

**Special purpose Financial Statements and Auditor's Report**

**DESIGNIT TOKYO LTD.**

**31 March 2021**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of Designit Tokyo Ltd

### **Report on the Audit of the Special Purpose Financial Statements**

#### **Opinion**

We have audited the accompanying special purpose financial statements of Designit Tokyo Ltd (“the Company”), which comprise the Balance Sheet as at 31 March 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as “the Special Purpose Financial Statements”). As explained in Note 2(i) to the Special Purpose Financial Statements, these Special Purpose Financial Statements include limited information and have been prepared by the Management of Wipro Limited (“the Parent”) solely for inclusion in the annual report of Wipro limited for the year ended 31 March 2021 under the requirements of section 129(3) of the Companies Act, 2013, in accordance with the accounting policies of the Parent and in compliance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (“Ind AS”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose 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 Act, of the state of affairs of the Company as at 31 March 2021, and loss 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 Special Purpose 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 special purpose 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 the Special Purpose 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 special purpose 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 special purpose financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose 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 special purpose 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 special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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/-

Signature

Seethalakshmi M

Partner

Membership No. 208545

UDIN: 21208545AAAAEW1771

Bengaluru

8 June 2021

**DESIGNIT TOKYO LTD.**  
**Balance Sheet as at 31 March 2021**

(Amount in JPY, unless otherwise stated)

	Note	As at 31 March 2021	As at 31 March 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	872,353	1,532,602
Right-of-use assets	5	18,157,717	1,043,968
Financial assets			
Other financial assets	8	8,580,000	9,775,500
Deferred tax assets (net)	24	-	16,799,365
<b>Total non-current assets</b>		<b>27,610,070</b>	<b>29,151,435</b>
<b>Current assets</b>			
Financial assets			
Trade receivables	6	53,317,378	62,363,327
Cash and cash equivalents	7	33,089,549	3,216,192
Unbilled receivables		250,015	-
Other financial assets	8	380,000	-
Current tax assets		495,573	6,814,400
Contract assets		11,249,985	-
Other current assets	9	958,014	1,288,644
<b>Total current assets</b>		<b>99,740,514</b>	<b>73,682,563</b>
<b>TOTAL ASSETS</b>		<b>127,350,584</b>	<b>102,833,998</b>
<b>EQUITY</b>			
Share capital	10	16,500,000	16,500,000
Other equity		(175,266,461)	(93,975,249)
<b>TOTAL EQUITY</b>		<b>(158,766,461)</b>	<b>(77,475,249)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	11	-	147,488,647
Lease liabilities	12	6,657,786	884,702
<b>Total non-current liabilities</b>		<b>6,657,786</b>	<b>148,373,349</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	11	226,927,113	-
Trade payables	13	29,407,367	23,922,290
Lease liabilities	14	11,988,279	179,529
Unearned revenues		250,000	-
Provisions	15	4,411,675	-
Other current liabilities	16	6,474,825	7,834,079
<b>Total current liabilities</b>		<b>279,459,259</b>	<b>31,935,898</b>
<b>TOTAL LIABILITIES</b>		<b>286,117,045</b>	<b>180,309,247</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>127,350,584</b>	<b>102,833,998</b>

Summary of significant accounting policies 1-3

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  
**DESIGNIT TOKYO LTD.**

Sd/-  
**Seethalakshmi M**  
Partner  
Membership No.: 208545  
Bengaluru  
8 June 2021

Sd/-  
**Kjersti Lund**  
Director

Sd/-  
**Joaquin Guirao**  
Director

**DESIGNIT TOKYO LTD.****Statement of Profit and Loss for the year ended 31 March 2021**

(Amount in JPY, unless otherwise stated)

