NOTES TO STANDALONE FINANCIAL STATEMENTS

1. COMPANY OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Company Overview:

FCS Software Solutions Limited ('the company') was incorporated on 05th May, 1993 in India. The company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange.

The Company has its wholly owned subsidiaries in Germany, UAE and India (the company and its subsidiaries constitute 'the group'). The company business consists of software development and marketing and providing support services mainly for corporate business entities in the BPO, software development and e-learning service sector.-

1.2 Basis of preparation of financial statements

These financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis, except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and the relevant amendment rules issued thereafter.

Effective April 1, 2016, the Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101, *First Time Adoption of Indian Accounting Standards,* with April 1, 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

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

As the year-end figures are rounded to the nearest lakhs, the figures reported for the previous quarters might not always add up to the year-end figures reported in this statement.

1.3 Use of estimates

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.4 Revenue recognition

Revenue from IT Enabled Service including software development services and other projects on as time-and material basis is recognized based on service rendered and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved, as specified in the contracts, on a percentage of completion basis. Rental Income comprising of rent and other related services from operating lease is recognized in the Statement of Profit and Loss on accrual basis.

Unbilled revenue represents amount recognized based on services performed in advance of billing in accordance with contract terms. Interest on development of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. However, those expenses on which revenue had not recognized was considered as work in process.

Advance received for services and products are reported as client deposits until all conditions for revenue recognition are met.

The company presents revenues net of indirect taxes in its Statement of Profit & Loss Account.

Revenue from operation for the Period ended March 31, 2019 and year ended March 31, 2018 is as follows:

Rs. in lacs

S.No.	Particulars	March 31, 2019	March 31, 2018
1	Revenue from IT & ITES, Infra Management, e-Learning	3,562.76	2,905.16
2	Revenue from Renting of Property	399.24	195.97
	Total Revenue For Operations	**3,962.00**	**3,101.13**

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition including incidental costs related to acquisition and installation less accumulated depreciation and impairment loss, if any. All direct costs are capitalized till the assets are ready to be put to use. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the period/year end, are disclosed as capital work in progress. The company depreciates property, plant and equipment over their estimated useful lives using the written down value method. The estimated useful lives of assets are as follows:

Fixed Assets	Useful life of Assets	Useful life as per companies act
Buildings	70 Years	60 Years
Office equipment	8 Years	5 Years
Computer equipment	3 Years	3 Years
Furniture and fixtures	14 Years	10 Years
Vehicles	6 Years	6 Years
Servers and networks	8 Years	6 Years

During the year, the company revalued its Land and Building in order to arrive at estimated Fair Market Value, as per the Valuation Certificate as certified by independent valuer. The effective date of Revaluation is 31st December, 2018. Such Increase/(decrease) in carrying amount of an asset due to revaluation is taken to other comprehensive income and accumulated in equity as per Ind-AS 16. The revaluation effect is as follows:-

S.No	Class of Fixed Assets	Value before Revaluation#	Value After Revaluation	Revaluation Profit
1.	Land	1,832.61	11,706.69	9,874.08
2.	Building	2,672.41*	6,248.50	3,576.09

#It represents WDV as on 31st December, 2018.

*For the purpose of calculating depreciation, revalued figure has been apportioned on the basis of WDV available as at 31st December, 2018.

1.6 Financial Instruments

1.6.1 Initial recognition

The Group recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at Transaction Price. Transaction costs that is directly attributable to the acquisition or issue of financial assets and financial liabilities.

1.6.2 Subsequent measurement

a. Non-derivative financial instruments

(i) Financial assets carried at amortized cost

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows.

(ii) Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by collecting contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows. Investments which are classified as financial asset, the subsequent changes in fair value are recognized through other comprehensive income (OCI).

(iii) Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories is subsequently fair valued through profit or loss.

(iv) Financial liabilities

Financial liabilities are subsequently carried at amortized cost which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the Balance Sheet date are carried at carrying amounts.

(v) Investment in subsidiaries

Investments in subsidiaries are carried at cost as per Ind AS 27 “Separate Financial Statements”. However the provision for impairment on these investments is recognised using the net asset value certificate provided by the independent valuer.

b. Derivative financial instruments

The Group does not holds any derivative financial instruments such as foreign exchange forward and options contracts to mitigate the risk of changes in exchange rates on foreign currency exposures.

1.6.3 De-recognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or become non recoverable and are qualifies for de-recognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Group’s Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

1.7 Intangible assets

1.7.1 Accounting Policy

Intangible fixed assets comprising of computer servers and networks, are stated at cost of acquisition less accumulated amortization and impairment loss, if any. Intangible fixed assets are capitalized where they are expected to provide future enduring economic benefits. Capitalization costs include license fees and cost of implementation/system integration services. The costs are capitalized in the year in which the software is fully implemented for use. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances). Amortization methods and useful lives are reviewed periodically including at each financial year end.

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. The costs which can be capitalized include the cost of material, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use.

1.7.2 Impairment

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

1.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.9 Impairment

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

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

1.10 Functional & Foreign currency

Functional currency:

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees.

