Strategic Report

The Directors present their Strategic Report for the year ended 31st March 2018.

Key Performance Indicators

	GBP (million)	
Year Ended March 31,	**2018**	**2017**
Total Income	**42.44**	36.99
Cost of Sales	**36.01**	29.78
Gross Profit	**6.43**	7.22
Profit before Tax	**1.35**	1.13
Profit after Tax	**1.27**	1.17

The financial performance in 2017-18 remained healthy. Total Income and Profit before Tax grew at 14.73% and 19.47% over the previous year.

Business review

In 2017-18 the Company achieved a revenue of GBP 42.44 million while the net profit was GBP 1.27 million. The Company saw strong growth in existing accounts in the Banking and Financial Services, Consumer Goods and Manufacturing verticals. Good wins were seen in the Banking and Financial Services and Consumer Goods verticals in the European region. The Company saw good traction for its Digital and Data services and solutions in the region.

The Company will sharpen its focus on shaping well defined digital offerings with specialized solutions and services to target select industry verticals. The Company will bring in a sharper focus on expanding its business in its strategic accounts which have a clear potential for growth. New business acquisition will continue to be accelerated. The Company will continue to strengthen alliances with large scale software vendors while forming and nurturing new partnerships with emerging, future ready Independent Software Vendors. The Company will further it's domain depth with industry specific solutions in Data and Digital.

Principal Risks and Uncertainties

The volatility around British Pound and Euro and post Brexit macro uncertainties in the UK are the principal risks for the Company. However, the Company will continue to focus on the stated strategy to drive traction in the European markets.

Approved by the Board on 2nd May, 2018 and signed on behalf of the Board by

ITC Infotech Limited
Norfolk House
118 Saxon Gate West
Milton Keynes
MK9 2DN

S. Rajagopalan — Director
S. Sivakumar — Vice Chairman

Directors' Report

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2018.

The Company is a wholly owned subsidiary of ITC Infotech India Limited, incorporated in India.

Principal activities

The Company is engaged in marketing, sales and delivery of IT services.

Financial risk management objectives and policies

The objective of financial risk management is to protect the value of the Company's financial assets against possible erosion due to adverse materialisation of risks related to credit, liquidity, interest rate and foreign currency exposures.

The existence of financial assets exposes the Company to a number of financial risks. The main risks are market risk due to currency risk, credit risk and liquidity risk.

a) **Market risk - currency risk**

The Company is exposed to translation and transaction foreign exchange risks. While the Company makes payments, mostly in GBP, to its major supplier(s), 5% (2017: 3%) of its sales in the year under review were in US dollars and 8% (2017: 16%) in Euro. The Company has bank accounts in multiple currencies and during the year under review it did not hold any hedging instruments. The Company reviews its foreign exchange management processes on a regular basis and ensures that fund flow position is maintained in a manner to minimize foreign exchange fluctuations.

b) **Credit risk**

The Company's principal financial assets are cash and trade debtors. The Company has robust processes to assess customer credit worthiness and consequently there are no significant risks on this count.

c) **Liquidity risk**

The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Directors

The Directors of the Company who were in office during the year and as on the date of signing the financial statements are listed below. The Directors did not have any interest in the shares of the Company as at 31st March, 2018 and 1st April, 2017 as indicated below:

	2018 and 2017 Ordinary Shares
Y. C. Deveshwar	–
S. Puri (effective 17th August, 2017)	–
S. Sivakumar	–
B. B. Chatterjee	–
S. Rajagopalan	–
R. Tandon	–

Mr. S. Sivakumar, Vice Chairman and Mr. R. Tandon, Director, will retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 2nd May, 2018 and signed on behalf of the Board by

ITC Infotech Limited
Norfolk House
118 Saxon Gate West
Milton Keynes
MK9 2DN

S. Rajagopalan — Director
S. Sivakumar — Vice Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITC INFOTECH LIMITED

Report on the Audit of the financial statements

Our opinion

In our opinion, ITC Infotech Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2018, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out in the report, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jas Khela (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Milton Keynes

2nd May, 2018

Income Statement

	Note	Year ended March 31, 2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Revenue	13	42,440,931	3,916,449,112	36,996,275	2,992,998,648
Cost of sales	14	36,006,084	3,322,641,431	29,779,889	2,409,193,023
Gross Profit		6,434,847	593,807,681	7,216,386	583,805,625
Selling, general and administrative expenses	14	5,204,896	480,307,804	6,295,975	509,344,383
Operating Profit		1,229,951	113,499,877	920,411	74,461,242
Foreign exchange gain		114,897	10,602,695	207,070	16,751,963
Finance and other income	16	967	89,235	2,315	187,283
Profit before income tax		1,345,815	124,191,807	1,129,796	91,400,488
Income tax expense	11	73,717	6,802,605	(43,140)	(3,490,026)
Profit for the year		1,272,098	117,389,202	1,172,936	94,890,514

