

INDEPENDENT AUDITOR'S REPORT

To the members of **Accel Japan Kabushiki Kaisha, Japan**

We have audited the attached Balance Sheet of ACCEL JAPAN KABUSHIKI KAISHA, JAPAN (hereinafter referred to as the company") as at 31st March 2017 and related Statement of Profit and Loss for the year ended on that date annexed thereto and a summary of accounting policies and other explanatory information. These financial statements have been prepared by the Company's management as per Generally Accepted Accounting Principles adopted in India for the purpose of consolidating the company's financials with that of the holding company.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs and results of operations of the company in accordance with the Generally Accepted Accounting Principles adopted in India; this 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.

Auditor's Responsibility

Our responsibility to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the ICAI. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain the reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedure that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluation 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.



S.K.RAM ASSOCIATES

Chartered Accountants
Old No. 57/2, New No. 103
P.S. Sivaswamy Salai, Mylapore
Chennai 600 004. INDIA
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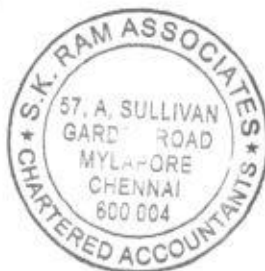
Opinion

1. As disclosed in note 3.7 of the notes on accounts to the financial statements, the management had during the preparation of accounts observed that certain revenue and advances were recorded in the books of account without adequate supporting documents, details and other relevant information. The impact of revenue and advances amounting to JPY 215.33 lakhs, identified thus far has been provided for/written off and disclosed as exceptional items, which in the opinion of the management, is adequate as on date. In the absence of adequate supporting information we are unable to comment on the appropriateness of the same.
2. In our opinion and to the best of our information and according to the explanation given to us, the financial statements give a true and fair view of the state of affairs of the company as at 31st March, 2017, and of its results of operations for the year then ended in accordance with Generally Accepted Accounting Principles adopted in India subject to para 1 stated above.

For S K Ram Associates
Chartered Accountants
ICAI Firm Registration Number: 2842S



R. Balaji
Membership Number: 202916
Place of Signature: Chennai
Date: 27th April 2017



Accel Japan Kabushiki Kaisha, Japan

Balance sheet as at

(All amounts in JPY lakhs, unless otherwise stated)

	Notes	31-Mar-17 JPY	31-Mar-16 JPY
Equity and liabilities			
Shareholders' funds			
Share capital	2.1	106.00	106.00
Reserves and surplus	2.2	(549.77)	(149.12)
		<u>(443.77)</u>	<u>(43.12)</u>
Non-current liabilities			
Long-term borrowings	2.3	188.24	-
		<u>188.24</u>	<u>-</u>
Current liabilities			
Trade payables	2.4	511.30	520.03
Other current liabilities	2.5	886.45	357.57
		<u>1,397.75</u>	<u>877.60</u>
TOTAL		<u><u>1,142.22</u></u>	<u><u>834.48</u></u>
Assets			
Non-current assets			
Fixed assets	2.6		
Tangible assets - Net		4.88	-
Long-term loans and advances	2.7	342.08	28.40
		<u>346.96</u>	<u>28.40</u>
Current assets			
Trade receivables	2.8	782.99	577.89
Cash and bank balances	2.9	12.27	218.89
Short-term loans and advances	2.10	-	9.30
		<u>795.26</u>	<u>806.08</u>
TOTAL		<u><u>1,142.22</u></u>	<u><u>834.48</u></u>

Significant Accounting Policies	1
Notes to the Balance Sheet	2
Other Notes	4
<i>As per our report of even date</i>	

For S K RAM ASSOCIATES

Firm Registration No.28425


Chartered Accountants


R. Balaji
Membership No.202916



For and on behalf of the Board


M. Mehta
Director


P. Balakrishnan
Director
MR

Place: Chennai, India
Date : 27th April 2017

Accel Japan Kabushiki Kaisha, Japan

Statement of Profit and loss account for the year ended

(All amounts in JPY lakhs, unless otherwise stated)