Transactions and translations:

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in net profit in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the Balance sheet.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

1.11 Earnings per equity share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by weighted average number of equity shares outstanding during the year in conformity with the Ind-AS-33. Diluted earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by weighted average number of equity and equivalent diluted equity shares outstanding during the year-end, except where the results would be anti-dilutive.

1.12 Income Taxes

Income tax expense comprises current and deferred income tax. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date. Deferred income tax assets and liabilities are recognized for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements as prescribed in Ind-AS-12. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Company does not offsets current tax assets and current tax liabilities on net basis, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

1.13 Employee benefits

1.13.1 Gratuity

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

The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability / (asset) are recognized in other comprehensive income.

1.13.2 Provident fund

Eligible employees of the company receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee’s salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The companies have no further obligation to the plan beyond its monthly contributions.

1.13.3 Compensated absences

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the Balance Sheet date.

1.14 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the company are segregated.

Amendment to Ind AS 7:

Effective April 1, 2017, the Company adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of the amendment did not have any material impact on the financial statements.

1.15 Other income

Other income is comprised primarily of interest income, Rental Income and exchange gain / loss on foreign currencies. Interest income is accounted for on accrual basis. Rental Income comprising of rent and other related services from operating lease is recognized in the Statement of Profit and Loss on accrual basis.

1.16 Investment

Investments are classified into non-current and current investments based on the intent of management at the time of acquisition. Net Assets value as certified by expert is considered as Fair Market Value for the purpose of valuation of investment in all companies including subsidiaries. Further as per Ind AS 109, Non-current investments including investment in subsidiaries and associate companies are measured at Fair value through other comprehensive income.

1.17 Related Party Transactions:

Subsidiaries Companies

Rs. in lacs

Name of Subsidiaries	Country	Holding as at	
		31.03.2019	31.03.2018
FCS Software Middle East FZE	UAE	100	100
FCS Software Solutions GmbH	Germany	100	100
Insync Business Solutions Limited	India	100	100
Innova Eservices Pvt. Ltd.	India	100	99.31
Stablesecure Infraservices Pvt. Ltd.	India	100	92.67
Zero Time Constructions Pvt. Ltd.	India	100	90.66
cGain Analytics Pvt. Ltd.	India	100	92.74

Associate Companies

Name of Associate	Country	Holding as at	
		31.03.2019	31.03.2018
Enstaserv Eservices Pvt. Ltd.	India	48.94	48.94
Myzeal IT Solutions Ltd.*	India	-	50.00

**Investment in Myzeal transferred*

List of Key Managerial Personnel

- Dalip Kumar – Chairman & Managing Director
- Mahendra Pratap Singh – Non- executive Director
- Shayam Sunder Sharma – Independent Director
- Shiv Nandan Sharma – Independent Director
- Sunil Sharma – Director
- Shweta Shatsri – Independent Director
- Anil Kumar Sharma – Chief Financial Officer
- Harsha Sharma – Company Secretary

A. Transactions with the Related Parties

Rs. in lacs

Transactions	31.03.2019	31.03.2018
Insync Business Solutions Ltd.		
Rental Income Received	15.60	15.60
Salary & Other Benefits to Key Management Personnel	0.00	0.00
1. Sunil Sharma	9.52	9.52
2. Harsha Sharma	7.80	7.80
3. Anil Sharma	19.87	20.40
Directors Sitting Fee	0.00	0.00
Shiv Nandan Sharma	3.20	2.35
Shayam Sunder Sharma	4.20	1.85
Shweta Shatsri	2.80	0.70
Mahendra Pratap Singh	0.60	Nil
Legal & Professional Charges		
Mahendra Pratap Singh	1.07	Nil
Salary to Sandhya Singh	2.00	Nil

B. List of Related Parties – Where Control exists:

Rs. in lacs

Transaction between Holding and Subsidiaries:	31.03.2019	31.03.2018
M/s Zerotime constructions Pvt. Ltd.*	Nil	950.00
M/s Cgain Analytics Pvt. Ltd.**	3.80	57.00
M/s Stablesecure Infraservices Pvt. Ltd.#	182.00	-

** It represents sale of investment in subsidiary companies.*

*** It represent amount against Purchase of Zero Time Constructions (P) Ltd. Shares.*

 # It represents sale of shares of M/s Readystate Infraservices Pvt. Ltd. to Stablesecure Infraservices Pvt. Ltd.

C. List of Related Parties – where Control does not exists:

Rs. in lacs

Inter Corporate Transactions	31.03.2019	31.03.2018
M/s Bloom Healthcare & Hospitality Management Pvt. Ltd.	192.00	7,356.30
M/s Heimdahl Software Systems Pvt. Ltd.**	Nil	(223.90)

***Amount in bracket represents sale of investment in subsidiary companies.*

D. Outstanding Balance Receivable as at year end:

Rs. in lacs

S.No.	Outstanding Balances as at year end:	31.03.2019	31.03.2018
1.	Insync Business Solutions Limited	(54.18)	117.65
2.	FCS Software Solutions America Ltd.*	Nil	447.98

