Palred Technologies Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

1. Company overview

Palred Technologies Limited (the 'Company') is a public limited company domiciled in India and incorporated under the provisions of the erstwhile Companies Act 1956. The Company's equity shares are listed on Bombay Stock Exchange ('BSE') and National Stock Exchange ('NSE').

The Company has its registered office at H. No. 8-2-703/2/B, Plot No. 2, Road No. 12, Banjara Hills, Hyderabad, Telangana – 500 034.

2. General information and statement of compliance with Ind AS

The standalone financial statements of the Company have been prepared and presented in accordance with all the material aspects of the Indian Accounting Standards ('Ind AS') as notified under section 133 of the Companies Act 2013 read with the Companies (Indian Accounting Standards) Rules 2015 (by Ministry of Corporate Affairs ('MCA')) as amended from time to time. The Company has uniformly applied the accounting policies during the periods presented, unless otherwise stated elsewhere in these financial statements.

These financial statements for the year ended 31 March 2019 were authorized and approved for issue by the Board of Directors on 30 May 2019.

3. Basis of preparation of separate financial statements

The financial statements have been prepared on going concern basis under the historical cost basis except for the following:

i. certain financial assets and liabilities are measured either at fair value or at amortised cost depending on the classification; and
ii. employee defined benefit liabilities are recognised as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation, if any.

4. Summary of significant accounting policies

4.0 Operating Cycle and Current versus non-current classification

The Company has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of assets and liabilities.

An **asset** is classified as current when it is:
• Expected to be realised or intended to sold or consumed in normal operating cycle;
• Held primarily for the purpose of trading;
• Expected to be realised within twelve months after the reporting period; or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A **liability** is classified as current when:
• It is expected to be settled in normal operating cycle;
• It is held primarily for the purpose of trading;
• It is due to be settled within twelve months after the reporting period; or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

4.1 Fair value measurement

The Company measures financial instruments at fair value upon initial recognition. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.2 Revenue recognition

The Company has adopted Ind AS 115 - Revenue from Contracts with Customers, using modified retrospective application method with effect from 1 April 2018 and accordingly these financial statements are prepared in accordance with the recognition and measurement principles laid down in Ind AS 115. The application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements of the Company as the Company is yet to identify the business opportunities in the areas of IT solutions and services.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

Interest Income
For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included under other income in the statement of profit and loss.

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Dividend
Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

4.3 Taxes

Income tax expense comprises of current tax expense and deferred tax expenses. Current and deferred taxes are recognized in Statement of Profit and Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Current income tax
Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act of the respective jurisdiction. The current tax is calculated using tax rates that have been enacted or substantively enacted, at the reporting date.

Deferred tax
Deferred tax is recognized using the Balance Sheet approach on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled and are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

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

As at 31 March 2019 and 31 March 2018, the Company has deferred tax assets primarily on account of unabsorbed business loss, unabsorbed tax depreciation and other items, which have not been recognized on the grounds of prudence. Consequently, there is no deferred tax asset or liability recorded in the financial statements as at reporting periods presented.

Further, as at 31 March 2019 and 31 March 2018, the Company has MAT credit of ₹91,753,770, carried forwarded under the income-tax laws, not recognised in books due to lack of reasonably certainty.

Dividend distribution tax (DDT)
Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

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4.4 Property, plant and equipment (PPE)

All items of property, plant and equipment are initially recorded at cost. Cost of property, plant and equipment comprises purchase price, non-refundable taxes, levies and any directly attributable cost of bringing the asset to its working condition for the intended use. Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs in nature of repairs and maintenance are recognized in the Statement of Profit and Loss as and when incurred.

Depreciation on property, plant and equipment is provided on the written down value method, computed on the basis of useful lives prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.5 Intangible assets

Intangible assets are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss, if any. The Company amortises intangible assets with a finite useful life using the straight-line method over 5 years.

4.6 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the Statement of Profit and Loss.

4.7 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

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Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit and Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on accrual basis as escalation in lease arrangements are for expected inflationary cost.

4.8 Provisions and contingencies

Provisions
Provisions for legal claims, chargebacks and sales returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

Contingencies
Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are disclosed when probable and recognised when realization of income is virtually certain.

