Independent Auditor's Report

To the Members of Quick Heal Technologies Japan KK

Report on the standalone Ind AS financial statements

We have audited the accompanying standalone financial statements of Quick Heal Technologies Japan KK ('the Company'), which comprise the balance sheet as at 31 March 2018, the statement of profit and loss (including other comprehensive income), the statement of cash flow and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the standalone Ind AS financial statements

The Company's Board of Directors is responsible for the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records 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.

Auditor's responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account requirements of Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

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Opinion

In our opinion and to the best of our information and according to the explanations given to me, the aforesaid standalone financial statements give the information in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31 March 2018 and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year then ended.

For A T S & CO
Chartered Accountants
Firm's Registration No: 145602W

Silani

Shweta Milani
Partner
Membership No. 169376

A T S & CO ★ FRN 145602W ★ Chartered Accountants

Date: 10 MAY 2018
Place: Pune

Quick Heal Technologies Japan KK
Balance sheet as at 31 March 2018
(Amounts in YEN unless otherwise stated)

	Particulars	Notes	As at 31 March 2018	As at 31 March 2017
	ASSETS			
(1)	**Non-current assets**			
	(a) Property, plant and equipment	3	505,976	599,146
	(b) Intangible assets	3	407,874	471,172
			913,850	**1,070,318**
(2)	**Current assets**			
	(a) Inventories	4	30,742,814	27,181,733
	(b) Financial assets			
	(i) Trade receivables	5	3,156,915	1,739,719
	(ii) Cash and cash equivalents	6	16,516,369	18,140,998
	(iii) Loans	7	972,700	732,160
	(iv) Others	8	720,000	2,160,000
	(c) Other current assets	9	1,635,740	312,196
			53,744,538	**50,266,806**
	Total assets		**54,658,388**	**51,337,124**
	EQUITY AND LIABILITIES			
	Equity			
	(a) Equity share capital	10	200,000,000	180,000,000
	(b) Other equity	11	(164,205,410)	(134,100,739)
			35,794,590	**45,899,261**
	Liabilities			
(1)	**Current liabilities**			
	(a) Financial liabilities			
	(i) Trade and other payables	12	15,629,480	3,692,556
	(b) Other current liabilities	13	2,245,018	745,307
	(c) Current tax liabilities (net)		989,300	1,000,000
			18,863,798	**5,437,863**
	Total equity and liabilities		**54,658,388**	**51,337,124**
	Summary of significant accounting policies	2		

The accompanying notes are an integral part of these financial statements

As per our report of even date
For A T S & CO
Chartered Accountants
FRN 145602W

A T S & CO FRN 145602W Chartered Accountants

Shweta Milani
Partner
Membership Number: 169376
Place: Pune
Date: 10 MAY 2018

For and on behalf of the Board of directors
Quick Heal Technologies Japan KK

Kailash Katkar
Director
DIN: 00397191
Place: Pune
Date: 10 MAY 2018

A T S & CO FRN 145602W Chartered Accountants

Quick Heal Technologies Japan KK

Statement of profit and loss for the period ended 31 March 2018

(Amounts in YEN unless otherwise stated)

