

## **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 2019, 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.

### **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 2019 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**

*Shilani*

**Shweta Milani**  
Partner  
Membership No. 169376

Date: 9 May 2019  
Place: Pune



**Quick Heal Technologies Japan KK**  
**Balance sheet as at 31 March 2019**  
*(Amounts in YEN unless otherwise stated)*

Particulars	Notes	As at	
		31 March 2019	31 March 2018
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	3	3,97,767	5,05,976
(b) Intangible assets	3	3,45,553	4,07,874
		<b>7,43,320</b>	<b>9,13,850</b>
<b>(2) Current assets</b>			
(a) Inventories	4	3,16,45,433	3,07,42,814
(b) Financial assets			
(i) Trade receivables	5	2,02,256	31,56,915
(ii) Cash and cash equivalents	6	77,50,918	1,65,16,369
(iii) Loans	7	9,12,700	9,72,700
(iv) Others	8	-	7,20,000
(c) Other current assets	9	15,10,388	16,35,740
		<b>4,20,21,695</b>	<b>5,37,44,538</b>
<b>Total assets</b>		<b>4,27,65,015</b>	<b>5,46,58,388</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	10	23,00,00,000	20,00,00,000
(b) Other equity	11	(19,10,60,298)	(16,42,05,410)
		<b>3,89,39,702</b>	<b>3,57,94,590</b>
<b>Liabilities</b>			
<b>(1) Current liabilities</b>			
(a) Financial liabilities			
(i) Trade and other payables	12	25,49,239	1,56,29,480
(b) Other current liabilities	13	1,98,574	22,45,018
(c) Current tax liabilities (net)		10,77,500	9,89,300
		<b>38,25,313</b>	<b>1,88,63,798</b>
<b>Total equity and liabilities</b>		<b>4,27,65,015</b>	<b>5,46,58,388</b>
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*

Shweta Milani

Partner

Membership Number: 169376

Place: Pune

Date: 9/05/2019



For and on behalf of the Board of directors

Quick Heal Technologies Japan KK

*Kailash Katkar*

Kailash Katkar

Director

DIN: 00397191

Place: Pune

Date:

09 MAY 2019



**Quick Heal Technologies Japan KK**

**Statement of profit and loss for the period ended 31 March 2019**

(Amounts in YEN unless otherwise stated)

	Particulars	Note	Year ended	
			31 March 2019	31 March 2018
(I)	Revenue from operations	14	1,01,77,309	4,35,37,355
(II)	Other income	15	1,39,060	2,16,062
(III)	<b>Total income</b>		<b>1,03,16,369</b>	<b>4,37,53,417</b>
(IV)	<b>Expenses</b>			
	Purchase of stock-in-trade	16	49,03,696	2,68,11,686
	Changes in inventories of stock-in-trade	17	(9,02,619)	(35,61,082)
	Employee benefits expense	18	2,14,90,039	3,50,41,982
	Finance cost	19	-	2,35,157
	Depreciation and amortisation expense	3	1,70,531	1,56,468
	Other expenses	20	1,02,02,110	1,39,02,377
	<b>Total expenses</b>		<b>3,58,63,757</b>	<b>7,25,86,588</b>
(V)	Loss before exceptional items and tax (I- IV)		(2,55,47,388)	(2,88,33,171)
(VI)	Exceptional items		-	-
(VII)	Loss before tax (V-VI)		(2,55,47,388)	(2,88,33,171)
(VIII)	Less : Tax expense	21		
	(1) Current tax		13,07,500	12,71,500
	(2) Deferred tax		-	-
(IX)	<b>Loss for the period from operations (VII-VIII)</b>		<b>(2,68,54,888)</b>	<b>(3,01,04,671)</b>
(X)	<b>Other comprehensive income</b>			
	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)		-	-
	<b>Total other comprehensive income (net of tax)</b>		<b>-</b>	<b>-</b>
(XI)	<b>Total comprehensive income for the period (IX+X) (Comprising loss and other comprehensive income for the period)</b>		<b>(2,68,54,888)</b>	<b>(3,01,04,671)</b>
(XII)	Earnings per equity share (for continuing and discontinued operation): [nominal value of share YEN 50,000]	22		
	(1) Basic		(6,159.53)	(7,918.86)
	(2) Diluted		(6,159.53)	(7,918.86)
	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*