4.9 Employee benefits

Defined contribution plan
The Company's contribution to provident fund and employee state insurance schemes is charged to the Statement of Profit and Loss. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan. There are no other obligations other than the contribution payable to the respective fund.

Defined benefit plan
The Company has unfunded gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans as the present value of the Defined Benefit Obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability are included in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Short-term employee benefits
Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on an undiscounted and accrual basis during the period when the employee renders service of the benefit.

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4.10 Investments in subsidiaries

The Company has elected to recognise its investments in equity instruments in subsidiaries at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'.

4.11 Financial instruments

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

Financial assets
Initial recognition and measurement
All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in debt and equity instruments.

Debt instruments
A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

Equity instruments
Equity instruments/Mutual funds in the scope of Ind AS 109 are measured at fair value. The classification is made on initial recognition and is irrevocable. Subsequent changes in the fair values at each reporting date are recognised in the Statement of Profit and Loss.

All equity investments in subsidiaries are measured at cost less diminution other than temporary. All equity investments in scope of Ind AS 109 are measured at fair value. Equity investments which are held for trading are classified as fair value through profit and loss account (FVTPL). For all other equity investments, the Company may make an irrevocable election to present in OCI subsequent changes in fair value. The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable. If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognized in OCI. There is no recycling of amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain/loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

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De-recognition
The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

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

The Company follows 'simplified approach' for recognition of impairment loss allowance on other receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

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

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at fair value on initial recognition. The Company's financial liabilities include trade and other payables and other financial instruments.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Other payables
These amounts represent liabilities for services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per agreed terms. Other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.12 Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.13 Earnings Per Equity Share (EPES)

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

4.14 Cash and cash equivalent

Cash and cash equivalent represent cash and bank balances and fixed deposits with banks with original maturity of less than three months. Cash and cash equivalent are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

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4.15 Cash flow statement

The cash flow statement is prepared as per the Indirect Method. Cash Flow Statements present the cash flows by operating, financing and investing activities of the Company. Operating cash flows are arrived by adjusting profit or loss before tax for the effects of transactions of a non- cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

4.16 Cash dividend

The Company recognises a liability to make cash dividend to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Act, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

5. Standard not yet effective

Information on new standard, amendment and interpretation that are expected to be relevant to the financial statements is provided below.

Ind AS 116 - Leases
On 30 March 2019, Ministry of Corporate Affairs has notified the Ind AS 116, Leases. It requires all leases to be accounted on the balance sheet by recognising a right of use asset and a corresponding lease liability, with an exception of certain short term leases and leases of low value assets. The new standard is applicable from 1 April 2019. The company has evaluated the effect of this on the financial statements and the impact is not material.

6. Key accounting estimates and judgements

The preparation of the Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Useful lives of various assets
Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company.

Deferred income taxes
The assessment of the probability of future taxable profit in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable profit and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable profit indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full.

Current income taxes
Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods. The recognition of taxes that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

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Impairment of investments of subsidiaries
Management evaluates the recoverability of subsidiaries with the changes in the competition and customers approach. Where the indication of impairment exists, the management considers for creating a provision for impairment and the same is adjusted with reducing the net assets book values of subsidiaries. The process for measuring and recognising impairment loss is complex and requires significant management judgement. The key assumptions underpinning management's assessment of the valuation include, but are not limited to, projections of recoverable amounts of recognized assets and liabilities and market valuation of the Company. The recovery of the investments depends on the subsidiaries establishing profitable business in the future. Details of the such evaluation is given in notes regarding the impairment.