	<u>Notes</u>	<u>Year ended 31 March 2021</u>	<u>Year ended 31 March 2020</u>
<b>INCOME</b>			
Income from operations	17	231,931,038	233,434,154
Other income	18	61,328	6,844,861
<b>Total Income</b>		<b><u>231,992,366</u></b>	<b><u>240,279,015</u></b>
<b>EXPENSES</b>			
Employee benefits expense	19	147,396,176	127,660,993
Finance costs	20	6,844,569	5,502,144
Depreciation and amortisation expense		12,853,794	1,748,275
Other expenses	21	129,389,674	98,485,889
<b>Total expenses</b>		<b><u>296,484,213</u></b>	<b><u>233,397,301</u></b>
<b>Profit/(Loss) before tax</b>		<b><u>(64,491,847)</u></b>	<b><u>6,881,714</u></b>
<b>Tax expense</b>			
Current tax:			
- Current Year		-	1,057,269
- Previous Year		-	(9,806,987)
Deferred tax	24	16,799,365	-
<b>Total tax expense</b>		<b><u>16,799,365</u></b>	<b><u>(8,749,718)</u></b>
<b>Profit/(Loss) for the year</b>		<b><u>(81,291,212)</u></b>	<b><u>15,631,432</u></b>
<b>Other comprehensive income (OCI)</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Total comprehensive income/(loss) for the year</b>		<b><u>(81,291,212)</u></b>	<b><u>15,631,432</u></b>
<b>Earnings per equity share: (Equity shares of par value JPY 500 each)</b>			
Basic and diluted	22	(2,463.37)	473.68
Summary of significant accounting policies	3		
<u>The accompanying notes are an integral part of these financial statements.</u>			

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  
DESIGNIT TOKYO LTD.**

**Sd/-**  
**Seethalakshmi M**  
Partner  
Membership No.: 208545  
Bengaluru  
8 June 2021

**Sd/-**  
**Kjersti Lund**  
Director

**Sd/-**  
**Joaquin Guirao**  
Director

**DESIGNIT TOKYO LTD.****Cash Flow Statement for the year ended 31 March 2021**

(Amount in JPY, unless otherwise stated)

	Year ended 31 March 2021	Year ended 31 March 2020
<b>Cash flows from operating activities:</b>		
Profit for the year	(81,291,212)	15,631,432
<b>Adjustments</b>		
(Gain) / loss on sale of property, plant and equipment, net	-	44,229
Depreciation and amortisation expense	12,853,794	1,748,275
Finance Costs	6,844,569	5,502,144
Income tax expense	16,799,365	(8,749,718)
Exchange Differences, net	17,393,686	(6,431,414)
Interest (income)/expenses	(61,328)	(233)
<b>Operating profit before working capital changes</b>	<b>(27,461,126)</b>	<b>7,744,715</b>
<b>Adjustments for working capital changes:</b>		
(Increase) / decrease in trade receivables	9,045,949	(19,056,374)
(Increase) / Decrease in unbilled receivables	(250,015)	-
(Increase) / Decrease in contract assets	(11,249,985)	2,196,216
(Increase) / decrease in loans & advances and other assets	1,146,130	489,945
(Decrease) / increase in trade payables, other liabilities	8,537,498	11,361,378
(Decrease)/ increase in unearned revenues	250,000	-
<b>Cash generated from operations</b>	<b>(19,981,549)</b>	<b>2,735,880</b>
Direct taxes (paid)	6,318,827	(23,615,869)
<b>Net cash generated from operating activities</b>	<b>(13,662,722)</b>	<b>(20,879,989)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(474,136)	(1,439,596)
Interest received	61,328	233
<b>Net cash generated from/(used in) investing activities</b>	<b>(412,808)</b>	<b>(1,439,363)</b>
<b>Cash flows from financing activities:</b>		
(Repayment) of loans & borrowings	61,471,327	(15,651,584)
Finance Costs	(6,271,116)	(5,242,455)
Repayment of lease liabilities	(11,251,324)	(73,798)
<b>Net cash generated from/(used in) financing activities</b>	<b>43,948,887</b>	<b>(20,967,837)</b>
<b>Net increase in cash and cash equivalents during the year (A+B+C)</b>	<b>29,873,357</b>	<b>(43,287,189)</b>
Cash and cash equivalents at the beginning of the year	3,216,192	46,503,381
<b>Cash and cash equivalents at the end of the year (refer note 7)</b>	<b>33,089,549</b>	<b>3,216,192</b>
<b>Components of cash and cash equivalents (note 7)</b>		
Balances with banks		
In current accounts	33,089,549	3,216,192

