

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Microsec Technologies Limited

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Microsec Technologies Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial



statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its loss, and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 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 purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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 2" to this report;





# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

(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 financial statements – Refer Note 24 to the financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For S.R. Batliboi & CO. LLP**

**Chartered Accountants**

**ICAI Firm Registration Number: 301003E/E300005**



per Bhaswar Sarkar  
Partner

Membership Number: 55596

Place of Signature: Kolkata

Date: May 25, 2016



**ANNEXURE -1**

**TO**  
**THE MEMBERS OF MICROSEC TECHNOLOGIES LIMITED**  
**[REFERRED TO IN OUR REPORT OF EVEN DATE]**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
  
(b) Fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.  
  
(c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company.
- (ii) The business carried out by the Company during the year did not require it to maintain inventory and accordingly the requirements of paragraph 3 (ii) of the Companies (Auditor's report) Order, 2016 ("the Order") are not applicable to the Company and hence not commented upon.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 186 of the Companies Act 2013 in respect of investments made have been complied with by the Company. In our opinion and according to the information and explanations given to us, there are no loans, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the services rendered by the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income-tax, service tax, cess and other material statutory dues applicable to it. During the year, the Company did not have any dues towards sales tax, duty of customs, duty of excise and value added tax.





(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues were outstanding at the year end, for a period of more than six months from the date they became payable. During the year, the Company did not have any dues towards sales tax, duty of customs, duty of excise and value added tax.

(c) According to the records of the Company, the dues outstanding of income-tax, on account of any dispute, are as follows:

| Name of the statute      | Nature of dues | Amount (Rs) | Period to which the amount relates | Forum where dispute is pending       |
|--------------------------|----------------|-------------|------------------------------------|--------------------------------------|
| The Income Tax Act, 1961 | Income Tax     | 7,98,300    | Assessment Year 2010-11            | Commissioner of Income Tax (Appeals) |

According to the information and explanation given to us, there are no dues towards sales tax, service tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute.

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution. Based on our audit procedures and as per the information and explanations given by the management, the Company did not have any outstanding loans due to a bank or Government. Further, there were no outstanding debentures during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer, further public offer, debt instruments or term loans hence reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act is not applicable to the Company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of sec 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment or private placement of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For S.R. Batliboi & CO. LLP**

**Chartered Accountants**

**ICAI Firm Registration Number: 301003E/E300005**



per Bhaswar Sarkar  
Partner

Membership Number: 55596

Place of Signature: Kolkata

Date: May 25, 2016





**ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE  
STANDALONE FINANCIAL STATEMENTS OF MICROSEC TECHNOLOGIES LIMITED**

**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 Microsec Technologies Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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





**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 March 31, 2016, 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 S.R. Batliboi & CO. LLP****Chartered Accountants****ICAI Firm Registration Number: 301003E/E300005**

per Bhaswar Sarkar

Partner

Membership Number: 55596

Place of Signature: Kolkata

Date: May 25, 2016





**BALANCE SHEET AS AT 31ST MARCH, 2016**

|  | Notes | As at<br>31.03.2016<br>Rs. | As at<br>31.03.2015<br>Rs. |
|--|-------|----------------------------|----------------------------|
| <b>I. EQUITY AND LIABILITIES</b>   |       |                            |                            |
| <b>1. Shareholders' Funds</b>  |       |                            |                            |
| (a) Share Capital  | 3     | 33,10,180                  | 28,02,570                  |
| (b) Reserves and Surplus   | 4     | 20,63,66,215               | 27,31,58,877               |
| <b>2. Current Liabilities</b>  |       |                            |                            |
| (a) Short Term Borrowings  | 5     | 1,88,00,000                | -                          |
| (b) Trade Payables   | 6     |                            |                            |
| Total outstanding dues of micro enterprises and small enterprises                      |       | 2,46,347                   | 1,73,989                   |
| Total outstanding dues of creditors other than micro enterprises and small enterprises |       | 43,72,380                  | 26,00,907                  |
| (c) Other Current Liabilities  | 7     | 58,15,584                  | 29,32,986                  |
| (d) Short Term Provisions  | 8     | 3,83,242                   | 2,47,922                   |
|  |       | <u>23,92,93,948</u>        | <u>28,19,17,251</u>        |
| <b>II. ASSETS</b>  |       |                            |                            |
| <b>1. Non Current Assets</b>   |       |                            |                            |
| (a) Fixed Assets   |       |                            |                            |
| (i) Tangible Assets  | 9     | 13,80,00,418               | 22,71,92,172               |
| (ii) Intangible Assets   |       | 62,47,342                  | 65,05,934                  |
| (iii) Capital Work In Progress   |       | 8,62,674                   | -                          |
| (b) Non Current Investments  | 10    | 1,000                      | 1,000                      |
| (c) Long Term Loans and Advances   | 11    | 1,42,51,229                | 26,01,297                  |
| (d) Other Non Current Assets   | 12    | -                          | 22,03,987                  |
| <b>2. Current Assets</b>   |       |                            |                            |
| (a) Current Investments  | 13    | -                          | 1,00,00,000                |
| (b) Trade Receivables  | 14    | 26,23,453                  | 23,33,455                  |
| (c) Cash and Bank Balances   | 15    | 38,34,568                  | 38,43,729                  |
| (d) Short Term Loans and Advances  | 11    | 2,12,05,706                | 2,71,59,126                |
| (e) Other Current Assets   | 16    | 5,22,67,558                | 76,551                     |
|  |       | <u>23,92,93,948</u>        | <u>28,19,17,251</u>        |

**Summary of Significant Accounting Policies**

The accompanying notes are an integral part of the financial statements

As per our report of even date  
For S.R. Batliboi & Co. LLP  
Firm Registration No. : 301003E/E300005  
Chartered Accountants

