

# **Rational Interaction Inc.**

## **STANDALONE FINANCIAL STATEMENT UNDER IND AS**

AS AT MARCH 31, 2020 AND FOR THE PERIOD FROM FEBRUARY 21, 2020 TILL  
MARCH 31, 2020

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of Rational Interaction Inc.

### **Report on the Audit of the Standalone Financial Statements**

#### **Opinion**

We have audited the standalone financial statements of Rational Interaction Inc. ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of Profit and Loss including other comprehensive income, standalone statement of changes in equity and standalone statement of cash flows for the period 21<sup>st</sup> February 2020 to 31<sup>st</sup> March 2020, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Companies Act, 2013 ('the Act') of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the *standalone* financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the Management and Those Charged with Governance for Standalone Financial Statements**

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards (Ind AS) prescribed under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of

the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone 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 SAs 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances on whether the company has adequate internal financial controls with reference to the standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Restriction on distribution or use**

This report is intended solely for the information of the Company's and its ultimate holding company's board of directors and is not intended to be and should not be used by anyone other than specified parties. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's and ultimate holding company's board of directors, for our audit work, for this report, or for the opinions we have formed.

For **PKF Sridhar & Santhanam LLP**  
Chartered Accountants  
Firm's Registration No.003990S/S200018

Sd/-  
M Seethalakshmi  
Partner  
Membership No. 208545

Place of Signature: Bengaluru  
Date: 29<sup>th</sup> May 2020

**Rational Interaction Inc**  
**BALANCE SHEET AS AT MARCH 31, 2020**  
(Amount in USD, unless otherwise stated)

	<u>Notes</u>	<u>As at 31 March 2020</u>
<b><u>ASSETS</u></b>		
<b>Non-current assets</b>		
Property, plant and equipment	4	371,245
Right-of-use assets	5	2,227,467
Financial assets		
Investments	6	171
Other financial assets	7	78,661
Other non-current assets	8	111,634
<b>Total non-current assets</b>		<b>2,789,178</b>
<b>Current assets</b>		
Financial assets		-
Trade receivables	9	3,740,696
Cash and cash equivalents	10	2,756,193
Unbilled receivables		649,697
Other current assets	11	290,792
<b>Total current assets</b>		<b>7,437,378</b>
<b>TOTAL ASSETS</b>		<b>10,226,556</b>
<b><u>EQUITY</u></b>		
Share capital	12	1,635
Other equity		808,740
<b>TOTAL EQUITY</b>		<b>810,375</b>
<b><u>LIABILITIES</u></b>		
<b>Non-current liabilities</b>		
Financial liabilities		
Lease Liabilities		1,362,189
<b>Total non-current liabilities</b>		<b>1,362,189</b>
<b>Current liabilities</b>		
Financial liabilities		
Trade payables	13	4,426,212
Other financial liabilities	14	2,050,166
Lease Liabilities		863,354
Unearned revenues		566,139
Provisions		4,303
Current tax liabilities (net)		99,734
Other current liabilities	15	44,083
<b>Total current liabilities</b>		<b>8,053,992</b>
<b>TOTAL LIABILITIES</b>		<b>9,416,180</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,226,556</b>
Summary of significant accounting policies	3	

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

As per our report attached  
**For PKF Sridhar & Santhanam LLP**  
**Chartered Accountants**  
Firm Registration No.: 003990S/S200018

**For and on behalf of the Board of Directors of**  
**Rational Interaction Inc.**

**Sd/-**  
**Seethalakshmi M**  
Partner  
Membership No: 208545

**Sd/-**  
**Rajan Kohli**  
Director

**Sd/-**  
**Ashish Chawla**  
Director

Place: Bengaluru  
Date: 29th May 2020

**Rational Interaction Inc****Statement of Profit and Loss for the period from February 21, 2020 to March 31, 2020**

(Amount in USD, unless otherwise stated)

