

DESIGNIT A/S

STANDALONE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED MARCH 31, 2016

DESIGNIT A/S
BALANCE SHEET AS AT MARCH 31, 2016
(Amount in INR, except share and per share data, unless otherwise stated)

	Notes	As at March 31, 2016
<u>I. EQUITY AND LIABILITIES</u>		
1. Shareholders' funds		
Share capital	3	94,263,000
Reserves and surplus	4	263,128,842
		357,391,842
2. Share application money pending allotment		
		-
3. Non-current liabilities		
Long term provisions	5	18,111,699
		18,111,699
4. Current liabilities		
Trade payables*	6	88,560,655
Other current liabilities	7	8,925,920
Short term provisions	8	20,767,554
		118,254,129
TOTAL EQUITY AND LIABILITIES		493,757,670
<u>II ASSETS</u>		
1. Non-current assets		
Fixed assets		
Tangible assets	9	323,588
Non-current investments	10	23,371,921
Deferred tax assets	11	21,764
		23,717,273
2. Current assets		
Trade receivables	12	625,082
Cash and bank balances	13	1,904,887
Short term loans and advances	14	467,494,013
Other current assets	15	16,415
		470,040,397
TOTAL ASSETS		493,757,670

*Trade Payables include balances due to Micro & Small Enterprises ₹ NIL as on 31st March 2016.

As per our report of even date attached

For and on behalf of the Board of Directors

for M/s. D.Prasanna & Co.
Chartered Accountants
FRN.: 009619S

Sd/-
Prasanna Kumar D
proprietor
Membership No. 211367

Sd/-
Avinash Rao
Director

Sd/-
Kasper Boel Rouseo
Director

Sd/-
**Mikal Christian
Hallstrup**
Director

Bangalore
May 31, 2016

DESIGNIT A/S
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016
(Amount in INR, except share and per share data, unless otherwise stated)

	Notes	Year ended March 31, 2016
REVENUE		
Revenue from operations (gross)	16	169,528,420
Less: Excise duty		-
Revenue from operations (net)		169,528,420
Other income	17	447,961
Total Revenue		169,976,381
EXPENSES		
Employee benefits expense	18	166,194,556
Finance costs	19	7,286,613
Other expenses	20	53,141,136
Total Expenses		226,622,305
Profit before tax		(56,645,924)
Tax expense		
Current tax		-
		-
Net Profit		(56,645,924)
Loss per equity share		
(Equity shares of par value DKK 100 each)		
Basic		(566.46)
Diluted		(566.46)

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

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proprietor
Membership No. 211367

Director

Director

Director

Bangalore
May 31, 2016

DESIGNIT A/S
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016
(Amount in INR)

	Year ended March 31, 2016
A Cash flows from operating activities:	
Profit before tax	(56,645,924)
<i>Adjustments:</i>	
Depreciation and amortisation	
Exchange differences, net	
Interest on borrowings	7,286,613
Working capital changes :	
Trade receivables and unbilled revenue	(86,393,172)
Loans and advances and other assets	(386,425,329)
Liabilities and provisions	(4,747,423)
Net cash generated from operations	(526,925,235)
Direct taxes paid, net	1,428,887
Net cash generated by operating activities	(525,496,349)
B Cash flows from investing activities:	
Acquisition of fixed assets including capital advances	(286,589)
Net cash (used in) / generated from investing activities	(286,589)
C Cash flows from financing activities:	
Proceeds from issue of equity shares	533,792,510
Interest paid on borrowings	(7,286,613)
Net cash used in financing activities	526,505,896
Net increase in cash and cash equivalents during the year	722,958
Cash and cash equivalents at the beginning of the year	1,050,866
Effect of exchange rate changes on cash balance	131,063
Cash and cash equivalents at the end of the year [refer note 13]	1,904,887

The notes referred to above form an integral part of the Cash Flow Statement

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

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for M/s. D.Prasanna & Co.
Chartered Accountants
FRN.: 009619S

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proprietor
Membership No. 211367

Director

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Bangalore
May 31, 2016

DESIGNIT A/S
NOTES TO THE FINANCIAL STATEMENTS
(Amount in INR, except share and per share data, unless otherwise stated)

1. Company overview

Designit A/S (“Company”) is a subsidiary of Wipro Digital Aps (the holding company) incorporated in Denmark and is engaged in design services. The functional currency of the Company is DKK and the reporting currency for these financial statements is INR. These financial statements have been prepared and audited to attach with the accounts of the holding company, to comply with the provisions of Indian Companies Act, 2013.

