B S R & Associates LLP
Chartered Accountants

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Independent Auditor's Report

To the Members of ISG Novasoft Technologies Limited

Report on the IndAS Financial Statements

We have audited the accompanying IndAS financial statements of ISG Novasoft Technologies Limited ('the Company'), which comprise the balance sheet as at 31 March 2017, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity for the period from 1 January 2016 to 31 March 2017 ('the period') and a summary of the significant accounting policies and other explanatory information (herein after referred to as 'IndAS financial statements').

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these IndAS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IndAS) prescribed under Section 133 of the Act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the IndAS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Auditor's Responsibility (continued)

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IndAS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid IndAS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the IndAS, of the financial position of the Company as at 31 March, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the period ended on that date.

Emphasis of Matter

We draw attention to the Note 28 to the IndAS financial statements, which explains that the Company has paid managerial remuneration exceeding the limits allowed under the Companies Act, 2013. The Company has sought approval from the Central Government for the payment of such excess remuneration and the approval is awaited by the Company as of the date of this audit report. The Company's management believes that this matter is unlikely to have significant financial consequences on the Company.

Our opinion is not qualified in this respect.

Report on Other Legal and Regulatory Requirements

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

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

(a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 cash flows and the statement of changes in equity dealt with by this Report are in agreement with the books of account;

Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements (continued)

(d) in our opinion, the aforesaid IndAS financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rule issued thereunder;

(e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

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

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

   i. the Company has disclosed the impact of pending litigations on its financial position in its IndAS financial statements – Refer Note 19 to the IndAS financial statements;

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

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

   iv. the Company did not have any holdings or dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Refer Note 7 to the IndAS financial statements.

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number: 116321W/W-100024

Rushank Muthreja
Partner
Membership number: 211386

Bengaluru
19 MAY 2017

Annexure - A to the Auditors' Report to the Members of ISG Novasoft Technologies Limited

The Annexure referred to in Independent Auditors' Report to the members of the Company on the IndAS financial statements for the period ended 31 March 2017, we report that:

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

(b) The Company has a regular programme of physical verification of its property, plant and equipment by which property, plant and equipment are verified in a phased manner over a period of three years. In accordance with this programme, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties. Accordingly, paragraph 3(i)(c) is not applicable.

(ii) The Company is a service company, primarily rendering software product support services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanation given to us, we are of the opinion that there are no loans, secured or unsecured granted to the companies, firms and other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans or made investments to parties covered under the register of Section 185 and 186 of the Act. Hence, paragraph 3(iv) of the Order is not applicable.

(v) The Company has not accepted any deposits from the public.

(vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act for any of the services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities though there have been slight delays in few cases. As explained to us, the Company did not have any dues on account of duty of customs, duty of excise, value added tax and sales-tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, service tax, cess and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable. An amount of Rs 153 lakhs due in respect of advance tax, was in arrears as at 31 March 2017 for a period of more than 6 months from the date it became payable.

(b) According to the information and explanations given to us, there are no dues of service tax and cess which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of income tax have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (in Rs lakhs)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	315	AY 2007-08	Appellate Tribunal, New Delhi
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	92	AY 2008-09	Appellate Tribunal, New Delhi
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	495*	AY 2009-10	Appellate Tribunal, New Delhi
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	415	AY 2012-13	Appellate Tribunal, New Delhi
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	198	AY 2013-14	Appellate Tribunal, New Delhi

* net of amounts paid under protest.

(viii) The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.

(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, paragraph 3 (ix) of the Order is not applicable.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) During the period, the Company has paid / accrued managerial remuneration amounting to Rs 143 lakhs which in excess of the limits prescribed by the provisions of section 197 read with schedule V to the Act. The Company has sought an approval from the Central Government which is awaited by the Company as of the date of this report.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(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 sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the IndAS financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

(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, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number: 116321W/W-100024

Rushank Muthreja
Partner
Membership number: 211386

Bengaluru
19 MAY 2017

Independent Auditor's Report (continued)

Annexure - B to the 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 over financial reporting of ISG Novasoft Technologies Limited ('the Company') as of 31 March 2017 in conjunction with our audit of the IndAS financial statements of the Company for the period 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 over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

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

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

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

Independent Auditor's Report (continued)

Annexure - B to the Auditors' Report (continued)

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number: 116321W/W-100024

Rushank Muthreja
Partner
Membership number: 211386

Bengaluru
19 MAY 2017

ISG Novasoft Technologies Limited
Balance Sheet

(Rs in lakhs)

	Note	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
ASSETS				
Non-current assets				
Property, plant and equipment	2	45	42	109
Capital work-in-progress		-	12	-
Other intangible assets	3	184	779	1,302
Financial assets				
Other financial assets	4	302	245	82
Deferred tax assets (net)	14	35	39	-
Income tax assets (net)	14	567	560	316
Other assets	5	320	831	637
		1,453	2,508	2,446
Current assets				
Financial assets				
Trade receivables	6	25	739	4,726
Cash and cash equivalents	7	76	280	268
Loans	8	58	218	147
Other financial assets	4	7,024	4,955	124
Other current assets	5	78	213	236
		7,261	6,405	5,501
Total assets		8,714	8,913	7,947
EQUITY AND LIABILITIES				
Equity				
Equity share capital	10	3,623	3,623	3,623
Other equity		4,181	3,616	2,620
		7,804	7,239	6,243
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Borrowings	11	-	-	3
Deferred tax liabilities (net)	14	-	-	64
Other liabilities	13	-	73	27
		-	73	94
Current liabilities				
Financial Liabilities				
Borrowings	11	-	3	31
Trade payables		21	271	59
Other financial liabilities	12	208	559	1,090
Other liabilities	13	-	68	65
Income tax liabilities (net)	14	681	700	365
		910	1,601	1,610
Total equity and liabilities		8,714	8,913	7,947

Significant accounting policies 1

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for B S R & Associates LLP
Chartered Accountants
Firm's registration number: 116231W/W-100024

Rushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 19 MAY 2017

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

Amit Kothiyal
Managing Director

Place: Bangalore
Date: 19 MAY 2017

Sundararajan Sampath
Director

Place: Bangalore
Date: 19 MAY 2017

Santosh Hegde
Company Secretary

Place: Bangalore
Date: 19 MAY 2017.