For and on behalf of the Board of Directors

per Bhaswar Sarkar  
Partner  
Membership No. : 55596

B.L.Mittal  
Director  
DIN : 00365809

Ravi Kant Sharma  
Director  
DIN : 00364066

Place : Kolkata  
Date : 25th May, 2016



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016**

|  | Notes | 2015-16             | 2014-15             |
|--|-------|---------------------|---------------------|
|  |       | Rs.                 | Rs.                 |
| I. Revenue from operations   | 17    | 58,88,614           | 40,88,015           |
| II. Other Income   | 18    | 10,98,375           | 32,24,244           |
| <b>III. Total Revenue</b>  |       | <b>69,86,989</b>    | <b>73,12,259</b>    |
| <b>IV. EXPENSES</b>  |       |                     |                     |
| Employees Benefit Expense  | 19    | 5,05,53,240         | 3,51,17,839         |
| Finance Costs  | 20    | 13,84,654           | -                   |
| Depreciation and Amortisation Expense                                | 21    | 2,20,52,564         | 2,51,43,257         |
| Other Expenses   | 22    | 4,90,25,454         | 4,95,10,010         |
|  |       | <b>12,30,15,912</b> | <b>10,97,71,106</b> |
| <b>V. LOSS BEFORE TAX (IV - III)</b>                                 |       | <b>11,60,28,923</b> | <b>10,24,58,847</b> |
| <b>VI. Tax Expenses :</b>  |       |                     |                     |
| (a) Current Tax  |       | -                   | -                   |
| (b) Excess Provision for taxation of earlier year                    |       | 2,55,714            | -                   |
| (c) Deferred Tax   |       | -                   | -                   |
|  |       | <b>2,55,714</b>     | <b>-</b>            |
| <b>VII. LOSS FOR THE YEAR (V + VI)</b>                               |       | <b>11,62,84,637</b> | <b>10,24,58,847</b> |
| <b>VIII. Loss per equity share :</b>                                 |       |                     |                     |
| Basic and Diluted [Nominal Value per share Rs. 10 (2014-15: Rs. 10)] | 23    | 382.55              | 393.13              |

**Summary of Significant Accounting Policies**

2

The accompanying notes are an integral part of the financial statements

As per our report of even date  
For S.R. Batliboi & Co. LLP  
Firm Registration No. : 301003E/E300005  
Chartered Accountants

For and on behalf of the Board of Directors

per Bhaswar Sarkar  
Partner  
Membership No. : 55596

B.L.Mittal  
Director  
DIN : 00365809

Ravi Kant Sharma  
Director  
DIN : 00364066

Place : Kolkata  
Date : 25th May, 2016





**MICROSEC TECHNOLOGIES LIMITED**

Corporate Identity No. (CIN) - U72200WB2002PLC094642  
 Microsec Tower, Premises No. 16-315, Plot No. DH 6/32  
 Action Area - 1D, New Town, Rajarhat, Kolkata - 700 156

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**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016**

(Amount in Rs.)

|  | 2015-16              | 2014-15              |
|--|----------------------|----------------------|
| <b>A. Cash Flow from Operating Activities</b>                                      |                      |                      |
| Loss before tax  | (11,60,28,923)       | (10,24,58,847)       |
| Adjustments for :  |                      |                      |
| Interest on Fixed Deposits and Others  | (9,09,389)           | (2,19,301)           |
| Provision for doubtful debts   | -                    | 3,74,552             |
| Profit on sale of Current Investments  | (1,20,817)           | (29,01,666)          |
| Bad debt written off (net)   | 12,62,872            | -                    |
| Loss on sale/discard of fixed assets (net)   | 24,25,501            | -                    |
| Government Grant [Refer Note 33]   | (50,363)             | -                    |
| Interest Expenses  | 13,84,654            | -                    |
| Depreciation and amortization expense  | 2,20,52,564          | 2,51,43,257          |
| <b>Operating loss before working capital changes</b>                               | <b>(8,99,83,901)</b> | <b>(8,00,62,005)</b> |
| Increase in trade payables   | 22,21,307            | 4,59,316             |
| Increase / (Decrease) in current liabilities                                       | 26,37,562            | (50,38,170)          |
| Increase in short term provisions  | 1,35,320             | 2,17,750             |
| (Increase) in trade receivables  | (15,52,870)          | (7,40,490)           |
| (Increase) in long-term loans and advances   | (1,21,38,758)        | (3,20,000)           |
| (Increase) in short-term loans and advances  | 57,81,000            | (31,71,595)          |
| Decrease in other current assets   | -                    | 2,86,148             |
| <b>Cash used in operations</b>   | <b>(9,29,00,340)</b> | <b>(8,83,69,046)</b> |
| Direct tax paid (Net of refunds)   | (83,293)             | (69,413)             |
| <b>Net cash flow used in operating activities</b>                                  | <b>(9,29,83,633)</b> | <b>(8,84,38,459)</b> |
| <b>B. Cash Flow from Investing Activities</b>                                      |                      |                      |
| Purchase of fixed assets (including capital work in progress and capital advances) | (50,44,837)          | (1,79,70,371)        |
| Sale Proceeds from Fixed Asset   | 1,69,92,962          | -                    |
| Purchase of Non Current Investments  | -                    | (1,000)              |
| Purchase of Current Investments  | (1,10,00,000)        | (17,15,00,000)       |
| Proceeds from sale of Current Investments  | 2,11,20,816          | 18,19,01,666         |
| Proceeds from Government Grant [Refer Note 33]                                     | 10,23,195            | -                    |
| Investment in Fixed Deposits (having original maturity of more than 12 months)     | -                    | (27,00,000)          |
| Interest on Fixed Deposits and others  | 1,22,369             | 65,948               |
| <b>Net cash flow from / (used in) investing activities</b>                         | <b>2,32,14,505</b>   | <b>(1,02,03,757)</b> |
| <b>C. Cash Flows from Financing Activities</b>                                     |                      |                      |
| Interest Paid  | (11,39,618)          | -                    |
| Proceeds from issue of Equity Shares   | 5,07,610             | 5,92,200             |
| Proceeds from securities premium on issue of Equity Shares                         | 4,94,91,975          | 7,94,14,020          |
| Proceeds from Short Term Borrowings  | 6,98,00,000          | -                    |
| Repayment of Short Term Borrowings   | (5,10,00,000)        | -                    |
| <b>Net cash flow from financing activities</b>                                     | <b>6,76,59,967</b>   | <b>8,00,06,220</b>   |
| <b>D. Net (decrease) in cash and cash equivalents (A+B+C)</b>                      | <b>(21,09,161)</b>   | <b>(1,86,35,996)</b> |
| <b>E. Cash and Cash equivalents at the beginning of the year</b>                   | <b>27,43,729</b>     | <b>2,13,79,725</b>   |
| <b>F. Cash and Cash equivalents at the end of the year *</b>                       | <b>6,34,568</b>      | <b>27,43,729</b>     |
| Components of cash and cash equivalents as indicated in Note 14 comprises of:      |                      |                      |
| Cash on hand   | 68,265               | 59,632               |
| Balances with scheduled banks on Current Account                                   | 5,66,303             | 26,84,097            |
| <b>Total</b>   | <b>6,34,568</b>      | <b>27,43,729</b>     |

\* Excluding Rs. 32,00,000 (2014-15: Rs. 11,00,000) being deposits with restricted use and with maturity of more than three months.