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7. Property, plant and equipment

	Computers	Office equipment	Furniture and fixture	Vehicles	Leasehold improvements	Total
Gross carrying amount						
As at 1 April 2017	**380,549**	**578,806**	**3,746,545**	**34,178**	**316,020**	**5,056,098**
Additions	193,435	13,960	-	-	-	207,395
As at 31 March 2018	**573,984**	**592,766**	**3,746,545**	**34,178**	**316,020**	**5,263,493**
Additions	-	-	-	-	-	-
As at 31 March 2019	**573,984**	**592,766**	**3,746,545**	**34,178**	**316,020**	**5,263,493**
Accumulated depreciation						
Up to 31 March 2017	**221,371**	**226,429**	**908,662**	**8,802**	**58,163**	**1,423,427**
Charge for the year	249,219	234,140	1,048,736	6,699	180,864	1,719,658
Up to 31 March 2018	**470,590**	**460,569**	**1,957,398**	**15,501**	**239,027**	**3,143,085**
Charge for the year	57,026	63,557	611,474	4,835	54,110	791,002
Up to 31 March 2019	**527,616**	**524,126**	**2,568,872**	**20,336**	**293,137**	**3,934,087**
Net carrying amount						
As at 31 March 2019	**46,368**	**68,640**	**1,177,673**	**13,842**	**22,883**	**1,329,406**
As at 31 March 2018	103,394	132,197	1,789,147	18,677	76,993	2,120,408

8. Intangible assets

	Computer Software
Gross carrying amount	
As at 1 April 2017	**1,517,035**
Additions	-
As at 31 March 2018	**1,517,035**
Additions	-
As at 31 March 2019	**1,517,035**
Accumulated amortization	
Up to 31 March 2017	**672,326**
Charge for the year	543,462
Up to 31 March 2018	**1,215,788**
Charge for the year	301,247
Up to 31 March 2019	**1,517,035**
Net carrying amount	
As at 31 March 2019	**-**
As at 31 March 2018	301,247

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9 Financial assets
(a) Non-current investments

		31 March 2019	31 March 2018
	Investments in equity instruments, unquoted, fully paid-up		
	Investment in subsidiary at cost less impairment loss		
(i)	Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited), principal place of business at Hyderabad, India		
	-Number of shares	26,861,747	25,546,072
	-Par value of each share	10	10
	-% of holding	83.17%	82.45%
	Gross carrying amount	435,300,000	375,300,000
	Impairment towards investments	349,602,930	-
	Net carrying amount	85,697,070	375,300,000
(ii)	Palred Retail Private Limited, principal place of business at Kurnool, India		
	-Number of shares	2,040,000	-
	-Par value of each share	10	-
	-% of holding	96.77%	-
	Gross carrying amount	20,400,000	-
	Impairment towards investments	18,020,170	-
	Net carrying amount	2,379,830	-
(iii)	Palred Technology Services Private Limited, principal place of business at Hyderabad, India		
	-Number of shares	11,010,000	9,010,000
	-Par value of each share	10	10
	-% of holding	100%	100%
	Gross carrying amount	110,100,000	90,100,000
	Impairment towards investments	110,100,000	-
	Net carrying amount	-	90,100,000
		88,076,900	**465,400,000**
	Aggregate amount of quoted investments	-	-
	Aggregate book value of unquoted investments	565,800,000	465,400,000
	Aggregate amount of impairment of value in investments	477,723,100	-

Exceptional item - Impairment towards investment in subsidiaries

The investments in subsidiaries are tested for impairment annually or more frequently if there are indications that goodwill might be impaired. During the financial year ended 31 March 2019, due to increase in the competition and the customer acquisition costs, the management has estimated the recoverable amount of investments in subsidiaries based on the projections of recoverable amounts of recognized assets and liabilities of Palred Group and market valuation of the Company. On the basis of Management evaluation, the aggregate carrying amount of investments exceeds the aggregate recoverable amount by ₹477,723,100 and accordingly, the Board of Directors of the Company have considered to create a provision against such investments in subsidiaries amounting to ₹477,723,100 for the year ended 31 March 2019 under exceptions item, considering the significance of the item.

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(b) Current investments

	31 March 2019	31 March 2018
Investments in mutual funds, non-trade, unquoted		
Nil (31 March 2018: 4,596,326) units of IDFC Arbitrage Fund - Monthly Dividend Reinvestment plan	-	59,865,772
Investments in equity instruments of wholly owned subsidiary, trade, unquoted		
10,000,000 (31 March 2018: 10,000,000) equity shares of Malaysian Ringgit 1 each, in Four Soft Sdn. Bhd., Malaysia *	-	2,625
Total current investments	**-**	**59,868,397**

* The Company has applied for liquidation of Four Soft Sdn.Bhd., Malaysia in the year ended 31 March 2014.