ISG Novasoft Technologies Limited
Statement of Profit and Loss

(Rs in lakhs)

	Note	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Continuing operations			
Revenue from operations		5,396	4,490
Other income	15	97	347
Total income		**5,493**	**4,837**
Expenses			
Employee benefits expense	16	2,295	2,666
Finance costs	17	34	14
Depreciation and amortisation expense	2 and 3	543	509
Other expenses	18	1,323	1,030
Total expenses		**4,195**	**4,219**
Profit from continuing operations before tax		**1,298**	**618**
Current tax		370	327
Deferred tax charge / (credit)		4	(103)
Tax expense		**374**	**224**
Profit for the period from continuing operations		**925**	**394**
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations		211	461
Tax expense of discontinued operations		68	160
Profit from discontinued operations (after tax)		**143**	**301**
Profit for the period		**1,067**	**695**
Other comprehensive income			
Items that will not be reclassified to profit or loss, net of tax			
Remeasurements of defined benefit liability (asset)		29	(13)
Net other comprehensive income not to be reclassifed subsequently to profit or loss		**29**	**(13)**
Other comprehensive income for the year, net of tax		**29**	**(13)**
Total comprehensive income for the period		**1,096**	**682**
Earnings per equity share - continuing operations			
(1) Basic		2.55	1.09
(2) Diluted		2.55	1.09
Earnings per equity share - discontinued operations			
(1) Basic		0.39	0.83
(2) Diluted		0.39	0.83
Earnings per share - continuing and discontinued operations			
(1) Basic		2.95	1.92
(2) Diluted		2.95	1.92
Significant accounting policies	1		

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number: 116231W/W-100024

Rushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 19 MAY 2017

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

Amit Kothiyal	**Sundararajan Sampath**	**Santosh Hegde**
Managing Director	*Director*	*Company Secretary*
Place: Bangalore	Place: Bangalore	Place: Bangalore
Date: 19 MAY 2017	Date: 19 MAY 2017	Date: 19 MAY 2017

ISG Novasoft Technologies Limited
Cash Flow Statement

	For the period from 1 January 2016 to 31 March 2017	(Rs in lakhs) For the year ended 31 December 2015
Cash flow from operating activities :		
Profit before tax	1,509	1,079
Adjustment for :		
Depreciation and amortization expense	570	616
Stock compensation expense	(531)	314
Profit on sale of property, plant and equipment and other intangible assets	(7)	(3)
Provision for bad and doubtful debts / advances	-	5
Assets written off	1	-
Unrealised foreign exchange gain, net	191	(122)
Excess provision written back	-	(9)
Gain on sale of discontinued operations, net of tax	(68)	-
Interest income	(2)	(1)
Interest paid	-	4
Operating profit before working capital changes	**1,663**	**1,883**
Changes in working capital		
Other financial assets	(2,126)	(4,994)
Other assets	645	(171)
Trade receivables	511	4,113
Loans	160	(71)
Other liabilities	(99)	36
Trade payables	(249)	212
Other financial liabilities	(347)	176
Cash generated from operating activities	**158**	**1,184**
Income taxes paid	(464)	(396)
Net cash from operating activities	**(306)**	**788**
Cash flow from investing activities		
Acquisition of property, plant and equipment	(54)	(750)
Proceed from sale of property, plant and equipment	89	8
Disposal of discontinued operations, net of cash and cash equivalents disposed of	68	-
Interest received	2	1
Net cash from / (used in) investing activities	**105**	**(741)**
Cash flow from financing activities		
Repayment of borrowings	(3)	(31)
Interest paid	-	(4)
Net cash used in financing activities	**(3)**	**(35)**
Net increase / (decrease) in cash and cash equivalents	(204)	12
Cash and cash equivalents at beginning of the year	280	268
Cash and cash equivalents at the end of the year	**76**	**280**

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number: 116231W/W-100024

Rushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 19 MAY 2017

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

Amit Kothiyal
Managing Director

Place: Bangalore
Date: 19 MAY 2017

Sundararajan Sampath
Director

Place: Bangalore
Date: 19 MAY 2017

Santosh Hegde
Company Secretary

Place: Bangalore
Date: 19 MAY 2017

ISG Novasoft Technologies Limited
Statement of changes in equity

(Rs in lakhs)

	Equity share capital	Other equity			Total
		Reserves and surplus		Items of Other Comprehensive Income (OCI)	
		Other reserves (ESOP outstanding account)	Retained earnings	Other Items of OCI-defined benefit plans	
Balance at the 1 January 2015	3,623	772	1,848	-	2,620
Add: Changes during the year	-	314	695	(13)	996
Balance as at 31 December 2015	3,623	1,086	2,543	(13)	3,616
Add: Changes during the period	-	(531)	1,067	29	565
Balance at the 31 March 2017	3,623	555	3,610	16	4,181

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number: 116231W/W-100024

Bhushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 19 MAY 2017

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

Amit Kothiyal
Managing Director

Place: Bangalore
Date: 19 MAY 2017

Sundararajan Sampath
Director

Place: Bangalore
Date: 19 MAY 2017

Santosh Hegde
Company Secretary

Place: Bangalore
Date: 19 MAY 2017

1. Significant accounting policies

1.1 Reporting Entity

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

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

On 28 January 2016, the Company entered into a Slump Sale Agreement with Firstsource Process Management Services Limited, India, for the sale of the Knowledge Process Outsourcing (KPO) business of the Company. The sale was concluded by the Company on 31 March 2016.

1.2 Basis of preparation

A) Statement of compliance

The separate financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standard) (Amendment) Rules, 2016. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act 2013 ('the Act').

The Company's financial statements for the year ended 31 December 2015 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

As these are the Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, *First-time Adoption of Indian Accounting Standards* has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 29.

