

Aepona Limited**CONDENSED BALANCE SHEET AS AT DECEMBER 31, 2018**

	Notes	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
ASSETS				
Non-current assets				
Property, Plant and Equipment	5.1	3,673,755	2,930,471	3,286,014
Capital work-in-progress		87	163,549	-
Other Intangible assets	5.2	9,210,227	30,435,824	26,936,754
		12,884,069	33,529,844	30,222,768
Current assets				
Financial assets				
- Trade receivables	6	55,526,358	148,414,699	65,862,668
- Cash and cash equivalents	7	24,877,181	7,112,294	13,413,820
- Other current financial assets	8	14,053,515	15,547,244	15,228,731
Current tax assets (net)		7,907,926	8,809,597	9,947,688
Other current assets	9	17,179,002	36,177,082	49,475,523
		119,543,982	216,060,916	153,928,430
TOTAL		132,428,051	249,590,760	184,151,198
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	1,230,620,264	1,230,620,264	1,230,620,264
Other equity		(1,647,127,013)	(1,491,779,774)	(1,572,820,505)
		(416,506,749)	(261,159,510)	(342,200,241)
LIABILITIES				
Non-current liabilities				
Financial liabilities				
- Borrowings	10	265,669,654	197,869,003	212,126,273
		265,669,654	197,869,003	212,126,273
Current liabilities				
Financial liabilities				
- Trade payables	11	201,562,945	199,293,375	188,513,409
- Other current financial liabilities	12	41,817,547	13,925,754	39,090,724
Other current liabilities	13	36,894,914	91,524,805	74,136,319
Provisions	14	2,989,740	8,137,333	12,484,714
		283,265,146	312,881,267	314,225,166
TOTAL		132,428,051	249,590,760	184,151,198
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the condensed financial statements

As per our report of even date

For JOSHI APTE & Co.
Firm registration no. 104370W
Chartered Accountants

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

per C.K. Joshi
Partner
Membership No. 030428

Sudhir Kulkarni
Director

Narayanan Rajgopalan
Director

Place: Pune
Date : January 25, 2019

Place:
Date : January 25, 2019

Place: Santa Clara, USA
Date : January 25, 2019

Aepona Limited**CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018.**

	Notes	For the quarter ended		For nine months ended		For the year ended
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
		(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Income						
Revenue from operations	15	89,293,847	121,977,428	320,600,479	403,017,294	501,617,369
Other income	16	-	7,215,872	-	10,372,347	22,937,863
Total income (A)		89,293,847	129,193,300	320,600,479	413,389,641	524,555,232
Expenses						
Employee benefits expense	17.1	7,848,187	41,140,683	74,364,491	122,250,774	159,031,726
Cost of technical professionals	17.2	42,121,020	76,960,495	177,993,831	252,452,957	331,148,678
Finance costs		554,791	432,950	1,191,055	4,635,259	4,701,704
Depreciation and amortization expense	5.3	6,386,819	5,734,867	18,733,150	16,598,031	22,446,388
Other expenses	18	32,023,354	57,348,679	123,031,228	182,199,170	231,804,915
Total expenses (B)		88,934,171	181,617,674	395,313,755	578,136,191	749,133,411
Profit/(loss) before tax (A - B)		359,676	(52,424,374)	(74,713,276)	(164,746,550)	(224,578,179)
Tax expense						
Tax expense						
Current tax		5,805,757	-	5,805,757	-	-
Tax credit in respect of earlier years		8,233,701	-	8,233,701	-	-
Total tax expense		14,039,458	-	14,039,458	-	-
Net profit/(loss) for the period / year (C)		(13,679,782)	(52,424,374)	(88,752,734)	(164,746,550)	(224,578,179)
Other comprehensive income						
Items that will not be reclassified to profit or loss (D)						
- Remeasurements of the defined benefit liabilities / (asset)		-	-	-	-	-
- Tax effect on remeasurements of the defined benefit liabilities / (asset)		-	-	-	-	-
Items that may be reclassified to profit or loss (E)						
- Exchange differences in translating the financial statements of foreign operations		25,809,730	3,733,030	14,446,226	(9,579,590)	(30,788,692)
Total other comprehensive income for the period/year (D) + (E)		25,809,730	3,733,030	14,446,226	(9,579,590)	(30,788,692)
Total comprehensive income for the period/year (C) + (D) + (E)		12,129,948	(48,691,344)	(74,306,508)	(174,326,140)	(255,366,871)
Earnings per equity share						
[Nominal value of share GBP 1 (Previous period/year: GBP 1)]	19					
Basic (In ₹)		(1.10)	(4.23)	(7.16)	(13.29)	(18.12)
Diluted (In ₹)		(1.10)	(4.23)	(7.16)	(13.29)	(18.12)
Summary of significant accounting policies						
	3					

