

**Deloitte  
Haskins & Sells**

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**

**AUDITED FINANCIAL STATEMENT**

**FOR THE YEAR ENDED**

**31 MARCH, 2014**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIRSTRA I-TECHNOLOGY SERVICES LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **VIRSTRA I-TECHNOLOGY SERVICES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :



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- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 31 March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No. 015125N)

*Rashim Tandon*



**RASHIM TANDON**  
Partner  
(Membership No. 095540)

Place : Gurgaon  
Date : May 2, 2014

**ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

1. Having regard to the nature of the Company's business, clauses (vi), (xii), (xiii), (xiv), (xix) and (xx) of paragraph 4 of CARO are not applicable.
2. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets were physical verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provide for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion not affected the going concern status of the Company.
3. The Company's operation does not give rise to sale and purchase of inventory. Accordingly, the provisions of clause 4 (ii) of the Order are not applicable to the Company.
4. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets. Having regard to the explanation that services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to sale of services. The Company's operations did not give rise to purchase and sale of inventory. During the course of our audit, we have not observed any major weakness in such internal control system.
6. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be entered in the register required to be maintained under Section 301 of the Companies Act, 1956.
7. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management is commensurate with the Size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 for the Company.



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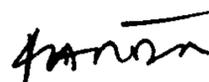
9. According to the information and explanations provided to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Income Tax Service Tax, Professional Tax and Cess within the prescribed time with the appropriate authorities during the year and there are no undisputed amounts payable in respect of these dues for a period of more than six months as at 31 March, 2014 from the date they became payable.
  - (b) We are informed that the operations of the Company during the year did not give rise to any liability for Investor Education and Protection Fund, Employees' State insurance, Sales Tax, Wealth Tax, Custom Duty and Excise Duty.
  - (c) We are informed that there are no dues in respect of Income Tax, Service Tax and Cess as at 31 March, 2014 which have not been deposited on account of any dispute.
10. The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. According to the information and explanations given to us and the records examined by us, the Company has not taken any loans from financial institutions and banks nor has it issued any debentures and other securities. Accordingly, the provisions of clause 4 (xi) of the Order are not applicable to the Company.
12. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
13. Based on the examination of the books of account and related records and according to the information and explanations provided to us, no term loans were obtained by the Company.
14. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.
15. During the year the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.



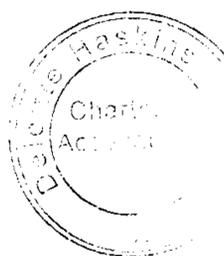
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16. According to information and explanations given to us and to the best of our knowledge and belief, no fraud by the Company or no material fraud on the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No. 015125N)



**RASHIM TANDON**  
Partner  
(Membership No. 095540)



Place : Gurgaon  
Date : May 2, 2014

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**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**BALANCE SHEET AS AT 31 MARCH, 2014**

	Notes Ref.	As at 31 Mar 2014 (Rupees)	As at 31 Mar 2013 (Rupees)
<b>EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a. Share capital	2.1	10,000,000	10,000,000
b. Reserves and surplus	2.2	132,078,758	91,503,834
		<b>142,078,758</b>	<b>101,503,834</b>
<b>2. NON-CURRENT LIABILITIES</b>			
Long-term provisions	2.3	<b>9,395,584</b>	<b>9,408,699</b>
<b>3. CURRENT LIABILITIES</b>			
a. Trade payables	2.4	3,867,142	6,966,584
b. Other current liabilities	2.5	7,638,473	1,891,381
c. Short-term provisions	2.6	2,938,956	2,934,790
		<b>14,444,571</b>	<b>11,792,755</b>
		<b>165,918,913</b>	<b>122,705,288</b>
<b>ASSETS</b>			
<b>1. NON-CURRENT ASSETS</b>			
a. Fixed assets			
- Tangible assets	2.7	1,176,147	2,665,469
- Intangible assets	2.7	633,692	8,206
		<b>1,809,839</b>	<b>2,673,675</b>
b. Non-current investments	2.8	-	-
c. Deferred tax assets (net)	2.9	4,633,835	5,256,491
d. Long-term loans and advances	2.10	39,035,855	46,679,052
e. Other non-current assets	2.11	154,769	-
		<b>45,634,298</b>	<b>54,609,218</b>
<b>2. CURRENT ASSETS</b>			
a. Current investments	2.12	90,673,412	36,632,675
b. Trade receivables	2.13	15,584,731	17,845,442
c. Cash and bank balances	2.14	3,981,255	3,001,436
d. Short-term loans and advances	2.15	10,036,415	10,587,788
e. Other current assets	2.16	8,802	28,729
		<b>120,284,615</b>	<b>68,096,070</b>
		<b>165,918,913</b>	<b>122,705,288</b>

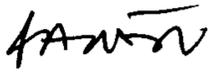
See accompanying notes forming part of the financial statements