B) Reporting period

A reporting period of 15 months i.e., from 1 January 2016 to 31 March 2017 was considered during preparation of financial statements of the Company (comparative being 12 months i.e., from 1 January 2015 to 31 December 2015) so as to align the reporting period of the Company with that of the Ultimate Holding Company.

ISG Novasoft Technologies Limited
Notes to the financial statements for the period ended 31 March 2017

1.2 Basis of preparation (continued)

C) Functional and presentation currency

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

D) Basis of measurement

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

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

E) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The critical accounting estimates used in the preparation of these financial statements are as follows:

i. Income taxes

The Company's major tax jurisdiction is India. Significant judgements are involved in determining the provision for income taxes. Refer Note 14.

ii. Property, plant and equipment

The charge in respect of periodic depreciation of the property, plant and equipment is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

1.2 Basis of preparation (continued)

F) Measurement of fair values

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

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1.3 Significant accounting policies

A) Revenue recognition

Revenue from services is recognised on a cost-plus basis and billed by the Company in accordance with the terms of the service agreements with its group companies.

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

'Unearned revenue' represents the amounts billed in excess of value of services rendered as at the balance sheet date.

Interest on the deployment of funds is recognised using the time-proportion method, based on underlying interest rates.

B) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

1.3 Significant accounting policies (continued)

B) Property, plant and equipment (continued)

i. Recognition and measurement (continued)

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are classified as capital advances under Long-term loans and advances. The cost of the fixed asset not ready for its intended use on such date is classified as capital work-in-progress.

ii. 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 recognised as at 1 January 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment (see Note 29).

iii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iv. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight line method, and is generally recognised in the statement of profit and loss. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Asset description	Useful life
Computers and accessories	3 years
Furniture and fixtures	5 years
Office equipments	5 years
Vehicles	5 years

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up-to) the date on which asset is ready for use (disposed off).

1.3 Significant accounting policies (continued)

C) Other intangible assets

i. Other intangible assets

Other intangible assets comprise of computer software.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Transition to Ind AS

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

iv. Amortisation

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

D) Impairment

i. Financial assets

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

ii. Non-financial assets

Intangible assets and property, plant and equipment

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

1.3 Significant accounting policies (continued)

D) Impairment (continued)

ii. Non-financial assets (continued)

Intangible assets and property, plant and equipment (continued)

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

E) Retirement and other employee benefits

i. Gratuity

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

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

ii. Provident fund

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

F) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

1.3 Significant accounting policies (continued)

G) Leases

Where the Company is the lessee

Operating leases – Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Finance leases – Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis.

H) Income tax

Income tax comprises current and deferred tax. It is recognised in the statement of profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

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

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

ii. Deferred tax

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

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

1.3 Significant accounting policies (continued)

I) Discontinued Operations

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

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of profit and loss is re-presented as if the operation had been discontinued from the start of the comparative period.

J) Employee stock compensation costs

The Company recognises compensation expense relating to share-based payments in net profit using fair-value in accordance with Ind AS 102, Share-Based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding account. The fair value of the options is estimated on the date of grant using the Black-Scholes-Merton valuation model on the basis of valuation performed by the Management and recognised in a graded manner on the basis of weighted period of services over the vesting period. The expected term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behaviour of the employee who receives the option. Expected volatility during the expected term of the option is based on historical volatility, during a period equivalent to the expected term of the option, of the observed market prices of the publicly traded equity shares of comparable listed entities. Expected dividends during the expected term of the option are based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant over the expected term.

K) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving base earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted forth proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

L) Cash and cash equivalents

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

1.3 Significant accounting policies (continued)

M) Cash flow statement

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

1.4 Discontinued operation

See accounting policy in Note 1.3 (I)

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

The KPO business was not previously classified as a discontinued operation. The comparative statement of profit or loss has been re-presented to present the discontinued operations separately from continuing operations.

The above arrangements were concluded effective 31 March 2016.

The results of these discontinued operations are disclosed below:-

(Rs in lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Revenue from discontinued operations	**1,103**	**3,537**
Expenses		
Employee benefits	694	2,099
Depreciation and amortisation	27	107
Other expenses	239	870
Total expenses	**960**	**3,076**
Gain on sale of discontinued operation	68	-
Profit from discontinued operations before tax	**211**	**461**
Tax expense		
Current tax	50	160
Income tax on gain on sale of discontinued operation	18	-
Profit from discontinued operations, net of tax	**143**	**301**
Gain on sale of discontinued operations, net of tax	**50**	**301**

1.4 Discontinued operation (continued)

The net cash flows attributable to the discontinued operations is as follows:

(Rs in lakhs)

	31 March 2017	31 December 2015
Operating activities	25	374
Investing activities	68	-
Financing activities	-	-
Net cash inflow	**93**	**374**

2. Property, plant and equipment

(Rs in lakhs)

Particulars	Computers and acessories	Office equipment	Leasehold improvements	Furniture and fixtures	Total
Gross carrying value as at 1 January 2015	96	9	1	3	109
Additions	19	2	-	-	21
Disposals	(13)	-	-	-	(13)
Gross carrying value as at 31 Decemeber 2015	102	11	1	3	117
Additions	20	10	14	1	45
Disposals	(86)	(4)	-	(2)	(92)
Gross carrying value as at 31 March 2017	36	17	15	2	70
Accumulated depreciation as at 1 January 2015	-	-	-	-	-
Depreciation charge for the year	77	5	1	-	83
Disposals	(8)	-	-	-	(8)
Accumulated depreciation as at 31 Decemeber 2015	69	5	1	-	75
Depreciation charge for the period	30	4	2	1	37
Disposals	(85)	(1)	-	(1)	(87)
Accumulated depreciation as at 31 March 2017	14	8	3	-	25
Carrying amounts (net)					
As at 1 January 2015	96	9	1	3	109
As at 31 December 2015	33	6	0	3	42
As at 31 March 2017	22	9	12	2	45

3. Intangible assets

(Rs in lakhs)