As per our report of even date  
**For S.R.Batliboi & CO. LLP**  
 Firm Registration No. : 301003E/E300005  
 Chartered Accountants

For and on behalf of the Board of Directors

per Bhaswar Sarkar  
 Partner  
 Membership No. 55596

B.L.Mittal  
 Director  
 DIN : 00365809

Ravi Kant Sharma  
 Director  
 DIN : 00364066

Place : Kolkata  
 Date : 25th May, 2016

**1. Basis of preparation of Financial Statements**

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material aspects with the accounting standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies adopted in the preparation of the financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

**2. Significant Accounting Policies:****i) Change in Accounting Policy****Component Accounting**

The Company has adopted component accounting as required under Schedule II to the Companies Act, 2013 from 1st April, 2015. The Company was previously not identifying components of fixed asset separately for depreciation purposes; rather, a single useful life/ depreciation rate was used to depreciate each item of fixed asset.

Due to application of Schedule II to the Companies Act, 2013, the company has changed the manner of depreciation for its fixed asset. Now, the Company has identifies and determines cost of each component / part of the asset separately, if the component / part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. The components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset. The Company has used transitional provisions of Schedule II to adjust the impact of component accounting arising on the first application. If a component has zero remaining useful life on the date of component accounting becoming effective, i.e, 1st April, 2015, its carrying amount, after retaining any residual value, is charged to the statement of profit & loss. The carrying amount of other components i.e. component whose remaining useful life is not nil on 1st April, 2015, is depreciated over their remaining useful lives.

Had the company continued to use the earlier policy of depreciating fixed asset, loss for the current year would have been lower by Rs 4,56,316.

**ii) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets and liabilities in future periods.

**iii) Revenue Recognition**

a. Revenue is recognized to the extent that It is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from Consumer Engagement Activity is recognized when the related activities that generates revenue for the Company has been completed.

b. Fees from Professional Services are recognized as and when the services are rendered to the customers and when there is reasonable certainty of its ultimate realisation/collection.

c. Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

d. Dividend income is recognised when the shareholder's right to receive the payment is established by the balance sheet.

**iv) Tangible Fixed Assets**

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is de-recognised.

**v) Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any.





## Notes to Financial Statements as at and for the year ended 31st March, 2016

vi) **Impairment of Tangible & Intangible Assets**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation / amortization is provided on the revised carrying amount of the assets over its remaining useful lives.

A previously recognized impairment loss is increased or reversed depending on the changes in the circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation / amortization if there was no impairment.

vii) **Borrowing Cost**

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

viii) **Depreciation and Amortization on tangible and intangible assets**

a. Leasehold land is amortised on a straight line basis over the period of lease, i.e. 90 years.

b. Depreciation on fixed assets is calculated on a WDV basis using the rates arrived at based on the useful lives estimated by the management which is as per the rates specified in Schedule II to the Companies Act, 2013.

c. Depreciation on Fixed Assets added/disposed off during the year is provided on prorata basis with reference to the date of addition/disposal.

d. Computer softwares are amortized on straight line basis over a period of five years from the date the assets become available for use.

ix) **Investments**

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as Current Investments. All other Investments are classified as Long Term Investments. Current Investments are stated at lower of cost and market rate on an individual investment basis. Long term Investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

x) **Taxation**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date. The company writes down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.



## Notes to Financial Statements as at and for the year ended 31st March, 2016

At each Balance Sheet date, the company recognizes the unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

xi) **Fixed Assets Acquired under lease****Operating Lease**

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leasehold assets are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss.

xii) **Retirement and other employees benefits**

a. Retirement benefit in the form of provident fund is a defined contribution scheme. The company has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to a reduction in future payment or a cash refund.

b. Gratuity liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method at the end of each financial year. Actuarial gains / losses are recognized in full in the period in which they occur in the Statement of Profit and Loss. The Company has got an approved gratuity fund which has taken an insurance policy with Life Insurance Corporation of India (LIC) to cover the gratuity liabilities.

c. Short term compensated absences are provided for based on estimates.

xiii) **Earning Per Share**

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

xiv) **Cash and Cash Equivalents**

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash at bank and cash in hand and short term investments with an original maturity of three months or less.

xv) **Provisions**

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

xvi) **Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The company does not recognise a contingent liability but discloses its existence in the financial statements.

xvii) **Government grants and subsidies**

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is shown as a deduction from the gross value of the asset concerned in arriving at its book value.

Where the company receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost, it is recognized at a nominal value.





**NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2016**

**3. SHARE CAPITAL**

**Authorised**

3,50,000 (2014-15: 3,00,000) Equity Shares of Rs. 10 each (2014-15: Rs. 10 each)

As at  
31.03.2016  
Rs.

As at  
31.03.2015  
Rs.