Shweta Milani

Partner

Membership Number: 169376

Place: Pune

Date: 9/05/2019



For and on behalf of the Board of directors

Quick Heal Technologies Japan KK

*Kailash Katkar*

Kailash Katkar

Director

DIN: 00397191

Place: Pune

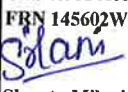



Date:

09 MAY 2019



**Quick Heal Technologies Japan KK**
**Cash flow statement for the period ended 31 March 2019**

(Amounts in YEN unless otherwise stated)

Particulars	Year ended	
	31 March 2019	31 March 2018
<b>A. Cash flow from operating activities</b>		
Profit before tax for the period	(2,55,47,388)	(2,88,33,171)
<b>Adjustments to reconcile profit for the year to net cash generated from operating activities:</b>		
Depreciation and amortisation expense	1,70,531	1,56,468
<b>Operating profit before working capital changes</b>	<b>(2,53,76,857)</b>	<b>(2,86,76,704)</b>
<b>Changes in operating assets and liabilities</b>		
(Increase) / decrease in trade receivables	29,54,659	(14,17,196)
(Increase) / decrease in inventories	(9,02,618)	(35,61,081)
(Increase) / decrease in loans	60,001	(2,40,539)
(Increase) / decrease in other financial assets	7,20,000	14,40,000
(Increase) / decrease in other current assets	1,25,352	(13,23,544)
Increase / (decrease) in trade and other payables	(1,30,80,241)	1,19,36,924
Increase / (decrease) in other current liabilities	(20,46,444)	14,99,711
<b>Cash generated from operating activities</b>	<b>(3,75,46,148)</b>	<b>(2,03,42,429)</b>
Income tax paid	(12,19,303)	(12,82,200)
<b>Net cash (used in) operating activities (A)</b>	<b>(3,87,65,451)</b>	<b>(2,16,24,629)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	-
Increase in intangibles under development	-	-
<b>Net cash (used in) investing activities (B)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity share capital	3,00,00,000	2,00,00,000
Proceeds from / (repayment of) short-term borrowings (net)	-	-
<b>Net cash generated from financing activities (C)</b>	<b>3,00,00,000</b>	<b>2,00,00,000</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>	<b>(87,65,451)</b>	<b>(16,24,629)</b>
Cash and cash equivalents at the beginning of the period	1,65,16,369	1,81,40,998
<b>Cash and cash equivalents at the end of the period</b>	<b>77,50,918</b>	<b>1,65,16,369</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	10,259	20,434
Balances with banks	-	-
- On current account	77,40,659	1,64,95,935
<b>Total cash and cash equivalents</b>	<b>77,50,918</b>	<b>1,65,16,369</b>
Summary of significant accounting policies - Refer note 2		
The accompanying notes are an integral part of these financial statements		
<div>                     As per our report of even date                      For A T S &amp; CO                      Chartered Accountants                      FRN 145602W                        Shweta Milani                      Partner                      Membership Number: 169376                      Place: Pune                      Date: 9/05/2019                 </div> <div>  </div> <div>                     For and on behalf of the Board of directors                      Quick Heal Technologies Japan KK                        Nailash Katkar                      Director                      DIN: 00397191                      Place: Pune                      Date: 09 MAY 2019                 </div> <div>  </div>		

**Quick Heal Technologies Japan KK****Statement of changes in equity for the period ended 31 March 2019***(Amounts in YEN unless otherwise stated)***A. Equity share capital**

Balance as at 1 April 2017	Changes in equity share capital during the period	Balance as at 31 March 2018
18,00,00,000	2,00,00,000	20,00,00,000

Balance as at 1 April 2018	Changes in equity share capital during the period	Balance as at 31 March 2019
20,00,00,000	3,00,00,000	23,00,00,000

**B. Other equity**

Particulars	Reserves and surplus	Total
	Retained earnings	

Balance as at 1 April 2017	(13,41,00,739)	(13,41,00,739)
Loss for the year	(3,01,04,671)	(3,01,04,671)
Other comprehensive income for the year	-	-
Balance as at 31 March 2018	(16,42,05,410)	(16,42,05,410)

Balance as at 1 April 2018	(16,42,05,410)	(16,42,05,410)
Loss for the year	(2,68,54,888)	(2,68,54,888)
Other comprehensive income for the year	-	-
Balance as at 31 March 2019	(19,10,60,298)	(19,10,60,299)



## **Quick Heal Technologies Japan KK**

### **Notes to the financial statements for the year ended 31 March 2019**

*(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 2019 were authorised for issue by the Director on 9 May 2019.