	Particulars	Note	Year ended	
			31 March 2018	31 March 2017
(I)	Revenue from operations	14	43,537,355	13,852,665
(II)	Other income	15	216,062	2,707,726
(III)	**Total income**		**43,753,417**	**16,560,391**
(IV)	**Expenses**			
	Cost of materials consumed	16	636,601	5,657,558
	Purchase of stock-in-trade	17	26,811,686	8,298,775
	Changes in inventories of stock-in-trade	18	(4,197,682)	4,005,182
	Employee benefits expense	19	35,041,982	37,522,489
	Finance cost	20	235,157	70,724
	Depreciation and amortisation expense	3	156,468	232,621
	Other expenses	21	13,902,377	14,185,617
	Total expenses		**72,586,588**	**69,972,966**
(V)	Loss before exceptional items and tax (I- IV)		(28,833,171)	(53,412,575)
(VI)	Exceptional items		-	-
(VII)	Loss before tax (V-VI)		(28,833,171)	(53,412,575)
(VIII)	Less : Tax expense	22		
	(1) Current tax		1,271,500	1,000,000
	(2) Deferred tax			-
(IX)	**Loss for the period from operations (VII-VIII)**		**(30,104,671)**	**(54,412,575)**
(X)	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss (net of tax)		-	-
	Items that will be reclassified to profit or loss (net of tax)		-	-
	Total other comprehensive income (net of tax)		-	-
(XI)	**Total comprehensive income for the period (IX+X) (Comprising loss and other comprehensive income for the period)**		**(30,104,671)**	**(54,412,575)**
(XII)	Earnings per equity share (for continuing and discontinued operation): [nominal value of share YEN 50,000]	23		
	(1) Basic		(7,918.86)	(19,892.68)
	(2) Diluted		(7,918.86)	(19,892.68)
	Summary of significant accounting policies	2		

The accompanying notes are an integral part of these financial statements

As per our report of even date
For A T S & CO
Chartered Accountants
FRN 145602W

Shweta Milani
Partner
Membership Number: 169376
Place: Pune
Date: 10 MAY 2018

A T S & CO FRN 145602W Chartered Accountants

For and on behalf of the Board of directors
Quick Heal Technologies Japan KK

Kailash Katkar
Director
DIN: 00397191
Place: Pune
Date: 10 MAY 2018

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Quick Heal Technologies Japan KK

Cash flow statement for the period ended 31 March 2018

(Amounts in YEN unless otherwise stated)

Particulars	Year ended	
	31 March 2018	31 March 2017
A. Cash flow from operating activities		
Profit before tax for the period	(28,833,171)	(53,412,575)
Adjustments to reconcile profit for the year to net cash generated from operating activities:		
Depreciation and amortisation expense	156,468	232,621
Operating profit before working capital changes	**(28,676,704)**	**(53,179,954)**
Changes in operating assets and liabilities		
(Increase) / decrease in trade receivables	(1,417,196)	8,286,945
(Increase) / decrease in inventories	(3,561,081)	2,603,580
(Increase) / decrease in loans	(240,539)	140,000
(Increase) / decrease in other financial assets	1,440,000	(2,160,000)
(Increase) / decrease in other current assets	(1,323,544)	(123,378)
Increase / (decrease) in trade and other payables	11,936,924	(41,725,898)
Increase / (decrease) in other current liabilities	1,499,711	738,160
Cash generated from operating activities	**(20,342,429)**	**(85,420,545)**
Income tax paid	(1,282,200)	(180,000)
Net cash (used in) operating activities (A)	**(21,624,629)**	**(85,600,545)**
Cash flows from investing activities		
Purchase of property, plant and equipment		(200,360)
Increase in intangibles under development	-	-
Net cash (used in) investing activities (B)	-	**(200,360)**
Cash flows from financing activities		
Proceeds from issue of equity share capital	20,000,000	89,650,000
Proceeds from / (repayment of) short-term borrowings (net)		(12,341,972)
Net cash generated from financing activities (C)	**20,000,000**	**77,308,028**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**(1,624,629)**	**(8,492,877)**
Cash and cash equivalents at the beginning of the period	18,140,998	26,633,875
Cash and cash equivalents at the end of the period	**16,516,369**	**18,140,998**
Components of cash and cash equivalents		
Cash on hand	20,434	7,082
Balances with banks		
- On current account	16,495,935	18,133,916
Total cash and cash equivalents	**16,516,369**	**18,140,998**
Summary of significant accounting policies - Refer note 2		

The accompanying notes are an integral part of these financial statements

As per our report of even date

For A T S & CO

Chartered Accountants

FRN 145602W

Shweta Milani

Partner

Membership Number: 169376

Place: Pune

Date: 10 MAY 2018

For and on behalf of the Board of directors

Quick Heal Technologies Japan KK

Kailash Katkar

Director

DIN: 00397191

Place: Pune

Date: 10 MAY 2018

Quick Heal Technologies Japan KK
Statement of changes in equity for the period ended 31 March 2018
(Amounts in YEN unless otherwise stated)