**35,00,000**

30,00,000

**35,00,000**

30,00,000

**Issued, Subscribed and Fully Paid up Shares**

**Equity**

3,31,018 (2014-15: 2,80,257) Equity shares of Rs. 10/- each (2014-15: Rs. 10 each)

**33,10,180**

28,02,570

**33,10,180**

28,02,570

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

**Equity Shares**

|                                    | As at 31.03.2016 |           | As at 31.03.2015 |           |
|------------------------------------|------------------|-----------|------------------|-----------|
|                                    | Nos.             | Rs.       | Nos.             | Rs.       |
| At the beginning of the year       | 2,80,257         | 28,02,570 | 2,21,037         | 22,10,370 |
| Issued during the year             | 50,761           | 5,07,610  | 59,220           | 5,92,200  |
| Outstanding at the end of the year | 3,31,018         | 33,10,180 | 2,80,257         | 28,02,570 |

**(b) Terms / Rights attached to the equity shares**

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

**(c) Share held by Holding Company**

Out of the share issued by the company, shares issued by its holding company are as below :

|   | 31.03.2016<br>(Rs.) | 31.03.2015<br>(Rs.) |
|---|---------------------|---------------------|
| 2,80,257 (2014-15: 2,80,257) Equity Shares of Rs. 10 each, fully paid up<br>Microsec Financial Services Limited | <b>28,02,570</b>    | 28,02,570           |

**(d) Details of shareholders holding more than 5% shares in the Company**

| Name of the Shareholders  | As at 31.03.2016 |              | As at 31.03.2015 |              |
|---|------------------|--------------|------------------|--------------|
|   | No of shares     | % of holding | No of shares     | % of holding |
| <b>Equity shares of Rs. 10 each fully paid up</b>                           |                  |              |                  |              |
| Microsec Financial Services Limited (including shares held by its nominees) | 2,80,257         | 84.67        | 2,80,257         | 100.00       |
| Microsec Capital Limited  | 50,761           | 15.33        | -                | -            |

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



**NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2016**

|   | As at<br>31.03.2016<br>Rs. | As at<br>31.03.2015<br>Rs. |
|---|----------------------------|----------------------------|
| <b>4. RESERVES AND SURPLUS</b>  |                            |                            |
| Capital Redemption Reserve (Balance as per the last financial statements)                       | 2,00,000                   | 2,00,000                   |
| Securities Premium Account  |                            |                            |
| Balance as per the last financial statements  | 34,83,73,288               | 26,89,59,268               |
| Add : Premium on Issue of equity shares   | 4,94,91,975                | 7,94,14,020                |
|   | <u>39,78,65,263</u>        | <u>34,83,73,288</u>        |
| Deficit in the Statement of Profit and Loss   |                            |                            |
| Balance as per the Last financial statements  | (7,54,14,411)              | 2,73,04,794                |
| Loss for the year   | (11,62,84,637)             | (10,24,58,847)             |
| Transitional provision for depreciation under the Companies Act, 2013                           | -                          | (2,60,358)                 |
|   | <u>(19,16,99,048)</u>      | <u>(7,54,14,411)</u>       |
|   | <u>20,63,66,215</u>        | <u>27,31,58,877</u>        |
| <b>5. SHORT TERM BORROWINGS</b>   |                            |                            |
| From a Related Party [Refer Note 30]<br>Microsec Resources Private Limited (Unsecured)          | 1,88,00,000                | -                          |
|   | <u>1,88,00,000</u>         | <u>-</u>                   |
| The above unsecured loan is repayable on demand and carries interest @12% p.a. simple interest. |                            |                            |
| <b>6. TRADE PAYABLES</b>  |                            |                            |
| Due to Micro and Small Enterprises [Refer Note 32]  | 2,46,347                   | 1,73,989                   |
| Due to Others   | 43,72,380                  | 26,00,907                  |
|   | <u>46,18,727</u>           | <u>27,74,896</u>           |
| <b>7. OTHER CURRENT LIABILITIES</b>   |                            |                            |
| Other liabilities   |                            |                            |
| - Capital Purchases   | 1,09,294                   | 20,68,278                  |
| - Advance from customers  | 2,70,552                   | 1,85,013                   |
| - Interest Accrued but not due on borrowings  | 2,45,036                   | -                          |
| - Statutory Dues Payable  | 7,73,187                   | 5,32,704                   |
| - Other Payables  | 44,17,515                  | 1,46,991                   |
|   | <u>58,15,584</u>           | <u>29,32,986</u>           |
| <b>8. SHORT TERM PROVISIONS</b>   |                            |                            |
| Gratuity [Refer Note 26]  | 3,83,242                   | 2,47,922                   |
|   | <u>3,83,242</u>            | <u>2,47,922</u>            |





**NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2016**

**9. FIXED ASSETS**

| (Amount in Rs.)   |               |                |                            |             |                        |                       |                   |           |              |
|---|---------------|----------------|----------------------------|-------------|------------------------|-----------------------|-------------------|-----------|--------------|
| <b>(i) Tangible Assets</b>  |               |                |                            |             |                        |                       |                   |           |              |
| Particulars   | Freehold Land | Leasehold Land | Building / Office Premises | Computers   | Furniture and Fixtures | Electrical Equipments | Office Equipments | Vehicles  | Total        |
| <b>Gross Block</b>  |               |                |                            |             |                        |                       |                   |           |              |
| At April 1, 2014  | 40,22,289     | 1,70,49,432    | 11,78,08,625               | 1,77,26,618 | 2,18,30,496            | 74,79,906             | 1,01,67,443       | 8,23,229  | 19,69,08,038 |
| Additions   | -             | 5,40,31,852    | 40,69,169                  | 27,80,147   | 12,02,584              | 70,18,972             | 5,71,148          | 12,63,991 | 7,09,37,863  |
| At March 31, 2015   | 40,22,289     | 7,10,81,284    | 12,18,77,794               | 2,05,06,765 | 2,30,33,080            | 1,44,98,878           | 1,07,38,591       | 20,87,220 | 26,78,45,901 |
| Additions   | -             | -              | -                          | 9,34,583    | 17,43,969              | -                     | 1,68,637          | -         | 28,47,189    |
| Disposals   | -             | 7,10,81,284    | 3,77,476                   | -           | 13,20,481              | -                     | 45,040            | -         | 7,28,24,281  |
| Government Grant [Refer Note 33]  | -             | -              | 10,23,195                  | -           | -                      | -                     | -                 | -         | 10,23,195    |
| At March 31, 2016   | 40,22,289     | -              | 12,04,77,123               | 2,14,41,348 | 2,34,56,568            | 1,44,98,878           | 1,08,62,188       | 20,87,220 | 19,68,45,614 |
| <b>Depreciation</b>   |               |                |                            |             |                        |                       |                   |           |              |
| At April 1, 2014  | -             | 4,35,811       | 40,66,961                  | 40,61,983   | 65,36,103              | 4,099                 | 11,94,257         | 4,97,892  | 1,67,97,106  |
| Charge For the Year   | -             | 1,89,438       | 55,45,892                  | 67,96,848   | 41,50,885              | 23,87,797             | 42,22,649         | 3,02,756  | 2,35,96,265  |
| Impact of Transitional Provision for depreciation under the Companies Act, 2013 | -             | -              | -                          | 72,518      | 1,07,405               | -                     | 80,435            | -         | 2,60,358     |
| At March 31, 2015   | -             | 6,25,249       | 96,12,853                  | 1,09,31,349 | 1,07,94,393            | 23,91,896             | 54,97,341         | 8,00,648  | 4,06,53,729  |
| Charge For the Year   | -             | 1,26,291       | 58,28,173                  | 45,73,456   | 35,04,504              | 31,33,943             | 23,95,061         | 4,08,744  | 1,99,70,172  |
| Disposals   | -             | 7,51,540       | -                          | -           | 9,47,348               | -                     | 29,454            | -         | 17,28,342    |
| Government Grant [Refer Note 33]  | -             | -              | 50,363                     | -           | -                      | -                     | -                 | -         | 50,363       |
| At March 31, 2016   | -             | -              | 1,53,90,663                | 1,55,04,805 | 1,33,51,549            | 55,25,839             | 78,62,948         | 12,09,392 | 5,88,45,196  |
| <b>Net Block</b>  |               |                |                            |             |                        |                       |                   |           |              |
| At March 31, 2015   | 40,22,289     | 7,04,56,035    | 11,22,64,941               | 95,75,416   | 1,22,38,687            | 1,21,06,982           | 52,41,250         | 12,86,572 | 22,71,92,172 |
| At March 31, 2016   | 40,22,289     | -              | 10,50,86,460               | 59,36,543   | 1,01,05,019            | 89,73,039             | 29,99,240         | 8,77,828  | 13,80,00,418 |

**(ii) Intangible Assets**

| (Amount in Rs.)     |                   |             |
|---------------------|-------------------|-------------|
| Particulars         | Computer Software | Total       |
| <b>Gross Block</b>  |                   |             |
| At April 1, 2014    | 50,66,938         | 50,66,938   |
| Purchase            | 40,77,995         | 40,77,995   |
| At March 31, 2015   | 91,44,933         | 91,44,933   |
| Purchase            | 18,23,800         | 18,23,800   |
| At March 31, 2016   | 1,09,68,733       | 1,09,68,733 |
| <b>Amortization</b> |                   |             |
| At April 1, 2014    | 10,92,007         | 10,92,007   |
| Charge For the Year | 15,46,992         | 15,46,992   |
| At March 31, 2015   | 26,38,999         | 26,38,999   |
| Charge For the Year | 20,82,392         | 20,82,392   |
| At March 31, 2016   | 47,21,391         | 47,21,391   |
| <b>Net Block</b>    |                   |             |
| At March 31, 2015   | 65,05,934         | 65,05,934   |
| At March 31, 2016   | 62,47,342         | 62,47,342   |



**NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2016**

**10. NON-CURRENT INVESTMENTS**

In Fellow Subsidiary Company

**Trade Investments (At cost unless stated otherwise)**

**Unquoted- Equity Shares** (fully paid up)  
Microsec Tech Solutions Private Limited

No./Units

Face Value per  
share / unit  
Rs.

As at  
31.03.2016  
Rs.

As at  
31.03.2015  
Rs.

100  
(100)

10

1,000

1,000

1,000

1,000

Aggregate Value of Unquoted Investments

1,000

1,000

**11. LOANS AND ADVANCES**

(Unsecured, Considered Good)

|   | Non Current                |                            | Current                    |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | As at<br>31.03.2016<br>Rs. | As at<br>31.03.2015<br>Rs. | As at<br>31.03.2016<br>Rs. | As at<br>31.03.2015<br>Rs. |
| Capital Advances [Refer Note 29(a)]   | 9,00,000                   | 13,88,826                  | -                          | -                          |
| Security Deposits   | 16,77,608                  | 12,12,471                  | -                          | -                          |
| Balance with Government Authorities   | 1,16,73,621                | -                          | 10,00,000                  | 1,00,19,704                |
| Advances recoverable in cash or kind or value to be received or pending adjustments | -                          | -                          | 19,67,787                  | 2,16,889                   |
| Prepaid Expenses  | -                          | -                          | 16,22,951                  | 1,35,145                   |
| Advance Income Tax and Tax Deducted at Source                                       | -                          | -                          | 1,66,14,968                | 1,67,87,388                |
| [Net of Provision of Rs. 1,91,64,126 (2014-15: Rs. 1,82,90,039)]                    |                            |                            |                            |                            |
|   | 1,42,51,229                | 26,01,297                  | 2,12,05,706                | 2,71,59,126                |

**12. OTHER NON CURRENT ASSETS**

(Unsecured, Considered Good)

Non Current Bank Balances [Refer Note 15]

-

21,00,000

Accrued Interest on Fixed Deposits

-

1,03,987

-

22,03,987

**13. CURRENT INVESTMENTS**

(At lower of cost and fair value)

**Unquoted Mutual Funds** (fully paid up)

Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option

No./Units

Face Value per  
share / unit  
Rs.

2015-16  
Rs.

2014-15  
Rs.