	Notes	31-Mar-17 JPY	31-Mar-16 JPY
Continuing operations			
Income			
Revenue from operations	3.1	4,002.89	2,538.60
Total revenue (I)		4,002.89	2,538.60
Expenses			
Cost of Services	3.2	194.89	453.63
Employee benefit expenses	3.3	3,253.20	1,547.51
Other expenses	3.4	734.23	374.64
Total (II)		4,182.32	2,375.78
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) - (II)		(179.43)	162.82
Depreciation and amortization expense	3.5	1.83	-
Finance costs (Net)	3.6	4.07	2.17
Profit/(loss) before tax		(185.33)	160.65
Exceptional Items	3.7	215.33	-
Tax expenses		-	-
Total tax expense		-	-
Profit/(loss) for the year from continuing operations		(400.66)	160.65

Significant Accounting Policies	1
Notes to the Statement of Profit and Loss Account	3
Other Notes	4

As per our report of even date

For S K RAM ASSOCIATES

Firm Registration No.28425

Chartered Accountants


R. Balaji

Membership No.202916

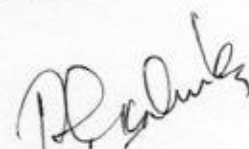


Place: Chennai, India

Date : 27th April 2017

For and on behalf of the Board


Director


Director
MK

ACCEL JAPAN KABUSHIKI KAISHA, JAPAN

(All figures are in Japanese Yen in Lakhs, unless otherwise stated)

Cash Flow Statement for the period

	March 31, 2017 JPY	March 31, 2016 JPY
Cash flows from operating activities		
Net profit / (loss) for the year before tax	(400.66)	160.65
<i>Adjustment for:</i>		
Depreciation on fixed assets	1.83	-
Finance costs	4.07	2.17
Operating profit / (loss) before reinvestment of capital	<u>(394.76)</u>	<u>162.82</u>
(Increase)/Decrease in Trade receivables	(205.10)	(346.31)
(Increase)/Decrease in other current assets	-	50.05
(Increase)/Decrease in loans and advances	(304.38)	10.05
Increase/(Decrease) in trade and other payables	(8.73)	293.04
Increase/(Decrease) in other current liabilities	717.12	-
Cash generated from / (used in) operations	<u>(195.85)</u>	<u>169.65</u>
Cash flows from investing activities:		
Acquisition of non current assets & CWIP	(6.70)	-
Net cash flows from/ (used in) investing activities	<u>(6.70)</u>	<u>-</u>
Cash flows from financing activities:		
Finance costs	(4.07)	(2.17)
Net cash flows from/ (used in) financing activities	<u>(4.07)</u>	<u>(2.17)</u>
Net Increase/(decrease) in cash & cash equivalents	(206.62)	167.48
Cash & cash equivalents at the beginning of the year	218.89	51.41
Cash & Cash equivalents at end of the year	<u>12.27</u>	<u>218.89</u>

As per our report of even date

For S K RAM ASSOCIATES

Firm Registration No.2842S

Chartered Accountants



R. Balaji

Membership No.202916

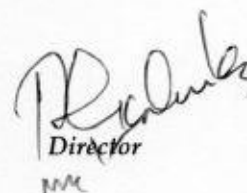


Place: Chennai, India

For and on behalf of the Board



Director


Director
MRE

4.7. RELATED PARTY INTEREST IN CONTRACTS:

The key persons of the company are neither directly nor indirectly interested in any contract with the company.

4.8. The transactions with its related parties are as follows :

Particulars	Ultimate Holding Company	Holding Company	Fellow Subsidiary
Purchases	92,05,920	-	1,09,65,000
			(4,04,62,946)
Sales	8,13,93,312		-
	(6,01,26,486)		-
Receivables	2,19,00,621		37,56,338
	(29,93,696)		(37,56,338)
Payables	57,49,920	-	6,79,60,852
			(5,41,85,052)

Note: Item under parenthesis represent previous year figures

4.9. Capital Commitments:

The Company has no capital commitments, which would require disclosure as at March 31, 2017.

4.10. Contingent Liabilities:

There are no contingent liabilities as at the balance sheet date, which would require provision or disclosure.

4.11. Earning per Share

The earnings considered in ascertaining the company's basic and diluted earnings per share comprise of the net profit/(loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing the diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of shares if any which would have been issued on the conversion of all dilutive potential equity shares.

