

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018
Note No. - 1

S. No.	Particulars
1	<p>Corporate information</p> <p>The company is established on 26th May 2005 to carry on the business of developing, designing and servicing computer software and information technology related applications and systems.</p> <p>The Company has the following subsidiaries and associates:</p> <p>i) OCTAWARE GULF FZE at Dubai. (100% WOS)</p> <p>ii) OCTAWARE INFORMATION TECHNOLOGIES PRIVATE LIMITED at SEZ Andheri (East), Mumbai. (99.375%)</p> <p>iii) OCTAWARE GULF QFC at Quarter (100 % WOS)</p> <p>iv) TRANSPACT ENTERPRISES PVT. LTD, (Associate Co. 24.77%)</p>
2	<p>Significant accounting policies</p> <p>A. Accounting Convention</p> <p>The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.</p> <p>The financial statements have been prepared under the historical cost convention on an accrual basis.</p> <p>The accounting policies have been consistently applied by the Company.</p> <p>All the figures as entered in the financial statements are rounded off to the nearest rupee one.</p> <p>B. Use of Estimates</p> <p>Preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of revenues and expenses during the reported period. The estimates and assumptions used in the accompanying financial statements are prudent and based on management's evaluation of the relevant facts and circumstances as at the date of the financial statements. Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised.</p> <p>C. Recognition of Revenue and Expenditure</p> <p>Revenue from time and material contracts are recognized as related services are performed.</p> <p>Expenses have been accounted for on accrual basis and provision has been made for all known losses and expenses.</p> <p>D. Fixed Assets</p> <p>Fixed Assets have been stated at cost less accumulated depreciation. Cost comprises the basic price, duty and any other attributable cost for bringing the asset to its working condition for its intended use.</p> <p>E. Depreciation</p> <p>The depreciation is provided on Written Down Value Method at the rates prescribed in Schedule II of the Companies Act 2013 or management estimate whichever is higher. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life / remaining useful life.</p> <p>In respect of the additions to assets made during the year, depreciation for the year is calculated from the date on which the additions are made.</p>

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<p>F. Foreign Currency Transactions Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transactions. Exchange differences arising on foreign currency transactions are recognised as income or expense in the year in which they arise.</p> <p>Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the year end exchange rate and the resultant exchange differences are recognized in the profit and loss account. In case of monetary items which are covered by Forward Exchange Contracts, Premium or Discount on Forward exchange Contract is recognised over the life of the contract.</p> <p>Non-monetary foreign currency items are carried at cost.</p>
<p>G. Retirement Benefits Short term Employee Benefits: All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salary, performance incentives etc. are recognised as an expense at the undiscounted amount in the profit & loss account for the year in which the employee renders the related service.</p> <p>Post employment benefits: Defined Contribution Plans: Provident Fund: The eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' basic salary). The contributions as specified under the law are paid and charged to Profit & Loss Account of the year when the contribution to the fund is due.</p> <p>Long Term Employee Benefits: Defined Benefit Plans: Gratuity: The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. (Gratuity & leave encashment provision not required hence no provision made at the end of the year) The Company accounts for the liability for gratuity benefits payable in future based on actuarial valuation carried out by an independent actuary.</p> <p>No provision for leave encashment is made as company's policy do not allow carry forward of leaves. All the leaves standing to the credit of the employee at the year end are encashed to the employee.</p>
<p>H. Leases Assets taken on lease are accounted for in accordance with Accounting Standard 19 on "Leases", (AS 19).</p> <p>Operating lease Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.</p>
<p>I. Provisions For Taxation Tax expense comprises both current and deferred taxes.</p> <p>Provision is made for current income tax based on the tax liability computed after considering tax allowances & exemptions.</p>

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<p>From the Assessment Year 2008-09, the Company is subject to provisions of Minimum Alternate Tax. Credit for the advance Minimum Alternate Tax paid during the year by the Company is accounted for in accordance with the Guidance Note – 'Accounting for Credit Available in respect of Minimum Alternate Tax under The Income Tax Act 1961' issued by the Institute of Chartered Accountants of India (ICAI)</p> <p>Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at relevant enacted / substantively enacted tax rates. At each balance sheet date, the Company reassesses unrealized deferred tax assets to the extent they become reasonably certain or virtually certain of realization, as the case may be.</p>
<p>J. Impairment of Assets</p> <p>At each Balance Sheet date, the Management reviews the carrying amounts of its assets included in each cash generating unit to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows expected from the continuing use of the asset and from its ultimate disposal are discounted to their present values using a pre-determined discount rate that reflects the current market assessments of the time value of money and risks specific to the asset.</p> <p>An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.</p>
<p>K. Provisions, Contingent Liabilities and Contingent Assets</p> <p>As per Accounting Standard 29, 'Provisions, Contingent Liabilities and Contingent Assets', issued by the Institute of Chartered Accountants of India, the Company recognizes provisions only when it 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 as and when a reliable estimate of the amount of obligation can be made.</p> <p>No Provision is recognized for:</p> <p>a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or</p> <p>b) Any present obligation that arises from past events but is not recognized because-</p> <p>i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or</p> <p>ii. A reliable estimate of the amount of obligation cannot be made.</p> <p>Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimates can be made.</p> <p>Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.</p>

