GlobalLogic Technologies Limited

Statutory audit for the year ended March 31, 2018 - Standalone FS

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of GlobalLogic Technologies Limited

Report on the Financial Statements

We have audited the accompanying standalone financial statements of GlobalLogic Technologies Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) read together with the Companies (Accounting Standards) Amendment Rules, 2016 specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with 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 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 internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone 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 of the state of affairs of the Company as at March 31, 2018, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

S.R. Batliboi & Associates LLP Gurugram

2. As required by section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) read together with the Companies (Accounting Standards) Amendment Rules, 2016 specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;

(e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2018 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act.

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 21 to the standalone financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

S.R. Batliboi & Associates LLP * Gurugram *

per Yogender Seth
Partner
Membership Number: 94524
Place: Gurugram
Date: September 13, 2018

Annexure 1 to the Auditor's Report referred to in paragraph [1] of "Report on Other Legal and Regulatory Requirements' in our report of even date

Re: GlobalLogic Technologies Limited ("the Company")

i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

ii. The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.

iii According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

v. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.

vii. a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

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S. No.	Name of the statute	Nature of dues	Amount under dispute (Rs.)	Period to which the amount relates	Forum where dispute is pending
A	Income tax Act, 1961	Income tax	8,900,702	AY2009-10	Commissioner of Income Tax – Appeals, Hyderabad
B	Income tax Act, 1961	Income tax	29,506,690	AY2012-13	ITAT, New Delhi
C	Income tax Act, 1961	Income tax	14,819,725	AY2014-15	Commissioner of Income Tax – Appeals, Hyderabad
D	Income tax Act, 1961	Income tax	4,098,010	AY2016-17	Commissioner of Income Tax – Appeals, Hyderabad

Against b above Rs. 23,991,989 has respectively been deposited with the authorities.

viii. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.

ix. According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud / material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

xi. According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.

xii. In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

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xvi. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Yogender Seth
Partner
Membership Number: 94524
Place: Gurugram
Date: September 13, 2018

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF GLOBALLOGIC TECHNOLOGIES LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of GlobalLogic Technologies Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the

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company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these standalone financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

S.R. Batliboi & Associates LLP * Gurugram *

per Yogender Seth
Partner
Membership Number: 94524
Place: Gurugram
Date: September 13, 2018

GlobalLogic Technologies Limited
Balance sheet as at March 31, 2018

	Notes	As at March 31, 2018 (Rs.)	As at March 31, 2017 (Rs.)
Equity and liabilities			
Shareholders' funds			
Share capital	3	9,765,050	9,765,050
Reserves and surplus	4	767,560,237	506,245,819
		777,325,287	**516,010,869**
Non-current liabilities			
Other long-term liabilities	5	16,090,428	9,878,601
Long-term provisions	6	27,392,171	18,443,525
		43,482,599	**28,322,126**
Current liabilities			
Trade payables	7	143,315,620	142,559,169
Other current liabilities	7	78,195,523	81,592,790
Short-term provisions	6	13,376,428	22,591,238
		234,887,571	**246,743,197**
TOTAL		**1,055,695,457**	**791,076,192**
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	8.1	106,674,202	78,629,331
Intangible assets	8.2	881,393	988,288
Non-current investment	9	4,891,922	4,891,922
Deferred tax assets (net)	10	34,897,659	57,182,689
Long-term loans and advances	11	151,727,872	127,006,113
Other non-current assets	12.2	767,142	764,703
		299,840,190	**269,463,046**
Current assets			
Trade receivables	12.1	299,919,691	258,325,347
Cash and bank balances	13	204,780,697	57,123,399
Short-term loans and advances	11	24,081,866	14,846,456
Other current assets	12.2	227,073,013	191,317,944
		755,855,267	**521,613,146**
TOTAL		**1,055,695,457**	**791,076,192**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of financial statements

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI firm registration no: 101049W/E300004

S.R. Batliboi & Associates LLP * Gurugram *

per Yogender Seth
Partner
Membership No. 94524

Place: Gurugram
Date: September 13, 2018

For and on the behalf of the Board of Directors of GlobalLogic Technologies Limited
CIN: U72200TG2006PLC067980

Sumit Sood
Director
DIN: 07121668

Place: Noida
Date: September 13, 2018

GlobalLogic Technologies Limited

Sanjay Kumar
Director
DIN: 07977118

Place: Noida
Date: September 13, 2018

GlobalLogic Technologies Limited
Statement of profit and loss for the year ended March 31, 2018

	Notes	As at March 31, 2018 (Rs.)	As at March 31, 2017 (Rs.)
Income			
Revenue from operations		1,917,551,718	2,206,675,406
Other income	14	37,565,936	88,974
Total revenues		**1,955,117,654**	**2,206,764,380**
Expenses			
Employee benefits expense	15	1,119,870,337	1,323,395,959
Other expenses	16	460,754,607	552,467,937
Total expenses		**1,580,624,944**	**1,875,863,896**
Earning before interest, tax, depreciation and amortization (EBITDA)		**374,492,710**	**330,900,484**
Depreciation and amortisation expense	17	33,970,009	12,265,297
Finance costs	18	468,318	29,839
Profit before tax		**340,054,383**	**318,605,349**
Tax expense			
Current tax			
Pertaining to profit for the current period		72,843,936	98,415,662
Minimum alternative tax credit entitlement		(16,389,000)	-
Adjustment of tax relating to earlier periods		-	14,288,280
Deferred tax charge/(credit)		22,285,029	(3,589,857)
Total tax expense		**78,739,965**	**109,114,085**
Profit for the year		**261,314,418**	**209,491,263**
Earnings per equity share [Nominal Value of share -Rs. 10] (March 31, 2017 - Rs. 10)	**20**		
Basic & diluted		268	215
Summary of significant accounting policies	**2.1**		