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Sudhir Kulkarni
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Narayanan Rajgopalan
Director

Place: Pune
Date : January 25, 2019

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Place: Santa Clara, USA
Date : January 25, 2019

Aepona Limited**CASH FLOW STATEMENT FOR NINE MONTHS ENDED DECEMBER 31, 2018**

	For nine months ended		For the year ended
	December 31, 2018 (In ₹)	December 31, 2017 (In ₹)	March 31, 2018 (In ₹)
Cash flow from operating activities			
Profit / (loss) before tax	(74,713,276)	(164,746,550)	(224,578,179)
Adjustments for:			
Finance cost	1,191,055	4,635,259	4,701,704
Depreciation and amortization expense	18,733,150	16,598,031	22,446,388
Unrealised exchange (gain)/ loss (net)	14,501,629	(7,006,920)	(22,822,480)
Provision for doubtful receivables/ (provision for doubtful receivables written back) (net)	4,182,497	-	-
Exchange (gain)/ loss on translation of foreign currency cash and cash equivalents	692,430	1,518,795	1,659,635
Sundry balances written off	-	5,907,104	6,332,735
Operating profit before working capital changes	(35,412,515)	(143,094,281)	(212,260,197)
Movements in working capital :			
(Increase)/Decrease in trade receivables	9,853,875	1,793,775	82,668,192
(Increase)/ Decrease in other current assets (including financial assets)	32,296,521	(4,092,140)	(17,390,581)
(Increase)/ Decrease in loans and advances	1,175,216	43,792,950	44,111,463
Increase/(Decrease) in trade payables and current liabilities	(20,681,535)	87,017,062	91,320,942
Increase/(Decrease) in provisions	(9,494,974)	(756,340)	3,591,041
Operating profit after working capital changes	(22,263,412)	(15,338,974)	(7,959,140)
Direct taxes paid (net of refunds)	(11,957,044)	(1,460,439)	(2,068,994)
Net cash generated from operating activities	(A) (34,220,456)	(16,799,413)	(10,028,134)
Cash flows from investing activities			
Payment towards capital expenditure	(1,985,984)	(2,541,833)	(2,870,746)
Net cash (used in) investing activities	(B) (1,985,984)	(2,541,833)	(2,870,746)
Cash flows from financing activities			
Inter corporate deposits received	48,866,171	-	-
Interest paid	(503,940)	(6,908,478)	(6,908,478)
Net cash (used in) financing activities	(C) 48,362,231	(6,908,478)	(6,908,478)
	As at	As at	As at
	December 31, 2018	December 31, 2017	March 31, 2018
	(In ₹)	(In ₹)	(In ₹)
Net (Decrease)/ increase in cash and cash equivalents (A + B + C)	12,155,791	(26,249,724)	(19,807,358)
Cash and cash equivalents at the beginning of the period	13,413,820	34,880,813	34,880,813
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(692,430)	(1,518,795)	(1,659,635)
Cash and cash equivalents at the end of the period/year	24,877,181	7,112,294	13,413,820
Components of cash and cash equivalents			
Balances with banks			
On current accounts	24,877,181	7,112,294	13,413,820
Cash and cash equivalents as per note 7	24,877,181	7,112,294	13,413,820