1 & 2

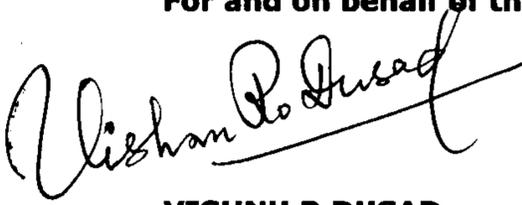
In terms of our report attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board of Directors

  
**RASHIM TANDON**  
Partner

Place : Gurgaon  
Date : May 2, 2014

  
**VISHNU R DUSAD**  
Director

Place : New Delhi  
Date : May 2, 2014

  
**P K SANGHI**  
Director

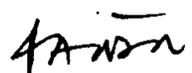
**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR YEAR ENDED 31 MARCH, 2014**

	<u>Notes Ref.</u>	<u>Year ended 31 Mar 2014 (Rupees)</u>	<u>Year ended 31 Mar 2013 (Rupees)</u>
<b>1. REVENUE FROM OPERATIONS</b>			
Sale of services		195,551,747	204,865,714
<b>2. OTHER INCOME</b>	2.17	5,171,462	3,611,297
<b>3. TOTAL REVENUE (1+2)</b>		<b>200,723,209</b>	<b>208,477,011</b>
<b>4. EXPENSES</b>			
a. Employee benefits expense	2.18	102,380,058	105,272,483
b. Operating and other expenses	2.19	35,612,698	53,311,072
c. Finance cost	2.20	628,638	385,192
d. Depreciation and amortisation expense	2.7	1,546,647	1,445,680
<b>TOTAL EXPENSES</b>		<b>140,168,041</b>	<b>160,414,427</b>
<b>5. PROFIT BEFORE TAX (3-4)</b>		<b>60,555,168</b>	<b>48,062,584</b>
<b>6. TAX EXPENSE</b>			
a. Current tax expense		18,347,002	15,836,974
b. Deferred tax charge / (credit)		622,656	(693,246)
<b>NET TAX EXPENSE</b>		<b>18,969,658</b>	<b>15,143,728</b>
<b>7. PROFIT FOR THE YEAR (5-6)</b>		<b>41,585,510</b>	<b>32,918,855</b>
<b>8. EARNINGS PER SHARE</b>			
Equity shares of Rs. 10 each			
Basic and Diluted	2.28	41.59	32.92
Number of shares used in computing earnings per share			
Basic and Diluted		1,000,000	1,000,000

See accompanying notes forming part of the financial statements 1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

  
**RASHIM TANDON**  
Partner

Place : Gurgaon  
Date : May 2, 2014



For and on behalf of the Board of Directors

  
**VISHNU R DUSAD**  
Director

Place : New Delhi  
Date : May 2, 2014

  
**P K SANGHI**  
Director

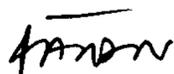
**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2014**

	<u>Notes Ref.</u>	<u>Year ended 31 Mar 2014 (Rupees)</u>	<u>Year ended 31 Mar 2013 (Rupees)</u>
<b>A. Cash flow from operating activities</b>			
Net profit before tax		60,555,168	48,062,584
Adjustment for:			
Depreciation and amortisation expense		1,546,647	1,445,680
Exchange difference on translation of foreign currency accounts		(1,004,214)	1,745,597
Dividend received from non trade investments		(4,140,737)	(1,566,275)
Interest income		(26,511)	(26,580)
Operating profit before working capital changes		<u>56,930,353</u>	<u>49,661,006</u>
Adjustment for (increase)/decrease in operating assets			
Long-term loans and advances		527,710	8,561,001
Trade receivable		2,260,711	(3,243,930)
Short-term loans and advances		919,279	(4,969,570)
Other non-current assets		(154,769)	-
Adjustment for Increase/ (decrease) in operating liabilities			
Long-term provisions		(13,115)	1,997,058
Trade payables		(3,099,442)	(594,027)
Short- term provisions		4,166	399,571
Other current liabilities		5,747,092	(325,873)
		<u>63,121,985</u>	<u>51,485,236</u>
Income tax paid (net)		(11,599,421)	(15,836,974)
<b>Net cash flow from/ (used in) operating activities (A)</b>		<b><u>51,522,564</u></b>	<b><u>35,648,262</u></b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress		(682,811)	(1,449,062)
Purchase of current investments		(144,440,737)	(136,466,275)
Proceeds on sale of current investments		90,400,000	131,700,000
Interest income		46,438	59,863
Dividend received from investments		4,140,737	1,566,276
Bank balance not considered as cash and cash equivalents - matured		126,695	-
<b>Net cash flow from / (used in) investing activities (B)</b>		<b><u>(50,409,678)</u></b>	<b><u>(4,589,198)</u></b>
<b>C. Cash flow from financing activities</b>			
Interim dividend paid		-	(30,000,000)
Corporate dividend tax paid		-	(4,866,750)
<b>Net cash flow from / (used in) financing activities (C)</b>		<b><u>-</u></b>	<b><u>(34,866,750)</u></b>
<b>Net (decrease) / Increase in cash and cash equivalents (A+B+C)</b>		<b><u>1,112,886</u></b>	<b><u>(3,807,686)</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>	2.14	2,664,480	6,474,029
Exchange difference on translation of foreign currency accounts		(6,372)	(1,863)
<b>Cash and cash equivalents at the end of the year</b>	2.14	<b><u>3,770,994</u></b>	<b><u>2,664,480</u></b>