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

As per our report attached

**For PKF Sridhar & Santhanam LLP****Chartered Accountants**

Firm Registration No.: 003990S/S200018

Sd/-

**Seethalakshmi M**

Partner

Membership No.: 208545

Bengaluru

8 June 2021

**For and on behalf of the Board of Directors of  
DESIGNIT TOKYO LTD.**

Sd/-

**Kjersti Lund**

Director

Sd/-

**Joaquin Guirao**

Director

**DESIGNIT TOKYO LTD.****Statement of Changes in Equity for the year ended 31 March 2021**

(Amount in JPY, unless otherwise stated)

**A. Equity share capital**

Equity share capital	Balance as at 01 April 2019	Changes in equity share capital during the year	Balance as at 01 April 2020	Changes in equity share capital during the year	Balance as at 31 March 2021
Equity share capital of Face value JPY 500 each	16,500,000	-	16,500,000	-	16,500,000
	<b>16,500,000</b>	<b>-</b>	<b>16,500,000</b>	<b>-</b>	<b>16,500,000</b>

**B. Other equity**

Particulars	Retained Earnings	Total
<b>Balance as at 1 April 2019</b>	<b>(109,606,681)</b>	<b>(109,606,681)</b>
Profit for the year	15,631,432	15,631,432
Other comprehensive income for the year	-	-
<b>Balance as at 31 March 2020</b>	<b>(93,975,249)</b>	<b>(93,975,249)</b>
Profit/(loss) for the year	(81,291,212)	(81,291,212)
Other comprehensive income for the year	-	-
<b>Balance as at 31 March 2021</b>	<b>(175,266,461)</b>	<b>(175,266,461)</b>

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

Sd/-  
Seethalakshmi M  
Partner  
Membership No.: 208545  
Bengaluru  
8 June 2021

For and on behalf of the Board of Directors of  
DESIGNIT TOKYO LTD.

Sd/-  
Kjersti Lund  
Director

Sd/-  
Joaquin Guirao  
Director



## DESIGNIT TOKYO LTD.

### Summary of significant accounting policies and other explanatory information

(Amount in JPY unless otherwise stated)

#### 1. The Company overview

Design Tokyo Ltd is a subsidiary of Designit A/S ('the holding company'). The Company is incorporated in Japan and is engaged in design services. The functional Currency of the company is JPY and the reporting currency for these financial statements is JPY. 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.

#### Operational outlook

The Company has incurred net loss of JPY 64.49 million for the year ended 31 March 2021 and has accumulated losses amounting 175.26 million as on 31 March 2021. The financial statement has been prepared on the assumption that the Company will continue as a going concern, based on the continuing financial support by the shareholders / investors. Further, the Company and its holding Company has adequate liquid assets to support the operation of the Company for next year. Accordingly, the Company will be able to realise its assets and discharge its liabilities as recorded in these financial statements in the normal course of business.

#### 2. Statement of compliance

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.

The Standalone financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS'). 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.

##### (i) New amended standards and interpretations

- i. Ind AS 1 Presentation of Financial Statements - Substitution of the definition of term 'Material'
- ii. Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors - In order to maintain consistency with Ind AS 1, the respective changes have been made to Ind AS 8 also.
- iii. Ind AS 10 Events after the Reporting Period - Clarification on the disclosures requirements to be made in case of a material non- adjusting event.
- iv. Ind AS 34 Interim Financial Reporting - In order to maintain consistency with the amendments made in other Ind AS, respective changes have been made to Ind AS 34.
- v. Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets - Clarification on the accounting treatment for restructuring plans.
- vi. Ind AS 103 Business Combination - Detailed guidance on term 'Business' and 'Business Combination' along with providing an Optional test to identify concentration of Fair Value.
- vii. Ind AS 107 Financial Instruments: Disclosures - Clarification on certain disclosures to be made in respect of uncertainty arising from interest rate benchmark reforms.

- viii. Ind AS 109 Financial Instruments - Clarification on temporary exceptions from applying specific hedge accounting requirements along with providing guidance on transition for hedge accounting.
- ix. Ind AS 116 Leases - Clarification on whether rent concessions as a direct consequence of COVID- 19 pandemic can be accounted as lease modification or not.

None of the amendments has any material impact on the financial statements for the current year.

**(ii) Other amendments to the existing standards**

None

**(iii) New standards notified and yet to be adopted by the Company**

None

**Basis of preparation**

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.;

- Certain financial assets and Liabilities that are measured at fair value;
- Defined benefits plan – Plan assets measured at fair value

The financial statements are presented in Japanese yen (JPY), being the functional and presentation currency, being the currency of the primary economic environment in which the company operates.

