NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1) CORPORATE INFORMATION

Kanika Infrastructure & Power Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") provide a wide range of information Infrastructure business process outsourcing. The group's full service for portfolio consists of Application, Development and Maintenance, Business Intelligence, Enterprise Solutions, Assurance, Engineering and Industrial Services and Infrastructure Activities.

2) SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These Financial Statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis, except for certain financial instruments which are major at fair value. The financial statements have been prepared to comply in the material aspects with the accounting standard notified under section 211(3C) [Companies (Accounting Standards) Rules, 2006 as amended] and other relevant provisions of the Companies Act, 1956.

b. Principals of Consolidation

These Financial Statements of the subsidiaries companies used in the consolidation are drawn upto the same reporting date as of the Company.

The Consolidated Financial Statements have been prepared on the following basis:-

i. The Financial Statements of the Company as its subsidiaries Companies have been combined on line-by-line basis by adding together like item of assets, liabilities, income & expenses. Inter-Company balances and transactions and unrealized profits or losses have been fully eliminated.

c. Use of Estimates

The preparation of Financial Statements requires the management of the group to make estimates and assumptions that affect the reported balance of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the Financial Statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee benefits, provisions for income taxes, accounting for contracts costs expected to the incurred, the useful lives of depreciable fixed assets and provisions for impairment.

d. Fixed Assets

Fixed Assets are stated at cost, less accumulated depreciation/amortization. Costs include all expenses incurred to bring the assets to its present location and conditions.

e. Investments

Long-term investments and current maturities on long term investments are stated at cost, less provisions for other than temporary diminution in value. Current Investments, except for current maturities of long term investments, are stated at the lower of cost and fair value.

f. Employee Benefits

1. Contributions to defined contribution scheme such as provident fund and family pension fund are charged to the profit and loss account as incurred.
2. Leave encashment are accounted for at the time of encashment.
3. As per payment of Bonus Act, Bonus is not payable for the Financial Year 2014-2017.
4. The Company has completed Eight years of operations but none of employees is in duty of the company for above 5 years hence provision for Gratuity Act not required.

g. Taxation

Current Income tax expense comprises taxes on income from operation in India and in foreign jurisdiction. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expenses relating to overseas operation is determined in accordance with tax laws applicable in countries were such operations are domiciled.

Minimum alternative tax (MAT) paid in accordance with the tax laws, which gives ride to future economic benefits in the form of adjustment of future Income tax liability, is considered an asset if there is convincing evidence that the Group will pay normal Income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

h. Foreign currency transactions

The Company is accounting in foreign exchange transactions at the exchange rate prevailing on the date of transaction the gain/loss resulting out of foreign currency transaction are accounted for as and when actual remittance is made/ received. At the year end outstanding in foreign currency are computed and any loss arise out of that is provided for in the book as per AS-11.

i. Inventories

Raw materials, sub-assemblies and components are carried at the lower of cost and net realizable value. Cost is determined on a purchase basis. Purchased goods-in-transit are carried at cost. Finished goods produced or purchase by the Group is carried at the Purchase value. Cost includes direct material and labour cost and a portion of manufacturing overheads.

j. Provisions, Contingent liabilities and Contingent assets

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements.

k. Purchase

The Company accounts for purchase of goods and materials on the date of finalization of purchase contract and on receipt of goods.

l. Sale

Revenue from sale of goods is recognized upon passing of title, which generally coincides with delivery.

m. Depreciation

Depreciation on fixed assets is on "Written Down Value Basis" at the rates specified in Schedule XIV to the Companies Act, 1956 from the date the same is put to use.

n. Deferred Tax Liability/Assets

Deferred Taxation liability/asset has been provided in the books up to the period 31-03-2017.

B) <u>NOTES ON ACCOUNTS</u>

1) Additional information pursuant to provision of Schedule VI to the Companies Act,1956 :

			Current year	Previous year
I.	Remuneration to Auditors :			
	For Statutory Audit	Rs.	15,000	(15,000)
	For Tax Audit	Rs.	5,000	(5,000)
	For Consolidated Balance Sheet	Rs.	Nil	(Nil)
	For Reimbursement of Expenses	Rs.	Nil	(Nil)
II.	Earnings in Foreign Exchange			
	—on accrual basis (FOB Value)	Rs.	Nil	(Nil)
III.	Out flow of Foreign Exchange			
	—in respect of expenditure incurred overseas for business trips	Rs.	Nil	(Nil)
	for acquisition of shares in foreign body corporate	Rs.	Nil	(Nil)
IV.	Contracts pending to be executed on Capital Account	Rs.	Nil	(Nil)
V.	Contingent Liabilities in respect of Bank Guarantee from Bank of Baroda	Rs.	Nil	(Nil)

VI. Deferred Tax Liability

Particulars	Opening Balance	For the Year	Closing Balance
a. For difference in WDF of Fixed Assets as per Income Tax return and Balance Sheet	14,41,495	(1,50,337)	12,91,158
b. For brought forward unabsorbed depreciation	**14,41,495**	**(1,50,337)**	**12,91,158**

2) Managerial Remuneration u/s 198 of Companies Act, 1956 Rs. **3,60,000** (Rs. 3,60,000)

3) As no commission is payable to Managing Director or any Director, the computation of profits under Section 349 of the Companies Act, 1956 has not been made.