	<u>Notes</u>	<u>For the period</u> <u>21-Feb-2020 to 31-Mar-2020</u>
<b>INCOME</b>		
Income from operations	16	5,232,615
Other income	17	33,675
<b>Total Income</b>		<b>5,266,290</b>
<b>EXPENSES</b>		
Employee benefits expense	18	3,884,819
Finance costs	19	8,531
Depreciation and amortisation expense		130,800
Other Expenses	20	934,785
<b>Total expenses</b>		<b>4,958,934</b>
<b>Profit before tax</b>		<b>307,356</b>
<b>Tax expense</b>		
Current tax		99,734
Deferred tax		-
<b>Total tax expense</b>		<b>99,734</b>
<b>Profit for the year</b>		<b>207,622</b>
<b>Other comprehensive income (OCI)</b>		-
<b>Total comprehensive income for the year</b>		<b>207,622</b>
<b>Earnings per equity share: (Equity shares of par value )</b>		
Basic	21	0.01
Diluted		0.01
<b>Number of shares</b>		
Basic		16,350,000
Diluted		16,350,000

Summary of significant accounting policies 3

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**Rajan Kohli**  
Director

**Sd/-**  
**Ashish Chawla**  
Director

Place: Bengaluru  
Date: 29th May 2020

**Rational Interaction Inc****STATEMENT OF CASHFLOWS for the period from February 21, 2020 to March 31, 2020**

(Amount in USD, unless otherwise stated)

	<b>For the period 21-Feb-2020 to 31-Mar-2020</b>
<b>Cash flows from operating activities:</b>	
Profit/ (Loss) for the year	2,07,622
<b>Adjustments</b>	
Depreciation and amortisation expense	1,30,800
Provision for Doubtful debt	37,159
Unrealised exchange loss, net	391
Interest Income	(296)
Income tax expense	99,734
Finance Costs	8,531
<b>Changes in operating assets and liabilities;</b>	
(Increase) / Decrease in Trade receivables	52,64,696
(Increase) / Decrease in Unbilled Receivable	(6,49,697)
(Increase) / Decrease in Other assets	(1,00,994)
Increase / (Decrease) in Trade payables, Other liabilities and provisions	(29,91,919)
Increase / (Decrease) in Unearned revenues	(13,54,739)
Cash generated from operations	<b>6,51,288</b>
Income taxes paid, net	-
<b>Net cash generated from/(used in) operating activities (A)</b>	<b>6,51,288</b>
<b>Cash flows from investing activities:</b>	
Purchase of property, plant and equipment	(29,379)
Interest received	296
<b>Net cash generated from/(used in) investing activities (B)</b>	<b>(29,083)</b>
<b>Cash flows from financing activities:</b>	
Finance Costs	(8,531)
Repayment of lease liabilities	(91,258)
<b>Net cash generated from/(used in) financing activities (C)</b>	<b>(99,789)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)</b>	5,22,416
Cash and cash equivalents as on 20th Feb 2020	22,33,777
<b>Cash and cash equivalents at the end of the year</b>	<b>27,56,193</b>
<b>Components of cash and cash equivalents (note 10)</b>	
<b>Balances with banks</b>	
in Current account	27,56,193

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

As per our report attached  
**For PKF Sridhar & Santhanam LLP**  
**Chartered Accountants**  
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**Seethalakshmi M**  
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**For and on behalf of the Board of Directors of  
Rational Interaction Inc.**

**Sd/-**  
**Rajan Kohli**  
Director

**Sd/-**  
**Ashish Chawla**  
Director

Place: Bengaluru  
Date: 29th May 2020

**Rational Interaction Inc**  
**STATEMENT OF CHANGES IN EQUITY**  
(Amount in USD, unless otherwise stated)

**Equity Share Capital**

Balance as at February 21, 2020	Changes during the period	Balance as at March 31, 2020
1,635.00	-	1,635.00

**Other equity**

Particulars	Retained earnings	Total
<b>Balance as at February 21, 2020</b>	6,01,118	<b>6,01,118</b>
Profit for the year	2,07,622	<b>2,07,622</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2,07,622</b>	<b>2,07,622</b>
<b>Balance as at March 31, 2020</b>	<b>8,08,740</b>	<b>8,08,740</b>

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As per our report attached  
**For PKF Sridhar & Santhanam LLP**  
**Chartered Accountants**  
Firm Registration No.: 003990S/S200018

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Membership No: 208545

**Sd/-**  
**Rajan Kohli**  
Director

**Sd/-**  
**Ashish Chawla**  
Director

Place: Bengaluru  
Date: 29th May 2020



**RATIONAL INTERACTION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**( Amount in USD unless otherwise stated)**

**1. The Company overview**

Rational Interaction, Inc. (the “Company”), incorporated in the state of Washington is a leading provider of Customer experience solutions across the full spectrum of customer-focused digital transformation initiatives. The company delivers its wide range of customized services in order to drive connection, growth and business performance of its clients.