**(iv) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed in line with the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **(v) Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

- An asset is current when it is:
  - Expected to be realized within twelve months after the reporting period, or within the normal operating cycle of the company.
  - Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

- A liability is current when:
  - It is expected to be settled in normal operating cycle.
  - It is due to be settled within twelve months after the reporting period, or
  - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### **(iv) Use of estimates and judgment**

The preparation of the financial statements 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 statements are included in the following notes:

**a) 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 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, 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 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 tax jurisdiction for the Company is Japan. 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 AS109, 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) Impact of Covid'19:** Kindly refer Note No. 29 for impact of Covid'19 on company's operations.

### **3. Significant accounting policies**

#### **(i) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which this entity operates (i.e. the “functional currency”). The functional currency of the company is JPY and these financial statements are also presented in JPY

## **(ii) Foreign currency transactions and translation**

Transactions in foreign currency are translated into the functional currency 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 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 expense. 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.

## **(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, finance lease receivables, employee and other advances, investments in equity and debt securities and eligible current and non-current assets;
- financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payables, 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 on hand and in banks and demand deposits with banks, which can be withdrawn at any time, without prior notice or penalty on the principal.

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. In the Balance Sheet, bank overdrafts are presented under borrowings within current liabilities.

### 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, unbilled revenues, cash and cash equivalents and other 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) Share capital and share premium

The authorized share capital of the Company as of March 31, 2021 and March 31, 2020 is 33000 Equity shares of 500 JPY per share. 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.

Every holder of the equity shares, as reflected in the records of the Company as of the date of the shareholder meeting shall have one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

##### b) Retained earnings

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

##### c) Foreign currency translation reserve

The exchange differences arising from the translation of financial statements 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 instruments measured at fair value through other comprehensive income and actuarial gains and losses on defined benefit plans are 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. Assets acquired under finance lease and leasehold improvements are amortized over the shorter of estimated useful life of the asset or the related lease term. Term licenses are amortized over their respective contract term. Freehold land is not depreciated. The estimated useful life of assets are reviewed and where appropriate are adjusted, annually. The estimated useful lives of assets are as follows:

Category	Useful life
Buildings	Useful Life or Lease Term whichever is lower
Furniture, fixtures and equipment	3 to 10 years
Office equipment.	2 to 7 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. Deposits & advances paid towards acquisition of fixed assets, outstanding at each balance sheet date are shown as capital advances under the head of other non-current assets.

#### **(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**

#### 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.

### **(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, business process services, 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 deposits, dividend income and gains / (losses) on disposal of financial assets that are measured at FVTPL, and debt instruments classified as FVTOCI. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

### **(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 statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

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, associates and foreign branches 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 adjusted for treasury shares held. 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 flow are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash from operating, investing and financing activities of the Company are segregated.

**DESIGNIT TOKYO LTD.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

**4 Property, plant and equipment**

Particulars	Building	Furniture and fixtures	Computers	Total
<b>Gross block (at cost)</b>				
<b>Balance as at 01 April 2019</b>	<b>2,178,700</b>	<b>1,428,300</b>	<b>4,523,329</b>	<b>8,130,329</b>
Additions	-	-	1,439,596	1,439,596
Disposals	-	-	661,348	661,348
<b>Balance as at 31 March 2020</b>	<b>2,178,700</b>	<b>1,428,300</b>	<b>5,301,577</b>	<b>8,908,577</b>
Additions	-	-	474,136	474,136
Disposals	-	-	-	-
<b>Balance as at 31 March 2021</b>	<b>2,178,700</b>	<b>1,428,300</b>	<b>5,775,713</b>	<b>9,382,713</b>
<b>Accumulated depreciation</b>				
<b>Balance as at 01 April 2019</b>	<b>1,742,960</b>	<b>904,640</b>	<b>3,674,780</b>	<b>6,322,380</b>
Depreciation charge	435,740	285,660	949,314	1,670,714
Disposals	-	-	617,119	617,119
<b>Balance as at 31 March 2020</b>	<b>2,178,700</b>	<b>1,190,300</b>	<b>4,006,975</b>	<b>7,375,975</b>
Depreciation charge	-	136,000	998,385	1,134,385
Disposals	-	-	-	-
<b>Balance as at 31 March 2021</b>	<b>2,178,700</b>	<b>1,326,300</b>	<b>5,005,360</b>	<b>8,510,360</b>
<b>Net block</b>				
<b>Balance as at 31 March 2020</b>	<b>-</b>	<b>238,000</b>	<b>1,294,602</b>	<b>1,532,602</b>
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>102,000</b>	<b>770,353</b>	<b>872,353</b>