4.12. Measurement of EBITDA

The company measures EBITDA on the basis of profit/(loss) from continuing operations. In its measurement does not include depreciation and amortization expense, finance costs and tax expense

4.13. Comparative Figures:

The previous year's balances have been regrouped / reclassified wherever necessary to conform to the current year's presentation.

As per our report attached

For S K RAM ASSOCIATES

Firm Registration No. 28425

Chartered Accountants

R. Balaji

Membership No. 202916

Place: Chennai, India

Date : 27th April 2017



For and on behalf of the Board

M. Melita
Director

M. Melita
Director

Accel Japan Kabushiki Kaisha, Japan

2. Notes to the balance sheet

(All amounts in JPY lakhs, unless otherwise stated)

2.1. Share capital

Issued, Subscribed & Paid up

10,600,000 (March 31, 2014: 10,600,000) equity shares of JPY 1/- each

Total

As at Mar 31, 2017 - JPY	As at Mar 31, 2016 - JPY
106.00	106.00
106.00	106.00

2.2 Reserves & surplus

Securities premium account

Balance as at the beginning of the year

Add : Securities premium credited on Share issue

Balance as at the end of the year

Surplus / (deficit) in the profit and loss account

Balance as at the beginning of the year

Profit / (Loss) For The Year

Balance as at the end of the year

Total

As at Mar 31, 2017 - JPY	As at Mar 31, 2016 - JPY
182.73	182.73
182.73	182.73
(331.85)	(492.50)
(400.66)	160.65
(732.51)	(331.85)
(549.77)	(149.12)

2.3 Long term borrowings

Loans and advances from related parties

Total

As at Mar 31, 2017 - JPY	As at Mar 31, 2016 - JPY
188.24	-
188.24	-

2.4 Trade payables

Dues to micro and small enterprises*

Dues to others

Total

As at Mar 31, 2017 - JPY	As at Mar 31, 2016 - JPY
-	-
511.30	520.03
511.30	520.03

2.5 Other current liabilities

Statutory dues payable *

Employee related payables

Liability for expenses

Total

As at Mar 31, 2017 - JPY	As at Mar 31, 2016 - JPY
433.21	243.81
107.20	-
346.04	113.76
886.45	357.57

All known liabilities have been accounted in preparing the financial statements.

Liabilities classified as current liabilities on the balance sheet date are those, which fall due for payment on demand within one year from the balance sheet.

* Statutory Dues include a sum of JPY 248.00 lakhs (Consumption tax & Provident Fund) not paid as at 31st March 2017

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Accel Japan Kabushiki Kaisha, Japan

2. Notes to the balance sheet

(All amounts in JPY lakhs, unless otherwise stated)

2.6 Fixed Assets

Particulars

As at Mar 31, 2017 - JPY As at Mar 31, 2016 - JPY

Computers & Peripherals Computers & Peripherals

Opening Gross Block 1st April

Additions

Closing Gross Block as at 31st March

9.83

9.83

Depreciation charge for the year

Accumulated Depreciation as at 31st March

4.95

4.95

Net Block as at 31st March

4.88

2.7 Long term loans and advances

Rental deposit

Advance income-tax (net of provision for taxation)

Other loans and advances

Total

As at Mar 31, 2017 - JPY As at Mar 31, 2016 - JPY

33.54

185.20

123.34

342.08

4.51

6.45

17.44

28.40

2.8 Trade receivables

Unsecured, considered good and outstanding for a period less than six months from the date they are due for payment

Trade receivables

Considered doubtful

Less: Provision for doubtful receivables

Total

Trade and other receivables are stated at the amounts estimated to be realized.

As at Mar 31, 2017 - JPY As at Mar 31, 2016 - JPY

782.99

782.99

782.99

577.89

577.89

577.89

2.9 Cash and Cash equivalents

Cash on Hand

Balances with Banks

- on current accounts

Total

As at Mar 31, 2017 - JPY As at Mar 31, 2016 - JPY

0.04

12.23

12.27

10.71

208.18

218.89

2.10 Short term loans and advances

Unsecured, considered good

Loan to related parties

Total

As at Mar 31, 2017 - JPY As at Mar 31, 2016 - JPY

-

-

9.30

9.30

M.K.