Summary of significant accounting policies - Refer note 3

The accompanying notes are an integral part of the condensed financial statements

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ICAI Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
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per C.K. Joshi
Partner
Membership No.030428

Sudhir Kulkarni
Director
Narayanan Rajgopalan
Director

Place: Pune
Date : January 25, 2019

Place:
Date : January 25, 2019

Place: Santa Clara, USA
Date : January 25, 2019

STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED DECEMBER 31, 2018**Equity Share Capital (Refer note 4)****(In ₹)**

Balance as at April 1, 2018	Changes in equity share capital during the year	Balance as at December 31, 2018
1,230,620,264	-	1,230,620,264

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the period	Balance as at December 31, 2017
1,230,620,264	-	1,230,620,264

(In ₹)

Balance as at April 1, 2017	Changes in equity share capital during the year	Balance as at March 31, 2018
1,230,620,264	-	1,230,620,264

Aepona Limited**STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED DECEMBER 31, 2018**

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2018	(1,537,864,905)	(34,955,600)	(1,572,820,505)
Change during the year	(88,752,734)	14,446,226	(74,306,508)
Balance at December 31, 2018	(1,626,617,639)	(20,509,374)	(1,647,127,013)

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2017	(1,313,286,726)	(4,166,908)	(1,317,453,634)
Change during the period	(164,746,550)	(9,579,590)	(174,326,140)
Balance at December 31, 2017	(1,478,033,276)	(13,746,498)	(1,491,779,774)

(In ₹)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Foreign currency translation reserve	
Balance as at April 1, 2017	(1,313,286,726)	(4,166,908)	(1,317,453,634)
Change during the year	(224,578,179)	(30,788,692)	(255,366,871)
Balance at March 31, 2018	(1,537,864,905)	(34,955,600)	(1,572,820,505)

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1. Nature of operations

Aepona Limited (a UK based wholly owned subsidiary of Aepona Group Limited) is engaged in the business of a telecommunication API gateway for defining, exposing, controlling and monetizing telecom services to partners and application developers and an Internet of Things service creation platform that allows enterprises to add a service layer (or "business logic") to the basic APIs exposed to by connected devices, and to expose and monetize these APIs. The Company has been acquired by Persistent Systems Inc. on October 2, 2015 by virtue of share purchase agreement with ultimate parent company Aepona Holdings Ltd.

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 and equity settled employee stock options which have been measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange of goods and services. The accounting policies are consistently applied by the Company during the period and are consistent with those used in previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Statement of compliance

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting for the quarter and nine months December 31, 2018 as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013.

3. Summary of significant accounting policies**(a) Use of estimates**

The preparation of the financial statements are in conformity with the recognition and measurement principles of Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of period. 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.

Critical accounting estimates**i. Revenue recognition**

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

ii. Income taxes

The Company's major tax jurisdictions is Northern Ireland. Significant judgements are involved in determining the provision for income taxes

iii. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

iv. Provisions

Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(b) Accounting year

The accounting year of the Company is from April 01 to March 31. These financial statements have been prepared only for the purpose of consolidation.

(c) Functional currency

The Company's functional currency is GBP.

(d) 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 period 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.

(e) 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.

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Such development expenditure, until capitalization, is reflected as intangible assets under development.

Following the initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of internally generated intangible asset begins when the development is complete and the asset is available for use.

(f) Depreciation and amortization

Depreciation on Property, Plant and Equipment is provided using the Straight Line Method ('SLM') over the useful lives of the assets estimated by the management.

The management estimates the useful lives for the Property, Plant and Equipment as follows:

Assets	Useful lives
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Plant and equipment*	3 to 5 years
Furniture and fixtures*	5 years
Vehicles*	5 years

*For these classes of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which the

management expects to use these assets. Hence the useful lives of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

Leasehold land is amortized on straight line basis over the period of the lease. Leasehold improvements are amortized over the period of lease or useful life, whichever is lower.

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.

(g) 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 instruments 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 instruments 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.

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

Any financial instrument 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.