**5 Right-of-use assets**

	ROU Assets	Total
<b>Gross block (at cost)</b>		
<b>Balance as at 1 Apr 2019</b>	-	-
Additions	1,121,529	1,121,529
Disposals	-	-
<b>Balance as at 31 March 2020</b>	<b>1,121,529</b>	<b>1,121,529</b>
Additions	28,833,158	28,833,158
Disposals	-	-
<b>Balance as at 31 March 2021</b>	<b>29,954,687</b>	<b>29,954,687</b>
<b>Accumulated depreciation</b>		
<b>Balance as at 1 Apr 2019</b>	-	-
Depreciation charge	77,561	77,561
Disposals	-	-
<b>Balance as at 31 March 2020</b>	<b>77,561</b>	<b>77,561</b>
Depreciation charge	11,719,409	11,719,409
Disposals	-	-
<b>Balance as at 31 March 2021</b>	<b>11,796,970</b>	<b>11,796,970</b>
<b>Net block</b>		
<b>Balance as at 31 March 2020</b>	<b>1,043,968</b>	<b>1,043,968</b>
<b>Balance as at 31 March 2021</b>	<b>18,157,717</b>	<b>18,157,717</b>

**DESIGNIT TOKYO LTD.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

	<u>As at</u> <u>31 March 2021</u>	<u>As at</u> <u>31 March 2020</u>
<b>6 Trade receivables</b>		
<b>Unsecured</b>		
Considered good	53,317,378	62,363,327
Credit impaired	-	-
	<u>53,317,378</u>	<u>62,363,327</u>
Less: allowance for credit impaired	-	-
	<u><u>53,317,378</u></u>	<u><u>62,363,327</u></u>
<b>7 Cash and cash equivalents</b>		
Balances with banks		
In current accounts	33,089,549	3,216,192
	<u>33,089,549</u>	<u>3,216,192</u>
<b>8 Other financial assets</b>		
<b>Non current</b>		
Security deposits	8,580,000	9,775,500
	<u>8,580,000</u>	<u>9,775,500</u>
<b>Current</b>		
Security deposits	380,000	-
	<u>380,000</u>	<u>-</u>
Security deposit has been reclassified from current to non current in the current year for correct presentation.		
<b>9 Other current assets</b>		
Prepaid expenses	958,014	1,288,644
	<u>958,014</u>	<u>1,288,644</u>
<b>10 Share capital</b>		
<b>Authorised capital</b>		
33,000 Equity Shares (Par Value of JPY 500 per share)	16,500,000	16,500,000
<b>Issued, subscribed and paid up share capital</b>		
33,000 Equity Shares (Par Value of JPY 500 per share)	16,500,000	16,500,000
	<u>16,500,000</u>	<u>16,500,000</u>
<b>a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:</b>		
Number of shares outstanding as at beginning of the year	33,000	33,000
Number of shares issued during the year	-	-
Number of shares outstanding as at the end of the year	<u>33,000</u>	<u>33,000</u>
<b>b) Details of shareholders holding more than 5% shares in the company</b>		
<b>Name of shareholders</b>		
Designit A/S		
No of Shares	33,000	33,000
% of the holding	100%	100%
<b>c) Terms / Rights attached to equity shares</b>		

The Company has only one class of equity shares having a par value of JPY 500 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pay dividends in Japanese Yen. The dividend proposed by the Board of Directors is subject to shareholders approval in the ensuing Annual General Meeting.

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.

**DESIGNIT TOKYO LTD.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

**11 Borrowings**

	<u>As at</u> <u>31 March 2021</u>	<u>As at</u> <u>31 March 2020</u>
<b>Non-current (unsecured)</b>		
From related party*	-	147,488,647
	<u>-</u>	<u>147,488,647</u>
<b>Current (secured)</b>		
From related party*	226,927,113	-
	<u>226,927,113</u>	<u>-</u>

\* Includes dues to related parties (refer note 23). The loan carry an interest rate of approx 3.2%.