Rational Interaction Inc. has been acquired by Wipro IT Services LLC with effect from February 21, 2020 and the financial statement is prepared as at March 31, 2020 and for the period effective from February 21, 2020 after which the entity is part of Wipro Limited till March 31, 2020.

**2. Basis of preparation of financial statement**

**(i) Statement of compliance and basis of preparation**

This special purpose financial statement is prepared for inclusion in the annual report of the Ultimate Holding Company (Wipro limited) under the requirements of section 129(3) of the Companies Act, 2013. Since, the Company was acquired on February 21, 2020, the financial information is provided only for the period February 21, 2020 to March 31, 2020 for which the Company was subsidiary of Wipro Limited. The comparative financial information have not been presented as the Company was not part of the Wipro Limited Group for the year ended March 31, 2019.

These are the Standalone financial statements of Rational Interaction, Inc. The Company has not prepared consolidated financial statements because it has availed the specific exemption from the preparation of consolidated financial statements, available under Ind AS 110, “Consolidated Financial Statements”. Accordingly, the investment in the subsidiaries are accounted for on a cost basis in these standalone financial statements.

The investment in subsidiaries is considered as a long term investment and carried at cost, less impairment, if any.

The financial performance and position of the Company and the subsidiaries are included in the consolidated financial statements of Wipro Limited, incorporated under the Companies Act, 2013, with effect from February 21, 2020 and having its registered office at Doddakanelli, Sarjapur Road, Bengaluru - 560035.

The financial statement is prepared in accordance with Indian Accounting Standards (Ind AS), the provisions of the Companies Act, 2013 (“the Companies Act”). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The financial statement correspond to the classification provisions contained in Ind AS 1, “Presentation of Financial statement”. For clarity, various items are aggregated in the statement of profit & loss and other comprehensive income and balance sheet. These items are disaggregated separately in the notes to the financial statement, where applicable.

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which these entities operate (i.e. the “functional currency”).

**(ii) Basis of measurement**

The financial statement has been prepared on a historical cost convention and on an accrual basis.

**(iii) Use of estimates and judgment**

The preparation of the financial statement in conformity with Ind AS requires the 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 those estimates. Estimates and underlying assumptions are reviewed on an ongoing 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 statement is included in the following notes:

**a) Revenue recognition:** The Company applies judgement to determine whether each product or service promised to a customer is capable of being distinct, and is distinct in the context of the contract, if not, the promised products or services are combined and accounted as a single performance obligation. The Company allocates the arrangement consideration to separately identifiable performance obligation deliverables based on their relative stand-alone selling price. In cases where the Company is unable to determine the stand-alone selling price the Company uses expected cost plus margin approach in estimating the stand-alone selling price. 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 labor costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, revenue recognized, profit and timing of revenue for remaining performance obligations 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 period in which the loss becomes probable. Volume discounts are recorded as a reduction of revenue. When the amount of discount varies with the levels of revenue, volume discount is recorded based on estimate of future revenue from the customer.

**b) Income taxes:** The major tax jurisdictions for the Company is the United States of America. Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

**c) Deferred taxes:** Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

**d) Expected credit losses on financial assets:** On application of Ind AS 109, the impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

**e) Useful lives of property, plant and equipment:** The Company reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

The Company depreciates property, plant and equipment on a straight-line basis over estimated useful lives of the assets. The charge in respect of periodic depreciation is derived based on an estimate of an asset's expected useful life and the expected residual value at the end of its life. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The estimated useful life is reviewed at least annually.

**f) Leases:** Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term. The option to extend the lease term is included in the lease term, if it is reasonably certain that the lessee would exercise the option. The Company reassesses the option when significant events or changes in circumstances occur that are within the control of the lessee.

**g) Impact of Covid'19:** Kindly refer Note No. 27 for impact of Covid'19 on company's operations.

### 3. Significant accounting policies

#### (i) Functional and presentation currency

These financial statements are presented in US Dollars, which is the functional currency of the Company.