Aggregate amount of quoted investments	-	-
Aggregate book value of unquoted investments	2,625	59,868,397
Aggregate amount of impairment of value in investments	2,625	-

(c) Cash and cash equivalents

	31 March 2019	31 March 2018
Balances with banks		
– in current accounts	1,248,161	1,364,165
Cash on hand	15,716	13,864
Fixed deposits with original maturity of less than three months	9,687	9,687
	1,273,564	**1,387,716**

(d) Bank balances other than cash and cash equivalents

	31 March 2019	31 March 2018
Balance in unpaid dividend account (year: 2013-14)	1,840,195	1,840,195
Balance in unpaid capital reduction account	800,802	800,802
Fixed deposits with original maturity of more than three months but less than twelve months	189,653,810	226,000,000
	192,294,807	**228,640,997**

(e) Other financial assets

	31 March 2019	31 March 2018
Unsecured, considered good		
Interest accrued but not due on fixed deposits	1,599,352	5,515,638
	1,599,352	**5,515,638**

10 Other assets

	31 March 2019	31 March 2018
Unsecured, considered good		
Non-current		
Advance tax (net of provision)	21,993,686	20,114,235
Balances with government authorities	1,426,664	640,832
	23,420,350	**20,755,067**
Current		
Prepaid expenses	79,398	51,372
Others	-	237,009
	79,398	**288,381**
	23,499,748	**21,043,448**

Palred Technologies Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

11 Equity share capital

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	28,038,800	280,388,000	28,038,800	280,388,000
14% preference shares of ₹100 each	696,120	69,612,000	696,120	69,612,000
Issued, subscribed and fully paid up shares				
Equity shares of ₹10 each	9,732,566	97,325,660	9,732,566	97,325,660
	9,732,566	**97,325,660**	**9,732,566**	**97,325,660**

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

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
At the beginning of the year	9,732,566	97,325,660	8,213,083	82,130,830
Add: Issue of equity shares	-	-	1,519,483	15,194,830
Balance at the end of the year	**9,732,566**	**97,325,660**	**9,732,566**	**97,325,660**

(b) Terms attached to Equity Shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. In the event of liquidation of the Company, the holders of equity shares shall 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 shareholder.

(c) Shareholders holding more than 5% equity shares in the Company

	31 March 2019		31 March 2018	
	Number of shares	% of holding	Number of shares	% of holding
Stuthi Reddy	1,000,000	10.27%	1,000,000	10.27%
Supriya Reddy Palem	1,000,000	10.27%	1,000,000	10.27%
Sanhita Reddy	1,000,000	10.27%	1,000,000	10.27%
Passage to India Master Fund Limited	701,586	7.21%	701,586	7.21%
Ashish Dhawan	678,189	6.97%	678,189	6.97%
Palem Srikanth Reddy	602,261	6.19%	602,261	6.19%

(d) Shares reserved for issue under options

The Company has established Palred Employee Stock Option Scheme 2016 ('ESOP 2016') to administer for grant of options not exceeding 400,000 equity shares to eligible employees. The minimum vesting period shall be one year from the date of grant of options and maximum vesting period shall not exceed five years. The exercise price per option shall not be less than face value of equity share and shall not exceed market price of the equity share of the Company as on the date of grant of option.

(e) Capital reduction of equity shares during 5 years immediately preceding the Balance Sheet date

Subsequent to the approval of the High Court of Judicature at Hyderabad for the state of Telangana and Andhra Pradesh for reduction of 60% of the paid up equity share capital during the financial year ended 31 March 2016, the Company has returned an amount of ₹16.50 at a premium of ₹11.50 per share and cancelled and extinguished 60% of the equity shares of the Company of face value of ₹5 each in July 2015. After reduction, the issued, subscribed and paid-up equity share capital of ₹195,184,850 consisting of 39,036,970 equity shares of ₹5 each fully paid-up was reduced to ₹78,073,940 consisting of 15,614,788 equity shares of ₹5 each.