Subsequent measurement

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

- 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**i) 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.

ii) Non-financial assets

The carrying amounts of Property, Plant and Equipment and Goodwill are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Company estimates the asset's recoverable amount.

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial period / year end even if there is no indication that the asset is impaired.

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 of disposal and 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.

(h) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or development of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period/ year they occur.

(i) Leases***Where the Company is a lessee***

Leases that transfers substantially all the risks and rewards incidental to ownership to the Company are classified as finance leases.

Finance leases are capitalized at the lower of the inception date fair value of the leased assets and the present value of the minimum lease payments.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of profit and loss as per the terms of the lease agreements.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Company. 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:

(i) Income from sale of software services and products

Effective April 1, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method, the previous period's/ year's amounts have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. The effect on adoption of Ind AS 115 was insignificant.

The company derives revenues primarily from IT services comprising of software development and related services and from the licensing of software products.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a time-and-material or a fixed-price basis.

Revenue on time-and-material contracts are recognized as and when the related services are performed. Revenue from fixed-price contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period.

The company has applied the principles under Ind AS 115 to account for revenues from these performance obligations.

When support services are provided in conjunction with the licensing arrangement and the license and the support services have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. Maintenance revenue is recognized proportionately over the period in which the services are rendered.

Revenue from royalty is recognized in accordance with the terms of the relevant agreements.

The company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the proportionate allocation of the discounts amount to each of the underlying performance obligation that corresponds to the progress by the customer towards earning the discount. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The company recognizes changes in the estimated amount of obligations for discounts in the period in which the change occurs.

Unbilled revenue represents revenue recognized in relation to work done until the balance sheet date for which billing has not taken place.

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognized.

The Company collects Value added taxes (VAT) on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the carrying amount and the effective interest rate. Interest income is included under the head 'Other income' in the statement of profit and loss.

(iii) Dividend

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date. Dividend income is included under the head 'Other income' in the statement of profit and loss.

(k) Foreign currency translation

(i) Foreign currency transactions and balances

Initial recognition

Foreign currency transactions are recorded in the respective functional currencies of the entities in 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 relating to property, plant and equipment acquisition are recognized as income or expenses in the period in which they arise.

Forward exchange contracts not intended for trading or speculation purposes, classified as derivative financial instruments

As per the accounting principles laid down in Ind AS 109 – “Financial Instruments” relating to cash flow hedges, derivative financial instruments which qualify for cash flow hedge accounting are fair valued at balance sheet date and the effective portion of the resultant loss / (gain) is debited / (credited) to the hedge reserve under other comprehensive income and the ineffective portion is recognized to the statement of profit and loss. Derivative financial instruments are carried as forward contract receivable when the fair value is positive and as forward contract payable when the fair value is negative.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in the statement of profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognized in hedge reserve under other comprehensive income is transferred to the statement of profit and loss when the forecasted transaction occurs or affects profit or loss or when a hedged transaction is no longer expected to occur.

Translation of foreign operations

The Company presents the financial statements in INR which is the functional currency of the parent company.

The assets and liabilities of a foreign operation are translated into the reporting currency (INR) at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve under other comprehensive income. On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

(l) Retirement and other employee benefits

(i) Leave encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date.

The Company presents the entire leave encashment liability as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

(m) Income taxes

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

Deferred income taxes reflect the impact of temporary differences between tax base of assets and liabilities and their carrying amounts. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

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.

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

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

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

(n) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period / year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year. The weighted average number of equity shares outstanding during the reporting period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

The number of shares and potential dilutive equity shares are adjusted retrospectively for all periods presented for any bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

(o) 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, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(p) 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.

(q) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprises of cash at bank, cash in hand and short term deposits with an original maturity period of three months or less.

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4. Share capital

	As at December 31, 2018 In ₹	As at December 31, 2017 In ₹	As at March 31, 2018 In ₹
Authorized shares			
12,393,827 Ordinary shares of GBP 1 each.	GBP 12,393,827	GBP 12,393,827	GBP 12,393,827
	GBP 12,393,827	GBP 12,393,827	GBP 12,393,827
Issued, subscribed and paid-up 12,393,827 Ordinary shares of GBP 1 each.	1,230,620,264	1,230,620,264	1,230,620,264
Issued, subscribed and fully paid-up share capital	1,230,620,264	1,230,620,264	1,230,620,264

All the shares are held by Aepona Group Limited.