#### (ii) Transactions and balances

Transactions in foreign currency are translated into the respective functional currencies using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the exchange rates prevailing at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit and loss and reported within foreign exchange gains/(losses), net within results of operating activities except when deferred in statement of other comprehensive income as qualifying cash flow hedges. Gains/(losses) relating to translation or settlement of borrowings denominated in foreign currency are reported within finance costs. Non-monetary assets and liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on non-monetary financial assets measured at fair value at the reporting date, such as equities classified as FVTOCI are included in other comprehensive income, net of taxes. The company has investments in subsidiaries at places other than the USA.

#### (iii) Financial instruments

a) Non-derivative financial instruments:

Non derivative financial instruments consist of:

- financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, investments in equity and other eligible current and non-current assets;
- financial liabilities, which include short-term borrowings, trade payables and other eligible current and non-current liabilities.

Non derivative financial instruments are recognized initially at fair value. Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

##### A. Cash and cash equivalents

The Company's cash and cash equivalents consist of cash with banks in current account with banks, which can be withdrawn at any time, without prior notice or penalty.

For the purposes of the cash flow statement, cash and cash equivalents include cash with banks.

##### B. Other financial assets:

Other financial assets 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. These are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. These comprise trade receivables and other current assets.

### C. Trade and other payables

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method. For these financial instruments, the carrying amounts approximate fair value due to the short term maturity of these instruments.

#### **(iv) Equity and share capital**

##### a) Equity share capital

The authorized share capital of the Company as of March 31, 2020 is USD 1635 divided into 16,350,000 equity shares of \$ 0.0001 each. Par value of the equity shares is recorded as share capital and the amount received in excess of par value is classified as share premium.

##### b) Retained earnings

Retained earnings comprises the Company's undistributed earnings after taxes.

##### c) Foreign currency translation reserve

The exchange differences arising from the translation of financial statement of foreign operations with functional currency other than Indian rupees is presented within equity in the FCTR.

##### d) Other reserves

Changes in the fair value of financial assets measured at FVTOCI, other than impairment loss, is recognized in other comprehensive income (net of taxes), and presented within equity in other reserves.

#### **(v) Property, plant and equipment**

##### a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset. General and specific borrowing costs directly attributable to the construction of a qualifying asset are capitalized as part of the cost.

##### b) Depreciation

The Company depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are available for use. The estimated useful life of assets are reviewed and where appropriate are adjusted, annually. The estimated useful lives of assets are as follows:

<b>Category</b>	<b>Useful life</b>
Building	Useful life or lease term whichever is lower
Furniture & Fixtures	5 years
Plant & Machinery	2 years

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.

The cost of property, plant and equipment not available for use before each reporting date are disclosed under capital work- in-progress.

**(vi) Leases**

The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under Ind AS 116.

**The Company as a lessee**

The Company enters into an arrangement for lease of land, buildings, plant and machinery including computer equipment and vehicles. Such arrangements are generally for a fixed period but may have extension or termination options. The Company assesses, whether the contract is, or contains, a lease, at its inception. A contract is, or contains, a lease if the contract conveys the right to –

- a) control the use of an identified asset,
- b) obtain substantially all the economic benefits from use of the identified asset, and
- c) direct the use of the identified asset

The Company determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease, where the Company is reasonably certain to exercise that option.

The Company at the commencement of the lease contract recognizes a Right-of-Use (RoU) asset at cost and corresponding lease liability, except for leases with term of less than twelve months (short term leases) and low-value assets. For these short term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term.

The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the inception date of the lease, plus any initial direct costs, less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, if any. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful life of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The Company applies Ind AS 36 to determine whether an RoU asset is impaired and accounts for any identified impairment loss as described in the impairment of non-financial assets below.

For lease liabilities at the commencement of the lease, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, if that rate is not readily determined, the lease payments are discounted using the incremental borrowing rate that the Company would have to pay to borrow funds, including the consideration of factors such as the nature of the asset and location, collateral, market terms and conditions, as applicable in a similar economic environment.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Company recognizes the amount of the re-measurement of lease liability as an adjustment to the right-of-use assets. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in statement of profit and loss.

Lease liability payments are classified as cash used in financing activities in the statement of cash flows.

**The Company as a lessor**

Leases under which the Company is a lessor are classified as finance or operating leases. Lease contracts where all the risks and rewards are substantially transferred to the lessee, the lease contracts are classified as finance leases. All other leases are classified as operating leases.