Particulars	Computer software	TOTAL
Gross carrying value as at 1 January 2015	**1,302**	**1,302**
Additions	10	10
Disposals	-	-
Gross carrying value as at 31 Decemebr 2015	**1,312**	**1,312**
Additions	17	17
Disposals	(257)	(257)
Gross carrying value as at 31 March 2017	**1,072**	**1,072**
Accumulated depreciation as at 1 January 2015	-	-
Depreciation charge for the year	533	533
Disposals	-	-
Accumulated depreciation as at 31 Decemebr 2015	**533**	**533**
Depreciation charge for the period	533	533
Disposals	(178)	(178)
Accumulated depreciation as at 31 March 2017	**888**	**888**
Carrying amounts (net)		
As at 1 January 2015	**1,302**	**1,302**
As at 31 December 2015	**779**	**779**
As at 31 March 2017	**184**	**184**

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4. Other financial assets

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Non-current			
Security deposits [1] (refer Note 4 (a))	302	245	82
	302	**245**	**82**
Current			
Foreign currency forward contracts [2]	67	7	-
Unbilled revenues [1] (refer Note 21)	6,927	4,948	124
Escrow receivable [1]	30	-	-
	7,024	**4,955**	**124**
	7,326	**5,200**	**206**
[1] Financial assets carried at amortized cost	7,259	5,193	206
[2] Financial assets carried at fair value through profit or loss	67	7	-

4(a) - Security deposits include an amount of Rs 168 lakhs deposited in court for a pending litigation. The recoverabiltiy of this deposit is contingent on the result of the litigation.

5. Other assets

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Non-current			
Prepaid gratuity	16	-	-
Withholding and other tax receivables			
- Considered good	304	831	637
- Considered doubtful	84	44	-
Less: Provision for doubtful advances	(84)	(44)	-
	320	**831**	**637**
Current			
Advances to suppliers	1	6	1
Prepaid expenses	77	207	43
Other deposits, considered good	-	-	192
Other deposits, considered doubtful	-	4	4
Less: Provision for doubtful advances	-	(4)	(4)
	78	**213**	**236**
	398	**1,044**	**873**

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ISG Novasoft Technologies Limited
Notes to the financial statements for the period ended 31 March 2017

6. Trade receivables

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Current			
Unsecured			
Considered good	25	739	4,726
Considered doubtful	-	-	14
	25	739	4,740
Less: Allowances for credit losses	-	-	(14)
	25	739	4,726

7. Cash and cash equivalents

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Cash in hand	-	-	-
Balances with banks			
In current accounts	76	280	268
In deposit accounts	-	-	-
	76	280	268

During the year, the Company did not hold specified bank notes or other denomination note, as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016. Hence the denomination wise SBNs and other notes as per the notification is not mentioned.

8. Loans

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Current			
To related parties (unsecured, considered good)			
Other advances (Refer Note 21)	58	218	147
	58	218	147

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CHARTERED ACCOUNTANTS

ISG Novasoft Technologies Limited

Notes to the financial statements for the period ended 31 March 2017

9. Financial instruments by category

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

(Rs in lakhs)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Other financial assets (refer Note 4)	7,259	-	67	-	-	7,326	7,326
Trade receivables (refer Note 6)	25	-	-	-	-	25	25
Cash and cash equivalents (refer Note 7)	76	-	-	-	-	76	76
Loans (refer Note 8)	58	-	-	-	-	58	58
Total	**7,418**	-	**67**	-	-	**7,485**	**7,485**
Liabilities:							
Trade payables	22	-	-	-	-	22	22
Borrowings (refer Note 11)	-	-	-	-	-	-	-
Other financial liabilities (refer Note 12)	192	-	-	-	-	192	192
Total	**215**	-	-	-	-	**215**	**215**

The carrying value and fair value of financial instruments by categories as of 31 December 2015 were as follows:

(Rs in lakhs)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Other financial assets (refer Note 4)	5,193	-	7	-	-	5,200	5,200
Trade receivables (refer Note 6)	739	-	-	-	-	739	739
Cash and cash equivalents (refer Note 7)	280	-	-	-	-	280	280
Loans (refer Note 8)	218	-	-	-	-	218	218
Total	**6,430**	-	**7**	-	-	**6,437**	**6,437**
Liabilities:							
Trade payables	271	-	-	-	-	271	271
Borrowings (refer Note 11)	3	-	-	-	-	3	3
Other financial liabilities (refer Note 12)	526	-	-	-	-	526	526
Total	**801**	-	-	-	-	**801**	**801**

The carrying value and fair value of financial instruments by categories as of 1 January 2015 were as follows:

(Rs in lakhs)

Particulars	Amortised cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Other financial assets (refer Note 4)	206	-	-	-	-	206	206
Trade receivables (refer Note 6)	4,726	-	-	-	-	4,726	4,726
Cash and cash equivalents (refer Note 7)	268	-	-	-	-	268	268
Loans (refer Note 8)	147	-	-	-	-	147	147
Total	**5,348**	-	-	-	-	**5,348**	**5,348**
Liabilities:							
Trade payables	59	-	-	-	-	59	59
Borrowings (refer Note 11)	34	-	-	-	-	34	34
Other financial liabilities (refer Note 12)	963	-	48	-	-	1,011	1,011
Total	**1,056**	-	**48**	-	-	**1,104**	**1,104**

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

ISG Novasoft Technologies Limited
Notes to the financial statements for the period ended 31 March 2017

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

(Rs in lakhs)

Particulars	As of 31 March 2017	Fair value measurement at end of the reporting period/year using		
		Level 1	Level 2	Level 3
Assets				
Derivative financial instruments - foreign currency forward and option contracts (refer Note 4)	67	-	67	149

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 December 2015

(Rs in lakhs)

Particulars	As of 31 December 2015	Fair value measurement at end of the reporting period/year using		
		Level 1	Level 2	Level 3
Assets				
Derivative financial instruments - foreign currency forward and option contracts (refer Note 4)	7	-	7	-

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 1 January 2015

(Rs in lakhs)