-  
(2,942.230)

1,000

-

1,00,00,000

-

1,00,00,000

Aggregate Value of Unquoted Investments

-

1,00,00,000

Aggregate Repurchase price

-

1,00,20,103

**14. TRADE RECEIVABLES**

(Unsecured, Considered good)

Outstanding for a period exceeding six months from the date they are due for payment

9,32,410

9,89,744

Other Receivables

16,91,043

17,18,263

26,23,453

27,08,007

Provision for doubtful receivables

-

3,74,552

26,23,453

23,33,455





**NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2016**

|   | Non Current       |                   | Current           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 31.03.2016<br>Rs. | 31.03.2015<br>Rs. | 31.03.2016<br>Rs. | 31.03.2015<br>Rs. |
| <b>15. CASH AND BANK BALANCES</b>                                 |                   |                   |                   |                   |
| (I) Cash and Cash Equivalents                                     |                   |                   |                   |                   |
| Cash on hand  | -                 | -                 | 68,265            | 59,632            |
| Balances with Scheduled Banks on Current Accounts                 | -                 | -                 | 5,66,303          | 26,84,097         |
| (II) Other Bank Balances  |                   |                   |                   |                   |
| Fixed Deposits with original maturity for more than 12 months *   | -                 | 21,00,000         | 32,00,000         | 11,00,000         |
| Amount disclosed under "other non current assets" [Refer Note 12] | -                 | (21,00,000)       | -                 | -                 |
|   | <u>-</u>          | <u>-</u>          | <u>38,34,568</u>  | <u>38,43,729</u>  |

\* Fixed Deposit aggregating Rs. 32,00,000/- pledged with HDFC Bank Limited as security against Corporate Credit Card and bank guarantee

|   | As at<br>31.03.2016<br>Rs. | As at<br>31.03.2015<br>Rs. |
|---|----------------------------|----------------------------|
| <b>16. OTHER CURRENT ASSETS</b><br>(Unsecured, Considered Good) |                            |                            |
| Accrued Interest on fixed deposits                              | 3,53,866                   | 76,551                     |
| Interest on Income Tax Refund Receivable                        | 6,13,692                   | -                          |
| Receivable on surrender of Leasehold Land*                      | 5,13,00,000                | -                          |
|   | <u>5,22,67,558</u>         | <u>76,551</u>              |

\* Represents the amount receivable against voluntary surrender of Leasehold Land at Bangalore amounting to Rs. 5,40,31,852 net of 5% deductible as per the terms of allotment letter of Karnataka Industrial Areas Development Board (KIADB) amounting to Rs. 27,00,000 and other charges Rs. 31,852.



**NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2016**

|  | 2015-16            | 2014-15            |
|--|--------------------|--------------------|
|  | Rs.                | Rs.                |
| <b>17. REVENUE FROM OPERATIONS</b>   |                    |                    |
| Consumer Engagement Activity   | 58,88,614          | 40,88,015          |
|  | <u>58,88,614</u>   | <u>40,88,015</u>   |
| <b>18. OTHER INCOME</b>  |                    |                    |
| Profit on sale of Current Investments                                      | 1,20,817           | 29,01,666          |
| Interest Income  |                    |                    |
| On Fixed Deposits  | 2,95,697           | 2,19,301           |
| On Income Tax Refund   | 6,13,692           | -                  |
| Government Grant [Refer Note 33]   | 50,363             | -                  |
| Miscellaneous Income   | 17,806             | 1,03,277           |
|  | <u>10,98,375</u>   | <u>32,24,244</u>   |
| <b>19. EMPLOYEE BENEFITS EXPENSE</b>                                       |                    |                    |
| Salary, Bonus  | 4,85,08,471        | 3,36,75,968        |
| Contribution to Provident Fund   | 5,94,000           | 3,43,301           |
| Contribution to Employees' State Insurance                                 | 1,72,524           | 1,60,878           |
| Gratuity Expense [Refer Note 26]   | 4,95,248           | 4,72,803           |
| Staff Welfare Expenses   | 7,82,997           | 4,64,889           |
|  | <u>5,05,53,240</u> | <u>3,51,17,839</u> |
| <b>20. FINANCE COSTS</b>   |                    |                    |
| Interest Expense   | 13,84,654          | -                  |
|  | <u>13,84,654</u>   | <u>-</u>           |
| <b>21. DEPRECIATION AND AMORTIZATION EXPENSE</b>                           |                    |                    |
| Depreciation of Tangible Assets  | 1,99,70,172        | 2,35,96,265        |
| Amortization of Intangible Assets  | 20,82,392          | 15,46,992          |
|  | <u>2,20,52,564</u> | <u>2,51,43,257</u> |
| <b>22. OTHER EXPENSES</b>  |                    |                    |
| Consumer engagement expenses   | 1,28,64,723        | 1,77,56,430        |
| Server hosting, bandwidth and other data service charges                   | 61,35,219          | 68,14,756          |
| Electricity Expenses   | 41,41,225          | 32,51,944          |
| Rent [Refer Note 26]   | 9,94,004           | 15,55,740          |
| Repairs and Maintenance - Others   | 34,74,966          | 12,68,792          |
| Service Charges  | 26,33,147          | 15,41,876          |
| Advertisement and Business Promotion                                       | 63,61,798          | 78,47,394          |
| Communication Expenses   | 25,99,084          | 23,30,466          |
| Insurance Premium  | 29,362             | 50,608             |
| Legal and Professional fees  | 16,43,620          | 21,27,706          |
| Postage and Courier  | 61,420             | 1,18,389           |
| Printing and Stationery  | 1,41,571           | 3,51,854           |
| Travelling and Conveyance  | 22,62,597          | 20,77,943          |
| Security Service Charges   | 10,99,940          | 13,42,757          |
| Loss on sale/discard of Fixed Assets (net)                                 | 24,25,501          | -                  |
| Rates and Taxes  | 1,24,182           | 2,00,476           |
| Bad debts written off (net)  | 12,62,872          | -                  |
| Provision for doubtful debts   | -                  | 3,74,552           |
| Auditors' Remuneration   |                    |                    |
| - As Audit Fees  | 5,02,500           | 2,50,000           |
| - Reimbursement of expenses  | 8,800              | 12,353             |
| Miscellaneous Expenses   | 2,58,923           | 2,35,974           |
|  | <u>4,90,25,454</u> | <u>4,95,10,010</u> |
| <b>23. LOSS PER SHARE</b>  |                    |                    |
| Basis for calculation of Basic and Diluted Earnings Per Share is as under: |                    |                    |
| Loss after Tax (Rs.)   | 11,62,84,637       | 10,24,58,847       |
| Weighted Average Number of Equity Shares (Nos.)                            | 3,03,973           | 2,60,625           |
| Nominal Value of each Equity Share (Rs.)                                   | 10                 | 10                 |
| Loss per equity share :  | 382.55             | 393.13             |





**24 Contingent Liabilities not provided for in respect of:**

- (a) Service tax demand under appeal – Rs. 5,43,274 (2014-15: Rs. 19,27,972). The management believes that the Company has a good case for success in this matter and therefore no provision there against is considered necessary.
- (b) Income Tax Demand under appeal – Rs. 98,98,300 (2013-14: Rs. 98,98,300). The Management Believe that the company has a good case for success in this matter and therefore no provision there against considered necessary.
- (c) Bank Guarantee outstanding in favour of West Bengal State Electricity Distribution Company Limited – Rs. 20,99,036 (2014-15: 20,99,036).