See accompanying notes forming part of the financial statements 1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants



**RASHIM TANDON**  
Partner

Place : Gurgaon  
Date : May 2, 2014

For and on behalf of the Board of Directors



**VISHNU R DUSAD**  
Director

Place : New Delhi  
Date : May 2, 2014



**P K SANGHI**  
Director

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 1:**

**1.1 Company Background**

VirStra i-Technology Services Limited ('Virstra' or 'the Company') was incorporated in May 2004 in India. Virstra is a wholly owned subsidiary company of Nucleus Software Exports Ltd. The Company's business broadly consists of offshore and onsite software support services to other group companies.

**1.2 Significant accounting policies**

**i. Basis of preparation**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act. Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

**ii. Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Examples of such estimates include estimates of future obligations under employee retirement benefit plans and estimated useful life of fixed assets. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the year in which the results are known / materialise.

**iii. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**iv. Cash and cash equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**v. Revenue recognition**

Revenue from software services comprises income from time and material contracts, which is recognised as the services are rendered.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**vi. Other income**

Interest is accounted for on accrual basis.

Dividend income is accounted for when the right to receive it is established

**vii. Fixed assets**

Fixed assets are stated at the cost of acquisition less accumulated depreciation and impairment losses, if any. The cost of acquisition includes all incidental costs related to acquisition and installation till the date of capitalisation of the asset. Fixed assets under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

**viii. Depreciation**

Depreciation on fixed assets is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/ sold during the year. Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase.

The management's estimates of the useful lives of the various fixed assets in use are as follows:

<b>Particulars</b>	<b>Useful life (in years)</b>
<b>Tangible assets</b>	
Office and other equipment	5
Computers	4
Vehicles	5
Furniture and fixtures	5
<b>Intangible assets</b>	
Software	3

Such rates are higher than the rates specified in Schedule XIV of the Companies Act, 1956.

**ix. Investments**

Investments are classified into long term and current investments based on the intent of management at the time of acquisition. Long-term investments including investment in subsidiaries are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and the fair value.

**x. Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Statement of Profit and Loss. Monetary assets and monetary liabilities that are determined in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is recorded in the Statement of Profit and Loss.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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The Company uses foreign exchange forward contracts and options to hedge its exposure for movement in foreign exchange rates. The use of these foreign exchange forward contracts and options reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

The Company follows Accounting Standard (AS) 30 - "Financial Instruments: Recognition and Measurement" to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

**xi. Employee benefits**

Employee benefits include provident fund, gratuity and compensated absences.

***Defined contribution plans***

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

***Defined benefit plans***

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

***Short-term employee benefits***

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

***Long-term employee benefits***

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

**xii. Operating leases**

Lease payments under operating lease are recognised as an expense in the profit and loss account on a straight line basis over the lease term.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**xiii. Earning per share**

Basic earnings per share are computed by dividing the Profit / Loss after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the Profit / Loss after Tax by the weighted average number of equity and dilutive equivalent shares outstanding during the year, except where results are anti-dilutive.

**xiv. Taxes on Income**

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable.

Minimum Alternate Tax ("MAT") paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the company will pay normal tax after the tax holiday period. Accordingly, it is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantially enacted regulations. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originate.

**xv. Impairment of assets**

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

**xvi. Provisions and Contingencies**

The company recognizes a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimation of the obligation required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources. When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is made.

**xvii. Hedge accounting**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement". These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

**xviii. Derivative contracts**

The Company enters into derivative contracts in the nature of forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign Currency Transactions and Translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge Accounting.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

**xix. Service tax input credit**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

**xx. Operating cycle**

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 Mar 2014 ( Rupees)	As at 31 Mar 2013 ( Rupees)
<b>2.1 SHARE CAPITAL</b>		
<b>a. Authorised</b>		
Equity shares 1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	10,000,000	10,000,000
<b>b. Issued, Subscribed and Fully Paid-Up</b>		
1,000,000 (Previous year : 1,000,000) equity shares of Rs. 10 each	10,000,000	10,000,000

Refer notes (i) to (iii) below

**(i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year :**

As at the beginning of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000
Shares issues/ (bought back) during the year		
- Number of Shares	-	-
- Amount	-	-
As at the end of the year		
- Number of Shares	1,000,000	1,000,000
- Amount	10,000,000	10,000,000

**(ii) Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs. 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**(iii) Details of shares held by Nucleus Software Exports Limited, the Holding Company**