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	<p>L. Other Accounting Policies The Company follows generally accepted accounting principles in respect of accounting policies not specifically referred to hereinabove.</p>
	<p>M. Intangible Assets Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.</p>
	<p>N. Inventory Stock-in-trade is valued at lower of cost and net realisable value. Cost is computed based on First in First out (FIFO) basis in respect of procured materials. Cost also includes all charges incurred for bringing the inventories to their present location and condition.</p>
	<p>O. Investment Long Term Investments are stated at cost. Provision for diminution in the value of Long Term Investments is made only if such a decline is other than temporary. Current Investments are stated at lower of cost or net realizable value.</p>

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018
SHARE CAPITAL **AMOUNT IN INR**

	AS AT 31ST MARCH 2018		AS AT 31ST MARCH 2017	
	No. of Shares	% held	No. of Shares	% held
Authorized Share Capital:				
42,00,000 Equity Shares of Rs. 10/- each	42,000,000		42,000,000	
(Previous year 42,00,000 Equity Shares of Rs. 10/- each)				
	<u>42,000,000</u>		<u>42,000,000</u>	
Issued, Subscribed and Paid up:				
35,90,570 Equity Shares of Rs. 10 each	35,905,700		35,905,700	
(Previous year 35,90,570 Equity Shares of Rs. 10/- each)				
	<u>35,905,700</u>		<u>35,905,700</u>	

The Company has only one class of Equity Share having a par value of Rs. 10/- per share. Each holder of Equity Share is entitled to one vote per share.

(i) The details of Shareholders holding more than 5% shares:

Name of the Shareholder	AS AT 31ST MARCH 2018		AS AT 31ST MARCH 2017	
	No. of Shares	% held	No. of Shares	% held
Mohd Asim Qudratalah Khan	1,084,742	30.21%	1,084,742	30.21%
Sajid Iqbal Abdul Hammed	645,182	17.97%	645,200	17.97%
Mohammed Shaj Guman	203,657	7.35%	203,657	7.35%
Shahmeer Ajazuddin Sheikh	203,348	5.66%	203,348	5.66%

(ii) The reconciliation of the number of shares outstanding is set out below:

	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
	No. of Shares	No. of Shares
Equity Shares at the beginning of the year	3,075,000	3,075,000
Add: Shares issued	515,570	515,570
Less: Shares cancelled	-	-
Equity Shares at the end of the year	<u>3,590,570</u>	<u>3,590,570</u>

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018

RESERVES AND SURPLUS		
	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Profit and Loss Account		
Balance as on beginning of the year	18,023,100	17,246,913
Add: Profit/(Loss) for the year	5,357,310	776,167
	<u>19,380,410</u>	<u>18,023,100</u>
Security Premium Account		
Balance as on beginning of the year	42,239,697	4,600,000
Add:- Received during the year	-	43,245,600
Less:- Public Issue/Preliminary Expenses	-	(3,605,903)
	<u>42,239,697</u>	<u>42,239,697</u>
TOTAL	<u>61,620,107</u>	<u>60,262,797</u>

TRADE PAYABLES		
	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Micro, Small and Medium Enterprises	-	-
Others		
For Expenses	446,091	4,303,683
TOTAL	<u>446,091</u>	<u>4,303,683</u>

The Company has initiated the process of identification of suppliers registered under The Micro Small and Medium Enterprises Development Act, 2006, by obtaining the confirmation from the suppliers. As the Company has not received any information from its suppliers regarding registration under 'The Micro, Small and Medium Enterprises Development Act, 2006', the disclosure of information required to be given in accordance with section 22 of the said Act, is not ascertainable.