	Number of shares
	1 April 2014 to 31 March 2019
Aggregate number of capital reduction of equity shares	23,422,182

Palred Technologies Limited
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(All amounts in ₹ unless otherwise stated)

12 Other equity

	31 March 2019	31 March 2018
Reserves and surplus		
Capital reserve	14,280,000	14,280,000
General reserve	132,524,353	132,524,353
Securities premium	672,030,093	672,030,093
Retained earnings	(612,450,105)	(135,629,088)
Other comprehensive income		
Remeasurement of defined benefit plans	(53,942)	(1,006)
	206,330,399	**683,204,352**

Nature and purpose of reserves

Capital reserve

This reserve represents creation of capital reserve pursuant to the scheme of amalgamation.

General reserve

The general reserve is used from time to time to transfer profit from retained earning for appropriation purpose.

Securities premium

Securities premium is used to record the premium on the issue of the shares and utilized in accordance with the provisions of the Act.

Remeasurement of defined benefit plans

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit or loss.

13 Financial liabilities

(a) The details of dues to Micro and Small Enterprises are as follows :

	31 March 2019	31 March 2018
i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year;	-	-
ii) The amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed date during the accounting year;	-	-
iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	-	-
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purposes of disallowance as a deductible expenditure under the section 23 of the MSMED Act, 2006.	-	-

This information required to be disclosed has been determined to the extent such parties have been identified on the basis of information available with the Company. The auditors have placed reliance on the information provided by the Management.

Palred Technologies Limited
Summary of significant accounting policies and other explanatory information
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(b) Other financial liabilities

	31 March 2019	31 March 2018
Unpaid dividends	1,840,195	1,840,195
Unclaimed capital reduction	800,802	800,802
Other payables	1,171,506	712,113
	3,812,503	**3,353,110**

There are no amounts required to be transferred to Investor Education and Protection Fund.

14 Provision

	31 March 2019	31 March 2018
Gratuity	377,287	247,480
	377,287	**247,480**

(i) The Company provides for gratuity for employees in India as per the Payment of the Gratuity Act, 1972. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionally for 15 days salary multiplied for the number of the years of service. The gratuity plan is unfunded. The assumptions used in accounting for the gratuity plan are set out as below:

	31 March 2019	31 March 2018
Future Salary rise	7.00%	7.00%
Discount rate	7.59%	7.68%
Attrition rate		
For service 4 years and below	30.00%	30.00%
For service 5 years and above	2.00%	2.00%
Mortality table	India assured lives mortality (2006-08)	

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Company evaluates these assumptions annually based on its long term plans of growth and industry standards.

The amounts recognized in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligations
As at 1 April 2017	153,106
Interest cost	11,054
Current service cost	44,766
Total amount recognized in statement of profit and loss	**55,820**
Remeasurements	
Actuarial loss on obligation	38,554
Total amount recognized in other comprehensive income	**38,554**
As at 31 March 2018	**247,480**
Interest cost	19,006
Current service cost	57,665
Total amount recognized in statement of profit and loss	**76,671**
Remeasurements	
Actuarial loss on obligation	52,936
Total amount recognized in other comprehensive income	**52,936**
As at 31 March 2019	**377,087**

Palred Technologies Limited
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Sensitivity analysis

	Changes in assumption	31 March 2019		31 March 2018	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Future salary rise	1.00%	41,532	(35,124)	25,344	(21,555)
Discount rate	1.00%	(34,651)	41,705	(21,248)	25,426
Attrition rate	1.00%	1,818	(2,131)	(434)	202

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

(a) Asset volatility — The plan liabilities are calculated using a discount rate set with reference to current investment patterns in the economy; if plan assets underperform this yield, this will create a deficit.