A. Equity share capital

Balance as at 1 April 2016	Changes in equity share capital during the period	Balance as at 31 March 2017
90,350,000	89,650,000	180,000,000

Balance as at 1 April 2017	Changes in equity share capital during the period	Balance as at 31 March 2018
180,000,000	20,000,000	200,000,000

B. Other equity

Particulars	Reserves and surplus	Total
	Retained earnings	
Balance as at 1 April 2016	**(79,688,164)**	**(79,688,164)**
Loss for the year	(54,412,575)	(54,412,575)
Other comprehensive income for the year	-	-
Balance as at 31 March 2017	**(134,100,739)**	**(134,100,739)**
Balance as at 1 April 2017	**(134,100,739)**	**(134,100,739)**
Loss for the year	(30,104,671)	(30,104,671)
Other comprehensive income for the year	-	-
Balance as at 31 March 2018	**(164,205,410)**	**(164,205,410)**

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Quick Heal Technologies Japan KK
Notes to the financial statements for the year ended 31 March 2018
(Amounts in YEN unless otherwise stated)

1 Company overview

1.1 General information

Quick Heal Technologies Japan KK (the "Company") is a wholly owned foreign subsidiary Company domiciled in Japan and incorporated in April 2012. The Company is engaged in the business of providing Internet Security solutions. The Company caters to both domestic markets. The Company is wholly owned subsidiary of Quick Heal Technologies Limited.

The principal place of business and registered address of the Company is Shinkawa 1-2-8, Chu-ku, Tokyo, Japan.

The financial statements for the year ended 31 March 2018 were authorised for issue by the Director on 10 May 2018.

1.2 Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments. The accounting policies are consistently applied by the Company during the period and are consistent with those used in previous year except for the changes in accounting policies required to be made on adoption of Indian Accounting Standards notified under the Companies Act, 2013.

1.3 Statement of compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

2 Summary of significant accounting policies

(a) Use of estimates

The preparation of the financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the end of the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and directly attributable costs of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of property, plant and equipment that are not ready to be put to use.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it is probable that future economic benefits associated with the item will flow to the Company. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from disposal of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

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(c) Intangible assets

Intangible assets including software licenses of enduring nature and contractual rights acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(d) Depreciation and amortization

Depreciation on Property, Plant and Equipment is provided using the Written Down Value Method ('WDV') over the useful lives of the assets estimated by the management. Intangible assets are amortized on a straight line basis over their estimated useful lives commencing from the day the asset is made available for use.

The Company has used the following rates to provide depreciation on its fixed assets.

Assets	Rates
Furniture and fixtures	12.00%
Office equipment	14.20-18.50%
Computers	21.90%

(e) Impairment of property, plant and equipment and other intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors.

An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(f) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified as:

- Financial assets at amortized cost

Financial assets that are held within a business model whose objective is to hold assets for collecting contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance income in the statement of profit and loss.

- Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets and the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value. Fair value movements are recognized in other comprehensive income.

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- Financial assets at fair value through profit or loss (FVTPL)

Any financial asset which does not meet the criteria for categorization as financial instruments at amortized cost or as FVTOCI, is classified as financial instrument at FVTPL. Financial instruments included within the FVTPL category are subsequently measured at fair value with all changes recognized in the statement of profit and loss.

ii) Financial liabilities
Initial recognition and measurement

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

- Financial liabilities at amortized cost

Financial liabilities such as loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance costs in the statement of profit and loss.

- Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss if the recognition criteria as per Ind AS 109 are satisfied. Gains or losses on liabilities held for trading are recognized in statement of profit and loss. Fair value gains or losses on liabilities designated as FVTPL attributable to changes in own credit risk are recognized in other comprehensive income. All other changes in fair value of liabilities designated as FVTPL are recognized in the statement of profit and loss. The Company has not designated any financial liability as at FVTPL.

iii) Impairment
Financial assets

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on financial assets measured at amortized cost and financial assets that are debts instruments and are measured at fair value through other comprehensive income (FVTOCI). ECL is the difference between contractual cash flows that are due and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For trade receivables, the Company recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

(g) Foreign currency translation

The Company presents the financial statements in Japanese yen (YEN) which is also the functional currency.

Initial recognition

Foreign currency transactions are recorded in the functional currency of the Company, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the values were determined.

Exchange differences

Exchange differences arising on conversion / settlement of foreign currency monetary items and on foreign currency liabilities are recognized as income or expenses in the year in which they arise.

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(h) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of internet security products

Revenue from sales of internet security products is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of the goods to its customers.

(i) Inventories

Cost of inventories have been computed to include all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Traded goods are valued at lower of cost and net realizable value. Cost included cost of purchase and other costs incurred in bringing the inventories to present location and condition. Cost is determined on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(j) Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable temporary differences, except deferred tax liability arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, except deferred tax assets arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized only to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets can be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside the statement of profit and loss is recognized in co-relation to the underlying transaction either in other comprehensive income or directly in equity.

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(k) Leases

Where the Company is lessee

Operating lease:

Lease arrangements under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease rental under operating lease are recognised in the statement of profit and loss on a straight line basis.

(l) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences (which cannot be carried forward) such as paid annual leave, overseas social security contributions and performance incentives.

(m) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, are adjusted for the effects of all dilutive potential equity shares.

(n) Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(p) Cash & cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(q) Standards issued but not yet effective

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i) Ind AS 115 - Revenue from Contracts with Customers

Ind AS 115 is effective for annual periods beginning on or after 1 April 2018. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligation; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has evaluated the requirements of Ind AS 115 and there are no significant impact on the financial statements.

ii) Amendments to Ind 112 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in Ind AS 112

The amendments clarify that the disclosure requirements in Ind AS 112, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
As the Company has not included in disposal group/classified as held for sale any of its subsidiary, joint ventures or associate. Accordingly, the amendments in Ind AS 112 will not have any impact on the Company.

iii) Amendments to Ind AS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.
These amendments are effective for annual periods beginning on or after April 1, 2018. These amendments are not expected to have any impact on the Company as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

iv) Transfers of Investment Property — Amendments to Ind AS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.
Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with Ind AS 8 is only permitted if it is possible without the use of hindsight.
The amendments are effective for annual periods beginning on or after April 1, 2018. The Company will apply amendments when they become effective. Since the Company does not have any such transaction, this amendment does not have any effect of the financial statements of the Company.

v) Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.
Entities may apply the Appendix requirements on a fully retrospective basis. Alternatively, an entity may apply these requirements prospectively to all assets, expenses and income in its scope that are initially recognised on or after:
(i) The beginning of the reporting period in which the entity first applies the Appendix, or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Appendix.
The Appendix is effective for annual periods beginning on or after April 1, 2018. Since the Company does not have any such transaction, this amendment does not have any effect of the financial statements of the Company.

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Quick Heal Technologies Japan KK

Notes to the financial statements for the year ended 31 March 2018

(Amounts in YEN unless otherwise stated)