**12 Lease Liabilities****Non-current**

Lease liabilities	6,657,786	884,702
	<u>6,657,786</u>	<u>884,702</u>

**13 Trade payables**

Trade payables	1,695,624	1,622,363
Balance with related parties*	27,711,743	22,299,927
	<u>29,407,367</u>	<u>23,922,290</u>

\* Includes dues to related parties (refer note 23).

**14 Lease liabilities****Current**

Lease liabilities	11,988,279	179,529
	<u>11,988,279</u>	<u>179,529</u>

**15 Provisions****Provision for employee benefits**

Compensated absences	4,411,675	-
	<u>4,411,675</u>	<u>-</u>

**16 Other current liabilities**

Statutory and other liabilities	6,474,825	7,834,079
	<u>6,474,825</u>	<u>7,834,079</u>

**DESIGNIT TOKYO LTD.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

**17 Revenue from operations**

	Year ended <b>31 March 2021</b>	Year ended <b>31 March 2020</b>
Sale of Services	231,931,038	233,434,154
	<b>231,931,038</b>	<b>233,434,154</b>

**Disclosure required as per Ind AS 115 - 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.

**Revenue from Operations**

Sale of Services	231,931,038	233,434,154
	<b>231,931,038</b>	<b>233,434,154</b>

**Revenue by nature of contract**

Fixed price and volume based	231,931,038	233,434,154
	<b>231,931,038</b>	<b>233,434,154</b>

**18 Other income**

Interest income	61,328	233
Others	-	6,844,628
	<b>61,328</b>	<b>6,844,861</b>

**19 Employee benefits**

Salaries and bonus	139,505,052	119,150,779
Compensated absences	4,411,675	-
Staff welfare Expenses	3,479,449	8,510,214
	<b>147,396,176</b>	<b>127,660,993</b>

**20 Finance costs**

Interest expenses on borrowings	6,448,059	5,502,144
Interest on lease liabilities	396,510	-
	<b>6,844,569</b>	<b>5,502,144</b>

**21 Other expenses**

Sub-contracting / technical fees / third party application	97,740,476	67,027,506
Travel	1,923,051	10,257,073
Facility expenses	2,268,715	14,022,795
Communication	2,890,289	2,386,718
Legal and professional charges	3,821,059	4,449,791
Marketing and brand building	204,741	297,777
Loss on sale of fixed assets	-	44,229
Exchange rate fluctuation	20,541,343	-
	<b>129,389,674</b>	<b>98,485,889</b>

**22 Earning per share (EPS)**

Net profit for the year attributable to equity shareholders	(81,291,212)	15,631,432
Weighted average number of equity shares	33,000	33,000
Earnings per share		
Basic and diluted	(2,463.37)	473.68
Nominal value - per equity share	500	500



**DESIGNIT TOKYO LTD.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

**23 Related party disclosure****a Parties where control exists:**

<b>Name</b>	<b>Relationship</b>	<b>Country of Incorporation</b>
Designit A/S	Holding Company	Denmark
Wipro Limited	Ultimate Holding Company	India
Designit Sweden AB	Fellow Subsidiary	Sweden
Designit Spain Digital S.L.	Fellow Subsidiary	Spain
Designit North America Inc.	Fellow Subsidiary	USA
Designit Denmark A/S	Fellow Subsidiary	Denmark
Designit A/S (Australia & New Zealand)	Fellow Subsidiary	Australia
Designit Germany GmbH	Fellow Subsidiary	Germany
Designit TLV Ltd	Fellow Subsidiary	Israel
Designit A/S (Dubai AS)	Fellow Subsidiary	Dubai