For leases under which the Company is an intermediate lessor, the Company accounts for the head-lease and the sub-lease as two separate contracts. The sub-lease is further classified either as a finance lease or an operating lease by reference to the RoU asset arising from the head-lease.

#### **(vii) Impairment**

##### a) Financial assets (other than at fair value)

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The company recognises lifetime expected losses for all contract assets and/or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

##### b) Non-financial assets

The Company assesses long-lived assets such as property, plant, equipment and acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. If any such indication exists, the Company estimates the recoverable amount of the asset or group of assets. The recoverable amount of an asset or cash generating unit is the higher of its fair value less cost to sell (FVLCTS) and its value-in-use (VIU). If the recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs 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 recognized in the statement of profit and loss. If at the reporting date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the impairment losses previously recognized are reversed such that the asset is recognized at its recoverable amount but not exceeding written down value which would have been reported if the impairment losses had not been recognized initially.

#### **(viii) Employee benefits**

##### a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recorded as expense as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### b) Termination benefits

Termination benefits are expensed when the Company can no longer withdraw the offer of those benefits.

##### c) 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. The Company recognizes accumulated compensated absences based on actuarial valuation using the projected unit credit method. Non-accumulating compensated absences are recognized in the period in which the absences occur.

#### **(ix) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

## **(x) Revenue**

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

### **a) 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, 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.

## b) Products

Revenue from products are recognized when the significant risks and rewards of ownership have been transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **(xi) Finance Costs**

Finance costs comprise interest cost on borrowings, impairment losses recognized on financial assets, gains/ (losses) on translation or settlement of foreign currency borrowings and changes in fair value and gains/ (losses) on settlement of related derivative instruments. Borrowing costs that are not directly attributable to a qualifying asset are recognized in the statement of profit and loss using the effective interest method.

### **(xii) Other income**

Other income comprises interest income on loan given, gains/(losses) on disposal of financial assets that are measured at FVTPL, and debt instruments at FVTOCI. Interest income is recognized using the effective interest method.

### **(xiii) Income tax**

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to a business combination, or 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 as at the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and liability simultaneously.

#### 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 statement.

Deferred income tax assets are recognized to the extent 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 except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.



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.

The Company offsets deferred income tax assets and liabilities, where it has a legally enforceable right to offset current tax assets against current tax liabilities, and they relate to taxes levied by the same taxation authority on either the same taxable entity, or on different taxable entities where there is an intention to settle the current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

#### **(xiv) Earnings per share**

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of equity and dilutive equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive

#### **(xv) Cash flow statement**

Cash flows are reported using indirect method, whereby net profits after 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 operating, investing and financing activities of the Company are segregated.

#### **(xvi) Investment in Subsidiaries**

Investment in subsidiaries are measured at cost as per Ind AS 27 – Separate Financial Statement.

#### **New Accounting standards adopted by the Company:**

##### **Ind AS 116 – Lease**

On April 1, 2019, the Company has adopted Ind AS 116, Leases, which, applied to all lease contracts outstanding as at April 1, 2019, using modified retrospective method by recording the cumulative effect of initial application as an adjustment to opening retained earnings. The Company has made use of the following practical expedients available in its transition to Ind AS 116 -

- (a) The Company will not reassess whether a contract is or contains a lease. Accordingly, the definition of lease in accordance with Ind AS 17 will continue to be applied to lease contracts entered by the Company or modified by the Company before April 1, 2019.
- (b) The Company has applied a single discount rate to a portfolio of leases of similar assets in similar economic environment. Consequently, the Company has recorded its lease liability using the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the right-of- use asset at its carrying amount as if the standard had been applied since the commencement date of the lease but discounted using the incremental borrowing rate at the date of initial application
- (c) The Company excluded the initial direct costs from measurement of the RoU asset;
- (d) The Company does not recognize RoU assets and lease liabilities for leases with less than twelve months of lease term and low-value assets on the date of initial application.