##### **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.



**(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**

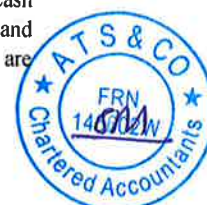
For the purpose of subsequent measurement, financial assets are classified as:

**- 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.



**Quick Heal Technologies Japan KK**

**Notes to the financial statements for the year ended 31 March 2019**

*(Amounts in YEN unless otherwise stated)*

**- 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.



**(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



**(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**

Ind AS 116: Leases' will replace existing standard 'Ind AS 17: Leases' and its related appendices. The new standard is effective from the accounting periods starting on or after 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. No significant impact is expected for leases in which the Company is a lessee / lessor.



**Quick Heal Technologies Japan KK**

**Notes to the financial statements for the year ended 31 March 2019**

*(Amounts in YEN unless otherwise stated)*

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

Particulars	Office equipments	Furniture and fixtures	Computers	Total property, plant and equipment	Patent	Total intangible assets	Total
<b>Cost</b>							
At April 1, 2018	3,39,891	3,44,233	1,52,880	8,37,004	6,32,980	6,32,980	14,69,984
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At March 31, 2019</b>	<b>3,39,891</b>	<b>3,44,233</b>	<b>1,52,880</b>	<b>8,37,004</b>	<b>6,32,980</b>	<b>6,32,980</b>	<b>14,69,984</b>
<b>Depreciation</b>							
At April 1, 2018	1,50,357	1,41,767	38,903	3,31,027	2,25,106	2,25,106	5,56,133
Charge for the year	33,992	24,296	49,922	1,08,210	62,321	62,321	1,70,531
Disposals	-	-	-	-	-	-	-
<b>At March 31, 2019</b>	<b>1,84,349</b>	<b>1,66,063</b>	<b>88,825</b>	<b>4,39,237</b>	<b>2,87,427</b>	<b>2,87,427</b>	<b>7,26,664</b>
<b>Net block</b>							
At March 31, 2018	1,89,534	2,02,466	1,13,977	5,05,977	4,07,874	4,07,874	9,13,851
<b>At March 31, 2019</b>	<b>1,55,542</b>	<b>1,78,170</b>	<b>64,055</b>	<b>3,97,767</b>	<b>3,45,553</b>	<b>3,45,553</b>	<b>7,43,320</b>



**Quick Heal Technologies Japan KK****Notes to the financial statements for the year ended 31 March 2019***(Amounts in YEN unless otherwise stated)***Note 4: Inventories**

Particulars	As at	
	31 March 2019	31 March 2018
Raw materials - Internet security devices	-	22,90,495
Finished goods - Internet security softwares	3,16,45,433	2,84,52,319
<b>Total</b>	<b>3,16,45,433</b>	<b>3,07,42,814</b>

**Note 5: Trade receivables**

Particulars	As at	
	31 March 2019	31 March 2018
Unsecured, considered good	2,02,256	31,56,915
<b>Total</b>	<b>2,02,256</b>	<b>31,56,915</b>

**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 2019	31 March 2018
Balances with banks:		
- On current account	77,40,659	1,64,95,935
Cash on hand	10,259	20,434
<b>Total</b>	<b>77,50,918</b>	<b>1,65,16,369</b>

**Note 7: Loans**

Particulars	As at	
	31 March 2019	31 March 2018
Security deposits	9,12,700	9,12,700
Rental deposit for employees	-	60,000
<b>Total</b>	<b>9,12,700</b>	<b>9,72,700</b>

**Note 8: Other financial assets**

Particulars	As at	
	31 March 2019	31 March 2018
Rent recoverable	-	7,20,000
<b>Total</b>	<b>-</b>	<b>7,20,000</b>