- Number of Shares (see note below)	1,000,000	1,000,000
- Percentage	100%	100%
- Amount	10,000,000	10,000,000

Note : Out of the above, 6 (Previous year 6) equity shares of Rs. 10 each are held by nominees on behalf of the Holding Company.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 Mar 2014 ( Rupees)	As at 31 Mar 2013 ( Rupees)
<b>2.2 RESERVES AND SURPLUS</b>		
<b>a. General reserve</b>		
Opening balance	66,067,678	62,775,792
Add: Transferred from surplus in statement of Profit and Loss	-	3,291,886
Closing balance	<b>66,067,678</b>	<b>66,067,678</b>
<b>b. Hedging reserve [see note 2.32]</b>		
Opening balance	1,026,649	(717,084)
Add: Movement during the year	(1,010,586)	1,743,733
Closing balance	<b>16,063</b>	<b>1,026,649</b>
<b>c. Surplus in the Statement of Profit and Loss</b>		
Opening balance	24,409,507	29,649,287
Add: Profit for the year	41,585,510	32,918,855
Less: Transferred to general reserve	-	3,291,886
Less: Interim dividend (See note below)	-	30,000,000
Less: Tax on dividend	-	4,866,750
Closing balance	<b>65,995,017</b>	<b>24,409,507</b>
	<b>132,078,758</b>	<b>91,503,834</b>
Note : The Board of Directors, at their meeting held on 05 July, 2012 had declared Interim dividend of Rs. 30 per share (on equity share of par value of Rs. 10 each) out of the profits for the three months ended on June 30, 2012 and profit brought forward from previous year.		
<b>2.3 LONG-TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
a. Provision for compensated absences	3,094,976	3,593,554
b. Provision for gratuity	6,300,608	5,815,145
	<b>9,395,584</b>	<b>9,408,699</b>
<b>2.4 TRADE PAYABLES</b>		
Trade Payables		
- Micro and Small enterprises (See note below)	-	-
- Others	3,867,142	6,966,584
	<b>3,867,142</b>	<b>6,966,584</b>
Note : The Company has no amounts payable to Micro and Small enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.		
<b>2.5 OTHER CURRENT LIABILITIES</b>		
a. Other payables - statutory liabilities	2,444,851	1,891,381
b. Payable to Holding Company	45,630	-
c. Other employee payables	5,000,000	-
d. Book overdraft	147,992	-
	<b>7,638,473</b>	<b>1,891,381</b>
<b>2.6 SHORT-TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
a. Provision for compensated absences	1,138,586	1,372,952
b. Provision for gratuity	1,800,370	1,561,838
	<b>2,938,956</b>	<b>2,934,790</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.7 FIXED ASSETS (At Cost)**

(Amount in Rupees)

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at	Additions	Deductions /	As at	Depreciation for	Deductions /	As at	As at	As at	As at
	1 Apr 2013		adjustments	31 Mar 2014	the year	adjustments	31 Mar 2014	31 Mar 2014	31 Mar 2013	31 Mar 2013
<b>Tangible assets</b>										
- Computers	25,233,543 (23,882,384)	14,070 (1,351,159)	- (-)	25,247,613 (25,233,543)	732,064 (773,265)	- (-)	24,071,466 (23,339,402)	1,176,147 (1,894,141)	1,894,141 (1,316,247)	
- Office equipment	13,439,947 (13,342,044)	- (97,903)	- (-)	13,439,947 (13,439,947)	575,348 (523,621)	- (-)	13,439,947 (12,864,599)	- (575,348)	575,348 (1,001,066)	
- Furniture and fixtures	713,380 (713,380)	- (-)	- (-)	713,380 (713,380)	195,980 (119,726)	- (-)	713,380 (517,400)	- (195,980)	195,980 (315,706)	
<b>Intangible assets</b>										
- Softwares (Refer Note 2 below)	39,386,870 (37,937,808)	14,070 (1,449,062)	- (-)	39,400,940 (39,386,870)	1,503,392 (1,416,612)	- (-)	38,224,793 (36,721,401)	1,176,147 (2,665,469)	2,665,469 (2,633,019)	
	11,280,600 (11,280,600)	668,741 (-)	9,451,046 (-)	2,498,295 (11,280,600)	43,255 (29,067)	9,451,046 (-)	1,864,603 (11,272,393)	633,692 (8,207)	8,206 (37,276)	
<b>Total</b>	<b>50,667,470 (49,218,408)</b>	<b>682,811 (1,449,062)</b>	<b>9,451,046 (-)</b>	<b>41,899,235 (50,667,470)</b>	<b>1,546,647 (1,445,680)</b>	<b>9,451,046 (-)</b>	<b>40,089,396 (47,993,794)</b>	<b>1,809,839 (2,573,676)</b>	<b>2,673,675 (2,670,295)</b>	

Notes :