2. Significant accounting policies

i. Basis of preparation of financial statements

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in India (GAAP) under the historical cost convention on the accrual basis, except for certain financial instruments which are measured on a fair value basis. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 (‘Act’) read with Rule 7 of the Companies (Accounts) Rules, 2014, and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable, Accounting Standards (‘AS’) issued by Institute of Chartered Accountants of India (ICAI) and other generally accepted accounting principles in India.

ii. Use of estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and reported amounts of income and expenses during the year. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the year in which the estimates are revised and in any future year affected.

iii. Fixed Asset

Tangible assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Costs include expenditure directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction or production of qualifying assets are capitalized as part of the cost.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably

Intangible assets are stated at the consideration paid for acquisition less accumulated amortization and impairment loss, if any.

Cost of fixed assets not ready for use before the balance sheet date is disclosed as capital work-in-progress. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date is disclosed under long term loans and advances.

iv. Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision for onerous contracts is recognized when the expected benefits to be derived from the contract are lower than the unavoidable cost of meeting the future obligations under the contract.

v. Revenue recognition

The Company derives revenue primarily from software development, maintenance of software/hardware and related services, business process services, sale of IT and other products.

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 of recognizing the revenues and costs depends on the nature of the services rendered:

A. Time and material contracts

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

B. Fixed-price contracts

Revenues from fixed-price contracts, including systems development and integration 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. If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable.* When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates.

‘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 have been rendered are presented as ‘Advance from customers’.*

C. Maintenance Contracts

Revenue from maintenance contracts is recognized ratably over the period of the contract using the percentage of completion method. When services are performed through an indefinite number of repetitive acts over a specified period of time, revenue is recognized on a straight-line basis over the specified period unless some other method better represents the stage of completion.

In certain projects, a fixed quantum of service or output units is agreed at a fixed price for a fixed term. In such contracts, revenue is recognized with respect to the actual output achieved till date as a percentage of total contractual output. Any residual service unutilized by the customer is recognized as revenue on completion of the term.

D. Others

- The Company accounts for volume discounts and pricing incentives to customers by reducing the amount of revenue recognized at the time of sale.
- The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of material usage and service delivery costs.
- Costs that relate directly to a contract and incurred in securing a contract are recognized as an asset and amortized over the contract term.
- Contract expenses are recognised as expenses by reference to the stage of completion of contract activity at the end of the reporting period.

Products:

Revenue from sale of products is recognised when the significant risks and rewards of ownership has been transferred in accordance with the sales contract. Revenue from product sales is shown net of excise duty and net of sales tax separately charged and applicable discounts.

Other income:

Agency commission is accrued when shipment of consignment is dispatched by the principal.

Interest is recognized using the time-proportion method, based on rates implicit in the transaction.

Dividend income is recognized when the Company's right to receive dividend is established.

vi. Leases

Leases of assets, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease rentals in respect of assets taken under operating leases are charged to statement of profit and loss on a straight line basis over the lease term.

In certain arrangements, the Company recognizes revenue from the sale of products given under finance leases. The Company records gross finance receivables, unearned interest income and the estimated residual value of the leased equipment on consummation of such leases. Unearned interest income represents the excess of the gross finance lease receivable plus the estimated residual value over the sales

price of the equipment. The Company recognizes unearned interest income as financing revenue over the lease term using the effective interest method.

vii. Foreign currency transactions

The Company is exposed to currency fluctuations on foreign currency transactions. Foreign currency transactions are accounted in the books of account at the exchange rates prevailing on the date of transaction.

Transaction:

The difference between the rate at which foreign currency transactions are accounted and the rate at which they are realized is recognized in the statement of profit and loss.

Translation:

Monetary foreign currency assets and liabilities at period-end are translated at the exchange rate prevailing at the date of Balance Sheet. The difference arising from the translation is recognised in the statement of profit and loss, except for the exchange difference arising on monetary items that qualify as hedging instruments in a cash flow hedge or hedge of a net investment in a non-integral foreign operation. In such cases the exchange difference is initially recognised in hedging reserve or Foreign Currency Translation Reserve (FCTR), respectively. Such exchange differences are subsequently recognised in the statement of profit and loss on occurrence of the underlying hedged transaction or on disposal of the investment, respectively. Further, foreign currency differences arising from translation of intercompany receivables or payables relating to foreign operations, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of net investment in foreign operation and are recognized in FCTR. When a foreign operation is disposed of, the relevant amount recognized in FCTR is transferred to the statement of profit and loss as part of the profit or loss on disposal.

The Company is a foreign subsidiary of Wipro Digital Aps and has been treated as a **non-integral** operating unit for translation. The assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. The items in the statement of profit and loss are translated at the average exchange rate during the period. The differences arising out of the translation are transferred to foreign currency translation reserve.