**Rational Interaction Inc****Summary of significant accounting policies and other explanatory information**

(Amount in USD, unless otherwise stated)

**4. Property, plant and equipment**

	<b>As at '31st March 2020</b>			
	<b>Furniture &amp; Fixtures</b>	<b>Leasehold Improvements</b>	<b>Computers</b>	<b>Total</b>
<b>Gross Block (Cost)</b>				
<b>Opening as at 21st Feb 2020</b>	2,91,057	5,61,112	6,95,315	15,47,484
Additions on account of acquisition	-	-	29,379	29,379
Disposals	-	-	-	-
<b>Balance as at March 31 2020</b>	<b>2,91,057</b>	<b>5,61,112</b>	<b>7,24,694</b>	<b>15,76,863</b>
<b>Accumulated depreciation/ impairment:</b>				
<b>Opening as on 21st Feb 2020</b>	2,13,697	4,97,577	4,59,871	11,71,145
Depreciation	5,759	2,700	26,013	34,473
Disposals	-	-	-	-
<b>Balance as at March 31 2020</b>	<b>2,19,456</b>	<b>5,00,277</b>	<b>4,85,884</b>	<b>12,05,618</b>
<b>Net Block</b>				
<b>Balance as at March 31 2020</b>	<b>71,600</b>	<b>60,835</b>	<b>2,38,810</b>	<b>3,71,245</b>

**5. Right-of-use assets**

	<b>As at 31st March 2020</b>	
	<b>ROU Buidings</b>	<b>Total</b>
<b>Gross Block (Cost)</b>		
<b>Opening as at 21st Feb 2020</b>	23,23,498	<b>23,23,498</b>
Additions on account of acquisition	-	-
Disposals	-	-
<b>Balance as at March 31 2020</b>	<b>23,23,498</b>	<b>23,23,498</b>
<b>Accumulated depreciation/ impairment:</b>		
<b>Opening as at 21st Feb 2020</b>	-	-
Depreciation	96,031	<b>96,031</b>
Disposals	-	-
<b>Balance as at March 31 2020</b>	<b>96,031</b>	<b>96,031</b>
<b>Net Block</b>		
<b>Balance as at March 31 2020</b>	<b>22,27,467</b>	<b>22,27,467</b>

**Rational Interaction Inc****Summary of significant accounting policies and other explanatory information**

(Amount in USD, unless otherwise stated)

**6. Investments****Investments at Ammortised Cost****Equity Instruments**Investment in Rational Consulting Australia Pty Ltd  
Investment in subsidiary Rational Interaction Limited**As at '31st March 2020**

80

92

**171****7. Other financial assets****As at '31st March 2020**

Security Deposits

78,661

**78,661****8. Other non-current assets****As at '31st March 2020**

Prepaid Expenses

1,11,634

**1,11,634****9. Trade receivables****As at '31st March 2020****Unsecured**

Considered good

33,89,748

Considered doubtful

-

33,89,748

- Provision for doubtful

(38,944)

33,50,804

Add: With Group companies

3,89,891

**37,40,696****10. Cash and cash equivalents****As at '31st March 2020**

Balances with banks

- Current accounts

27,56,193

**27,56,193****11. Other current assets****As at '31st March 2020**

Prepaid Expenses

2,90,236

Employee advance

556

**2,90,792**

**Rational Interaction Inc****Summary of significant accounting policies and other explanatory information**

(Amount in USD, unless otherwise stated)

**12. Share Capital**

	<u>As at '31st March 2020</u>
<b>Issued, subscribed and fully paid-up capital</b>	
Ordinary Shares 16,350,000 equity shares of \$ 0.0001 each	1,635
<b>Total</b>	<b>1,635</b>

**Reconciliation of the number of shares**

	<u>As at '31st March 2020</u>
Opening number of equity shares	1,63,50,000.00
Equity shares issued	-
Closing number of equity shares	<u>1,63,50,000.00</u>

**Details of shareholders holding more than 5% of the total equity shares of the Company**

Name of the Shareholder	<u>As at '31st March 2020</u>	
	No. of Shares	% held
Wipro IT Services LLC	1,63,50,000	100.00

**Terms / Rights attached to equity shares**

The Company has only one class of equity shares having a par value of \$ 0.0001 each. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to shareholders approval in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the equity shareholders will be entitled to receive the remaining assets of the Company, after distributing of all preferential amounts, if any, in proportion to the number of equity shares held by the shareholders.