The accompanying notes are an integral part of financial statements

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI firm registration no: 101049W/E300004

S.R. Batliboi & Associates LLP
Gurugram

per Yogender Seth
Partner
Membership No. 94524

Place: Gurugram
Date: September 13, 2018

For and on the behalf of the Board of Directors of
GlobalLogic Technologies Limited
CIN: U72200TG2006PLC067980

Sumit Sood
Director
DIN: 07121668

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Date: September 13, 2018

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Sanjay Kumar
Director
DIN: 07977118

Place: Noida
Date: September 13, 2018

GlobalLogic Technologies Limited
Cash flow statements for the year ended March 31, 2018

	As at March 31, 2018	As at March 31, 2017
	Rs.	Rs.
A. Cash flow from operating activities		
Profit before tax	340,054,383	318,605,349
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation/amortization	33,970,009	12,265,297
Unrealised foreign exchange gain difference (net)	(4,627,925)	(59,541)
Interest income	(6,830,501)	(41,797)
Loss on sale of property, plant and equipment	304,347	-
Operating profit before working capital changes	**362,870,313**	**330,769,308**
Movements in working capital :		
Decrease/(increase) in trade receivables	(36,966,419)	17,049,779
(Increase) in other assets	(35,696,694)	(27,059,852)
(Increase)/decrease in loans and advances	(4,396,508)	7,405,868
(Decrease)/increase in provisions	(266,164)	2,327,549
(Decrease)/increase in trade payable and other liabilities	3,571,011	(166,777,129)
Cash generated from operations	**289,115,539**	**163,715,523**
Direct taxes paid (net of refunds)	(86,015,596)	(127,680,014)
Net cash from operating activities (A)	**203,099,943**	**36,035,509**
B. Cash flows used in investing activities		
Purchase of fixed assets	(64,048,820)	(85,061,959)
Investment in fixed deposits with scheduled banks	-	(553,000)
Interest received	6,769,687	-
Proceeds from sale of fixed assets	1,836,488	-
Net cash used in investing activities (B)	**(55,442,645)**	**(85,614,959)**
C. Cash flows from financing activities		
Net cash from/ (used in) financing activities (C)	-	-
Net increase in cash and cash equivalents (A) + (B) + (C)	147,657,298	(49,579,450)
Cash and cash equivalents at the beginning of the year	57,123,399	106,702,849
Cash and cash equivalents at the end of the year	**204,780,697**	**57,123,399**
Components of cash and cash equivalents		
On current accounts	204,780,697	57,123,399
Cash and cash equivalents at the end of the year (refer note no. 13)	**204,780,697**	**57,123,399**

Summary of significant accounting policies **2.1**

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI firm registration no: 101049W/E300004

S.R. Batliboi & Associates LLP ★ Gurugram ★

per Yogender Seth
Partner
Membership No. 94524

Place: Gurugram
Date: September 13, 2018

For and on the behalf of the Board of Directors of
GlobalLogic Technologies Limited
CIN: U72200TG2006PLC067980

Sumit Sood
Director
DIN: 07121668

Place: Noida
Date: September 13, 2018

GlobalLogic Technologies Limited ★

Sanjay Kumar
Director
DIN: 07977118

Place: Noida
Date: September 13, 2018

1. Corporate information
GlobalLogic Technologies Limited (GLTL or "the Company") is a subsidiary of GlobalLogic Inc. United States. The Company provides software development and IT enabled services to its customers.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The financial statements have been prepared on an accrual basis and under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting 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.

(b) Property, Plant and equipment

Property, Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.
Subsequent expenditure related to an item of Property, Plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. 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 DE recognition 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 derecognized.

(c) Depreciation on property, plant and equipment

Leasehold improvements are amortised on a straight line basis over the lower of lease term or useful life of the respective assets.

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management.
Depreciation on assets purchased during the year is provided on pro rata basis from the date of purchase of fixed assets.

The Company has used the following rates to provide depreciation on its property, plant and equipment.

Category of assets	Useful lives estimated by the management (years)
Computers and data processing units	3
Furniture and fittings	5
Plant and machinery	5
Office equipments	5

The management has estimated, supported by independent assessment by professionals, the useful lives of the following classes of assets.

• Furniture and fittings are depreciated over the estimated useful lives of 5 years, which are lower than those indicated in schedule II.
• Data processing units (comprising of Servers and networks) are depreciated over the estimated useful lives of 3 years, which are lower than those indicated in schedule II.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets are amortized on a straight line basis over a period of 3 years. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed three years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds three years, the Company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition 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 derecognized.

S.R. Batliboi & Associates LLP
Gurugram

GlobalLogic Technologies Limited

(e) Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit and loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss.

(f) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(g) Leases

Where the Company is lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.
If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.
Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term. Any scheduled rent increases are recognised on a straight line basis.

Where the Company is the lessor

Leases in which the Company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in property, plant and equipment. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

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GlobalLogic Technologies Limited