OTHER CURRENT LIABILITIES		
	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Salary payable to employees	338,100	-
Duties & Taxes	263,676	388,947
Share Application Money	-	41,436,000
Payable to Octaware FZE (Balance Share)	817,766	-
TOTAL	<u>1,429,542</u>	<u>41,824,947</u>

NON CURRENT ASSETS		
	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Investment in Un-quoted, fully paid up, In Subsidiary company		
Octaware Gulf FZE (21 Share of AED 1,00,000/- Each)(previous year 1 share of AED 1,00,000/- each)	36,659,463	1,601,697
Octaware Information Technologies Pvt. (15,83,829 Shares of Rs. 10/- Each)	15,898,290	15,898,290
Octaware Gulf OFC (1 Share of OAB of 1,00,000/- Each)	1,913,170	1,913,170
Investment in Associates company		
Un-Quoted Fully Paid Up - Transactech B (10,000 Share of Rs. 10/- Each)	500,000	500,000
TOTAL	<u>54,970,923</u>	<u>19,913,157</u>

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018
DEFERRED TAX ASSET (Net)

Deferred tax asset amounts to Rs. 3,09,870/- (Previous year Rs. 2,31,119/-) arising on account of depreciation & Preliminary expense. Provision for the same has not been recognized in the books on the grounds of prudence concept. It would be accounted for in the subsequent year / years considering the requirements of the Accounting Standard (AS-22) regarding reasonable / virtual certainty and according to the accounting policy followed by the company in this respect.

LONG TERM LOANS AND ADVANCES

	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Unsecured and Considered Good - Deposits (BSE)	860,000	860,000
TOTAL	860,000	860,000

TRADE RECEIVABLES

	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Unsecured and Considered Good - To Related Parties		
More than 6 months	6,429,669	6,921,125
Others	-	1,332,440
To Others		
More than 6 months	10,638,511	10,515,871
Others	3,784,613	602,662
TOTAL	21,052,793	21,372,298

CASH & BANK BALANCES

	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Cash on Hand	673,699	641,948
Balance with Banks	1,825,658	3,538,855
Balance with Banks (Escrow Account)	-	81,504,000
TOTAL	2,699,357	85,684,833

SHORT TERM LOANS AND ADVANCES

	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Unsecured and Considered Good - Advance Income Tax (Net of Provision)	2,152,252	1,352,332
Advances to Subsidiary	5,000,000	-
Advance Receivable in Cash or kind of	602,390	2,467,602
Advance for capital Goods	-	1,160,000
TOTAL	7,954,642	4,979,934

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018
6 FIXED ASSETS

AMOUNT IN INR

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.04.2017	Additions	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	For the Year	Deductions/ Adjustments	Upto 31.03.2018	As at 31.03.2018	As at 31.03.2017
A TANGIBLE ASSETS :										
OWN ASSETS :										
Office Equipments	1,078,066	-	-	1,078,066	977,976	3,923	-	981,899	96,167	100,090
Computers	5,320,196	271,572	-	5,591,768	5,091,504	97,218	-	5,188,722	403,046	228,692
Furniture & Fixtures	2,108,593	2,570,536	-	4,679,129	1,863,129	675,407	-	2,538,536	2,140,593	245,464
Vehicle	1,200,000	-	-	1,200,000	491,665	183,364	-	675,029	524,971	708,335
TOTAL (A)	9,706,855	2,842,108	-	12,548,963	8,424,274	959,912	-	9,384,186	3,164,777	1,282,581
B INTANGIBLE ASSETS :										
Software	1,019,938	-	-	1,019,938	988,735	-	-	988,735	31,203	31,203
TOTAL (B)	1,019,938	-	-	1,019,938	988,735	-	-	988,735	31,203	31,203
C Intangible Assets										
Under Development	7,800,000	817,875	-	8,617,875	-	-	-	-	8,617,875	7,800,000
TOTAL (C)	7,800,000	817,875	-	8,617,875	-	-	-	-	8,617,875	7,800,000
TOTAL (A+B+C)	18,526,793	3,659,983	-	22,186,776	9,413,009	959,912	-	10,372,921	11,813,855	9,113,784
Previous Year	14,075,783	4,451,010	-	18,526,793	8,422,192	990,817	-	9,413,009	9,113,784	

Note: Expenses paid to director i.e. director salary and consultancy fees amounting to Rs. 817875/- have been capitalised as it pertains to development of intangible asset under development

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018
13 REVENUE FROM OPERATIONS

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
Income from Sales and Services -		
- Export	-	1,490,569
- Domestic Services	9,153,112	5,859,807
- Domestic Products	-	38,717
TOTAL	9,153,112	7,388,593

14 OTHER INCOME

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
Interest on Bank deposits	21,101	-
Gains on Foreign Currency Transactions	(18,960)	1,646,510
Provisions no longer required	-	167,261
TOTAL	1,141	1,813,771