Note 3: Property, plant and equipment and other intangible assets

Particulars	Property, plant and equipment				Intangible assets	
	Office equipment	Furniture and fixtures	Computers	Total	Patent	Total
Gross block						
As at 1 April 2016	247,042	299,657	-	546,699	-	-
Additions during the period	47,480	-	152,880	200,360	632,980	632,980
Disposals during the period	-	-	-	-	-	-
As at 31 March 2017	**294,522**	**299,657**	**152,880**	**747,059**	**632,980**	**632,980**
As at 1 April 2017	294,522	299,657	152,880	**747,059**	632,980	**632,980**
Additions during the period						
Disposals during the period						
As at 31 March 2018	**294,522**	**299,657**	**152,880**	**747,059**	**632,980**	**632,980**
Accumulated depreciation and amortisation						
As at 1 April 2016	38,892	38,208	-	77,100	-	-
Charge for the period	32,496	31,374	6,943	70,813	161,808	161,808
Depreciation on deletions	-	-		-	-	-
As at 31 March 2017	**71,388**	**69,582**	**6,943**	**147,913**	**161,808**	**161,808**
As at 1 April 2017	71,388	69,582	6,943	147,913	161,808	161,808
Charge for the period	33,600	27,609	31,960	93,170	63,298	63,298
Depreciation on deletions						
As at 31 March 2018	**104,988**	**97,191**	**38,903**	**241,083**	**225,106**	**225,106**
Net block						
As at 31 March 2018	**189,534**	**202,466**	**113,977**	**505,976**	**407,874**	**407,874**
As at 31 March 2017	**223,134**	**230,075**	**145,937**	**599,146**	**471,172**	**471,172**

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Notes to the financial statements for the year ended 31 March 2018

(Amounts in YEN unless otherwise stated)

Note 4: Inventories

Particulars	As at	
	31 March 2018	31 March 2017
Raw materials - Internet security devices	2,290,495	2,927,096
Finished goods - Internet security softwares	28,452,319	24,254,637
Total	**30,742,814**	**27,181,733**

Note 5: Trade receivables

Particulars	As at	
	31 March 2018	31 March 2017
Unsecured, considered good	3,156,915	1,739,719
Total	**3,156,915**	**1,739,719**

Note: No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Note 6: Cash and cash equivalents

Particulars	As at	
	31 March 2018	31 March 2017
Balances with banks:		
- On current account	16,495,935	18,133,916
Cash on hand	20,434	7,082
Total	**16,516,369**	**18,140,998**

Note 7: Loans

Particulars	As at	
	31 March 2018	31 March 2017
Security deposits	912,700	732,160
Rental deposit for employees	60,000	-
Total	**972,700**	**732,160**

Note 8: Other financial assets

Particulars	As at	
	31 March 2018	31 March 2017
Rent recoverable	720,000	2,160,000
Total	**720,000**	**2,160,000**

Note 9: Other current assets

Particulars	As at	
	31 March 2018	31 March 2017
Prepaid expenses	187,488	184,306
Other current assets	1,448,252	127,890
Total	**1,635,740**	**312,196**

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Note 10: Equity share capital

Particulars	As at	
	31 March 2018	31 March 2017
Authorised shares		
6,000 (31 March 2017: 4,000) Equity shares of JPY 50,000 each	300,000,000	200,000,000
	300,000,000	**200,000,000**
Issued, subscribed and fully paid-up share capital		
4,000 (31 March 2017: 3,600) Equity shares of JPY 50,000 each	**200,000,000**	**180,000,000**

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year

Particulars	As at			
	31 March 2018		31 March 2017	
	No.	(YEN)	No.	(YEN)
At the beginning of the year				
- Equity shares	3,600	180,000,000	1,807	90,350,000
Issued during the year				
- Equity shares	400	20,000,000	1,793	89,650,000
At the end of the year	**4,000**	**200,000,000**	**3,600**	**180,000,000**

(b) Terms / rights attached to equity shares

The Company has only one type of equity shares having par value of JPY 50,000 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Japanese Yen. The dividend proposed by Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting. During the year ended 31 March 2018 the amount per share dividend recognised as distribution to equity shareholders was Nil (31 March 2017 : Nil)

Ordinary equity shares:

In the event of liquidation of the Company, the holders of ordinary equity shares will be entitled to receive remaining assets of the Company.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries/ associates:

Particulars	As at			
	31 March 2018		31 March 2017	
	Number	% holding	Number	% holding
Quick Heal Technologies Limited, the holding company 4,000 (31 March 2017: 3,600) Equity shares of JPY 50,000 each	4,000	100%	3,600	100%