All the above results relate to continuing activities. The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Profit for the year	1,272,098	117,389,202	1,172,936	94,890,514
Translation reserve	(166,251)	(15,341,642)	(120,588)	(9,755,560)
Total other comprehensive expense, net of tax	(166,251)	(15,341,642)	(120,588)	(9,755,560)
Total comprehensive income for the year	1,105,847	102,047,560	1,052,348	85,134,954
Attributable to:				
Owners of the Company	1,105,847	102,047,560	1,052,348	85,134,954
	1,105,847	102,047,560	1,052,348	85,134,954

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

	Note	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Assets					
Property, plant and equipment	4	8,324	768,137	13,533	1,094,820
Deferred income tax asset	11	102,032	9,415,513	572	46,275
Other non-current assets	7	9,898	913,387	6,983	564,925
Total non-current assets		120,254	11,097,037	21,088	1,706,020
Trade receivables	5	5,919,352	546,237,803	3,523,048	285,014,583
Unbilled revenue		5,293,349	488,470,246	2,977,172	240,853,215
Current tax Assets		–	–	251,974	20,384,697
Other current assets	7	79,540	7,339,951	6,541	529,166
Cash and cash equivalents	6	359,446	33,169,677	1,879,388	152,042,490
Total current assets		11,651,687	1,075,217,676	8,638,123	698,824,151
Total assets		11,771,941	1,086,314,713	8,659,211	700,530,171
Equity					
Share Capital		685,815	63,287,008	685,815	55,482,434
Retained earnings		2,978,497	274,855,701	1,872,650	151,497,386
Equity attributable to owners of the company		3,664,312	338,142,709	2,558,465	206,979,820
Non-controlling interests		–	–	–	–
Total equity		3,664,312	338,142,709	2,558,465	206,979,820
Loans and borrowings and bank overdraft	6	482,917	44,563,581	–	–
Trade payables and accrued expenses	8	5,157,537	475,937,514	3,854,143	311,800,168
Unearned revenue		154,789	14,283,929	412,828	33,397,785
Current tax Liabilities		76,240	7,035,427	–	–
Other current liabilities	9	2,236,146	206,351,553	1,833,775	148,352,398
Total current liabilities		8,107,629	748,172,004	6,100,746	493,550,351
Total liabilities		8,107,629	748,172,004	6,100,746	493,550,351
Total equity and liabilities		11,771,941	1,086,314,713	8,659,211	700,530,171

These financial statements were approved by the directors on 2nd May, 2018 and are signed on their behalf by:

H. S. Garewal	**Karan Shukla**	**S. Rajagopalan**	**S. Sivakumar**
President	Financial Controller	Director	Vice Chairman

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2018

	No. of Shares	Share Capital		Retained Earnings		Total equity	
		£	₹	£	₹	£	₹
			Unaudited		Unaudited		Unaudited
Balance as at April 1, 2016	685,815	685,815	55,482,434	2,534,840	205,068,556	3,220,655	260,550,990
Profit for the year	–	–	–	1,172,936	94,890,514	1,172,936	94,890,514
Other comprehensive income	–	–	–	(120,588)	(9,755,560)	(120,588)	(9,755,560)
Total comprehensive income for the year	–	–	–	1,052,348	85,134,954	1,052,348	85,134,954
Transactions with owners in their capacity as owners:							
Cash dividend paid	–	–	–	(1,714,538)	(138,706,124)	(1,714,538)	(138,706,124)
	–	–	–	(1,714,538)	(138,706,124)	(1,714,538)	(138,706,124)
Balance as at March 31, 2017	685,815	685,815	55,482,434	1,872,650	151,497,386	2,558,465	206,979,820
Balance as at April 1, 2017	685,815	685,815	63,287,008	1,872,650	172,808,141	2,558,465	236,095,149
Profit for the year	–	–	–	1,272,098	117,389,202	1,272,098	117,389,202
Other comprehensive income	–	–	–	(166,251)	(15,341,642)	(166,251)	(15,341,642)
Total comprehensive income for the year	–	–	–	1,105,847	102,047,560	1,105,847	102,047,560
Transactions with owners in their capacity as owners:							
Cash dividend paid	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Balance as at March 31, 2018	685,815	685,815	63,287,008	2,978,497	274,855,701	3,664,312	338,142,709