1. Figures in brackets denote amounts pertaining to the previous year.
2. During the year, company has written off software with a gross block of Rs. 9,451,046 and accumulated depreciation of Rs. 9,451,046 since same are not in use.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 Mar 2014 ( Rupees)	As at 31 Mar 2013 ( Rupees)
<b>2.8 NON-CURRENT INVESTMENTS (at cost)</b>		
<b>Trade (unquoted)</b>		
<b>Equity shares in wholly owned subsidiary - Unquoted</b>		
199,998 (Previous year 199,998) equity shares of SGD 1 each, fully paid up in Virstra I- Technology (Singapore) Pte Ltd, Singapore. (See note 2.35)	-	5,569,256
Less : Provision for diminution in value of investment	-	(5,569,256)
<b>Aggregate amount of non current investments</b>	<b>-</b>	<b>-</b>

**2.9 DEFERRED TAX ASSET (NET)**

Particulars	Opening as at 1 Apr 2013 ( Rupees)	Charge during the year ( Rupees)	Closing as at 31 Mar 2014 ( Rupees)
<b>Deferred tax assets</b>			
Provision for compensated absences and gratuity	4,004,845	168,114	3,836,731
On difference between book balance and tax balance of fixed assets	1,251,646	454,542	797,104
<b>Net deferred tax asset</b>	<b>5,256,491</b>	<b>622,656</b>	<b>4,633,835</b>

Particulars	As at 31 Mar 2014 ( Rupees)	As at 31 Mar 2013 ( Rupees)
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**2.10 LONG-TERM LOANS AND ADVANCES**

(Unsecured, considered good)

a. Security deposits	5,579,420	6,107,130
b. MAT Credit Entitlement (see note 2.23)	31,929,365	38,977,863
c. Advance tax [net of provision for tax Rs. 52,945,859 (previous year Rs. 35,098,408)] (see note 2.23)	1,527,070	1,594,059
	<b>39,035,855</b>	<b>46,679,052</b>

**2.11 OTHER NON CURRENT ASSETS**

a. Long term bank deposits	150,000	-
b. Interest accrued but not due on bank deposits	4,769	-
	<b>154,769</b>	<b>-</b>

Note:-

Balances with scheduled banks- in deposit accounts represents deposits under lien with bank and are restricted from being settled for more than 12 months from the Balance Sheet date.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

<b>Particulars</b>	<b>As at 31 Mar 2014 ( Rupees)</b>	<b>As at 31 Mar 2013 ( Rupees)</b>
<b>2.12 CURRENT INVESTMENTS (at lower of cost or fair value)</b>		
<b>Non Trade (Quoted)</b>		
- 898,532 units (Previous year Nil) of ICICI Prudential Liquid Direct Plan Dally Dividend	89,901,914	-
- 7,711 units (Previous year 365,982 units) of ICICI Prudential Liquid Regular Plan Dally Dividend	771,498	36,632,675
<b>Aggregate amount of current investments</b>	<b>90,673,412</b>	<b>36,632,675</b>
<b>Aggregate market value of quoted investments</b>	<b>90,679,099</b>	<b>36,632,675</b>
<b>2.13 TRADE RECEIVABLES *</b> (Unsecured, Considered good)		
Trade receivables outstanding for a period less than six months from the date they were due for payment	<b>15,584,731</b>	<b>17,845,442</b>
*represents amount due from Nucleus Software Solution Pte. Ltd., Singapore, a body corporate under the same management within the meaning of Sub-section (1-B) of section 370 of the Companies Act, 1956.		
<b>2.14 CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents</b>		
a. Cash on hand	15,897	16,225
b. Balances with scheduled banks:		
- in current accounts	1,365,573	269,197
- in EEFC accounts	2,389,524	2,379,058
	<b>3,770,994</b>	<b>2,664,480</b>
<b>Other bank balances</b>		
a. Balances with scheduled banks:		
- In fixed deposit accounts (with original maturity of more than one year)	<b>210,261</b>	<b>336,956</b>
	<b>3,981,255</b>	<b>3,001,436</b>
<b>Details of balances as on balance sheet dates with scheduled banks in current accounts</b>		
- Citi Bank	-	50,374
- HDFC Bank	1,365,573	218,823
- Citi Bank *	2,389,524	2,379,058
	<b>3,755,096</b>	<b>2,648,255</b>
* EEFC account		
<b>Details of fixed deposit under lien</b>		
- Citi Bank	210,261	336,956
	<b>210,261</b>	<b>336,956</b>

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 Mar 2014 ( Rupees)	As at 31 Mar 2013 ( Rupees)
<b>2.15 SHORT-TERM LOANS AND ADVANCES</b> (Unsecured, considered good)		
a. Prepaid expenses	1,589,413	116,057
b. Supplier advance	185,001	-
c. Employee advances	236,228	1,977,609
d. Staff loans	241,362	-
e. Mark-to-market gain on forward contracts (see note 2.32)	32,126	1,149,886
f. MAT Credit Entitlement (see note 2.23)	7,000,000	6,632,094
g. Advances to related parties (see note 2.29)	-	28,555
h. Balances with government authorities - Service Tax credit receivable	752,285	683,587
	<b>10,036,415</b>	<b>10,587,788</b>