Particulars	As of 1 January 2015	Fair value measurement at end of the reporting period/year using		
		Level 1	Level 2	Level 3
Liabilities				
Derivative financial instruments - foreign currency forward and option contracts (refer Note 12)	48	-	48	-

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

Derivative financial instruments

The Company holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

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

Particulars	As of			
	31 March 2017		31 December 2015	
	USD	Rs in lakhs	USD	Rs in lakhs
Forward contracts				
In U.S. dollars	1,850,036	1,200	6,950,000	4,610

The foreign exchange forward and option contracts mature within twelve months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the balance sheet date

Particulars	As of			
	31 March 2017		31 December 2015	
	USD	Rs in lakhs	USD	Rs in lakhs
Not later than one month	255,036	165	-	-
Later than one month and not later than three months	715,000	464	1,900,000	1,260
Later than three months and not later than one year	880,000	571	5,050,000	3,350
	1,850,036	**1,200**	**6,950,000**	**4,610**

As at balance sheet date, the Company's foreign currency exposures on account of trade receivables not hedged by derivative instrument or otherwise is Rs. Nil (Previous year Nil)

The Company recognized a gain of Rs 6,738,000 in the statement of profit and loss during the period ended 31 March 2017 (Previous year gain of Rs 728,000) on account of mark to market of outstanding forward contracts

Liquidity risk

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

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2017.

(Rs in lakhs)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	22	-	-	-	22
Other financial liabilities (Refer Note 12)	192	-	-	-	192

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 December 2015:

(Rs in lakhs)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	271	-	-	-	271
Borrowings (refer Note 11)	3	-	-	-	3
Other financial liabilities (refer Note 12)	526	-	-	-	526

The table below provides details regarding the contractual maturities of significant financial liabilities as of 1 January 2015:

(Rs in lakhs)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	59	-	-	-	59
Borrowings (refer Note 11)	31	3	-	-	34
Other financial liabilities (refer Note 12)	963	-	-	-	963

ISG Novasoft Technologies Limited
Notes to the financial statements for the period ended 31 March 2017

10. Equity share capital

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Authorised			
Ordinary shares			
50,000,000 (previous year: 50,000,000), equity shares of par value Rs 10 each	5000	5,000	5,000
Issued, subscribed and paid up			
Ordinary shares			
36,230,700 (previous year: 36,230,700) equity shares of par value Rs 10 each fully paid up	3,623	3,623	3,623
	3,623	**3,623**	**3,623**

Reconciliaiton of shares outstanding as at the beginning and at the end of the reporting period

Particulars	As at					
	31 March 2017		31 December 2015		1 January 2015	
	Number of shares	(Rs in lakhs)	Number of shares	(Rs in lakhs)	Number of shares	(Rs in lakhs)
Ordinary shares						
Shares at the beginning and at the end of the year	36,230,700	3,623	36,230,700	3,623	36,230,700	3,623
Add: Shares issued during the year	-	-	-	-	-	-
Shares at the end of the year	**36,230,700**	**3,623**	**36,230,700**	**3,623**	**36,230,700**	**3,623**

Rights, preference and restrictions attached to ordinary shares

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

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

Particulars	As at					
	31 March 2017		31 December 2015		1 January 2015	
	Number of shares	% of share holding	Number of shares	% of share holding	Number of shares	% of share holding
CFCL Ventures Limited, Holding Company	36,230,000	99.998%	36,230,000	99.998%	36,230,000	99.998%

There has been no issuance of bonus shares or issuance of shares for consideration other than cash or share buy back during the last five years ended 31 March 2017.

Employee stock options

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

The fair value of the ordinary shares is determined by the management on the date of the grant of the stock options to the employees pursuant to the Plan. The fair valuation has been done using the Black-Scholes-Merton valuation model. The stock options vest equally over the period of 4 years and the exercise period is 10 years from the date of grant. The stock compensation cost is a component of the fair value of the stock options and the number of options, which is recognised as employee compensation cost over the vesting period, provided that the stock option holders continue to be in employment of the Company. The employee compensation cost recognised in the statement of profit and loss is Rs (531) lakhs (previous year cost: Rs 314 lakhs).

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

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

Particulars	**For the period from 1 January 2016 to 31 March 2017**			**For the year ended 31 December 2015**		
	Number	**Weighted average exercise price (in USD)**	**Weighted average exercise price (in INR)****	**Number**	**Weighted average exercise price (in USD)**	**Weighted average exercise price (in INR)***
Options outstanding at the beginning of the year/period	**2,427,167**	**1.12**	**74.29**	**3,627,643**	**1.12**	**74.29**
Options granted during the year / period	-	-	-	71,500	1.09	72.30
Options forfeited during the year / period	2,427,167	1.12	**74.29**	1,271,976	1.09	72.30
Options exercised during the year / period	-	-	-	-	1.12	**74.29**
Options outstanding at the end of the year / period	-	-	-	**2,427,167**	**1.12**	**74.29**
Options exercisable at the end of the year / period	-	-	-	1,264,520	**1.11**	73.62

* converted using the closing rate as at 31 December 2015

** converted using the closing rate as at 31 March 2017

The estimated weighted average fair value of options granted during the year was USD 0.64 (previous year: USD 0.65 to USD 0.75). This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	**For the year ended 31 December 2015**
Fair value per share (USD)	USD 1.09 to USD 1.26
Exercise price (USD)	USD 1.09 to USD 1.26
Average risk-free interest rate	1.25% - 1.47%
Expected volatility of share price	0.6585
Expected life of options granted (in years)	6
Expected dividend yield	Nil
Fair value of the options (USD)	USD 0.65 to USD 0.75

The following table provides details in respect of range of exercise price and weighted average remaining contractual life for the options outstanding as at 31 December 2015

Range of exercise price	**Shares arising out of options**	**Weighted average remaining contractual life**	**Weighted average exercise price (USD)**
USD 1.09	2,427,167	8.15 years	1.09

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11. Borrowings

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Non-current			
Finance lease obligations (secured)	-	-	3
	-	-	3
Current			
Finance lease obligations (secured)	-	3	31
	-	3	31
	-	3	34

Finance lease obligations are repayable in 12 quarterly installments. Interest is payable quarterly in the range of 3.18% to 3.83%. The loan is secured by way of hypothecation on assets acquired.