Reconciliation of the shares outstanding at the beginning and at the end of the period.

There is no movement in the shares outstanding at the beginning and at the end of the reporting period.

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Aepona Limited

Notes forming part of condensed financial statements

5.1 Property, Plant and Equipment

(In ₹)

	Computers	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)					
As at April 1, 2018	290,856,350	1,017,153	47,545,888	4,714,723	344,134,114
Additions	1,985,897	-	-	-	1,985,897
- Exchange differences	(10,234,227)	(35,597)	(1,663,939)	(164,998)	(12,098,761)
As at December 31, 2018	282,608,020	981,556	45,881,949	4,549,725	334,021,250
Depreciation and amortization					
As at April 1, 2018	288,355,267	455,562	47,545,888	4,491,383	340,848,100
Charge for the period	1,313,987	108,066	-	46,709	1,468,762
- Exchange differences	(10,127,996)	(18,949)	(1,663,939)	(158,483)	(11,969,367)
As at December 31, 2018	279,541,258	544,679	45,881,949	4,379,609	330,347,495
Net block					
As at December 31, 2018	3,066,762	436,877	-	170,116	3,673,755
As at March 31, 2018	2,501,083	561,591	-	223,340	3,286,014

(In ₹)

	Computers	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)					
As at April 1, 2017	252,815,804	523,617	41,682,404	3,921,197	298,943,022
Additions	1,803,399	354,594	-	220,291	2,378,284
- Exchange differences	16,225,406	42,170	2,667,866	256,353	19,191,795
As at December 31, 2017	270,844,609	920,381	44,350,270	4,397,841	320,513,101
Depreciation and amortization					
As at April 1, 2017	251,936,838	336,088	41,682,404	3,790,503	297,745,833
Charge for the period	578,833	61,393	-	120,882	761,108
- Exchange differences	16,166,996	(4,734)	2,667,866	245,561	19,075,689
As at December 31, 2017	268,682,667	392,747	44,350,270	4,156,946	317,582,630
Net block					
As at December 31, 2017	2,161,942	527,634	-	240,895	2,930,471
As at March 31, 2017	878,966	187,529	-	130,694	1,197,189

	Computers	Plant and equipment	Leasehold improvements	Furniture and fixtures	Total
Gross block (At cost)					
As at April 1, 2017	252,815,804	523,617	41,682,404	3,921,197	298,943,022
Additions	2,287,620	359,677	-	223,449	2,870,746
- Exchange differences	35,752,926	133,859	5,863,484	570,077	42,320,346
As at March 31, 2018	290,856,350	1,017,153	47,545,888	4,714,723	344,134,114
Depreciation and amortization					
As at April 1, 2017	251,936,838	336,088	41,682,404	3,790,503	297,745,833
Charge for the period	876,144	94,153	-	154,860	1,125,157
- Exchange differences	35,542,285	25,321	5,863,484	546,020	41,977,110
As at March 31, 2018	288,355,267	455,562	47,545,888	4,491,383	340,848,100
Net block					
As at March 31, 2018	2,501,083	561,591	-	223,340	3,286,014
As at March 31, 2017	878,966	187,529	-	130,694	1,197,189

Aepona Limited

Notes forming part of condensed financial statements

5.2 Other Intangible assets

			(In ₹)
	Software	Acquired contractual rights	Total
Gross block (At cost)			
As at April 1, 2018	61,350,773	69,140,857	130,491,630
Additions	-	-	-
-Exchange difference	(2,147,061)	(2,419,687)	(4,566,748)
As at December 31, 2018	59,203,712	66,721,170	125,924,882
Amortization			
As at April 1, 2018	61,312,757	42,242,119	103,554,876
Charge for the period	28,213	17,236,175	17,264,388
-Exchange difference	(2,146,516)	(1,958,093)	(4,104,609)
As at December 31, 2018	59,194,454	57,520,201	116,714,655
Net block			
As at December 31, 2018	9,258	9,200,969	9,210,227
As at March 31, 2018	38,016	26,898,738	26,936,754