**2.16 OTHER CURRENT ASSETS**  
(Unsecured, considered good)

Interest accrued but not due on fixed deposit with bank	<b>8,802</b>	<b>28,729</b>
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Particulars	Year ended 31 Mar 2014 ( Rupees)	Year ended 31 Mar 2013 ( Rupees)
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**2.17 OTHER INCOME**

a. Interest income on fixed deposits with banks	26,511	26,580
b. Dividend income from non-trade current investments	4,140,737	1,566,275
c. Net gain on foreign currency transactions and translation	988,151	-
d. Net gain on ineffective hedges (See note 2.32)	16,063	123,237
e. Other non-operating income		
- Provisions no longer required written back	-	1,840,455
- Miscellaneous income	-	54,750
	<b>5,171,462</b>	<b>3,611,297</b>

**2.18 EMPLOYEE BENEFITS EXPENSE**

a. Salaries and wages	94,132,934	105,642,356
b. Contribution to provident and other funds	4,907,169	5,214,463
c. Gratuity expense (See note 2.30)	1,881,388	2,212,681
d. Staff welfare expenses	1,458,567	1,740,424
	<b>102,380,058</b>	<b>114,809,924</b>
Less: Reimbursed by customer (see note 2.31)	-	(9,537,441)
	<b>102,380,058</b>	<b>105,272,483</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	Year ended 31 Mar 2014 ( Rupees)	Year ended 31 Mar 2013 ( Rupees)
<b>2.19 OPERATING AND OTHER EXPENSES</b>		
a. Rent and hire charges (see note 2.21)	6,120,552	8,030,810
b. Repair and maintenance		
- Buildings	804,862	533,620
- Others	849,621	1,511,291
c. Insurance	1,034,516	720,638
d. Rates & taxes	56,060	70,165
e. Travelling		
- Foreign	13,404,913	26,076,185
- Domestic	724,861	1,066,950
f. Legal and professional (see note 2.24)	2,895,852	1,911,408
g. Conveyance	2,408,072	2,471,186
h. Communication	2,182,260	2,707,712
i. Directors remuneration	-	476,000
j. Investments written off (see note 2.35)	5,569,256	-
k. Provision for Investments written back (see note 2.35)	(5,569,256)	-
l. Training and recruitment	445,078	1,179,007
m. Power and Fuel	2,378,115	3,158,128
n. Accounting charges	898,880	2,157,312
o. Net loss on foreign currency transactions	-	5,472
p. Miscellaneous expenses	1,409,056	1,235,188
	<b>35,612,698</b>	<b>53,311,072</b>

**Directors Remuneration Includes**

**Non Executive Directors**

Commission to Non Executive Directors	-	476,000
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**2.20 FINANCE COST**

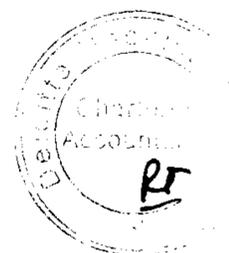
Bank charges	<b>628,638</b>	<b>385,192</b>
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**2.21 Operating Lease**

**Obligations on long-term, non-cancelable operating leases**

The company leases office space and other assets under operating lease. The Lease rental expense recognised in the statement of profit and loss for the year in respect of such lease is Rs. 6,120,552 (previous year Rs. 8,030,810). The future minimum lease payment in respect of such lease is as follows:

Particulars	As at 31 Mar 2014 (Rupees)	As at 31 Mar 2013 (Rupees)
<b>Lease obligations payable</b>		
a. Not later than 1 year	5,169,420	1,280,258
b. Later than 1 year but not later than 5 years	6,030,990	-
	<b>11,200,410</b>	<b>1,280,258</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.22 Tax Expense**

During earlier years, the Company had calculated its tax liability under Minimum Alternative Tax (MAT) as its liability under MAT was higher than normal tax liability. The excess of tax payable under MAT over normal tax payable (MAT Credit entitlement) was carried forward to be set off against the future tax liabilities. During the year ended 31 March, 2014, the Company is liable to Normal Tax as its normal tax is higher than MAT tax liability. The Company has utilised MAT Credit Entitlement of Rs. 6,468,855 (previous year Rs. 6,499,846) to set off its liability for payment of Income Tax.

**2.23 Advance Tax (net of provision) and MAT Credit Entitlement**

- a. Advance Tax (Net of provision) aggregating to Rs. 1,527,070 (Previous year Rs. 1,594,059) has been classified as Long-term loans and advances as the same represents income tax recoverable from Income Tax Department after the completion of Income Tax assessments.
- b. MAT Credit Entitlement balance aggregating to Rs. 7,000,000 (As at 31 March, 2013 Rs. 6,632,094) which the Company expects to set off against Income Tax payable for the year ended 31 March, 2015 has been considered to be Short-term loans and advances. The remaining balance MAT Credit Entitlement aggregating to Rs. 31,929,365 (Rs. 38,977,863) has been classified as Long-term loans and advances.