**13. Trade Payables**

	<u>As at '31st March 2020</u>
Payable to Others	17,22,860
Payable to Related parties	2,88,866
Prov for expense	24,14,486
	<b><u>44,26,212</u></b>

**14. Other financial liabilities - Current**

	<u>As at '31st March 2020</u>
Salary Payable	20,50,166
	<b><u>20,50,166</u></b>

**15. Other current liabilities**

	<u>As at '31st March 2020</u>
401 K Contribution	44,083
	<b><u>44,083</u></b>

**Rational Interaction Inc**  
**Summary of significant accounting policies and other explanatory information**  
(Amount in USD, unless otherwise stated)

**16.Revenue from operations**

	<b>For the period</b>
	<b>Feb 21, 2020 to March 31, 2020</b>
Sale of Services	52,32,615
<b>Total</b>	<b>52,32,615</b>

**Disaggregation of Revenues**

The table below presents disaggregated revenues from contracts with customers by business segment and contract-type. The Company believes that the below disaggregation best depicts the nature, amount, timing and uncertainty of revenue and cash flows from economic factors.

	<b>For the period</b>
	<b>Feb 21, 2020 to March 31, 2020</b>
<b>Revenue from Operations</b>	
Sale of Services	52,32,615
Sale of Products	-
	<b>52,32,615</b>
<b>Revenue by nature of contract</b>	
Fixed price and volume based	43,28,546
Time and materials	9,04,069
	<b>52,32,615</b>

**17.Other Income**

	<b>For the period</b>
	<b>Feb 21, 2020 to March 31, 2020</b>
Rental Income	33,770
Interest Income	296
Exchange rate fluctuation	(391)
<b>Total</b>	<b>33,675</b>

**18.Employee Benefit Expenses**

	<b>For the period</b>
	<b>Feb 21, 2020 to March 31, 2020</b>
Salaries and Wages	36,86,073
Staff welfare	1,98,746
<b>Total</b>	<b>38,84,819</b>

**19.Finance Costs**

	<b>For the period</b>
	<b>Feb 21, 2020 to March 31, 2020</b>
Interest expense on Lease liabilities	8,531
<b>Total</b>	<b>8,531</b>

**20.Other Expenses**

	<b>For the period</b>
	<b>Feb 21, 2020 to March 31, 2020</b>
Sub-contracting / technical fees / third party application	2,69,963
Insurance Expenses	3,977
Facility expenses	3,19,362
Communication	3,838
Rates & Taxes	11,285
Travel expenses	65,173
Provision/write off of bad debts	37,159
Recruitment	25,076
Legal and professional charges	1,62,422
Miscellaneous Expenses	36,529
<b>Total</b>	<b>9,34,785</b>

**21. Earnings per equity share**

	<b>For the period</b>
	<b>Feb 21, 2020 to March 31, 2020</b>
Profit attributable to equity holders of the Company	2,07,622
Weighted average number of equity shares - for basic and diluted	
EPS	1,63,50,000
<b>Basic earnings per share - Basic and diluted</b>	<b>0.01</b>

**22. Related Party Disclosure**

**a) Parties where control exists**

<b>Name</b>	<b>Relationship with the company</b>
Wipro IT Services LLC	Holding company
Rational Consulting Australia Pty Ltd	Wholly Owned Subsidiary
Rational Interaction Limited	Wholly Owned Subsidiary

**b) The company has following related party transactions**

<b>Particulars</b>	<b>Relationship</b>	<b>As at 31st March 2020</b>
<b>Sub contracting / technical fees</b>		
Rational Interaction Limited	Wholly Owned Subsidiary	1,38,938

**c) Balances with related parties as at year end:**

<b>Particulars</b>	<b>Relationship</b>	<b>As at 31st March 2020</b>
<b>Receivables</b>		
Rational Consulting Australia Pty Ltd	Wholly Owned Subsidiary	1,99,081
Wipro IT Services LLC	Holding company	1,90,810
<b>Payables</b>		
Rational Interaction Limited	Wholly Owned Subsidiary	2,88,866

**Rational Interaction Inc**  
**Summary of significant accounting policies and other explanatory information**  
(Amount in USD, unless otherwise stated)

**23. Fair Value Hierarchy**

Financial assets and liabilities include cash and bank balances in current accounts, trade receivables, unbilled receivables, and eligible current and non-current assets, long and short-term loans and borrowings, trade payable and eligible current liabilities and non-current liabilities. The fair value of financial assets and liabilities approximate their carrying amount largely due to the short-term nature of such assets and liabilities.