**received against buy back of shares which has been ratified by board /management in their board meeting dated 29th May, 2018*

1.18 Expenditure in Foreign Currency

Rs. in lacs

Particulars	31.03.2019	31.03.2018
Expenditure incurred overseas	NIL	Nil

1.19 Earning in Foreign Exchange

Rs. in lacs

	31.03.2019	31.03.2018
Income from IT & ITES, Infra Management, e-Learning	3,147.64	2,301.34
	3,147.64	**2,301.34**

1.20 Corporate Social Responsibility

As per Section 135 of Companies Act 2013 a Corporate Social responsibility Committee has been formed by the Company. During the year the Company has undertaken Corporate Social Responsibility activities as approved by the CSR Committee which are specified in Schedule VII of the Companies Act 2013.

i) Gross amount required to be spent by the Company upto the period 31st March, 2019 is Rs. 3 lakhs (Previous Year NIL)

ii) Amount spent during the year on:

As on 31st March 2019

Rs. in lacs

S. No	Particulars	In cash	Yet to be paid in cash	Total
i)	Construction/Acquisition of any assets	-	-	-
ii)	On Purpose other than (i) above	3.00	-	3.00
iia)	Sanitation and safe drinking water (Item No. (i) of Schedule - VII)	-	-	-
iib)	Social Welfare (Item No.(iii) of Schedule-VII)	3.00	-	3.00
iic)	Forest & Environment, animal welfare etc. (Item No. (iv) of Schedule-VII)	-		-
iid)	Contribution to 'Clean Ganga Fund' (Item No.(iv) of Schedule-VII)	-		-
iie)	Ensuring environment sustainability item No. (iv) of Schedule - (VII)	-	-	-
	Grand Total (i+ii)	**3.00**	**-**	**3.00**

As on 31st March 2018

S. No	Particulars	In cash	Yet to be paid in cash	Total
i)	Construction/Acquisition of any assets	-	-	-
ii)	On Purpose other than (i) above	-	-	-
iia)	Sanitation and safe drinking water (Item No. (i) of Schedule - VII)	-	-	-
iib)	Social Welfare (Item No.(iii) of Schedule-VII)	-	-	-
iic)	Forest & Environment, animal welfare etc. (Item No. (iv) of Schedule-VII)	-	-	-
iid)	Contribution to 'Clean Ganga Fund' (Item No.(iv) of Schedule-VII)	-	-	-
iie)	Ensuring environment sustainability item No. (iv) of Schedule - (VII)	-	-	-
	Grand Total (i+ii)	**-**	**-**	**-**

1.21 Segment Reporting

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Ind AS 108.The segmentation is based on the Geographies (reportable business segment) in which the Company operates and internal reporting systems. The geographical segmentation is based on the nature and type of services rendered. Based on the “management approach” as defined in Ind AS 108.

The Company has identified two main Geographical Segments as reportable segments. The business segments comprise:

1. INDIA Segment
2. USA Segment

The Profit and Loss for reportable Primary Segment is set out below:-

For the period ending 31st March 2019

Rs. in lacs

Description	**India**	**USA**	**Total**
Year ended March 31, 2019			
Revenue	890.52	3071.48	3962.00
Expenses	414.61	1430.03	1844.64
Segment result	475.91	1641.45	2117.36
Un-allocable expenses			2058.30
Operating income			59.06
Other income (net)			200.66
Profit before tax			**259.72**

For the Year Ended 31st March, 2018

Description	**India**	**USA**	**Total**
Year ended March 31, 2018			
Revenue	580.10	2521.03	3101.13
Expenses	251.46	1650.33	1901.79
Segment result	328.64	870.70	1199.34
Un-allocable expenses			1445.70
Operating income			(246.36)
Other income (net)			653.61
Profit before tax			**407.24**

Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as un-allocable expenses.

1.22 The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act). As the Company has not received the relevant information till finalization of accounts, disclosure in this regard could not be made.

1.23 The company has pending litigation as at year end 31st March, 2019 the details of which is as under:-

Nature of Dispute	Forum where dispute is pending	31/03/2019	31/03/2018
Advance against Land	Chief Megistrate, Gautam Budh Nagar, Noida, Uttar Pradesh	200	200

Note: The company has advanced Rs. 708.01 Lakh to Vivan Enterprises, for which legal notice has been served for the recovery. This may pose potential risk to the financial standing of the company

1.24 Previous year figures have been re-grouped/re-classified wherever necessary to correspond with the current year's classification/disclosures.

As per our report of even date attached

For **Aadit Sanyam & Associates**
Chartered Accountants
Firm Regd. No.: 023685N

Sd/-
CA. Sanyam Jain
(Partner)
M. No.531388

Place: Noida
Date: May 30, 2019

For and on behalf of the Board of Directors of
For FCS Software Solutions Limited

Sd/-
Dalip Kumar
(Chairman & Managing Director)
Din: 00103292

Sd/-
Shayam Sunder Sharma
(Independent Director)
Din: 00272803

Sd/-
Anil Kumar Sharma
(Chief Financial Officer)

Sd/-
Harsha Sharma
(Company Secretary)