Particulars	Year ended 31 Mar 2014 ( Rupees)	Year ended 31 Mar 2013 ( Rupees)
<b>2.24 Legal and professional include :</b>		
a. As auditors - statutory audit*	600,000	600,000
b. Other services	280,000	80,000
	<b>880,000</b>	<b>680,000</b>
*excluding service tax		
<b>2.25 CIF value of imports</b>		
Capital goods	-	<b>1,336,496</b>
<b>2.26 Earnings in foreign currency</b>		
Sales of services	<b>195,551,747</b>	<b>204,865,714</b>
<b>2.27 Expenditure in foreign currency</b>		
a. Travelling	11,926,258	21,959,540
b. Communication	-	208,389
c. Others	128,069	83,602
	<b>12,054,327</b>	<b>22,251,531</b>
<b>2.28 Earnings per share</b>		
a. Profit after taxation available to equity shareholders (Rupees)	41,585,510	32,918,855
b. Weighted average number of equity shares used in calculating basic earnings per share	1,000,000	1,000,000
c. Effect of dilutive issue of shares	-	-
d. Weighted average number of equity shares used in calculating diluted earnings per share	1,000,000	1,000,000
e. Basic earnings per share (Rupees)	41.59	32.92
f. Diluted earnings per share (Rupees)	41.59	32.92



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.29 RELATED PARTY TRANSACTIONS**

**List of related parties – where control exists**

- a. Holding Company :**  
- Nucleus Software Exports Limited
- b. Wholly owned subsidiary companies**  
- VirStra I-Technology (Singapore) Pte Ltd, Singapore (wound up with effect from 19 February, 2014)
- c. Fellow Subsidiary:**  
- Nucleus Software Solution Pte. Ltd., Singapore

Particulars	Year ended 31 Mar 2014 ( Rupees)	Year ended 31 Mar 2013 ( Rupees)
<b>Transactions with related parties</b>		
<b>i. Sale of services</b>		
- Nucleus Software Solution Pte. Ltd., Singapore	202,302,773	206,829,964
<b>ii. Reimbursement of expenses</b>		
From related parties		
- Nucleus Software Solution Pte. Ltd., Singapore	178,322	9,537,441
- Nucleus Software Exports Limited	5,000,000	-
To related parties		
- Nucleus Software Exports Limited	-	267,593
- Nucleus Software Solution Pte. Ltd., Singapore	128,069	
<b>iii. Dividend paid</b>		
- Nucleus Software Exports Limited	-	30,000,000

**Outstanding balances as at year end**

Particulars	As at 31 Mar 2014 (Rupees)	As at 31 Mar 2013 (Rupees)
<b>i. Loans and advances</b>		
- Nucleus Software Exports Limited	-	28,555
<b>ii Trade receivables</b>		
- Nucleus Software Solution Pte. Ltd., Singapore	15,584,731	17,845,442
<b>iii Trade payable</b>		
- Nucleus Software Exports Limited	45,630	
<b>iv Share Capital</b>		
- Nucleus Software Exports Limited (see note below)	10,000,000	10,000,000

Note : Out of the above, 6 (Previous year 6) equity shares of Rs. 10 each are held by nominees on behalf of the Holding Company.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.30 Employee Benefit Obligations**

**Defined contribution plans**

An amount of Rs. 4,907,169 (previous year Rs. 5,214,463) has been recognized as an expense in respect of Company's contribution for Provident Fund deposited with the government authorities.

**Defined benefit plans**

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of Rs 1,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and leave encashment has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

**Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2014 :**

Particulars	As at 31 Mar 2014 (Rupees)	As at 31 Mar 2013 (Rupees)
a. Obligation at beginning of the year	7,376,983	5,633,489
Current service cost	1,408,028	1,170,638
Interest cost	628,321	513,980
Actuarial losses/(gains)	(232,286)	528,053
Benefits paid	(1,080,068)	(469,177)
Obligation at year end	<b>8,100,978</b>	<b>7,376,983</b>

b. The Scheme does not have any assets as at the valuation date to meet the gratuity liability.

c. Expected employer's contribution next year 1,800,370 1,297,344

d. **Gratuity cost for the year:**

Particulars	Year ended 31 Mar 2014 (Rupees)	Year ended 31 Mar 2013 (Rupees)
Current service cost	1,408,028	1,170,638
Interest cost	628,321	513,980
Actuarial losses/(gains)	(232,286)	528,053
Net gratuity cost	<b>1,804,063</b>	<b>2,212,671</b>

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
e. Assumptions :-		
Economic assumptions	-	-
Discount rate	8.90%	7.85%
Salary escalation rate	7.00%	7.00%