(b) Changes in bond yields — A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy — The defined benefit obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

Defined benefit liability and employer contributions

The expected future cash flows in respect of gratuity were as follows:

	31 March 2019	31 March 2018
Expected contribution		
In the subsequent year	100,601	76,671
Projected benefits payable in the future years from the reporting date		
1st following year	9,509	3,872
2nd following year	10,047	6,872
3rd following year	173,772	7,272
4th following year	6,048	149,118
5th following year	6,426	3,573
Thereafter	844,712	493,987

Palred Technologies Limited
Summary of significant accounting policies and other explanatory information
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15 Other current liabilities

	31 March 2019	31 March 2018
Balances due to government authorities	227,928	147,249
	227,928	**147,249**

16 Other income

	31 March 2019	31 March 2018
Dividends income from mutual funds	497,641	5,101,641
Interest income	14,878,208	12,459,200
Provision no longer required, written back	-	5,211,292
Miscellaneous income	-	380,613
	15,375,849	**23,152,746**

17 Employee benefits expenses

	31 March 2019	31 March 2018
Salaries and wages	5,927,745	6,035,108
Contribution to provident fund	136,324	128,508
Gratuity	76,671	55,820
Staff welfare expenses	268,510	463,765
	6,409,250	**6,683,201**

18 Other expenses

	31 March 2019	31 March 2018
Rent	600,000	622,500
Rates and taxes	635,956	664,132
Office maintenance	2,450,222	2,675,085
Communication	92,979	157,777
Postage and courier	101,710	105,328
Insurance	27,926	15,217
Power and fuel	-	185,520
Travelling and conveyance	988,528	1,055,011
Legal and professional expenses	1,028,078	492,500
Donations	-	25,000
Payments to auditor		
-Statutory audit fees	936,000	997,000
Advances written off	100,000	24,796
Miscellaneous expenses	10,868	3,328
	6,972,267	**7,023,194**

19 Contingent liabilities

		31 March 2019	31 March 2018
(a)	Claims against company not acknowledged as debt - income tax*	6,543,580	3,882,740

Pursuant to the income tax assessment for the financial year 2005-06 onwards, the Company had received various demands from the income tax authorities in relation to the inadmissibility of certain expenditure in accordance with the provisions of the income tax law and compliances with the arm's length guidelines in relation to international transactions with associated enterprises. The management, on the basis of its internal assessment of the facts of the case, the underlying nature of transactions, the history of judgements made by the various appellate authorities and the necessary advise received from the independent expert engaged in this regard, is of the view that the probability of the case being settled against the Company is remote and accordingly do not foresee any adjustment to the financial statements in this regard.

Palred Technologies Limited
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(b) During February 2019, the Supreme Court of India issued a judgement which provided further guidance for companies in determining which components of their employees' compensation are subject to statutory withholding obligations, and matching employer contribution obligations, for Provident Fund contributions under Indian law. There are numerous interpretative issues relating to this judgement. However, the Company has made a provision on a prospective basis from the date of the Supreme Court's judgement. The Company will evaluate the same and update its provision, if any on receiving further clarity on the subject.

20 Income tax

(a) Reconciliation of tax expense and the accounting profit multiplied by statutory tax rate

	31 March 2019	31 March 2018
Profit/(loss) before tax	(476,821,017)	7,183,231
At statutory income tax rate	**-**	**2,485,973**
Set-off against carry forward unabsorbed depreciation	-	(2,485,973)
Income tax expense reported in the Statement of Profit and Loss	**-**	**-**

21 Related party disclosures

(a) Names of the related parties and nature of relationship

Names of related parties	Country	Nature of relationship
Palred Technology Services Private Limited	India	Wholly owned subsidiary
Palred Electronics Private Limited	India	Subsidiary
Palred Retail Private Limited	India	Subsidiary
Palem Srikanth Reddy		Key management personnel ('KMP')
Supriya Reddy		Relative of KMP
Stuthi Reddy		Relative of KMP

(b) Transactions with related parties

	31 March 2019	31 March 2018
Palred Technology Services Private Limited		
Investment in equity shares	20,000,000	30,000,000
Reimbursement of expenses	114,814	10,635
Palred Electronics Private Limited		
Investment in equity shares	60,000,000	100,000,000
Reimbursement of expenses	20,816	-
Palred Retail Private Limited		
Investment in equity shares	20,400,000	-
Reimbursement of expenses	11,864	-
Palem Srikanth Reddy		
Remuneration*	3,000,000	3,000,000
Reimbursement of expenses	292,589	261,951
Supriya Reddy		
Rent	200,000	622,500
Stuthi Reddy		
Rent	400,000	-

*does not include post employment benefits and other long term employee benefits expenditure which are computed for Company as a whole.