12. Other financial liabilities

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Current			
Accrued expenses (1)	109	429	230
Compensated absences	16	33	31
Withholding taxes payable (1)	57	66	69
Payables to related parties (1) (refer Note 21)	26	26	-
Capital creditors (1)	-	5	712
Foreign currency forward contracts (2)	-	-	48
	208	**559**	**1,090**
(1) Financial liabilities carried at amortized cost	192	526	1,011
(2) Financial assets liabilities at fair value through profit or loss	-	-	48

13. Other liabilities

(Rs in lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Non-current			
Provision for employee benefits			
Gratuity	-	73	27
	-	73	27
Current			
Deferred rent	-	68	65
	-	68	65

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Notes to the financial statements for the period ended 31 March 2017

14. Income taxes

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

(in Rs lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Current taxes	370	327
Deferred taxes	4	(103)
Income tax expense of continuing operations	**374**	**224**

Entire deferred income tax expense / (credit) for the period ended 31 March 2017 and 31 December 2015 relates to origination and reversal of temporary differences.

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

(in Rs lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Taxable income from discontinued operations*	211	461
Tax expense from sale of discontinued operations*	68	160

* These have been included in the determination of profit or loss from discontinued operation, net of tax.

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

(in Rs lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Profit before income taxes	1,298	618
Enacted tax rates in India	34.61%	34.61%
Computed expected tax expense	450	214
Non-deductible expenses	(76)	10
Income tax expense of continuing operations	**374**	**224**

The applicable statutory tax rate for fiscal 2017 and fiscal 2015 is 34.61%.

The following table provides the details of income tax assets and income tax liabilities as of 31 March 2017, 31 December 2015 and 1 January 2015:

(in Rs lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Income tax assets	567	560	316
Current income tax liabilities	681	700	365
Net current income tax assets / (liability) at the end	**(114)**	**(140)**	**(49)**

The gross movement in the current income tax asset / (liability) for the period 1 January 2016 to 31 March 2017 and the year ended 31 December 2015 is as follows:

(in Rs lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Net current income tax asset / (liability) at the beginning	(140)	(49)
Income tax paid	464	396
Current income tax expense	(370)	(327)
Income tax on discontinued operations	(68)	(160)
Net current income tax asset/ (liability) at the end	**(114)**	**(140)**

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

(in Rs lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015	As at 1 January 2015
Deferred tax assets			
Fixed assets	16	-	-
Provision for gratuity	-	25	9
Provision for leave encashment	5	11	10
Provision for bonus	15	44	44
Others	-	23	22
Deferres tax asset	**36**	**103**	**85**
Deferred tax liabilities			
Fixed assets	-	(64)	(149)
Provision for gratuity	(1)	-	-
	(1)	**(64)**	**(149)**
Deferred tax assets after set off	35	39	-
Deferred tax liabilities after set off	-	-	**(64)**

Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

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

The gross movement in the deferred tax asset/ (liability) for the peirod from 1 January 2016 to 31 March 2017 and the year ended 31 December 2015 is as follows:

(in Rs lakhs)

Particulars	For the period ended 31 March 2017	For the year ended 31 December 2015
Net deferred tax asset / (liability) at the beginning	39	(64)
Credits / (charge) relating to temporary differences	(4)	103
Net deferred tax asset / (liability) at the end	35	39

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15. Other income

(Rs in lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Foreign exchange fluctuations gain, net	-	334
Miscellaneous income	2	10
Sub-lease income	88	-
Profit on sale of fixed assets	7	3
	97	**347**

16. Employee benefits expense

(Rs in lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Salaries and bonus	2,521	1,995
Contribution to provident and other funds	168	212
Gratuity expense	24	31
Stock compensation expense	(531)	314
Staff welfare expenses	113	114
	2,295	**2,666**

17. Finance costs

(Rs in lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Interest expense		
- On delayed payment of income tax	30	-
- Others	4	14
	34	**14**

18. Other expenses

(Rs in lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Sub-contracting expenses	74	93
Power and fuel	56	34
Rent	276	196
Repairs and maintenance		
- plant and machinery	301	129
- others	76	52
Rates and taxes	1	12
Traveling and conveyance	122	275
Communication	96	71
Consultancy, legal and professional charges	139	100
Donations and contribution to charitable institutions	29	-
Asset write off	1	-
Provision for service tax receivable	40	
Foreign exchange fluctuations loss, net	60	-
Security expenses	26	35
Printing and stationery	1	3
Miscellaneous expenses	25	30
	1,323	**1,030**

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19. Contingent liabilities and other commitments

Contingent liabilities:

The Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect on the company's results of operations or financial condition.

The details of the cases, the amount of claim (wherever quantifiable) is as presented below:

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- Adjustments to taxable income made for the Assessment Year 2007-2008 (Financial Year 2006-07), Assessment Year 2008-09 (Financial Year 2007-08), Assessment Year 2009-2010 (Financial Year 2008-09), Assessment Year 2012-2013 (Financial Year 2011-12) and Assessment Year 2013-2014 (Financial Year 2012-13) amounting to Rs 905 Lakhs, Rs 266 Lakhs, Rs 245 Lakhs, Rs 1,221 Lakhs and Rs 584 Lakhs respectively by the Deputy Commissioner of Income-tax on account of differential transfer pricing margin are contested before the Income-tax Appellate Tribunal Delhi and Bangalore, India. The Company's management considers these additions to margin as not tenable against the Company, and therefore no provision for the same has been made.

20. Leases

a. Operating lease

The Company has taken certain office premises under non-cancellable operating leases.