There are no financial assets or financial liabilities measured on fair value basis as at March 31, 2020. Accordingly, no fair value hierarchy disclosure has been included.

**24. Financial Instruments:**

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 2 and 3 to the financial statement.

**a. Financial assets and liabilities**

The carrying value of financial instruments by categories as at March 31, 2020 is as follows

Particulars	Amortised cost	Financial assets/liabilities at FVTPL	Financial assets/liabilities at FVTPL
<b>Assets:</b>			
Financial Asset			
Cash and cash equivalents	27,56,193	-	-
Trade receivables	37,40,696	-	-
Unbilled receivables	6,49,697	-	-
Investments	171	-	-
Other financial assets	78,661	-	-
<b>Total</b>	<b>72,25,418</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>			
Financial liabilities			
Trade payables	44,26,212	-	-
Other financial liabilities	20,50,166	-	-
Lease Liabilities	22,25,543	-	-
<b>Total</b>	<b>87,01,920</b>	<b>-</b>	<b>-</b>

**b. Exposure to credit risk**

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. To manage this, the Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly.

The Company has major revenue from Microsoft which accounts to 80% of total revenue. The Company expects to maintain this relationship with the customer. We perform ongoing credit evaluations of our customers' financial condition and do not anticipate non-performance by counterparties given their high creditworthiness.

**c. Liquidity risk**

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. Management monitors company's net liquidity position through rolling forecast on the basis of expected cash-flows.

**Maturities of financial liabilities**

The tables below analyze the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 March 2020	Less than 1 year	1 year to 5 years	5 years and above	Total
<b>Non-derivatives</b>				
Trade payables	44,26,212			44,26,212
Other financial liabilities	20,50,166			20,50,166
Lease Liabilities	8,63,354	13,62,189		22,25,543
<b>Total</b>	<b>73,39,732</b>	<b>13,62,189</b>	<b>-</b>	<b>87,01,920</b>

**d. Foreign currency exchange rate risk**

The fluctuation in foreign currency exchange rates may have potential impact on the statement of comprehensive income and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the entity. The Company is not exposed to foreign currency risk, interest rate risk and certain other price risk, which are a result from both its operating and investing activities as the Company's transactions are carried out in USD.

**Rational Interaction Inc**  
**Summary of significant accounting policies and other explanatory information**  
(Amount in USD, unless otherwise stated)

**25. Effective Tax Rate (ETR) reconciliation**

	<b>Year ended 31 March 2020</b>
Income tax expense in the Statement of Profit and Loss comprises of:	
Current tax	99,734
Deferred tax	-
	<b>99,734</b>

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized as below:

	<b>Year ended 31 March 2020</b>
Profit before income tax	3,07,356
Enacted tax rates in the US (%)	28.00%
Computed expected tax expense	86,060
Non-deductible expenses	13,674
<b>Tax expense as per financials</b>	<b>99,734</b>

There are no significant temporary differences or other adjustments which give rise to deferred tax assets or liabilities. In view of the carry forward losses under tax laws, deferred tax is recognized only when there is a convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be utilised by the entity.

**26. Capital Management**

For the purpose of the Company's capital management, capital includes issued capital, additional paid in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity.

- Equity includes equity share capital and all other equity components, which attributable to the equity holders
- Net Debt includes borrowings, less cash and cash equivalents.

In order to achieve the objective of maximising shareholders value, the Company's capital management, amongst other things, aims to manage its capital structure and makes adjustments in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the current year.

**27. Impact of Covid-19**

The Company basis its assessment believes that the probability of the occurrence of forecasted transactions is not impacted by COVID-19. However the impact of COVID-19 remains uncertain and may be different from what we have estimated as of the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

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

As per our report attached  
**For PKF Sridhar & Santhanam LLP**  
**Chartered Accountants**  
Firm Registration No.: 003990S/S200018

**For and on behalf of the Board of Directors of  
Rational Interaction Inc.**

**Sd/-**  
**Seethalakshmi M**  
Partner  
Membership No: 208545

**Sd/-**  
**Rajan Kohli**  
Director

**Sd/-**  
**Ashish Chawla**  
Director

Place: Bengaluru  
Date: 29th May 2020