15 COST OF MATERIAL AND SERVICES

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
Purchase of Products	-	54,807
Purchase of Services	936,033	885,826
TOTAL	936,033	920,633

16 EMPLOYEE BENEFITS EXPENSES

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
Salaries and Wages		
-To Related Parties	1,294,750	-
-To Others	-	353,117
Contribution to Provident and Other Funds	2,437	67,604
Staff Welfare Expenses	67,973	47,940
TOTAL	1,365,160	458,661

17 OTHER EXPENSES

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
Power and fuel	95,770	144,890
Rent, Rates & Taxes	600,000	657,863
Repairs to -		
- Computers	24,162	16,550
- Building & Other Repairs	43,170	33,600
Bank Charges	25,128	23,819
Depreciation	-	250,000
Advertisement Expenses	44,075	-
Travelling Expenses	1,186,463	1,407,059
Housekeeping Expenses	-	21,973
Legal and professional charges (Refer Note 17.3 for details)	430,410	273,380
Members/Up Fees	251,692	346,903
Miscellaneous expenses	218,501	37,844
Office Expenses	218,238	91,178
Printing & Stationery	24,950	65,856
SOCCiling fees	13,775	10,200
Seminar Fees	292,286	67,800
Discount	(20,903)	-
Technical Fees (Consultant Charges)		
- Related Parties	286,875	-
- Others	373,920	135,973
Telephone & Internet expenses	156,968	257,116
Conveyance	75,289	38,476
TOTAL	4,254,539	3,899,100

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018
17.1. Payments to the Auditor [included under legal and professional charges]

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
(a) Auditor - Statutory Audit Fees	36,000	75,000
(b) For Tax matters	-	40,000
(c) For Other Services	-	87,000
TOTAL	36,000	202,000

17.2. Earning & expenditure in Foreign Currency

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
Earning	-	1,450,369
Expenditure	107,693	59,313
TOTAL	107,693	1,509,682

18. EARNINGS PER SHARE (EPS)

	FOR THE YEAR ENDED 31/03/2018	FOR THE YEAR ENDED 31/03/2017
Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders (Rs)	1,337,310	776,187
Weighted Average number of equity shares used as denominator for calculating EPS	3,590,570	3,038,259
Basic Earnings per share (Rs)	0.38	0.25
Diluted Earnings per share (Rs)	0.38	0.25
Face Value per equity share (Rs)	10	10

19. RELATED PARTY DISCLOSURES

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below:

I. List of related parties where control exists and related parties with whom transactions have taken place and relationships:

Name of the Related Party	Relationship
Sajid Hameed Shaikh	Director (Key Management Personnel)
Asim Mohammad Khan	Director (Key Management Personnel)
Mohammed Siraj Gunwan	Director (Key Management Personnel)
Rehana Khan	Director's Relative
Octaware Gulf FZE	Subsidiary Company
Octaware Gulf QFC	Subsidiary Company
Octaware Information Technologies Private Limited	Subsidiary Company
Transpac Enterprises Pvt.Ltd.	Associate Company

II. Transactions during the year with related parties :

Particulars	Nature of transactions	For 2017-18		For 2016-17	
		Value of transactions Rs	Closing Balance as on March 31, 2018*	Value of transactions Rs	Closing Balance as on March 31, 2017*
With Key Management Personnel	Consultant Fees Salary	2,395,500	398,100	1,481,411	395,550
With Relatives	Office Rent Payment	600,000	135,000	600,000	495,000
With Subsidiary Companies	Sales/ Service	-	5,429,609	2,252,440	10,243,563
	Advance to subsidiary	-	5,000,000	-	-
	Payable to subsidiary	-	827,766	-	-

OCTAWARE TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018
2D CONTINGENT LIABILITIES AND COMMITMENTS
 (to the extent not provided for)

	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Capital Advances of Rs. NIL/- (Previous Year Rs. 11,60,000))	-	500,000
Other Commitments (Bank Guarantee)	337,840	-
	<u>337,840</u>	<u>500,000</u>

21. The previous year figures have been regrouped, reclassified or rearranged, wherever considered necessary to conform with the current year presentation.

As per our Report of even date For MVK Associates Chartered Accountants Firm Regn No - 120222W	For and on behalf of the Board For Octaware Technologies Limited	
CA. R. P. Latha Partner M.No. 648195	Mohammed Aslam Khan Managing Director DIN : 00016438	Mohammed Siraj Gunwan Director DIN : 02507021
Date:- 28-05-2018 Place:- Mumbai	Date:- 28-05-2018 Place:- Mumbai	Date:- 28-05-2018 Place:- Mumbai