Future minimum lease payments for such non-cancellable operating leases as of 31 March 2017 are as follows:

(Rs in lakhs)

As at ended	31 March 2017	31 December 2015
Not later than one year	45	289
Later than one year but not later than 5 years	67	783
Later than five years	-	118
Total	**112**	**1,190**

The lease expenditure under cancellable and non-cancellable operating lease arrangements recognized in the statement of profit and loss during the period from 1 January 2016 to 31 March 2017 amounts to Rs 375 lakhs (previous year: Rs 592 lakhs).

b. Finance lease

The Company had entered into an arrangement for lease of office equipment's, computers and software packages. The lease arrangements were for a period between two and three years. Under the terms of the lease, the Company is required to pay fixed quarterly installments over the lease term.

The future minimum lease payments during the period from 1 January 2016 to 31 March 2017 is Nil.

Leases (continued)

b. Finance lease (continued)

Future minimum lease payments

(Rs in lakhs)

Year ended 31 December 2015	Lease payment	Principal	Future interest
Not later than one year	3.12	3	0.12
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-

Finance lease charges recognized in the statement of profit and loss during the period from 1 January 2016 to 31 March 2017 is nil (previous year: Rs 14 lakhs).

21. Related party disclosures

a) List of related parties where control exists

Ultimate holding company - Chambal Fertilizers and Chemicals Limited
Holding Company - CFCL Ventures Limited – Cayman Islands

b) Subsidiary

Inuva Info Management Private Limited, India

c) Company which are under common control and with whom transactions have taken place
ISGN Corporation, USA

d) Key management personnel

Amit Kothiyal, CEO and Managing Director
Sundararajan Sampath, CFO and Director

e) Related party transactions:

(Rs in lakhs)

Particulars	For the period from 1 January 2016 to 31 March2017	For the year ended 31 December 2015
Companies which are under common control		
Revenue from continuing operations	5,396	4,490
Revenue from discontinuing operations	1,103	3,537
Key management personnel		
Salaries and bonus	418	282

21. Related party disclosures (continued)

(f) Related party balances:

(Rs in Lakhs)

Particulars	As at 31 March 2017	As at 31 December 2015
Companies which are under common control		
Trade receivables	25	739
Other advances	58	218
Unbilled revenue	6,927	4,948
Subsidiary		
Other financial liabilities	26	26

22. As at 31 March 2017 and 31 December 2015 there were no outstanding dues to micro and small enterprises.

23. Segment information

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

24. Employee benefits

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

(Rs in lakhs)

As at	31 March 2017	31 December 2015
Present value of obligation as at the beginning the year	**148**	**134**
Interest cost	14	10
Current service cost	16	30
Benefits paid	(41)	(35)
Actuarial (gain) / loss on obligation	(27)	9
Transfer in / (out)	(38)	-
Present value of obligation as at the end of the year	**72**	**148**
Fair value of plan assets at the beginning of the year	75	105
Transfer In/(Out)	(38)	-
Expected return on plan assets	5	8
Contributions	85	-
Benefits paid	(41)	(35)
Actuarial gain/ (loss) on obligation	2	(3)
Fair value of plan assets at the end of the year	**88**	**75**
Present value of the obligation at the end of the year	72	148
Fair value of plan assets at the end of the year	88	75
Funded status of the plan- (asset)/ liability	**(16)**	**73**
Principal Actuarial assumptions		
Discount Rate	6.3%	8%
Salary escalation	7%	7%
Expected rate of return on plan asset	7.4%	8.50%
Attrition rate	35%	35%

24. Employee benefits (continued)

Amount for the period from 1 January 2016 to 31 March 2017 and 31 December 2015 recognized in the statement of profit and loss under employee benefit expense:

(Rs in lakhs)

Gratuity cost for the year ended	31 March 2017	31 December 2015
Current service cost	16	30
Interest cost (net)	14	10
Expected return on plan assets	5	8
Net actuarial loss recognized in year	-	-
Expense recognized in the consolidated statement of profit and loss	**25**	**32**

Amount for the period from 1 January 2016 to 31 March 2017 and 31 December 2015 recognized in the statement of other comprehensive income:

(Rs in lakhs)

Particulars	31 March 2017	31 December 2015
Re-measurements of the net defined benefit liability / asset		
Actuarial gains / (losses)	29	(12)
Return on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	-	(1)
Total	**29**	**(13)**

25. Earnings per share

(Rs in lakhs)

Particulars	For the period from 1 January 2016 to 31 March 2017		For the year ended 31 December 2015	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Profit for the period / year	924	143	394	301
Weighted average number of ordinary shares considered in calculating Basic and Diluted Earnings Per Share ('EPS')	3,62,30,700	3,62,30,700	3,62,30,700	3,62,30,700
Basic EPS	2.55	0.39	1.09	0.83

In computing the diluted EPS, potential equity shares that are dilutive and which decrease profit per share are included. Since the Company's employees stock options are anti-dilutive and would reduce the loss per share, there is considered to be no dilution for the period 1 January 2016 to 31 March 2017 31 March 2017 and for the year ended 31 December 2015.

26. Expenditure and earnings in foreign currency

(Rs in lakhs)

	For the period from 1 January 2016 to 31 March 2017	For the year ended 31 December 2015
Expenditure in foreign currency		
Travelling and conveyance	10	25
Earnings in foreign currency		
Revenue from continuing operations	5,396	4,490
Revenue from discontinuing operations	1,103	3,537

27. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law required existence of such information and documentation to be contemporaneous in nature, the Company has updated the documentation for the international transactions entered into with the associated enterprise during the financial year. The Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for tax.

28. The managerial remuneration paid by the Company to its whole time directors for the period from 1 January 2016 to 31 March 2017, was in excess of the limits specified under the Companies Act, 2013. Consequently, the Company has sought an approval from the Central Government which is currently awaited by the Company. The Company's management believes that the Company is unlikely to face penal action on this matter.

29. Explanation of transition to Ind AS

As stated in Note 1.2A, the Company's financial statements are prepared in accordance with Ind AS. For the year ended 31 December 2015, the Company had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The accounting policies set out in Note 1.3 have been applied in preparing these financial statements for the period ended 31 March 2017 including the comparative information for the year ended 31 December 2015 and the opening Ind AS balance sheet on the date of transition i.e. 1 January 2015.