(d) Details of shareholders holding more than 5% shares in the Company

Particulars	As at			
	31 March 2018		31 March 2017	
	Number	% holding	Number	% holding
Equity shares of YEN 50,000 each fully paid up				
Quick Heal Technologies Limited, the holding company	4,000	100%	3,600	100%

The shareholding information has been extracted from the records of the company including register of shareholders / members and is based on legal ownership of shares

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Notes to the financial statements for the year ended 31 March 2018

(Amounts in YEN unless otherwise stated)

Note 11: Other equity

Particulars	As at	
	31 March 2018	31 March 2017
Retained earnings		
At the beginning of the year	(134,100,739)	(79,688,164)
Add : Loss for the year	(30,104,671)	(54,412,575)
At the end of the year	**(164,205,410)**	**(134,100,739)**
Total	**(164,205,410)**	**(134,100,739)**

Note 12:Trade and other payables

Particulars	As at	
	31 March 2018	31 March 2017
Trade and other payables	15,629,480	3,692,556
Total	**15,629,480**	**3,692,556**

Note 13: Other current liabilities

Particulars	As at	
	31 March 2018	31 March 2017
Sales tax payable	2,117,617	737,905
TDS payable	127,401	7,402
Total	**2,245,018**	**745,307**

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Notes to the financial statements for the year ended 31 March 2018

(Amounts in YEN unless otherwise stated)

Note 14: Revenue from operations

Particulars	Year ended	
	31 March 2018	31 March 2017
Sale of products		
Sale of internet security softwares	43,537,355	13,852,665
Total	**43,537,355**	**13,852,665**

Note 15: Other income

Particulars	Year ended	
	31 March 2018	31 March 2017
Foreign exchange gains (net)	-	1,266,987
Miscellaneous income	216,062	1,440,739
Total	**216,062**	**2,707,726**

Note 16: Cost of materials consumed

Particulars	Year ended	
	31 March 2018	31 March 2017
Inventory at the beginning of the year	2,927,096	1,525,494
Add: Purchases	-	7,059,160
Less: Inventory as at end of the year	(2,290,495)	(2,927,096)
Total	**636,601**	**5,657,558**

Note 17: Purchase of stock-in-trade

Particulars	Year ended	
	31 March 2018	31 March 2017
Purchase of internet security software licenses	26,811,686	8,298,775
Total	**26,811,686**	**8,298,775**

Note 18: Changes in inventories of stock-in-trade

Particulars	Year ended	
	31 March 2018	31 March 2017
Inventories at the end of the period		
Stock-in-trade	28,452,319	24,254,637
Inventories at the beginning of the period		
Stock-in-trade	24,254,637	28,259,819
(Increase) / decrease in inventories	**(4,197,682)**	**4,005,182**

Note 19: Employee benefits expense

Particulars	Year ended	
	31 March 2018	31 March 2017
Salaries	34,909,127	37,377,520
Staff welfare expenses	132,855	144,969
Total	**35,041,982**	**37,522,489**

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Note 20: Finance cost

Particulars	Year ended	
	31 March 2018	31 March 2017
Interest on loan	235,157	70,724
Total	**235,157**	**70,724**

Note 21: Other expenses

Particulars	Year ended	
	31 March 2018	31 March 2017
Bank charges	185,488	176,399
Business promotion expenses	3,517,852	648,701
Transportation and octroi expenses	453,231	540,497
Communication costs	414,554	643,189
Insurance	4,398	4,512
Legal and professional fees	4,930,464	5,149,103
Recruitment fees	-	1,857,600
Office expenses	13,067	44,371
Payment to statutory auditor (refer details below)	130,003	142,275
Postage and courier expenses	26,370	48,543
Power and fuel	349,215	419,102
Printing and stationery	271,810	319,094
Rates and taxes	11,800	262,486
Rent	2,226,480	2,800,766
Security deposits write off	-	150,000
Traveling and conveyance	537,492	795,636
Foreign exchange loss (net)	657,007	-
Miscellaneous expenses	173,146	183,343
Total	**13,902,377**	**14,185,617**