For simplicity, the unaudited brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended March 31,			
	2018	**2018**	**2017**	**2017**
	£	**₹**	**£**	**₹**
		Unaudited		**Unaudited**
Cash flows from operating activities				
Profit for the year	**1,272,098**	**117,389,202**	1,172,936	94,890,514
Adjustment for:				
Depreciation	**8,570**	**790,844**	13,466	1,089,400
Loss on disposal of asset	**327**	**30,180**	-	-
Interest income	**(884)**	**(81,576)**	(837)	(67,713)
Income tax expense	**73,717**	**6,802,605**	(43,140)	(3,490,026)
Effect of exchange differences on translation	**(166,251)**	**(15,341,642)**	(120,588)	(9,755,560)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	**18,266**	**1,685,586**	(123,940)	(10,026,746)
Changes in operating assets and liabilities				
Trade receivables	**(2,396,304)**	**(221,130,933)**	488,775	39,541,898
Unbilled revenues	**(2,316,177)**	**(213,736,814)**	517,914	41,899,243
Other assets	**(75,914)**	**(7,005,344)**	66,028	5,341,665
Trade payables and accrued expenses	**1,303,394**	**120,277,198**	330,080	26,703,472
Unearned revenues	**(258,039)**	**(23,811,839)**	(17,538)	(1,418,824)
Other liabilities	**402,371**	**37,130,796**	300,897	24,342,567
Net cash provided by operating activities before taxes	**(2,134,826)**	**(197,001,737)**	2,584,053	209,049,890
Income tax paid	**153,037**	**14,122,252**	(221,273)	(17,900,987)
Net cash (utilised by)/generated from operating activities	**(1,981,789)**	**(182,879,485)**	2,362,780	191,148,903
Cash flows from investing activities				
Purchases of property, plant and equipment	**(3,688)**	**(340,334)**	(3,778)	(305,640)
Interest received	**884**	**81,576**	837	67,713
Net cash used in investing activities	**(2,804)**	**(258,758)**	(2,941)	(237,927)
Cash flows from financing activities				
Dividends paid to owners of the parent	–	–	(1,714,538)	(138,706,124)
Net cash used in financing activities	–	–	(1,714,538)	(138,706,124)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	**(18,266)**	**(1,685,586)**	123,940	10,026,746
Net (decrease)/increase in cash and cash equivalents	**(1,984,593)**	**(183,138,243)**	645,301	52,204,852
Cash and cash equivalents at beginning of the year	**1,879,388**	**173,429,925**	1,110,147	89,810,892
Cash and cash equivalents at end of the year (Note 6)	**(123,471)**	**(11,393,904)**	1,879,388	152,042,490

For simplicity, the unaudited brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Supplementary information - Indian Rupee amounts

The financial statements of ITC Infotech Limited are prepared in accordance with International Financial Reporting Standards and are presented in GBP. The supplementary information (comprising the pro-forma financial information disclosed in Indian Rupees) requested by the parent company has been arrived at by applying the year end interbank exchange rate of GBP 1 = ₹ 92.28 (2017: GBP 1 = ₹ 80.90) as provided by the parent company. The supplementary information has not been audited.

1. Company overview

The Company is engaged in marketing, sales and delivery of IT services.

The Company is a private limited company incorporated and registered in United Kingdom and has its registered office at Norfolk House, 118 Saxon Gate West, Milton Keynes, Buckinghamshire, MK9 2DN.

2. Basis of preparation of financial statements

(a) Statement of compliance

These financial statements as at and for the year ended March 31, 2018 have been prepared in accordance with the European Union adopted International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The previous year financials have been restated to ensure like for like comparison.

(b) Basis of measurement

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable IFRS. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(c) Functional and presentation currency

The financial statements are presented in British pound, which is the functional currency of the company which is the currency of the primary economic environment in which the entity operates.

(d) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) *Revenue recognition:* The Company uses the percentage of completion method using the input (cost expended) method to measure progress towards completion in respect of fixed price contracts. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates of future labour costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognized revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the year in which the loss becomes probable. Unbilled revenues represent cost and earnings in excess of billings as at the end of reporting period.

ii) *Other estimates:* The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities and the reported amount of revenues and expenses for the reporting period.

3. Significant accounting policies

Financial instruments

Non derivative financial instruments of the Company comprise of loans and receivables and trade and other liabilities.

There is no derivative financial instrument.

The classification of financial instruments depends on the purpose for which those were acquired. Management determines the classification of its financial instruments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss.

Loans and receivables are represented by trade receivables, unbilled revenue, employee loans and other advances.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks and demand deposits with banks which are unrestricted for withdrawal and usage.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system.

(iii) Trade and other payables

Trade and other payables are presented as current liabilities, except for those maturing later than 12 months after the reporting date which are presented as non-current liabilities. Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

Revenue

The Company derives revenue primarily from delivery of IT services. The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

a) **Time and materials contracts**

Revenues and costs relating to time and materials contracts are recognized as the related services are rendered.

b) **Fixed-price contracts**

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers'.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Turnover from trading in software packages / licenses / hardware is recognized as income upon delivery to the customer.

The Company accounts for volume discounts and pricing incentives to customers by reducing the amount of revenue recognized at the time of sale.

Revenues are shown net of value added tax, applicable discounts and allowances.