			(In ₹)
	Software	Acquired contractual rights	Total
Gross block (At cost)			
As at April 1, 2017	53,784,833	60,614,223	114,399,056
Additions	-	-	-
-Exchange difference	3,442,479	3,879,591	7,322,070
As at December 31, 2017	57,227,312	64,493,814	121,721,126
Amortization			
As at April 1, 2017	53,718,434	16,828,028	70,546,462
Charge for the period	25,880	15,811,043	15,836,923
-Exchange difference	3,438,860	1,463,057	4,901,917
As at December 31, 2017	57,183,174	34,102,128	91,285,302
Net block			
As at December 31, 2017	44,138	30,391,686	30,435,824
As at March 31, 2017	66,399	43,786,195	43,852,594

			(In ₹)
	Software	Acquired contractual rights	Total
Gross block (At cost)			
As at April 1, 2017	53,784,833	60,614,223	114,399,056
Additions	-	-	-
Exchange difference	7,565,940	8,526,634	16,092,574
As at March 31, 2018	61,350,773	69,140,857	130,491,630
Amortization			
As at April 1, 2017	53,718,434	16,828,028	70,546,462
Charge for the year	34,843	21,286,388	21,321,231
Exchange difference	7,559,480	4,127,703	11,687,183
As at March 31, 2018	61,312,757	42,242,119	103,554,876
Net block			
As at March 31, 2018	38,016	26,898,738	26,936,754
As at March 31, 2017	66,399	43,786,195	43,852,594

5.3 Depreciation and amortization

	For the quarter ended		For nine months ended		For the year ended
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
Property, Plant and Equipment	552,236	324,156	1,468,762	761,108	1,125,157
Other Intangible assets	5,834,583	5,410,711	17,264,388	15,836,923	21,321,231
	6,386,819	5,734,867	18,733,150	16,598,031	22,446,388

Aepona Limited**Notes forming part of condensed financial statements****6. Trade receivables**

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Outstanding for a period more than six months from the date they are due for payment			
Unsecured, considered good	-	-	8,602,440
Unsecured, considered doubtful	-	-	-
	-	-	8,602,440
Less : Provision for doubtful receivables	-	-	-
	-	-	8,602,440
Others			
Unsecured, considered good	55,526,358	148,414,699	57,260,228
Unsecured, considered doubtful	4,066,094	-	-
	59,592,452	148,414,699	57,260,228
Less : Provision for doubtful receivables	4,066,094	-	-
	55,526,358	148,414,699	57,260,228
	55,526,358	148,414,699	65,862,668

7. Cash and cash equivalents

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
On current accounts	24,877,181	7,112,294	13,413,820
	24,877,181	7,112,294	13,413,820

8. Other current financial assets

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Advance to related parties (Unsecured, considered good)			
- Persistent Systems, Ltd	164,515	37,650	437,019
- Persistent Telecom Solutions Inc.	85,345	78,260	79,722
- Persistent Systems Lanka Private Limited	571,029	-	-
	820,889	115,910	516,741
Unbilled revenue	13,232,626	15,431,334	14,711,990
	14,053,515	15,547,244	15,228,731

9. Other current assets

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Advances recoverable in cash or kind or for value to be received	12,134,286	32,023,719	40,130,933
VAT receivable (net)	5,044,716	4,153,363	9,344,590
	17,179,002	36,177,082	49,475,523

Aepona Limited**Notes forming part of condensed financial statements****10. Non-current financial liabilities: Borrowings**

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Borrowings from related parties			
Term loans			
Inter corporate deposit from Valista Limited* (Repayment terms : After 36 months @ Libor plus 3%)	-	197,869,003	212,126,273
Inter corporate deposit from Persistent Systems Inc (Repayment terms : After 36 months @ Libor plus 2%)	48,866,171	-	-
Inter corporate deposit from Aepona Group Limited*	216,803,483	-	-
	265,669,654	197,869,003	212,126,273

* Aepona Group Limited took over the intercorporate deposit from Valista Limited as Valista Limited is in the process of voluntary winding up.