In preparing its Ind AS balance sheet as at 1 January 2015 and in presenting the comparative information for the year ended 31 December 2015, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

29. Explanation of transition to Ind AS (continued)

Optional exemptions availed and mandatory exceptions

In preparing these financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

A. Optional exemptions availed

1. Property plant and equipment, intangible assets and investment properties

As per Ind AS 101 an entity may elect to:

(i) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date
(ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:
– fair value;
– or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

The elections under (i) and (ii) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, *Intangible Assets,* (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).

(iii) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The same election has been made in respect of intangible assets as well.

29. Explanation of transition to Ind AS (continued)

B. Mandatory exceptions

1. Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS or at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement.

2. De-recognition of financial assets and liabilities

As per Ind AS 101, an entity should apply the de-recognition requirements in Ind AS 109, *Financial Instruments*, prospectively for transactions occurring on or after the date of transition to Ind AS.

However, an entity may apply the de-recognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the derecognition principles of Ind AS 109 retrospectively as reliable information was available at the time of initially accounting for these transactions.

3. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

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Notes to the financial statements for the period ended 31 March 2017

Note 29:- Explanation of transition to Ind AS (continued)
Reconciliation of Equity

(Rs in lakhs)

	Note	As on date of Transition 1 January 2015			As at 31 December 2015		
		Previous GAAP*	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
ASSETS							
Non-current assets							
Property, plant and equipment		109	-	109	42	-	42
Capital work-in-progress		-	-	-	12	-	12
Other intangible assets		1,302	-	1,302	779	-	779
Financial assets			-			-	
Other financial assets		82	-	82	245	-	245
Deferred tax assets (net)		-	-	-	39	-	39
Income tax assets (net)		316	-	316	560	-	560
Other assets		637	-	637	831	-	831
		2,446	-	**2,446**	**2,508**	-	**2,508**
Current assets							
Financial assets							
Trade receivables		4,726	-	4,726	739	-	739
Cash and cash equivalents		268	-	268	280	-	280
Loans		147	-	147	218	-	218
Other financial assets		124	-	124	4,955	-	4,955
Other current assets		236	-	236	213	-	213
		5,501	-	**5,501**	**6,405**	-	**6,405**
Total		**7,947**	-	**7,947**	**8,913**	-	**8,913**
EQUITY AND LIABILITIES							
Equity							
Equity share capital		3,623	-	3,623	3,623	-	3,623
Other equity							
Retained earnings	(a)	1,848	-	1,848	2,530	13	2,543
Others (including items of other comprehensive income)	(a)	772	-	772	1,086	(13)	1,073
		6,243	-	**6,243**	**7,239**	-	**7,239**
LIABILITIES							
Non-current liabilities							
Financial liabilities							
Borrowings		3	-	3	-	-	-
Deferred tax liabilities (net)		64	-	64	-	-	-
Other liabilities		27	-	27	73	-	73
		94	-	**94**	**73**	-	**73**
Current liabilities							
Financial Liabilities							
Borrowings		31	-	31	3	-	3
Trade payables		59	-	59	271	-	271
Other financial liabilities		1,090	-	1,090	559	-	559
Other liabilities		65	-	65	68	-	68
Income tax liabilities (net)		365	-	365	700	-	700
		1,610	-	**1,610**	**1,601**	-	**1,601**
Total		**7,947**	-	**7,947**	**8,913**	-	**8,913**

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

(a) Actuarial gain and loss

Under Ind AS, all actuarial gains and losses are recognised in other comprehensive income. Under previous GAAP the Group recognised actuarial gains and losses in profit or loss. However, this has no impact on the total comprehensive income and total equity as on 1 January 2015 or as on 31 December 2015.

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Notes to the financial statements for the period ended 31 March 2017

Note 29:- Explanation of transition to Ind AS (continued)
Reconciliation of total comprehensive income for the year ended 31 December 2015

(Rs in lakhs)

	Note	Year ended 31 December 2015		
		Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Continuing operations				
Revenue from operations		4,490	-	4,490
Other income		347	-	347
Total income		**4,837**	-	**4,837**
Expenses				
Employee benefits expense	(a)	2,679	(13)	2,666
Finance costs		14	-	14
Depreciation and amortisation expense		509	-	509
Other expenses		35	995	1,030
Total expenses		**3,237**	**982**	**4,219**
Profit before tax		**1,600**	**(982)**	**618**
Income tax expense				
Current tax		327	-	327
Deferred tax charge / (credit)		(103)	-	(103)
Profit for the period from continuing operations		**1,376**	**(982)**	**394**
DISCONTINUED OPERATIONS				
Profit for the period from discontinued operations		461	-	461
Tax expense of discontinued operations		160	-	160
Profit from discontinued operations (after tax)		**301**	-	**301**
Profit for the period		**1,677**	**(982)**	**695**
Other comprehensive income				
Items that will not be reclassified to profit or loss, net of tax				
Remeasurements of Defined benefit liability (asset)	(a)	-	(13)	(13)
Net other comprehensive income not to be reclassifed subsequently to profit or loss		-	**(13)**	**(13)**
Other comprehensive income for the year, net of tax		-	**(13)**	**(13)**
Total comprehensive income for the period		**1,677**	**(995)**	**682**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note, as below:

(a) Actuarial gain and loss

Under Ind AS, all actuarial gains and losses are recognised in other comprehensive income. Under previous GAAP the Group recognised actuarial gains and losses in profit or loss. However, this has no impact on the total comprehensive income and total equity as on 1 January 2015 or as on 31 December 2015.

for **B S R & Associates LLP**
Chartered Accountants
Firm's registration number: 116231W/W-100024

Rushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 19 MAY 2017

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

Amit Kothiyal
Managing Director

Place: Bangalore
Date: 19 MAY 2017

Sundararajan Sampath
Director

Place: Bangalore
Date: 19 MAY 2017

Santosh Hegde
Company Secretary

Place: Bangalore
Date: 19 MAY 2017