**Note 9: Other current assets**

Particulars	As at	
	31 March 2019	31 March 2018
Prepaid expenses	1,89,765	1,87,488
Sales tax receivable	11,48,334	-
Other current assets	1,72,289	14,48,252
<b>Total</b>	<b>15,10,388</b>	<b>16,35,740</b>



Quick Heal Technologies Japan KK  
Notes to the financial statements for the year ended 31 March 2019  
(Amounts in YEN unless otherwise stated)

Note 10: Equity share capital

Particulars	As at	
	31 March 2019	31 March 2018
<b>Authorised shares</b>		
6,000 (31 March 2018: 4,000 ) Equity shares of JPY 50,000 each	30,00,00,000	30,00,00,000
	<b>30,00,00,000</b>	<b>30,00,00,000</b>
<b>Issued, subscribed and fully paid-up share capital</b>		
4,600 (31 March 2018: 4,000 ) Equity shares of JPY 50,000 each	23,00,00,000	20,00,00,000

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

Particulars	As at			
	31 March 2019		31 March 2018	
	No.	(YEN)	No.	(YEN)
<b>At the beginning of the year</b>				
- Equity shares	4,000	20,00,00,000	3,600	18,00,00,000
<b>Issued during the year</b>				
- Equity shares	200	1,00,00,000	400	2,00,00,000
- Equity shares	400	2,00,00,000	-	-
<b>At the end of the year</b>	<b>4,600</b>	<b>23,00,00,000</b>	<b>4,000</b>	<b>20,00,00,000</b>

(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 2019 the amount per share dividend recognised as distribution to equity shareholders was Nil (31 March 2018 : 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 2019		31 March 2018	
	Number	% holding	Number	% holding
Quick Heal Technologies Limited, the holding company	4,600	100%	4,000	100%

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

Particulars	As at			
	31 March 2019		31 March 2018	
	Number	% holding	Number	% holding
Equity shares of YEN 50,000 each fully paid up				
Quick Heal Technologies Limited, the holding company	4,600	100%	4,000	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.



**Quick Heal Technologies Japan KK****Notes to the financial statements for the year ended 31 March 2019***(Amounts in YEN unless otherwise stated)***Note 11: Other equity**

Particulars	As at	
	31 March 2019	31 March 2018
<b>Retained earnings</b>		
At the beginning of the year	(16,42,05,410)	(13,41,00,739)
Add : Loss for the year	(2,68,54,888)	(3,01,04,671)
<b>At the end of the year</b>	<b>(19,10,60,298)</b>	<b>(16,42,05,410)</b>
<b>Total</b>	<b>(19,10,60,298)</b>	<b>(16,42,05,410)</b>

**Note 12: Trade and other payables**

Particulars	As at	
	31 March 2019	31 March 2018
Trade and other payables	25,49,239	1,56,29,480
<b>Total</b>	<b>25,49,239</b>	<b>1,56,29,480</b>

**Note 13: Other current liabilities**

Particulars	As at	
	31 March 2019	31 March 2018
Sales tax payable	-	21,17,617
TDS payable	4,594	1,27,401
Other liabilities	1,93,980	-
<b>Total</b>	<b>1,98,574</b>	<b>22,45,018</b>



**Quick Heal Technologies Japan KK**

**Notes to the financial statements for the year ended 31 March 2019**

(Amounts in YEN unless otherwise stated)

**Note 14: Revenue from operations**

Particulars	Year ended	
	31 March 2019	31 March 2018
<b>Sale of products</b>		
Sale of internet security softwares	1,01,77,309	4,35,37,355
<b>Total</b>	<b>1,01,77,309</b>	<b>4,35,37,355</b>

**Note 15: Other income**

Particulars	Year ended	
	31 March 2019	31 March 2018
Foreign exchange gains (net)	1,38,915	-
Miscellaneous income	145	2,16,062
<b>Total</b>	<b>1,39,060</b>	<b>2,16,062</b>

**Note 16: Purchase of stock-in-trade**

Particulars	Year ended	
	31 March 2019	31 March 2018
Purchase of internet security software licenses	49,03,696	2,68,11,686
<b>Total</b>	<b>49,03,696</b>	<b>2,68,11,686</b>