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Aepona Limited**Notes forming part of condensed financial statements****11. Trade payables**

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Trade payables for goods and services	201,562,945	199,293,375	188,513,409
	201,562,945	199,293,375	188,513,409

12. Other current financial liabilities

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Advance from related parties (Unsecured, considered good)			
Persistent Systems Inc	41,817,547	13,898,847	39,061,878
Persistent Systems (Lanka) Private Limited	-	26,907	28,846
	41,817,547	13,925,754	39,090,724

13. Other current liabilities

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Unearned revenue	27,774,507	79,606,115	62,462,505
Advance from customers	8,145,610	7,577,400	7,822,859
Interest accrued and due on borrowings from related parties*	709,455	70,310	29,235
Other payables			
- Statutory liabilities	265,342	4,270,980	3,821,720
	36,894,914	91,524,805	74,136,319
*Valista Ltd.	28,213	70,310	29,235
*Persistent Systems Inc	681,242	-	-
	709,455	70,310	29,235

14. Current Liabilities: Provisions

	As at December 31, 2018 (In ₹)	As at December 31, 2017 (In ₹)	As at March 31, 2018 (In ₹)
Provision for employee benefits			
- Leave encashment	703,915	652,253	1,663,565
- Other employee benefits	2,285,825	7,485,080	10,821,149
	2,989,740	8,137,333	12,484,714

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Aepona Limited**Notes forming part of condensed financial statements****15. Revenue from operations**

	For the quarter ended		For nine months ended		For the year ended
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Software services	62,216,676	116,432,568	195,187,157	387,858,348	470,855,159
Software products	27,077,171	5,544,860	125,413,322	15,158,946	30,762,210
	89,293,847	121,977,428	320,600,479	403,017,294	501,617,369

16. Other income

	For the quarter ended		For nine months ended		For the year ended
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Foreign exchange gain (net)	-	-	-	-	2,493,880
Excess provision in respect of earlier periods/ years written back	-	-	-	-	7,792,121
Research and Development (R&D) tax relief	-	7,215,248	-	10,313,866	12,592,543
Miscellaneous income	-	624	-	58,481	59,319
	-	7,215,872	-	10,372,347	22,937,863

17. Personnel expenses

	For the quarter ended		For nine months ended		For the year ended
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
17.1. Employee benefits expense					
Salaries, wages and bonus	5,986,982	37,216,987	66,078,568	110,799,237	144,254,120
Staff welfare and benefits	1,861,205	3,923,696	8,285,923	11,451,537	14,777,606
	7,848,187	41,140,683	74,364,491	122,250,774	159,031,726
17.2 Cost of technical professionals					
Technical professionals - related parties	40,006,718	57,788,077	151,150,549	192,087,881	253,974,792
Technical professionals - others	2,114,302	19,172,418	26,843,282	60,365,076	77,173,886
	42,121,020	76,960,495	177,993,831	252,452,957	331,148,678
	49,969,207	118,101,178	252,358,322	374,703,731	490,180,404

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Aepona Limited**Notes forming part of condensed financial statements****18. Other expenses**