(c) Balances payable

	31 March 2019	31 March 2018
Palem Srikanth Reddy	40,087	40,087
Palred Electronics Private Limited	-	151,039

Palred Technologies Limited
Summary of significant accounting policies and other explanatory information
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22 Fair value measurements

(a) Financial instruments by category

	31 March 2019		31 March 2018	
	FVTPL	**Amortised cost**	**FVTPL**	**Amortised cost**
Financial assets				
Current investments	-	-	59,868,397	-
Cash and cash equivalents	-	1,273,564	-	1,387,716
Bank balances other than cash and cash equivalents	-	192,294,807	-	228,640,997
Other financial assets	-	1,599,352	-	5,515,638
Total financial assets	**-**	**195,167,723**	**59,868,397**	**235,544,351**
Financial liabilities				
Other financial liabilities	-	3,812,503	-	3,353,110
Total financial liabilities	**-**	**3,812,503**	**-**	**3,353,110**

(b) Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments:

	31 March 2019		31 March 2018	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Current investments	-	-	59,868,397	59,868,397
Cash and cash equivalents	1,273,564	1,273,564	1,387,716	1,387,716
Bank balances other than cash and cash equivalents	192,294,807	192,294,807	228,640,997	228,640,997
Other financial assets	1,599,352	1,599,352	5,515,638	5,515,638
	195,167,723	**195,167,723**	**295,412,748**	**295,412,748**
Financial liabilities				
Other financial liabilities	3,812,503	3,812,503	3,353,110	3,353,110
	3,812,503	**3,812,503**	**3,353,110**	**3,353,110**

The carrying amounts of current investments, cash and cash equivalents and other bank balances are considered to be the same as their fair values, due to their short-term nature.

(c) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:
-the use of quoted market prices or dealer quotes for similar instruments
-the fair value of the remaining financial instruments is determined using discounted cash flow analysis.
All of the resulting fair value estimates are included in level 2. For unlisted equity securities, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(d) Fair value hierarchy - Financial instruments measured at fair value, recurring fair value measurements

	31 March 2019		31 March 2018	
	Level 2	**Level 3**	**Level 2**	**Level 3**
Financial instruments measured at fair value, recurring fair value measurements				
Current investments	-	-	59,868,397	-
Total financial assets	**-**	**-**	**59,868,397**	**-**

There are no transfers between levels during the year. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

23 Financial risk management

The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes. Currently, as the management is evaluating multiple business options, Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance.

Palred Technologies Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

A. Credit risk

Credit risk on cash and cash equivalents is limited as the Company generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in liquid mutual fund units and certificates of deposit which are funds deposited at a bank for a specified time period. None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) were past due or impaired as at the reporting periods.

B. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The Company's principle sources of liquidity are cash and cash equivalents and current investments. The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. The Company closely monitors its liquidity position and maintains adequate source of funding. The Company had following working capital at the end of the reporting years:

Particulars	31 March 2019	31 March 2018
Current assets	195,247,121	295,701,129
Current liabilities	4,040,431	3,500,359
Working capital	**191,206,690**	**292,200,770**

C. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates (such as interest rates) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments. The Company's exposure to market risk is a function of investing activities.

24 Capital management

The Company manages its capital to ensure that it will continue as going concern while maximising the return to stakeholders. The Company manages its capital structure and make adjustment in light of changes in business condition. The overall strategy remains unchanged as compare to last year. There is no debt in the Company as on the reporting dates presented and accordingly, gearing Ratio is nil as at various reporting dates.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Nikhil Vaid
Partner
Membership No.: 213356

Place: Hyderabad
Date: 30 May 2019

For and behalf of board of directors of
Palred Technologies Limited

Palem Srikanth Reddy
Managing Director
DIN : 00025889

S. Vijaya Saradhi
Director
DIN : 03089889

Pinekalapati Harish Naidu
Chief Financial Officer

Place: Hyderabad
Date: 30 May 2019