Depreciation and amortization

The Company has provided for depreciation using straight line method over the useful life of the assets as prescribed under part C of Schedule II of the Companies Act, 2013 except in the case of following assets which are depreciated based on useful lives estimated by the Management:

Class of asset	Estimated useful life
Furniture & Fixtures	3 Years

For the class of assets mentioned above, based on internal technical assessment the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Freehold land is not depreciated.

Intangible assets are amortized over their estimated useful life on a straight line basis.

Payments for leasehold land are amortised over the period of lease.

Fixed assets individually costing Rupees five thousand or less are depreciated at 100% over a period of one year.

Assets under finance lease are amortised over their estimated useful life or the lease term, whichever is lower

viii. Impairment of assets

Financial assets:

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss. The amount of loss for receivables is measured as the difference between the assets carrying amount and undiscounted amount of future cash flows. Reduction, if any, is recognised in the statement of profit and loss. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, the recognised impairment loss is reversed, subject to maximum of initial carrying amount of the short-term receivable.

Other than financial assets:

The Company assesses at each balance sheet date whether there is any indication that a non-financial asset including goodwill may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill, the impairment loss will be reversed only when it was caused by specific external events of an exceptional nature that is not expected to recur and their effects have been reversed by subsequent external events.

ix. Employee benefits

Compensated absences:

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Company recognizes actuarial gains and losses immediately in the statement of profit and loss account.

Pension and Social contribution:

Pension and social contribution plan, a defined contribution scheme, the Company makes monthly contributions based on a specified percentage of each covered employee's salary.

x. Taxes

Income tax:

The current charge for income taxes is calculated in accordance with the relevant tax regulations.

Deferred tax:

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements of the Company.

Deferred taxes are recognised in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period. For this purpose, reversal of timing difference is determined using first in first out method.

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. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment/substantive enactment date.

Deferred tax assets on timing differences are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets are reassessed for the appropriateness of their respective carrying amounts at each balance sheet date.

The Company offsets, on a year on year basis, the current and non-current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

xi. Earnings per share

Basic:

The number of equity shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year excluding equity shares held by controlled trusts.

Diluted:

The number of equity shares used in computing diluted earnings per share comprises the weighted average number of equity shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. The number of equity shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issued.

xii. Cash flow statement

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

	(in INR, unless otherwise stated)
	<u>As at Mar 31, 2016</u>
Note 3 Share Capital	
Authorised capital	
115,000 (2015: 115,000) equity shares [Par value of DKK 100 per share]	108,402,450
	<u>108,402,450</u>
Issued, subscribed and fully paid-up capital	
100,000 (2015: 100,000) equity shares of DKK 100 per share	94,263,000
	<u>94,263,000</u>
Note 4 Reserves and Surplus	
General reserve	
Reserves at the time of acquisition	295,319,353
	(A) <u>295,319,353</u>
Foreign exchange translation reserve	
Movement during the year	24,455,413
	(B) <u>24,455,413</u>
Surplus from statement of profit and loss	
Profit for the year	(56,645,924)
Closing balance	<u>(56,645,924)</u>
Summary of reserves and surplus	
Movement during the year	(A+B+C) <u>263,128,842</u>
	<u>263,128,842</u>
Note 5 Long term Provisions	
Employee benefit obligation	18,111,699
	<u>18,111,699</u>
Note 6 Trade payables	
Trade Payables	4,934,547
Accrued expenses	83,626,108
	<u>88,560,655</u>
Note 7 Other current liabilities	
Statutory liabilities	7,723,923
Other liabilities	1,201,997
	<u>8,925,920</u>

Note 8 Short term provisions

Provision for tax	20,767,554
	<u>20,767,554</u>

NOTE 9 Tangible Assets

PARTICULARS	Gross Block					Accumulated Depreciation				NET BLOCK
	Additions	Additions due to acquisition	Effect of Translation*	Deductions/ Adjustments	As of March 31, 2016	Depreciation for the period	Effect of Translation*	Deductions / adjustments	As of March 31, 2016	As of March 31, 2016
(a) Tangible fixed assets										
Furniture, fixture	308,853	-	14,735	-	323,588	-	-	-	-	323,588
	<u>308,853</u>	<u>-</u>	<u>14,735</u>	<u>-</u>	<u>323,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,588</u>

* Represents translation of fixed assets of non-integral operations into Indian Rupee

Note 10 Non-current Investments

(Valued at cost unless stated otherwise)