**Note 17: Changes in inventories of stock-in-trade**

Particulars	Year ended	
	31 March 2019	31 March 2018
<b>Inventories at the end of the period</b>		
Stock-in-trade	3,16,45,433	3,07,42,814
<b>Inventories at the beginning of the period</b>		
Stock-in-trade	3,07,42,814	2,71,81,733
<b>(Increase) / decrease in inventories</b>	<b>(9,02,619)</b>	<b>(35,61,082)</b>

**Note 18: Employee benefits expense**

Particulars	Year ended	
	31 March 2019	31 March 2018
Salaries	1,85,07,026	3,03,17,872
Contribution to other funds	28,05,729	45,91,255
Staff welfare expenses	1,77,284	1,32,855
<b>Total</b>	<b>2,14,90,039</b>	<b>3,50,41,982</b>

**Note 19: Finance cost**

Particulars	Year ended	
	31 March 2019	31 March 2018
Interest on loan	-	2,35,157
<b>Total</b>	<b>-</b>	<b>2,35,157</b>



**Quick Heal Technologies Japan KK**
**Notes to the financial statements for the year ended 31 March 2019**
*(Amounts in YEN unless otherwise stated)*
**Note 20: Other expenses**

Particulars	Year ended	
	31 March 2019	31 March 2018
Bank charges	1,17,887	1,85,488
Business promotion expenses	16,57,834	35,17,852
Transportation and octroi expenses	-	4,53,231
Communication costs	3,79,820	4,14,554
Insurance	3,792	4,398
Legal and professional fees	34,90,206	49,30,464
Office expenses	17,280	13,067
Payment to statutory auditor (refer details below)	1,10,740	1,30,003
Postage and courier expenses	43,204	26,370
Power and fuel	3,53,531	3,49,215
Printing and stationery	2,10,368	2,71,810
Rates and taxes	1,03,174	11,800
Rent	24,59,479	22,26,480
Traveling and conveyance	9,86,869	5,37,492
Foreign exchange loss (net)	-	6,57,007
Freight Outward	1,13,121	-
Miscellaneous expenses	1,54,805	1,73,146
<b>Total</b>	<b>1,02,02,110</b>	<b>1,39,02,377</b>

**Payment to auditor**

Particulars	Year ended	
	31 March 2019	31 March 2018
As auditor		
- Audit fees	1,10,740	1,30,003
- Other services	-	-
- Reimbursement of expenses	-	-
<b>Total</b>	<b>1,10,740</b>	<b>1,30,003</b>

**Note 21: 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 59,79,089 (31 March 2018: YEN 67,46,962) 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 2019	31 March 2018
<b>The major components of income tax are stated below:</b>		
<b>Current tax:</b>		
Current income tax charge	13,07,500	12,71,500
<b>Deferred tax:</b>		
Recognised in statement of profit and loss	-	-
Recognised in other comprehensive income	-	-
<b>Tax expense</b>	<b>13,07,500</b>	<b>12,71,500</b>



**Quick Heal Technologies Japan KK**

**Notes to the financial statements for the year ended 31 March 2019**

(Amounts in YEN unless otherwise stated)

**Reconciliation of effective tax rate**

Particulars	Year ended	
	31 March 2019	31 March 2018
Accounting profit/(loss) before tax from continuing operations	(2,55,47,388)	(2,88,33,171)
Tax @ 23.4%	59,78,089	67,46,962
Add: Minimum corporate tax levied	13,07,500	12,71,500
Add: Deferred tax asset not recognised Current year losses	(59,78,089)	(67,46,962)
<b>Income tax expense</b>	<b>13,07,500</b>	<b>12,71,500</b>

**Note 22: Loss per share**

Particulars	Year ended	
	31 March 2019	31 March 2018
<b>Numerator for basic and diluted EPS</b>		
Net loss after tax (In YEN) (A)	(2,68,54,888)	(3,01,04,671)
<b>Denominator for basic and diluted EPS</b>		
Weighted average number of equity shares (In numbers) (B)	4,360	3,802
Basic and diluted loss per share of face value of YEN 50,000 each (A / B)	(6,159.53)	(7,918.86)