**b The Company has the following related party transactions:**

<b>Particulars</b>	<b>Relationship</b>	<b>Year ended 31 March 2021</b>	<b>Year ended 31 March 2020</b>
<b>Sale of services</b>			
Wipro Limited	Ultimate Holding Company	-	19,257,324
Designit A/S (Australia & New Zealand)	Fellow Subsidiary	1,923,254	-
<b>Subcontracting &amp; Technical Fees</b>			
Wipro Limited	Ultimate Holding Company	3,058,689	-
Designit A/S	Holding Company	19,999,990	15,234,940
Designit Sweden AB	Fellow Subsidiary	-	15,920,226
Designit Spain Digital S.L.	Fellow Subsidiary	45,068,927	5,699,335
Designit North America Inc.	Fellow Subsidiary	1,290,318	227,563
Designit A/S (Australia & New Zealand)	Fellow Subsidiary	8,570,916	2,331,540
Designit Germany GmbH	Fellow Subsidiary	9,838,045	18,894,917
Designit TLV Ltd	Fellow Subsidiary	-	2,567,470
Designit A/S (Dubai AS)	Fellow Subsidiary	8,356,622	-
<b>Interest Expense</b>			
Designit A/S	Holding Company	5,909,964	4,803,445

**c Balances with related parties as at year end are summarised below:**

<b>Particulars</b>	<b>Relationship</b>	<b>Year ended 31 March 2021</b>	<b>Year ended 31 March 2020</b>
<b>Payable:</b>			
Designit A/S	Holding Company	8,760,917	3,662,477
Designit Spain Digital S.L.	Fellow Subsidiary	7,178,300	3,750,501
Designit North America Inc.	Fellow Subsidiary	781,104	218,306
Designit Germany GmbH	Fellow Subsidiary	855,318	6,264,089
Designit Sweden AB	Fellow Subsidiary	-	8,404,554
Designit A/S (Australia & New Zealand)	Fellow Subsidiary	4,946,494	-
Designit A/S (Dubai AS)	Fellow Subsidiary	5,189,610	-
<b>Borrowing payable</b>			
Designit A/S	Holding Company	226,927,113	147,488,647

## DESIGNIT TOKYO LTD.

### Summary of significant accounting policies and other explanatory information

(Amount in JPY, unless otherwise stated)

#### 24 Effective Tax Rate (ETR) reconciliation

	Year ended 31 March 2021	Year ended 31 March 2020
Income tax expense in the Statement of Profit and Loss		
comprises of:		
Current tax	-	(8,749,718)
Deferred tax	16,799,365	-
	<u>16,799,365</u>	<u>(8,749,718)</u>

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:

	Year ended 31 March 2021	Year ended 31 March 2020
Profit before income tax	(64,491,847)	6,881,714
Enacted tax rates in the Japan (%)	32.46%	32.46%
Computed expected tax expense	-	2,234,080
On account of tax adjustments	-	(1,176,811)
Reversal of Provision for last year	-	(9,806,987)
Reversals of deferred tax assets	16,799,365	-
<b>Tax expense as per financials</b>	<u>16,799,365</u>	<u>(8,749,718)</u>

The components of deferred tax assets and liabilities are as follows

	Year ended 31 March 2021	Year ended 31 March 2020
Business losses	-	16,799,365
<b>Amounts presented in the balance sheet</b>		
Deferred tax assets	-	16,799,365
Deferred tax liabilities	-	-

#### 25 Fair value measurements

##### (i) Financial instruments by category

The carrying value and fair value of financial instruments by categories as of 31 March 2021 were as follows:

Particulars		Amortised cost	Financial assets/liabilities at FVTPL	Financial assets/liabilities at FVTOCI
<b>Assets:</b>				
Financial asset				
Cash and cash equivalents	7	33,089,549	-	-
Trade receivables	6	53,317,378	-	-
Unbilled revenue		250,015		
Other financial asset	8	380,000	-	-
<b>Total</b>		<u>87,036,942</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>				
Financial liabilities				
Trade payables	13	29,407,367	-	-
Borrowings	11	226,927,113	-	-
Lease liabilities	12 & 14	18,646,065	-	-
<b>Total</b>		<u>274,980,545</u>	<u>-</u>	<u>-</u>

The carrying value and fair value of financial instruments by categories as at 31 March 2020 were as follows:

Particulars		Amortised cost	Financial assets/liabilities at FVTPL	Financial assets/liabilities at FVTOCI
<b>Assets:</b>				
Financial asset				
Cash and cash equivalents	7	3,216,192	-	-
Trade receivables	6	62,363,327	-	-
Other financial asset	8	9,775,500	-	-
<b>Total</b>		<u>75,355,019</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>				
Financial liabilities				
Trade payables	13	23,922,290	-	-
Borrowings	11	147,488,647	-	-
Lease liabilities	12 & 14	1,064,231	-	-
<b>Total</b>		<u>172,475,168</u>	<u>-</u>	<u>-</u>

## DESIGNIT TOKYO LTD.

### Summary of significant accounting policies and other explanatory information

(Amount in JPY, unless otherwise stated)

#### Notes to financial instruments

(i) The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables, borrowings and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

#### (ii) Fair value of financial assets and liabilities measured at amortised cost

The management assessed that for amortised cost instruments, fair value approximate largely to the carrying amount.