Payment to auditor

Particulars	Year ended	
	31 March 2018	31 March 2017
As auditor		
- Audit fees	130,003	142,275
- Other services	-	-
- Reimbursement of expenses	-	-
Total	**130,003**	**142,275**

Note 22: Income taxes

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred tax asset in respect of losses amounting to YEN 66,31,629 (31 March 2017: YEN 1,22,84,892) that can be carried forward against future taxable income since it is not probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Particulars	Year ended	
	31 March 2018	31 March 2017
The major components of income tax are stated below:		
Current tax:		
Current income tax charge	1,271,500	1,000,000
Deferred tax:		
Recognised in statement of profit and loss	-	-
Recognised in other comprehensive income	-	-
Tax expense	**1,271,500**	**1,000,000**

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Notes to the financial statements for the year ended 31 March 2018

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Reconciliation of effective tax rate

Particulars	Year ended	
	31 March 2018	31 March 2017
Accounting profit/(loss) before tax from continuing operations	(28,833,171)	(53,412,575)
Tax @ 23%	6,631,629	12,284,892
Add: Minimum corporate tax levied	1,271,500	1,000,000
Add: Deferred tax asset not recognised *Current year losses*	(6,631,629)	(12,284,892)
Income tax expense	**1,271,500**	**1,000,000**

Note 23: Loss per share

Particulars	Year ended	
	31 March 2018	31 March 2017
Numerator for basic and diluted EPS		
Net loss after tax (In YEN) **(A)**	(30,104,671)	(54,412,575)
Denominator for basic and diluted EPS		
Weighted average number of equity shares (In numbers) **(B)**	3,802	2,735
Basic and diluted loss per share of face value of YEN 50,000 each **(A / B)**	(7,919)	(19,893)

Note 24: Related party disclosures

(I) List of related parties where control exists and related parties with whom transactions have taken place and relationships:

The Company is controlled by Quick Heal Technologies Limited (the holding company) which owns 100% of the company's shares.

Name of the related party	Relationship
Quick Heal Technologies Limited	Holding Company
Quick Heal Technologies MENA (FZE)	Fellow subsidiary
Sanjay Pawar	Key management personnel
Ken Amedo	Key management personnel

(II) Transactions during the period and balances outstanding with related parties:

Name of the related party	Year ended	
	31 March 2018	31 March 2017
Transactions during the year		
Quick Heal Technologies Limited		
- Purchase of internet security software and Unified Threat Machine	18,895,936	8,113,383
Quick Heal Technologies MENA (FZE)		
- Unsecured loan taken	20,000,000	-
- Unsecured loan repaid	20,000,000	12,328,000
- Interest on unsecured loan	235,157	70,724
Sanjay Pawar		
Remuneration paid	-	10,339,803
Reimbursement of expenses	-	517,968

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Notes to the financial statements for the year ended 31 March 2018

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Ken Amedo		
Remuneration paid	10,320,000	-
Reimbursement of expenses	615,216	-
Balances - receivable/ (payable) at the period		

Particulars	**As at**	
	31 March 2018	**31 March 2017**
Quick Heal Technologies Limited		
Trade payables	(11,662,832)	(2,617,758)
Quick Heal Technologies MENA (FZE)		
Unsecured loan	-	-
Advance taken	-	-
Sanjay Pawar		
Remuneration payable	(698,940)	(698,940)
Reimbursement of expenses	(11,903)	(20,888)

Note 25: Segment reporting

The business activities of the Company from which it earns revenues and incurs expenses; whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available involve predominantly one operating segment i.e. 'Trading in antivirus software'.

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Notes to the financial statements for the year ended 31 March 2018
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Note 26: Capital management

The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor, and customer confidence and to ensure future development of its business. The Company is focused on maintaining a strong equity base to ensure independence, security, as well as financial flexibility for potential future borrowings, if required without impacting the risk profile of the Company.