4) Details of Opening Stock, Purchases, Sales & Closing Stock of Goods traded in during the year :-

Particulars	**INFRASTRUCTURE & TRADING ACTIVITIES** Qty. (MT)		Amount (Rs.)	
Opening Stock	—	(20,010)	—	(8,47,698)
Purchase	111.700	(119.920)	3,592,700	(3,974,551)
Sale	111.700	(139.930)	3,835,551	(4,966,092)
Closing Stock	—	(—)	—	(—)

5) In respect of products sold by the company during the period and where it is an obligation on the part of the company to provide after sales services, the company is accounting the same on the basis of as and when incurred .The estimated liability in respect of the same cannot be quantified at this stage and as such no provision has been made for such liability.

6) SEGMENT REPORTING NO. OF SEGMENT : 2

1. Software Development
2. Infrastructure & Trading Activity

	Software	**Infrastructure Activities**	**Total Revenue**
Revenue from	—	242,851	2,42,851
	(Nil)	(143,843)	(143,843)
Segment Revenue	**—**	**242,851**	**242,851**
Less : Administration Expenses		1,637,276	
		(1,895,381)	
Depreciation		709,931	
		(1,153,673)	**2,347,207**
Profit/Loss before Tax :			**(2,104,356)**
			(2,905,211)

Other Information			
Segment Assets			
Sundry Debtors	3,86,91,503 (3,86,91,503)	13,71,83,206 (13,80,65,657)	17,58,74,709 (17,67,57,160)
Unallocable Corporate Assets			15,62,989 (22,45,262)
			17,74,37,698
Total Assets :			**(17,90,02,422)**
Segment Liabilities			
Creditors	— (Nil)	4,70,88,729 (4,72,96,029)	4,70,88,729 (4,72,96,029)
Unallocable Liabilities			39,41,257 (40,54,593)
			5,10,29,986
			(5,13,50,622)

7) RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD – 18

(A) Subsidiaries :

Name of Subsidiaries	Sale Rs.	Share Capital Rs.	Share Application Rs.	Sundry Debtors Rs.
(1) Kanika Infotech (Singapore) Pte Ltd.	— (—)	38,63,337 (38,63,337)	— (—)	1,33,74,178 (1,33,74,178)
(2) Kanika Infotech (U.K.) Ltd.	— (—)	6,79,189 (6,79,189)	— (—)	— (—)

(B) Disclosure of Director's Interest in Other Concerns (Directorship) :

Name of Director	Interest in Other Concern	Nature of Interest
SUNIL KR.MALL	SUNIL ALLOYS & STEELS LTD. SUNIL ENERGY LTD. KANIKA AGRITECH LTD. SUNIL AGRO EXPORTS LTD.	DIRECTORSHIP DIRECTORSHIP DIRECTORSHIP DIRECTORSHIP
BIMAL DAS	SUNIL ALLOYS & STEELS LTD. VINAYAK EXTRUSIONS LTD. KANIKA AGRITECH LTD. SUNIL POLYPACK LTD.	DIRECTORSHIP DIRECTORSHIP DIRECTORSHIP DIRECTORSHIP
ANIL PRAMANICK	SUNIL ALLOYS & STEELS LTD. VINAYAK EXTRUSIONS LTD. KANIKA AGRITECH LTD. SUNIL POLYPACK LTD.	DIRECTORSHIP DIRECTORSHIP DIRECTORSHIP DIRECTORSHIP

(C) Transactions with Related Parties: Nil

8) Since the company does not have any Convertible Debenture etc. so the disclosure regarding diluted Earning per Share as per Accounting Standard-20 is not required.

9) That company has sundry debtors of Rs. 17,58,74,709 at the end of the year out of which amount equivalent to Rs. 3,86,91,503 is relates to export and out of export debtors amount equivalent to Rs. 2,53,17,325 is doubtful in nature and no provisions has been made according to accounting standards as the same is related to the RBI permission. However, the company has written to RBI about the matter with the fact and requested to grant permission for the write off of the same as the export proceeds were with held by the foreign entities earlier years due to defective software, software not meeting their requirement. The RBI has put the name of the company in precaution list due to non realization of the same. Out of the above doubtful export proceeds Rs.1,33,74,178 is receivable from a wholly owned subsidiary of the company at Singapore. The Singapore subsidiary of the company has not able to sale software equivalent to Rs. 55,70,400 due to defective and the same is lying with the subsidiary in the stock.

10) CONTINGENT LIABILITIES :

(a) Claims against the company not acknowledged as Debt — **NIL**

(b) Provision for bills discounted — **NIL**

11) The Balance of Sundry Debtors, Sundry Creditors, Advances given and received are subject to confirmation by the parties.

12) Comparative figures of the previous year, wherever necessary, have been regrouped and reclassified to confirm in bracket, with those of the current year.

Significant Accounting Policies and Notes on Financial Statements

For & On behalf of the Board

Kanika Infrastructure & Power Ltd.
Mr. S. K. Mall
Managing Director

Mr. Bimal Das
Chairman

For **RAJ KUMAR KOTHARI & CO.**
Chartered Accountants
Firm Registraion No. 320166E

(CA. ASHOK KUMAR GHOSH)
Partner
Membership No. 053366

Place : Kolkata
Dated : 30th day of May, 2017