	For the quarter ended		For nine months ended		For the year ended
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
	(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Travelling and conveyance	268,798	372,707	883,230	2,211,066	3,413,457
Electricity expenses (net)	10,023	224,147	355,344	1,841,737	1,864,506
Internet link expenses	536,142	440,395	1,651,278	1,510,358	2,052,559
Communication expenses	415,990	471,305	1,265,663	1,465,588	1,967,308
Recruitment expenses	-	-	-	-	1,180,458
Royalty expenses	(45)	-	(8,802)	-	-
Purchase of software licenses and support expenses	12,772,493	21,195,588	47,362,571	79,271,252	98,369,451
Provision for doubtful receivables/ (provision for doubtful receivables written back) (net)	4,182,497	-	4,182,497	-	-
Rent	2,681,520	8,767,857	17,014,908	33,004,633	42,781,797
Insurance	45,804	1,727	135,295	161,752	164,071
Rates and taxes	273,419	226,772	801,865	746,681	1,047,925
Legal and professional fees	10,499,630	9,421,615	22,735,948	28,876,067	40,532,531
Repairs and maintenance	-	-	-	-	-
- Plant and Machinery	1,394,034	3,181,392	4,641,444	5,263,448	7,322,143
- Buildings	-	2,068	-	193,682	83,101
- Others	2,002	3,754	35,074	32,371	73,029
Commission on sales to other than sole selling agents	2,377,860	4,573,321	7,593,638	14,082,297	17,526,197
Advertisement and sponsorship fees	(1,081)	(76,455)	(210,683)	625,027	1,230,608
Computer consumables	157,664	6,966	250,143	185,573	457,939
Auditors' remuneration	290,138	269,513	866,734	787,329	1,057,378
Books, memberships, subscriptions	195,025	250,405	605,482	819,136	1,077,540
Foreign exchange loss (net)	(4,769,916)	437,936	11,320,800	2,109,637	-
Sundry balances written off	-	5,766,335	-	5,766,335	5,848,993
Miscellaneous expenses	691,357	1,811,331	1,548,799	3,245,201	3,753,924
	32,023,354	57,348,679	123,031,228	182,199,170	231,804,915

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Aepona Limited

Notes forming part of condensed financial statements

19. Earnings per share

		For the quarter ended		For nine months ended		For the year ended
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
<u>Numerator for Basic and Diluted EPS</u>						
Net Profit after tax (In ₹)	(A)	(13,679,782)	(52,424,374)	(88,752,734)	(164,746,550)	(224,578,179)
<u>Denominator for Basic EPS</u>						
Weighted average number of equity shares	(B)	12,393,827	12,393,827	12,393,827	12,393,827	12,393,827
<u>Denominator for Diluted EPS</u>						
Number of equity shares	(C)	12,393,827	12,393,827	12,393,827	12,393,827	12,393,827
Basic Earnings per share of face value of GBP 1 each (In ₹)	(A/B)	(1.10)	(4.23)	(7.16)	(13.29)	(18.12)
Diluted Earnings per share of face value of GBP 1 each (In ₹)	(A/C)	(1.10)	(4.23)	(7.16)	(13.29)	(18.12)
<hr/>						
		For the quarter ended		For nine months ended		For the year ended
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
Number of shares considered as basic weighted average shares outstanding		12,393,827	12,393,827	12,393,827	12,393,827	12,393,827
Add: Effect of dilutive issues of stock options				-		-
Number of shares considered as weighted average shares and potential shares outstanding		12,393,827	12,393,827	12,393,827	12,393,827	12,393,827

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20. Contingent liabilities:

The Company does not have any contingent liability as at December 31, 2018 (Previous period and year - ₹ Nil).

21. Capital commitments:

The estimated amount of contracts remaining to be executed on Capital account and not provided for, net of advances is ₹ Nil (Previous period and year – ₹ Nil).

22. The financial statements are presented in ₹ except for per share information or as otherwise stated.

23. Aepona Limited terminated the contract of employment with all of its employees as a measure to control losses. The Company, however, intends to continue operations in future.

The Company is considered as going concern in spite of its negative net worth and inability to repay debts on time based on assurance of continued financial support and assistance from ultimate parent company and other measures.

24. Previous period's figures have been regrouped where necessary to conform to current period's classification.

As per our report of even date

**For Joshi Apte & Co.,
Firm registration no. 104370W
Chartered Accountants**

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

per C.K. Joshi
Partner
Membership No.030428
Place: Pune
Date: January 25, 2019

Sudhir Kulkarni
Director
Place:
Date: January 25, 2019

Narayanan Rajgopalan
Director
Place: Santa Clara, USA
Date: January 25, 2019