Property, plant and equipment

All fixed assets are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset. Deposits and advances paid towards the acquisition of fixed assets outstanding as of each reporting date and the cost of fixed assets not available for use before such date are disclosed under capital work- in-progress.

Depreciation

The Company depreciates fixed assets over the estimated useful life on a straight-line basis from the date the assets are available for use. Assets acquired under finance lease and leasehold improvements are amortized over the shorter of estimated useful life or the related lease term. The estimated useful lives of assets for the current and comparative period of significant items of fixed assets are as follows:

Category	Useful life
Leasehold improvements	4 years
Fixtures & fittings	4 years
Computer equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Leased assets

All leases are operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Income tax

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) **Current income tax**

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period.

b) **Deferred income tax**

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements.

Deferred income tax asset are recognized 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 utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account except that gains and losses arising from the retranslation of the opening retained earnings in overseas branches are adjusted against the reserves.

Employee Benefits

The employer and employees each make periodic contributions to the pension fund equal to a specified percentage of the covered employee's salary. It is a defined contribution plan. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service.

New standards and interpretations not yet adopted

a) **IFRS 9 Financial Instruments:** In November 2009, the IASB issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39.

IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further, it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held-to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. IFRS 9, was further amended in October 2010, and such amendment introduced requirements on accounting for financial liabilities. This amendment addresses the issue of volatility in the profit or loss due to changes in the fair value of an entity's own debt. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income.

The effective date for adoption of IFRS 9 is annual periods beginning on or after 1 January 2018, though early adoption is permitted. The Company has evaluated the requirements of IFRS 9 and the company does not believe that the adoption of IFRS 9 will have a material impact on the financial statements.

b) **IFRS 15 Revenue from Contracts with Customers:** The FASB and IASB issued their converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. The company recognizes the revenue based on the satisfaction of performance obligations, which occurs when control of goods or services are transferred to a customer.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

4. Property, plant and equipment

	Leasehold improvements		Computer equipment		Fixtures & fittings		Total	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Gross carrying value:								
As at 1st April 2016	52,300	4,231,070	101,468	8,208,760	38,672	3,128,565	192,440	15,568,395
Additions	–	–	2,502	202,412	1,276	103,228	3,778	305,640
Disposal / adjustments	–	–	(468)	(37,859)	–	–	(468)	(37,859)
As at March 31, 2017	52,300	4,231,070	103,502	8,373,313	39,948	3,231,793	195,750	15,836,176
Accumulated depreciation:								
As at 1st April 2016	52,217	4,224,355	79,422	6,425,240	37,405	3,026,065	169,044	13,675,660
Depreciation	83	6,715	11,969	968,292	1,414	114,393	13,466	1,089,400
Disposal / adjustments	–	–	(293)	(23,704)	–	–	(293)	(23,704)
As at March 31, 2017	52,300	4,231,070	91,098	7,369,828	38,819	3,140,458	182,217	14,741,356
Net carrying value as at March 31, 2017	–	–	12,404	1,003,485	1,129	91,335	13,533	1,094,820
Gross carrying value:								
As at 1st April 2017	52,300	4,826,244	103,502	9,551,166	39,948	3,686,401	195,750	18,063,811
Additions	–	–	3,688	340,334	–	–	3,688	340,334
Disposal / adjustments	–	–	(21,214)	(1,957,632)	(2,795)	(257,923)	(24,009)	(2,215,555)
As at March 31, 2018	52,300	4,826,244	85,976	7,933,868	37,153	3,428,478	175,429	16,188,590
Accumulated depreciation:								
As at 1st April 2017	52,300	4,826,244	91,098	8,406,523	38,819	3,582,217	182,217	16,814,984
Depreciation	–	–	8,476	782,165	94	8,679	8,570	790,844
Disposal / adjustments	–	–	(20,887)	(1,927,452)	(2,795)	(257,923)	(23,682)	(2,185,375)
As at March 31, 2018	52,300	4,826,244	78,687	7,261,236	36,118	3,332,973	167,105	15,420,453
Net carrying value as at March 31, 2018	–	–	7,289	672,632	1,035	95,505	8,324	768,137

For simplicity, the unaudited brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

5. Trade receivables

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Trade receivables	5,919,352	546,237,803	4,270,629	345,493,886
Allowance for doubtful accounts receivable	–	–	(747,581)	(60,479,303)
Total	5,919,352	546,237,803	3,523,048	285,014,583

6. Cash and cash equivalents

Cash and Cash equivalents consists of the following:

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Cash balances	41	3,783	–	–
Cash at bank	359,405	33,165,893	1,879,388	152,042,490
Cash and Cash equivalents on statement of financial position	359,446	33,169,677	1,879,388	152,042,490
Bank overdrafts used for cash management purpose	(482,917)	(44,563,581)	–	–
Cash and Cash equivalents in the cash flow statement	(123,471)	(11,393,904)	1,879,388	152,042,490