**Note 23: 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



**Quick Heal Technologies Japan KK**

**Notes to the financial statements for the year ended 31 March 2019**

(Amounts in YEN unless otherwise stated)

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

Name of the related party	Year ended	
	31 March 2019	31 March 2018
<b>Transactions during the year</b>		
<b>Quick Heal Technologies Limited</b>		
- Purchase of internet security software and Unified Threat Machine	22,37,952	1,88,95,936
<b>Quick Heal Technologies MENA (FZE)</b>		
- Unsecured loan taken	-	2,00,00,000
- Unsecured loan repaid	-	2,00,00,000
- Interest on unsecured loan	-	2,35,157
<b>Ken Amedo</b>		
Remuneration paid	90,85,897	1,03,20,000
Reimbursement of expenses	4,53,805	6,15,216
<b>Balances - receivable/ (payable) at the period</b>		
<b>Particulars</b>	<b>Year ended</b>	
	<b>31 March 2019</b>	<b>31 March 2018</b>
<b>Quick Heal Technologies Limited</b>		
Trade payables	(13,27,976)	(1,16,62,832)
<b>Sanjay Pawar</b>		
Remuneration payable	-	(6,98,940)
Reimbursement of expenses	-	(11,903)

**Note 24: 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'.

**Note 25 : Revenue from contracts with customers**

The Company generates revenue from sale of security license software.

Particulars	Year ended	
	31 March 2019	31 March 2018
Revenue from contracts with customers	1,01,77,309	4,35,37,355
Revenue from others	-	-
	<b>1,01,77,309</b>	<b>4,35,37,355</b>

The entire revenue from operations is recognised at point in time and relates to single operating segment. Accordingly, disaggregation of revenue disclosure is not applicable.

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**Quick Heal Technologies Japan KK****Notes to the financial statements for the year ended 31 March 2019***(Amounts in YEN unless otherwise stated)***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 2019	31 March 2018
Total liabilities	38,25,313	1,88,63,798
Less : Cash and cash equivalents	(77,50,918)	(1,65,16,369)
<b>Net debt</b>	<b>(39,25,605)</b>	<b>23,47,429</b>
Total equity	3,89,39,702	3,57,94,590
<b>Net debt to equity ratio</b>	<b>(0.10)</b>	<b>0.07</b>

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 2019	31 March 2018
<b>Assets</b>		
<b>Current financial assets</b>		
Trade receivables	2,02,256	31,56,915
Cash and cash equivalents	77,50,918	1,65,16,369
Loans	9,12,700	9,72,700
Other financial assets	-	7,20,000
<b>Total</b>	<b>88,65,874</b>	<b>2,13,65,984</b>
<b>Liabilities</b>		
<b>Current financial liabilities</b>		
Trade and other payables	25,49,239	1,56,29,480
<b>Total</b>	<b>25,49,239</b>	<b>1,56,29,480</b>

Carrying values of all financial assets and liabilities approximate to fair value at 31 March 2019 and 31 March 2018. Hence fair value hierarchy related disclosures are not applicable.



**Quick Heal Technologies Japan KK****Notes to the financial statements for the year ended 31 March 2019***(Amounts in YEN unless otherwise stated)***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 2019. 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 2019	31 March 2018
<b>Current financial assets</b>		
Trade receivables	2,02,256	31,56,915
Cash and cash equivalents	77,50,918	1,65,16,369
Loans	9,12,700	9,72,700
Other financial assets	-	7,20,000
<b>Total</b>	<b>88,65,874</b>	<b>2,13,65,984</b>

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 2019, 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 2019	31 March 2018
Upto 6 months	2,02,256	31,56,915
More than 6 months	-	-
<b>Total</b>	<b>2,02,256</b>	<b>31,56,915</b>

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.



**Quick Heal Technologies Japan KK****Notes to the financial statements for the year ended 31 March 2019***(Amounts in YEN unless otherwise stated)*

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 2019	31 March 2018
<b>Trade and other payables</b>		
Upto 6 months	25,49,239	1,56,29,480
More than 6 months	-	-

**Note 29: Going concern**

The Company has incurred net loss of JPY 2,68,54,888 for the year ended 31 March 2019 (31 March 2018: JPY 3,01,04,671). The company 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.