**25 Segment Reporting**

The Company is engaged in the business of Digital Media of consumer engagement which includes activities under website www.foreseegame.com and accordingly has only one reportable business segment as per Accounting Standard 17 – “Segment Reporting” notified by the Companies Accounting Standard Rules, 2006. The Company continues to have only one reportable geographical segment in India.

**26 Employee Benefits**

The Company has a defined benefit gratuity plan. Every employee, who has completed five years or more of services, gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The Scheme is funded with Life Insurance Corporation of India.

The following tables summarise the components of net benefit expenses recognised in the Statement of Profit & Loss and the funded status and amounts recognized in the balance sheet for the plan.

| Particulars   | 2015-16<br>(Rs.) | 2014-15<br>(Rs.) |
|---|------------------|------------------|
| (i) <b>Net Employee Expense / (benefit)</b>                       |                  |                  |
| Current service cost  | 6,07,842         | 4,53,740         |
| Interest cost on benefit obligation                               | 82,574           | 47,150           |
| Expected return on plan assets                                    | 70,370           | 50,328           |
| Obligation received from previous employer                        | -                | -                |
| Obligation transferred to current employer                        | -                | -                |
| Net Actuarial (gain) / loss recognised in the year                | (1,24,798)       | 22,241           |
| Total employer expense recognised in Statement of Profit and Loss | 4,95,248         | 4,72,803         |
| (ii) <b>Actual Return on Plan Assets</b>                          | 26,105           | 65,377           |
| (iii) <b>Benefit Asset / (Liability)</b>                          |                  |                  |
| Defined benefit obligation  | 14,58,160        | 11,27,552        |
| Fair value of Plan Assets   | 10,74,918        | 8,79,630         |
| Benefit Asset / (Liability)                                       | (3,83,242)       | (2,47,922)       |
| (iv) <b>Movement in benefit liability</b>                         |                  |                  |
| Opening defined benefit obligation                                | 11,27,552        | 5,89,372         |
| Interest cost   | 82,574           | 47,150           |
| Current service cost  | 6,07,842         | 4,53,740         |
| Obligation received from previous employer                        | -                | -                |
| Obligation transferred to current employer                        | -                | -                |
| Benefits paid   | 1,90,745         | -                |
| Actuarial (gains) / losses on obligation                          | (1,69,063)       | 37,290           |
| Closing benefit obligation  | 14,58,160        | 11,27,552        |
| (v) <b>Movement in fair value of plan assets</b>                  |                  |                  |
| Opening fair value of plan assets                                 | 8,79,630         | 5,59,200         |
| Expected Return on plan assets                                    | 70,370           | 50,328           |
| Contributions by employer   | 3,59,928         | 2,55,053         |
| Benefits paid   | 1,90,745         | -                |
| Actuarial gains on plan assets                                    | (44,265)         | 15,049           |
| Closing fair value of plan assets                                 | 10,74,918        | 8,79,630         |



|        |   |  |  |  |                                       |                                       |
|--------|---|--|--|--|---------------------------------------|---------------------------------------|
| (vi)   | Major categories of plan assets as a percentage of the fair value of total plan assets  |  |  |  |                                       |                                       |
|        | Investments in Insurance managed fund   | 100%                                     | 100%                                     |  |                                       |                                       |
| (vii)  | The principal actuarial assumptions are as follows  |  |  |  |                                       |                                       |
|        | Discount Rate   | 8.00%                                    | 8.00%                                    |  |                                       |                                       |
|        | Salary increase   | 6.00%                                    | 6.00%                                    |  |                                       |                                       |
|        | Withdrawal rates  | 1.00%                                    | 1.00%                                    |  |                                       |                                       |
| (viii) | Amount incurred as expense for defined contribution plans   |  |  |  |                                       |                                       |
|        | Contribution to Provident fund  | 5,94,000                                 | 3,43,301                                 |  |                                       |                                       |
|        | Contribution to Employees' State Insurance  | 1,72,524                                 | 1,60,878                                 |  |                                       |                                       |
| (ix)   | The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. |  |  |  |                                       |                                       |
| (x)    | The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.                        |  |  |  |                                       |                                       |
| (xi)   | Amounts for the current year and previous years are as follows :  | Year Ended<br>March 31,<br>2016<br>(Rs.) | Year Ended<br>March 31,<br>2015<br>(Rs.) | Year Ended<br>March 31,<br>2014<br>(Rs.) | Year Ended<br>March 31, 2013<br>(Rs.) | Year Ended<br>March 31, 2012<br>(Rs.) |
|        | Defined Benefit Obligation  | 14,58,160                                | 11,27,552                                | 5,89,372                                 | 4,85,861                              | 3,78,556                              |
|        | Plan Assets   | 10,74,918                                | 8,79,630                                 | 5,59,200                                 | 5,23,841                              | 4,80,588                              |
|        | Surplus / ( Deficit )   | (3,83,242)                               | (2,47,922)                               | (30,172)                                 | 37,980                                | 1,02,032                              |
|        | Experience adjustments on plan liabilities  | (1,69,063)                               | (1,80,970)                               | (1,41,492)                               | (1,33,867)                            | (1,04,302)                            |
|        | Experience adjustments on plan assets   | (35,468)                                 | 13,651                                   | 5,130                                    | 5,058                                 | 4,640                                 |
| (xii)  | The Company expects to contribute Rs. 3,00,000 (2014-15: Rs. 3,00,000) to Gratuity Fund in 2016-17.   |  |  |  |                                       |                                       |

**27 Lease:**

- a) Certain office premises are obtained on operating lease. The lease term is upto 11 months and renewable for further period either mutually or at the option of the Company. These leases are cancellable. The details of Lease Payments are as follows:

| Particulars   | 2015-16  | 2014-15   |
|---|----------|-----------|
| Lease payments made for the year                      | 9,94,004 | 15,55,740 |
| Contingent rent recognised in Profit and Loss Account | NII      | NII       |

- 28 Minimum Alternate Tax (MAT) credit entitlement of Rs. 1,80,78,228 (2014-15: Rs. 1,80,78,228) related to earlier financial years although available as tax credit for set off in future years as per Income Tax Act, 1961, has not been accounted for in view of accounting policy specified in Note 2 (x) herein.