7. Other Assets

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Non-current				
Security deposits	198	18,271	198	16,018
Loans and Advances to employees	9,700	895,116	6,785	548,907
	9,898	913,387	6,983	564,925
Current				
Security deposits	1,362	125,685	1,433	115,930
Prepaid Expenses	29,564	2,728,166	31,148	2,519,873
Loans and Advances to Employees	47,138	4,349,895	(27,516)	(2,226,045)
Others	1,476	136,205	1,476	119,408
	79,540	7,339,951	6,541	529,166
Total	89,438	8,253,338	13,524	1,094,091

8. Trade payables and accrued expenses

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Trade payables	4,062,798	374,914,999	3,295,134	266,576,340
Accrued expenses	1,094,739	101,022,515	559,009	45,223,828
Total	5,157,537	475,937,514	3,854,143	311,800,168

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

9. Other liabilities

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Current				
Employee and other liabilities	1,418,960	130,941,629	1,212,366	98,080,409
Statutory dues payable	817,186	75,409,924	621,409	50,271,989
Total	2,236,146	206,351,553	1,833,775	148,352,398

10. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at March 31, 2018 are as follows:

	Loans and receivables		Financial liabilities measured at amortized cost		Total carrying amount		Fair value	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Assets:								
Trade receivables	5,919,352	546,237,803	–	–	5,919,352	546,237,803	5,919,352	546,237,803
Unbilled revenue	5,293,349	488,470,246	–	–	5,293,349	488,470,246	5,293,349	488,470,246
Cash and cash equivalents	359,446	33,169,677	–	–	359,446	33,169,677	359,446	33,169,677
Other Assets	89,438	8,253,338	–	–	89,438	8,253,338	89,438	8,253,338
Total assets	11,661,585	1,076,131,064	–	–	11,661,585	1,076,131,064	11,661,585	1,076,131,064
Liabilities:								
Loans and borrowings and bank overdraft	–	–	482,917	44,563,581	482,917	44,563,581	482,917	44,563,581
Trade payables and accrued expenses	–	–	5,157,537	475,937,514	5,157,537	475,937,514	5,157,537	475,937,514
Unearned revenue	–	–	154,789	14,283,929	154,789	14,283,929	154,789	14,283,929
Total liabilities	–	–	5,795,243	534,785,024	5,795,243	534,785,024	5,795,243	534,785,024

The carrying value and fair value of financial instruments by categories as at March 31, 2017 are as follows:

	Loans and receivables		Financial liabilities measured at amortized cost		Total carrying amount		Fair value	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Assets:								
Trade receivables	3,523,048	285,014,583	–	–	3,523,048	285,014,583	3,523,048	285,014,583
Unbilled revenue	2,977,172	240,853,215	–	–	2,977,172	240,853,215	2,977,172	240,853,215
Cash and cash equivalents	1,879,388	152,042,489	–	–	1,879,388	152,042,489	1,879,388	152,042,489
Other Assets	13,524	1,094,092	–	–	13,524	1,094,092	13,524	1,094,092
Total assets	8,393,132	679,004,379	–	–	8,393,132	679,004,379	8,393,132	679,004,379
Liabilities:								
Trade payables and accrued expenses	–	–	3,854,143	311,800,169	3,854,143	311,800,169	3,854,143	311,800,169
Unearned revenue	–	–	412,828	33,397,785	412,828	33,397,785	412,828	33,397,785
Total liabilities	–	–	4,266,971	345,197,954	4,266,971	345,197,954	4,266,971	345,197,954

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The objective of financial risk management is to protect the value of the Company's financial assets against possible erosion due to adverse materialisation of risks related to credit, liquidity, interest rate and foreign currency exposures.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customer. The Company's principal financial assets are cash and trade debtors. The Company has robust processes to assess customer credit worthiness and consequently there are no significant risks on this count. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of receivables.

The following table gives details in respect of revenues generated from top customer and top 5 customers:

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Revenue from top customer	12,353,583	1,139,988,639	13,000,089	1,051,707,200
Revenue from top 5 customer	31,118,478	2,871,613,150	25,064,166	2,027,691,029

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

There is no other class of financial assets that is past due but not impaired except for trade receivables. The company's credit period generally ranges from 30-120 days. The age wise break up of trade receivables, net of allowances that are past due, is given below:

Period (in days)	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Past due 0-30 days	2,211,583	204,084,879	498,665	40,341,960
Past due 30-60 days	189,531	17,489,921	63,393	5,128,519
Past due 60-90 days	23,821	2,198,202	53,684	4,343,023
Past due over 90 days	104,531	9,646,121	92,800	7,507,529
Total past due and not impaired	2,529,466	233,419,123	708,542	57,321,031

The allowance for impairment in respect of trade receivables for the year ended March 31, 2018 and March 31, 2017 was GBP Nil and GBP 747,581 respectively. The movement in the allowance for impairment in respect of trade receivables is as follows:

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Balance at the beginning of the year	747,581	68,986,775	667,525	54,002,773
Less: Opening forex reinstatement	(145,657)	(13,441,228)	(67,581)	(5,467,303)
Additions during the year	–	–	1,980	160,182
Received during the year	(1,112)	(102,615)	–	–
Written off during the year	(600,812)	(55,442,932)	–	–
Add: Closing forex reinstatement	–	–	145,657	11,783,651
Balance at the end of the year	–	–	747,581	60,479,303

For simplicity, the unaudited brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

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 seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The working capital position of the company is given below:

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Cash and cash equivalents	(123,471)	(11,393,904)	1,879,388	152,042,490
Total	(123,471)	(11,393,904)	1,879,388	152,042,490

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018 and March 31, 2017:

	As At 31st March 2018					
	Less than 1 year		1–2 years		2 years and above	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Loans and borrowings and bank overdraft	482,917	44,563,581	–	–	–	–
Trade payables and accrued expenses	5,157,537	475,937,514	–	–	–	–
Other liabilities	2,236,146	206,351,553	–	–	–	–

	As At 31st March 2017					
	Less than 1 year		1–2 years		2 years and above	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Loans and borrowings and bank overdraft	–	–	–	–	–	–
Trade payables and accrued expenses	3,854,143	311,800,168	–	–	–	–
Other liabilities	1,833,775	148,352,398	–	–	–	–

Market Risk- Foreign Currency risk

The Company is exposed to translation and transaction foreign exchange risks. While the Company makes payments, mostly in GBP, to its major suppliers, 5% (2017: 3%) of its sales in the year under review were in US dollars and 8% (2017: 16%) in Euro. The Company has bank accounts in multiple currencies and during the year under review it did not hold any hedging instruments. Foreign exchange management is, however, kept under regular review.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2018 and March 31, 2017.

As at 31st March 2018

	EUR		USD		Other Currencies*		Total	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Asset								
Trade Receivables	271,748	25,076,905	250,883	23,151,483	65,836	6,075,346	588,467	54,303,734
Unbilled Revenue	471,859	43,543,149	691,469	63,808,759	30,753	2,837,887	1,194,081	110,189,795
Cash and cash equivalents	343,890	31,734,169	315,366	29,101,974	26,100	2,408,508	685,356	63,244,651
Other assets	–	–	–	–	(344)	(31,744)	(344)	(31,744)
Liabilities								
Trade payables and accrued expenses	106,530	9,830,588	(148,209)	(13,676,727)	38,382	3,541,891	(3,297)	(304,248)
Unearned Sales	83,766	7,729,926	71,023	6,554,002	–	–	154,789	14,283,928
Other liabilities	5,329	491,760	–	–	3,498	322,795	8,827	814,555
Net assets/liabilities	891,872	82,301,949	1,334,904	123,184,941	80,465	7,425,311	2,307,241	212,912,201

As at 31st March 2017

	EUR		USD		Other Currencies*		Total	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Asset								
Trade Receivables	759,424	61,437,402	89,955	7,277,360	82,820	6,700,138	932,199	75,414,900
Unbilled Revenue	317,819	25,711,557	71,307	5,768,736	30,537	2,470,443	419,663	33,950,736
Cash and cash equivalents	398,159	32,211,063	78,551	6,354,776	50,127	4,055,274	526,837	42,621,113
Other assets	–	–	–	–	3,152	254,997	3,152	254,997
Liabilities								
Trade payables and accrued expenses	47,309	3,827,298	(44,629)	(3,610,486)	41,829	3,383,966	44,509	3,600,778
Unearned Sales	88,042	7,122,598	–	–	17,519	1,417,287	105,561	8,539,885
Other liabilities	12,965	1,048,869	–	–	2,907	235,176	15,872	1,284,045
Net assets/liabilities	1,327,086	107,361,257	284,442	23,011,358	104,381	8,444,423	1,715,909	138,817,038

* Others include currencies such as Singapore- $ (SGD), Czeck Republic- Koruna (CZK), Switzerland- Franc (CHF), Turky-Lira (TRY), Hungary- Forint (HUF)

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the functional currencies of the Company.

For the year ended March 31, 2018 and 2017 respectively, every 1% appreciation/depreciation of the respective foreign currencies compared to functional currency of the Company would increase/ decrease operating margins by £23,072 and £17,159 respectively.