Non-Trade

Investments in unquoted equity instruments

Subsidiaries

23,371,921
<u>23,371,921</u>

Note 11 Deferred Tax Assets

21,764
<u>21,764</u>

Note 12 Trade Receivable

Other receivables

Considered good*

Considered doubtful

625,082
-
<u>625,082</u>
-
<u>625,082</u>

Less: Provision for doubtful receivables

*Debtors are due less than six months from the date they were due for payment

Note 13 Cash and bank balances

Cash and cash equivalents

Balances with banks

In current accounts

1,904,887

Note 14 Short-term loans and advances*(Unsecured, considered good unless otherwise stated)*

Employee travel & other advances	2,129,065
Prepaid expenses and other deposits	2,774,488
Inter corporate deposits	462,552,461
Others	37,999
	<hr/>
	467,494,013
Less: Provision for doubtful loans and advances	-
	<hr/>
	467,494,013

Note 15 Other current assets**Unsecured and considered good:**

Unbilled revenue	16,415
	<hr/>
	16,415

	Year ended March 31, 2016
Note 16 Revenue from Operations	
Sale of services	169,528,420
Revenue from operations (gross)	<u>169,528,420</u>
Note 17 Other Income	
Exchange Fluctuations	447,961
	<u>447,961</u>
Note 18 Employee benefits expense	
Salaries and wages	154,706,581
Contribution to provident and other funds	462,861
Staff welfare expenses	11,025,114
	<u>166,194,556</u>
Note 19 Finance costs	
Interest Cost	7,286,613
	<u>7,286,613</u>
Note 20 Other expenses	
Sub contracting / technical fees / third party application	1,654,683
Travel	21,373,547
Repair and Maintenance	15,652,367
Rent	420,598
Communication	942,052
Advertisement and sales promotion	5,689,786
Legal and professional charges	6,090,701
Insurance	556,601
Miscellaneous expenses	760,801
	<u>53,141,136</u>

Note 21. Related Party Transaction:

The following are the entities with which the Company has related party transactions:

Name of the party	Relationship with The Company
Designit Oslo AS	Fellow Subsidiary
Designit Denmark A/S	Fellow Subsidiary
Designit Munich GmbH	Fellow Subsidiary
Designit Tokyo Ltd.	Fellow Subsidiary
Dnextep Consulting S.L	Fellow Subsidiary
Designit Sweden AB	Fellow Subsidiary
Designit TLV Ltd.	Fellow Subsidiary
Wipro Digital ApS	Holding Company

The Company had the following transactions with related parties during the year ended March 31, 2016.

Particulars	For the year ended 31-Mar-16
<i>Designit Oslo AS</i>	
Sales and Services	16,132,924
Subcontracting & Technical Fees	1,559,266
<i>Designit Denmark A/S</i>	
Sales and Services	107,189,205
Subcontracting & Technical Fees	756,503
<i>Designit Munich GmbH</i>	
Sales and Services	13,678,846
Subcontracting & Technical Fees	379,962
<i>Designit Tokyo Ltd.</i>	
Sales and Services	2,279,740
<i>Dnextep Consulting S.L</i>	
Sales and Services	11,300,285
Subcontracting & Technical Fees	536,860
<i>Designit Sweden AB</i>	
Sales and Services	8,986,206
<i>Designit TLV Ltd.</i>	
Sales and Services	13,440,189
Subcontracting & Technical Fees	1,117,981

The following is the listing of receivables and payables to related parties as at March 31, 2016:

Name of the party	For the year ended
	31-Mar-16
Receivables:	
Designit Munich GmbH	123,017,229
Designit Denmark A/S	16,720,767
Dnextep Consulting S.L	153,902,870
Designit Oslo AS	63,380,748
Designit Tokyo Ltd.	33,322,747
Designit Sweden AB	46,082,609
Wipro Digital ApS	8,612
Designit TLV Ltd.	26,116,878

Note 22. Segment reporting

The financials form part of consolidated financial statements of Ultimate Holding Company Wipro Limited in the annual report. In accordance with Accounting Standard 17, Segment Reporting, the segment information is disclosed in the consolidated financial statements.”

Note 23.

This being the first year of operation post acquisition, comparatives are not provided.

Note 24. Micro, Small, and Medium Enterprises, Development Act, 2006

The company is a foreign company and is not governed by the provisions of Micro, Small, and Medium Enterprises, Development Act, 2006 (the Act). Hence, the disclosures under the Act are not applicable to the company.

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

For and on behalf of the Board of Directors

for M/s. D.Prasanna & Co.

Chartered Accountants

FRN.: 009619S

Sd/-

Prasanna Kumar D

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Avinash Rao

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proprietor

Membership No. 211367

Director

Director

Director

Bangalore

May 31, 2016