P.K.

Accel Japan Kabushiki Kaisha, Japan

3. Notes to the Statement of Profit and Loss account for the year ended
(All amounts in JPY lakhs, unless otherwise stated)

3.1 Revenue from operations

	31-Mar-17	31-Mar-16
	In JPY	In JPY
Sale of services	4,002.89	2,538.60
Revenue from operations (net)	4,002.89	2,538.60

3.2 Cost of Services

	31-Mar-17	31-Mar-16
	In JPY	In JPY
Sub-contracting and outsourcing cost	194.89	453.63
	194.89	453.63

3.3. Employee benefits expense

	31-Mar-17	31-Mar-16
	In JPY	In JPY
Salaries, wages and bonus	2,836.37	1,518.94
Contribution to provident and other funds	411.01	28.57
Staff welfare expenses	5.82	-
Total	3,253.20	1,547.51

3.4. Other expenses

	31-Mar-17	31-Mar-16
	In JPY	In JPY
Rent	58.13	23.51
Power and fuel	-	2.46
Others	18.41	-
Insurance	4.01	0.29
Rates and taxes	23.25	-
Communication costs	17.55	15.69
Travelling and conveyance	212.60	145.64
Printing and stationery	-	9.72
Legal and professional fees	209.85	102.35
Advertising and sales promotion	72.58	32.63
Bad debts written off	72.11	-
Miscellaneous expenses	45.74	42.35
Total	734.23	374.64

3.5 Depreciation and amortization expense

	31-Mar-17	31-Mar-16
	In JPY	In JPY
Depreciation of tangible assets	1.83	-
Total	1.83	-

3.6 Finance costs

	31-Mar-17	31-Mar-16
	In JPY	In JPY
Bank charges & Commission	4.07	2.17
Total	4.07	2.17

3.7 Exceptional Items

	31-Mar-17	31-Mar-16
	In JPY	In JPY
Advances written off	119.33	-
Bad debts written off	96.00	-
Total	215.33	-

During the course of preparation of accounts, the management observed that certain unbilled revenue and advances were recorded in the books of account without adequate supporting documents, details and other relevant information. The impact of unbilled revenue and advances, identified thus far has been disclosed as exceptional items, which in the opinion of the management, is adequate as on date.

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ACCEL JAPAN KABUSHIKI KAISHA, JAPAN
(All figures are in Japanese Yen, unless otherwise stated)

4. Other Notes forming part of Financial Statements for the Year Ended March 31, 2017.

4.1. Legal status and business activity:

ACCEL JAPAN (FORMERLY NETWORK PROGRAMS), KABUSHIKI KAISHA, a company incorporated under the laws of JAPAN in Tokyo. The company was acquired as a wholly owned subsidiary by ACCEL FRONTLINE LIMITED, India, effective January 01, 2008. The company is primarily engaged in rendering software services.

4.2. Tangible Assets:

a) Cost: The tangible assets represent Computers & Peripherals and stated at cost. Cost includes all expenses directly attributable to bringing the asset to its working condition for its intended use.

4.3. Sundry debtors / Sundry creditors / Loans & advances

4.4. Changes in equity:

Particulars	Issued Capital/ Share application Money	Share application Money	Accumulated Profit/(loss)	Total
Balance as on March 31, 2016	106	183	(332)	(43)
Profit/(Loss) for the year ending Mar 31, 2017			(401)	(401)
Balance as on March 31, 2017	106	183	(733)	(444)

4.5. REVENUE RECOGNITION:

Revenue is generally accounted for on accrual basis and is recognized as follows:

a) Services: Revenue is recognized over the period in which the service is provided.

b) Software services:

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues.

Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

4.6. RELATED PARTIES TRANSACTION

Name of the Party	Nature of Relationship
Accel Frontline Limited, India	Holding company
Network Programs USA INC. USA	Fellow Subsidiary
Network Programs Japan INC. USA	Fellow Subsidiary

KEY MANAGERIAL PERSONNEL:

Shri. Malcolm F. Mehta	Director
Shri. Milind Kalurkar	Director
Shri. Ram Kumar	Director