The Company's net debt to adjusted equity ratio at the reporting date are as follows:

Particulars	As at	
	31 March 2018	31 March 2017
Total liabilities	18,863,798	5,437,863
Less : Cash and cash equivalents	(16,516,369)	(18,140,998)
Net debt	**2,347,429**	**(12,703,135)**
Total equity	35,794,590	45,899,261
Net debt to equity ratio	0.07	(0.28)

There are no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

Note 27: Financial instruments by category

The carrying value and fair value of financial instruments by categories are as follows:

Particulars	As at	
	31 March 2018	31 March 2017
Assets		
Current financial assets		
Trade receivables	3,156,915	1,739,719
Cash and cash equivalents	16,516,369	18,140,998
Loans	972,700	732,160
Other financial assets	720,000	2,160,000
Total	**21,365,984**	**22,772,877**
Liabilities		
Current financial liabilities		
Trade and other payables	15,629,480	3,692,556
Total	**15,629,480**	**3,692,556**

Carrying values of all financial assets and liabilities approximate to fair value at 31 March 2018 and 31 March 2017. Hence fair value hierarchy related disclosures are not applicable.

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Note 28: Financial risk management

The Company's financial risk policies comprise primarily of credit risk and liquidity risk. The Company is not exposed to interest rate risk since the Company does not have any interest rate borrowings as at 31 March 2018. There are no outstanding foreign currency contracts, accordingly foreign currency risk is not applicable.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company is exposed to credit risk for trade receivables, loans and other financial asset.

Counterparty credit limits are reviewed by the Company on an annual basis, and are updated throughout the year subject to approval of the Company's credit committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Company does not hold any collateral as security against its trade receivables, loans and other financial asset.

The carrying value of the financial assets other than cash represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date are as follows :

Particulars	As at	
	31 March 2018	31 March 2017
Current financial assets		
Trade receivables	3,156,915	1,739,719
Cash and cash equivalents	16,516,369	18,140,998
Loans	972,700	732,160
Other financial assets	720,000	2,160,000
Total	**21,365,984**	**22,772,877**

None of the Company's cash equivalents, are past due or impaired. Regarding trade receivables, loans and other financial asset; there are no indications as of 31 March 2018, that defaults in payment obligations would occur.

The ageing of trade receivables at the reporting date that were not impaired are as follows :

Particulars	As at	
	31 March 2018	31 March 2017
Upto 6 months	3,156,915	1,739,719
More than 6 months	-	-
Total	**3,156,915**	**1,739,719**

Receivables are deemed to be past due or impaired with reference to the Company's normal terms and conditions of business. These terms and conditions are determined on a case to case basis with reference to the customer's credit quality and prevailing market conditions.

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The credit quality of the Company's customers is monitored on an ongoing basis and assessed for impairment where indicators of such impairment exist. The solvency of the debtor and their ability to repay the receivable is considered in assessing receivables for impairment. In certain circumstances, the Company seeks collateral as security for the receivable. Where receivables have been impaired, the Company actively seeks to recover the amounts in question and enforces compliance with the credit terms.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date.

Particulars	As at	
	31 March 2018	31 March 2017
Trade and other payables		
Upto 6 months	15,629,480	3,692,556
More than 6 months	-	-

Note 29: Going concern

The Company has incurred net loss of YEN 3,01,04,671 for the year ended 31 March 2018 (31 March 2017: YEN 5,44,12,575) and has accumulated loss of YEN 16,42,05,410 (31 March 2017: YEN 13,41,00,739). The company is in the initial gestation period and is in the process of implementing a plan for its business strategies and policies, the outcome of which would result in the recovery of its losses. This plan has been approved by the board of directors of the holding company and has undertaken to provide such financial support as necessary to enable the Company to continue its operations and to meet its liabilities as and when they fall due on a continuing basis.

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