81,633/-) during the year ended March 31, 2020 and as on date, has accumulated loss of INR 12,03,00,436/- (previous year INR 32,06,26,244/-). Further, the Company's net worth is substantially eroded as on date. However, the management has reasonable expectation, based on the estimates of future cash flow projections that support the carrying value of the tangible and intangible assets of the company as at March 31, 2020 and commited financial support from the Holding company and the promoters, that the Company could have adequate resources to continue it's operational existence for the foreseeable future. Accordingly, the financials have been prepared on going concern basis and no impairment provision has been recognised.

49 The Pandemic 'COVID-19' has severely impacted business globally, including India. There has been severe disruption in regular business operations. This pandemic is creating disruption in global supply chain and adversely impacting most of the industries which has resulted in a global slowdown, including India.
The Company has evaluated the impact of the pandemic on its business operations, liquidity, internal financial reporting and control and financial position and based on the management's review of the current indicators and economic conditions, there is no material impact on its financial results as at 31st March 2020. The assessment of impact of COVID -19 is a continuing process given the uncertainties associated with the nature and duration of the pandemic. The Company will continuously monitor any material changes to future economic conditions and business of the Company.

50 Previous year figures have been regrouped/ reclassified to confirm presentation as per Ind AS as required by Schedule III of the Act.

As per my report of even date
For MSKA & Associates
Chartered Accountants
Firm Registration No.:105047W

Anup Mundhra
Partner
Membership No. 061083

Place: Pune
Date: 22nd June,2020

MSKA & ASSOCIATES * Chartered accountants *

For and on behalf of the Board of Directors
DIGISOL SYSTEMS LIMITED
CIN : U31909GA2016PLC012970

K. R. Naik
Wholetime Director
DIN: 00002013

Place: Goa
Date: 22nd June,2020

Arati Naik
Director
DIN: 06965985

Place: Goa
Date: 22nd June,2020

DIGISOL SYSTEMS LIMITED