#### (iii) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for financial instruments.

Level 2: the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data relying as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 26 Financial risk management

The Company's principal financial liabilities, comprises of trade and other payables. The Company's principal financial assets include trade receivables, and cash and bank balances and other balances that derive directly from its operations.

Kindly refer Note No. 29 for impact of Covid'19 on company's operations.

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk. Financial instruments affected by market risk include trade and other receivables/ payables. 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 JPY and it does not hold any investments or financial instruments in currency other than JPY.

#### (b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

#### i) Cash and cash equivalents

Credit risk from balances with banks is managed in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components as at the Balance sheet date are the carrying amounts as furnished in Note 7.

#### ii) Trade receivables

Customer Credit Risk is managed as per Company's established policy, procedures and controls relating to customer credit risk management which interalia involves obtaining credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the company grants credit terms in normal course of business.

Below table depicts the customers which accounted more than 10% of the 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.

Customers	31 March 2021	31 March 2020
Avatarin	15%	0%
Mitsubishi Real Estate	11%	13%
Sumitomo Mitsui Financial Group, Inc.	17%	0%
Tokyo Kaijo Nichido	0%	15%
Konica Minolta	0%	18%
Honda - Life Creation	0%	21%

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**DESIGNIT TOKYO LTD.****Summary of significant accounting policies and other explanatory information**

(Amount in JPY, unless otherwise stated)

**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 2021	Less than 1 year	1 year to 5 years	5 years and above	Total
<b>Non-derivatives</b>					
Borrowings		226,927,113	-	-	226,927,113
Trade payables		29,407,367	-	-	29,407,367
Lease liabilities		11,988,279	6,657,786	-	18,646,065
		<u>268,322,759</u>	<u>6,657,786</u>	<u>-</u>	<u>274,980,545</u>

	31 March 2020	Less than 1 year	1 year to 5 years	5 years and above	Total
<b>Non-derivatives</b>					
Borrowings		-	147,488,647	-	147,488,647
Trade payables		23,922,290	-	-	23,922,290
Lease liabilities		179,529	884,702	-	1,064,231
		<u>8,396,542</u>	<u>169,328,456</u>	<u>-</u>	<u>172,475,168</u>

**D. Interest rate risk**

The Company's variable rate borrowing is subject to interest rate risk. Below is the overall exposure of the borrowing:

Particulars	31 March 2021	31 March 2020
Variable rate borrowing	-	-
Fixed rate borrowing	226,927,113	147,488,647
<b>Total</b>	<u>226,927,113</u>	<u>147,488,647</u>

**27. 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 as below:

Particulars	Note	As at	
		31 March 2021	31 March 2020
Borrowings	Financial liability	226,927,113	147,488,647
Less: cash and cash equivalents	Financial asset	33,089,549	3,216,192
<b>Net debt</b>		<u>193,837,564</u>	<u>144,272,455</u>
Equity share capital	Equity	16,500,000	16,500,000
Other equity	Equity	(175,266,461)	(93,975,249)
<b>Total capital</b>		<u>(158,766,461)</u>	<u>(77,475,249)</u>
<b>Gearing ratio</b>		(1.22)	(1.86)

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 and previous years.

**28. Events occurring after the reporting date**

No adjusting or significant non-adjusting events have occurred between 31 March 2021 and the date of authorization of these standalone financial statements.

**29 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

Sd/-  
**Seethalakshmi M**  
 Partner  
 Membership No.: 208545  
 Bengaluru  
 8 June 2021

**For and on behalf of the Board of Directors of**  
**DESIGNIT TOKYO LTD.**

Sd/-  
**Kjersti Lund**  
 Director

Sd/-  
**Joaquin Guirao**  
 Director