11. Income tax expense

Income tax expense in the statement of income consists of:

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Current taxes				
UK Corporation tax on profits of the year	43,060	3,973,577	47,523	3,844,611
Adjustment in respect of previous years	132,117	12,191,757	(107,436)	(8,691,573)
Withholding tax	–	–	18,012	1,457,171
Total	175,177	16,165,334	(41,901)	(3,389,791)
Deferred taxes				
Origination and reversal of timing differences	(101,460)	(9,362,729)	(1,239)	(100,235)
Total	(101,460)	(9,362,729)	(1,239)	(100,235)
Grand Total	73,717	6,802,605	(43,140)	(3,490,026)

The reconciliation between the provision of corporation tax of the Company and amounts computed by applying the standard rate of UK corporation tax to profit before taxes is as follows:

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Profit before income tax	1,345,815	124,191,807	1,129,796	91,400.488
Profit on ordinary activities multiplied by rate of tax	255,705	23,596,457	225,959	18,280,083
Expenses not deductible for tax purposes	(11,308)	(1,043,502)	112,194	9,076,495
Movement in capital allowances	113,396	10,464,183	1,380	111,642
Tax credit on employee share based payments	(314,733)	(29,043,561)	(292,010)	(23,623,609)
Adjustment in respect of previous years	132,117	12,191,757	(107,436)	(8,691,573)
Withholding tax	–	–	18,012	1,457,171
Total income tax expense	175,177	16,165,334	(41,901)	(3,389,791)

The standard rates of UK corporation tax, for the year ended March 31, 2018 and March 31, 2017 are 19% and 20% respectively.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The components of deferred tax assets are as follows:

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 01 April 2016 £
Property, Plant and Equipments	816	75,300	(139)	(11,245)	(1,420)
Provision	101,216	9,340,213	711	57,520	753
Net deferred tax assets	102,032	9,415,513	572	46,275	(667)

The deferred tax included in the Balance Sheet is as follows:

Deferred Tax assets	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Deferred tax assets	102,032	9,415,513	572	46,275
Balance brought forward	572	52,784	(667)	(53,960)
Profit and loss account movement arising during the year	101,460	9,362,729	1,239	100,235
Total deferred tax assets	102,032	9,415,513	572	46,275

For simplicity, the brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

12. Equity

a) *Share capital*

The company has only one class of equity shares. The authorized share capital of the Company is 1,629,700 (2017: 1,629,700) equity shares of £1 each. Par value of the equity shares is recorded as share capital.

The Issued, subscribed and paid-up capital of the Company is 685,815 (2017: 685,815) equity shares of £1 each amounting to £685,815 (2017: 685,815).

The company has only one class of shares referred to as equity shares having a par value of £1.

The company declares and pays dividends in GBP/ Euro/ USD.

b) *Retained earnings*

Retained earnings comprises of the Company's prior years' undistributed earnings after taxes.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure is as follows:

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Total equity attributable to the equity share holders of the company	3,664,312	338,142,709	2,558,465	206,979,820
As percentage of total capital	100%	100%	100%	100%
Total capital	3,664,312	338,142,709	2,558,465	206,979,820

The Company is equity financed which is evident from the capital structure table.

13. Revenue

The Company derives revenue primarily from delivery of IT services. The Company recognises revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. An analysis of turnover is given below:

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Country				
United Kingdom	37,856,873	3,493,432,240	31,857,382	2,577,262,203
Europe	4,374,838	403,710,050	4,955,145	400,871,231
Singapore	89,511	8,260,075	100,012	8,090,971
US	93,785	8,654,480	71,100	5,751,990
India	–	–	8,212	664,351
Others	25,924	2,392,267	4,424	357,902
Total	42,440,931	3,916,449,112	36,996,275	2,992,998,648

14. Expenses by nature

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Employee benefits	19,429,965	1,792,997,169	16,207,363	1,311,175,668
Sub-contractor charges/Outsourced charges	19,147,898	1,766,968,027	16,329,656	1,321,069,171
Travel and conveyance	1,318,974	121,714,921	1,218,832	98,603,511
Sales & Marketing expenses	386,058	35,625,432	320,863	25,957,816
Staff welfare	248,629	22,943,485	253,094	20,475,304
Legal, Professional and Consultancy Expenses	165,325	15,256,191	179,793	14,545,255
Communication expenses	159,883	14,754,004	180,201	14,578,262
Lease rentals/charges	81,713	7,540,476	82,906	6,707,095
Recruitment	62,442	5,762,148	149,329	12,080,716
Audit Fees	26,844	2,477,164	26,250	2,123,625
Depreciation charges	8,570	790,840	13,466	1,089,401
Provision for doubtful trade receivables	(1,112)	(102,615)	1,980	160,182
Purchase of Software and Hardware for resale	-	-	987,272	79,870,305
Others	175,791	16,221,993	124,859	10,101,095
Total cost of sales, selling, general and administrative expenses	41,210,980	3,802,949,235	36,075,864	2,918,537,406

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Cost of Sales

Cost of Sales primarily include employee compensation of personnel engaged in providing services, travel expenses, employee allowances, payroll related taxes, fees to external consultants engaged in providing services, communication costs and other project related expenses.