**29 Capital and other Commitments**

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs. 34,35,978 (2014-15: Rs. 3,07,274).
- b) The company has commitments of Rs. NII (2014-15: Rs. 6,99,590) relating to consumer engagement activity started during the year but not completed as on 31st March, 2016.

- 30 Related party in terms of Accounting Standard 18 and as per the Companies Act, 2013 are given below:

**Name of related parties and description of relationship****i) Related parties where control exists****a) Holding Company**

Microsec Financial Services Private Limited

**ii) Other related parties with whom transactions have taken place during the year****a) Fellow subsidiary companies / entity**

Microsec Capital Limited

Microsec Resources Private Limited

**b) Key Management Personnel**

Mr. Rajat Khator, Chief Financial Officer (Upto 31st December, 2015)

Mr. Pratap Singh, Company Secretary (Upto 20th January, 2016)





(Amount in Rs.)

|  | Holding Company                     | Fellow Subsidiary Companies / Limited Liability Partnerships | Key Management Personnel |
|--|-------------------------------------|--|--------------------------|
|  | Microsec Financial Services Limited | Microsec Resources Private Limited                           | Mr. Rajat Khator         |
| Loans taken  | -                                   | 6,98,00,000  | -                        |
|  | (-)                                 | (-)  | (-)                      |
| Repayment of Loan taken                                    | -                                   | 5,10,00,000  | -                        |
|  | (-)                                 | (-)  | (-)                      |
| Service Charges  | -                                   | -  | -                        |
|  | (-)                                 | (-)  | (-)                      |
| Interest Expense   | -                                   | 13,84,654  | -                        |
|  | (-)                                 | (-)  | (-)                      |
| Remuneration   | -                                   | -  | -                        |
|  | (-)                                 | (-)  | (-)                      |
| Proceeds from issue of Share Capital                       | (5,92,200)                          | -  | 9,28,639                 |
|  |                                     |  | (2,65,976)               |
| Proceeds from securities premium on issue of Share Capital | (7,94,14,020)                       | -  | 4,50,222                 |
|  |                                     |  | (4,91,449)               |
| Balance Payable  | -                                   | 1,90,45,036  | -                        |
|  | (-)                                 | (-)  | (-)                      |



**31 Deferred Tax Asset / (Liability) (Net)**

| Particulars  | As at 31st March, 2016 | As at 31st March, 2015 |
|--|------------------------|------------------------|
| <b>Deferred Tax Liability (A)</b>  |                        |                        |
| Fixed Assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting. | 36,05,686              | 44,91,754              |
| <b>Deferred Tax Assets (B)</b>   |                        |                        |
| Provision for Gratuity   | 1,18,422               | 76,608                 |
| Business Loss and Unabsorbed Depreciation  | 6,48,80,230            | 6,19,60,536            |
| <b>Net Deferred Tax Asset / (Liability) (B - A)</b>  | <b>6,13,92,966</b>     | <b>5,75,45,390</b>     |
| <b>Less : Deferred Tax Asset not recognized</b>  | <b>6,13,92,966</b>     | <b>5,75,45,390</b>     |
| <b>Net Deferred Tax asset / (Liability) recognized</b>   | <b>NII</b>             | <b>NII</b>             |

In the absence of virtual certainty, the Company has recognized Deferred Tax Asset in the current year only to the extent of Deferred Tax Liability as at 31st March, 2016 i.e. Rs. 36,05,686 (2014-15: Rs. 44,91,754)

**32 Details of dues to Micro and Small Enterprises as defined under the MSMED Act, 2006**

| Particulars  | As at 31st March, 2016 | As at 31st March, 2015 |
|--|------------------------|------------------------|
| i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year  |                        |                        |
| Principal amount due to micro and small enterprises  | 2,46,347               | 1,73,989               |
| Interest due on above  | NII                    | NII                    |
| ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year  |                        |                        |
| Principal  | NII                    | NII                    |
| Interest   | NII                    | NII                    |
| iii) The amount of interest due and payable for the period of delay in making payment (which been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006   | NII                    | NII                    |
| iv) The amount of interest accrued and remaining unpaid at the end of each accounting year   | NII                    | NII                    |
| v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006. | NII                    | NII                    |

**33** The Company has received government grant under West Bengal IT Incentive Scheme (2009) amounting to Rs.10,23,195 on 24th February, 2016 against interest subsidy which was capitalised in the year 2013-14 under the head "Building / Office Premises". The Company has opted to reduce the government grant from the cost of fixed asset. Hence, depreciation charge of Rs.47,507 has been adjusted against "Depreciation and Amortisation Expense" for the current year and Rs. 50,363 pertaining to earlier years have been disclosed under the head "Other Income".

**34** Previous year's figures including those in brackets have been regrouped and / or reclassified to confirm to this year's classification.

As per our Report of even date

For S. R. Batliboi & Co. LLP  
Firm Registration No. : 301003E/E300005  
Chartered Accountants

For and on behalf of Board of Directors

  
per Bhaswar Sarkar  
Partner  
Membership No.: 55596

  
B. L. Mittal  
Chairman & Managing Director  
DIN : 00365809

  
Ravi Kant Sharma  
Managing Director  
DIN : 00364066

Place: Kolkata  
Date: 25th May, 2016