**Discount rate:**

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Salary escalation rate:**

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

f. **Demographic assumptions**

Retirement age	58 years	58 years
Mortality table	Indian Assured Lives Mortality (2006-08) Ult table	Indian Assured Lives Mortality (2006-08) Ult table

**Withdrawal rates**

Ages Withdrawal	Ages Withdrawal
21-50 years - 20%	21-50 years - 20%
51-54 years - 2%	51-54 years - 2%
55-57 years -1%	55-57 years -1%

g. **Experience Adjustments**

	31 Mar 2014	Year ended 31 Mar 2013	31 Mar 2012
	(Rupees)	(Rupees)	(Rupees)
Defined Benefit Obligation	8,100,978	7,376,983	5,633,487
Surplus/ Deficit	(8,100,978)	(7,376,983)	(5,633,487)
Experience Adjustments on plan liabilities	(184,053)	352,724	195,805

	Year ended 31 Mar 2011	31 Mar 2010
	(Rupees)	(Rupees)
Defined Benefit Obligation	4,487,241	3,801,602
Surplus/ Deficit	(4,487,241)	(3,801,602)
Experience Adjustments on plan liabilities	(597,423)	(514,557)

**2.31** The Company has entered into a service level agreement with Nucleus Software Solutions Pte. Ltd., Singapore ("NSS"), a body corporate under the same management as defined under section 370 (1-B) of the Companies Act, 1956. As per terms of the agreement, the Company provides software support services to NSS against which certain expenses incurred by the Company are reimbursed by NSS. The details of reimbursements are tabulated below:

Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
	(Rupees)	(Rupees)
Salaries and wages	-	9,537,441

  
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**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.32 Forward contract and option in foreign currency**

Particulars	As at 31 Mar 2014 (Rupees)	As at 31 Mar 2013 (Rupees)
<b>a. Forward contract outstanding</b>		
In USD	250,000	1,500,000
Equivalent amount in Rupees	14,970,000	81,420,000
<b>b.</b>		
Short term loans and advances include net marked to market gain of Rs. 32,126 (Previous year ended 31 March, 2013 : Rs. 1,149,886) relating to forward contracts which are outstanding as at year end. The gain on such forward contract which are designated as effective, aggregating to Rs. 16,063 (Previous year ended 31 March 2013 : gain of Rs. 1,026,649) have been credited to Hedging Reserve. The gain on ineffective contracts aggregating to Rs. 16,063 (Previous year ended 31 March 2013 : Gain of Rs. 123,237) has been credited to Statement of Profit and Loss.		
<b>c.</b>		
The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March, 2014 by derivative instruments is as follows:		

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
Current Assets in USD	260,266	328,766
Current Assets in Rupees	15,584,731	17,845,442

**2.33 Segment reporting**

Based on the guiding principles stated in Accounting Standard-17 on "Segment Reporting" notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable, the Company has identified its business of providing software support services to the only customer in single country as one reportable segment only. Accordingly, no additional disclosure for segment reporting has been made in the financial statements

**2.34 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS (Unaudited)**

Particulars	Year ended 31 Mar 2014 (Rupees)	Year ended 31 Mar 2013 (Rupees)
Sales of services	195,551,747	204,865,714
Software support expenses	137,093,876	156,426,243
<b>Gross Profit</b>	<b>58,457,871</b>	<b>48,439,471</b>
General and administration expenses	1,527,518	2,542,504
<b>Operating profit before depreciation</b>	<b>56,930,353</b>	<b>45,896,967</b>
Depreciation	1,546,647	1,445,680
<b>Operating profit after depreciation</b>	<b>55,383,706</b>	<b>44,451,287</b>
Other income	5,171,462	3,611,297
<b>Profit before taxation</b>	<b>60,555,168</b>	<b>48,062,584</b>
Tax expense:		
- Current tax	18,347,002	15,836,974
- Deferred tax charge / (credit)	622,656	(693,246)
<b>Profit after taxation</b>	<b>41,585,510</b>	<b>32,918,855</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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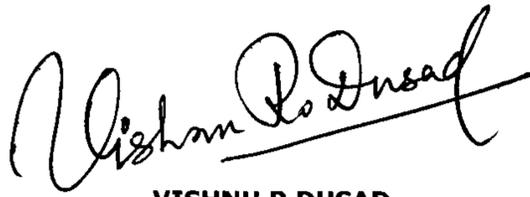
**2.35** As at 31 March, 2013, the Company's investment comprised of investment in VirStra i-Technology (Singapore) Pte Ltd, Singapore.

In the current year, VirStra i-Technology (Singapore) Pte Ltd, Singapore was wound up with effect from 19 February, 2014. Accordingly, the investments has been written off during the current year.

**2.36** The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the period/year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

**2.37** Previous year figures have been regrouped/ reclassified wherever necessary to make them comparable with the current year figures.

**For and on behalf of the Board of Directors**



**VISHNU R DUSAD**  
Director



**P K SANGHI**  
Director

Place : New Delhi  
Date : May 2, 2014