Selling, general and administrative expenses

Selling costs primarily include employee compensation for sales and marketing personnel, travel costs, advertising, business promotion expenses, allowances for delinquent receivables and market research costs.

General and administrative costs primarily include employee compensation for administrative, supervisory, managerial and practice management personnel, depreciation and amortisation of non-production equipment and software, facility expenses for administrative offices, communication costs, fees to external consultants and other general expenses.

15. Employee benefits

The average monthly number of staff employed by the company during the financial year amounted to:

	2018	2017
By Activity	No	No
Delivery	302	260
Marketing	22	24
Administration	10	9
	334	293

Employee benefits include:

	Year ended March 31,			
	2018	2018	2017	2017
	£	₹	£	₹
		Unaudited		Unaudited
Wages and salaries	16,964,519	1,565,485,813	14,353,938	1,161,233,599
Social security costs	2,043,738	188,596,142	1,460,540	118,157,686
ESOS Cost	421,708	38,915,214	392,885	31,784,383
Total	19,429,965	1,792,997,169	16,207,363	1,311,175,668

The employee benefit cost is recognised in the following line items in the statement of income:

	Year ended March 31,			
	2018	2018	2017	2017
	£	₹	£	₹
		Unaudited		Unaudited
Cost of sales	15,787,729	1,456,891,633	11,651,062	942,570,915
Selling, general and administrative expenses	3,642,236	336,105,536	4,556,301	368,604,753
Total	19,429,965	1,792,997,169	16,207,363	1,311,175,668

16. Finance and other income

	Year ended March 31,			
	2018	2018	2017	2017
	£	₹	£	₹
		Unaudited		Unaudited
Interest Income	884	81,576	837	67,713
Others	83	7,659	1,478	119,570
Total	967	89,235	2,315	187,283

17. Operating leases

Lease rental expense under non-cancellable operating lease during year ended March 31, 2018 and March 31, 2017 amounted to GBP 1,929 and GBP 1,953 respectively. Future minimum lease payments under non-cancellable operating lease as at March 31, 2017 is as below:

Minimum lease payments

	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017	As at 31 March 2017
	£	₹	£	₹
		Unaudited		Unaudited
Payable – Not later than one year	1,912	176,439	1,953	157,998
Payable – Later than one year and not later than five years	4,349	401,326	3,653	295,528
Payable – Later than five years	–	–	–	–

The rental expense under cancellable operating lease during year ended March 31, 2018 and March 31, 2017 amounted to GBP 79,784 and GBP 80,953 respectively.

18. Related party relationships and transactions

Name of related party

i) **Ultimate Parent Company:**
ITC Limited

ii) **Immediate Parent Company:**
ITC Infotech India Limited

iii) **Subsidiaries of Immediate Parent Company:**
ITC Infotech (USA), Inc.
Indivate Inc.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Transactions with the above related parties during the year were:

	Holding Company				Fellow Subsidiaries			
	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Sale of goods/Services	74,268	6,853,451	88,893	7,191,444	83,831	7,735,925	74,202	6,002,942
Purchase of goods/Services	14,959,722	1,380,483,146	13,920,390	1,126,159,551	–	–	–	–
Dividend	–	–	1,714,538	138,706,124	–	–	–	–
Balance as on 31st March								
Trade receivables	121,861	11,245,333	47,592	3,850,193	72,770	6,715,216	–	–
Trade-Payables	2,942,664	271,549,034	2,764,530	223,650,477	–	–	–	–

Key Managerial Personnel:

Non-Executive Directors

Y. C. Deveshwar	Chairman
Sanjiv Puri	Sr. Vice Chairman
S. Sivakumar	Vice Chairman
R. Tandon	Director
B. B. Chatterjee	Director
S. Rajagopalan	Director

Others

H. S. Garewal	President

Transactions with key management personnel are as given below:

Key management personnel comprise directors and president of the Company. Particulars of compensation of the key management personnel during the year ended March 31, 2018 and March 31, 2017 have been detailed below:

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
President:				
Salaries	155,588	14,357,661	154,430	12,493,387
Social security contribution	20,814	1,920,716	23,442	1,896,458
Incentives	–	–	23,551	1,905,276
Total	176,402	16,278,377	201,423	16,295,121

None of the directors received any emoluments for their services to the company, nor were any amounts recharged by or payable to any other organisation or company for the directors' services to the company.

19. Ultimate parent company and immediate parent company

The immediate parent undertaking is ITC Infotech India Limited, which is incorporated in India and is a wholly owned subsidiary of ITC Limited. This is the smallest group of undertakings for which consolidated financial statements are being drawn up including this company.

The ultimate parent undertaking and controlling related party is ITC Limited, which is incorporated in India. This is the largest group of undertakings for which consolidated financial statements are being drawn up including this company. Copies of ITC Limited consolidated financial statements can be obtained from the Company Secretary at 37 J. L. Nehru Road, Kolkata - 700071, India.