

# B S R & Associates LLP

Chartered Accountants

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## Limited Review Report on Quarterly and Year to Date Consolidated Financial Results of Quess Corp Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To The Board of Directors of  
Quess Corp Limited

We have reviewed the accompanying statement of unaudited consolidated financial results ("Statement") of Quess Corp Limited ("the Holding Company"), its subsidiaries (collectively referred to as "the Group"), its associates and joint venture as listed in Note 1 to the Statement for the quarter and six months ended 30 September 2017 attached herewith, being submitted by the Holding Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Statement is the responsibility of the Holding Company's Management and has been approved by the Board of Directors in their meeting held on 25 October 2017. Our responsibility is to issue a report on these financial results based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance about whether the financial results are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

- a. We did not review the financial results/ financial information of eight subsidiaries incorporated outside India whose financial results/ financial information reflect total assets of INR 28,138 lakhs as at 30 September 2017 and total revenues (including other income) of INR 24,629 lakhs and INR 49,066 lakhs for the quarter and six months ended on 30 September 2017 respectively, as considered in this Statement. The financial results/ financial information of these subsidiaries have been prepared in accordance with the accounting principles generally accepted in their respective countries ("the local GAAP") and the Company's Management has converted the financial results/ financial information of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. This has been done on the basis of a reporting package prepared by the Holding Company which covers accounting requirements applicable to the Statement under the generally accepted accounting principles in India. The reporting packages made for this purpose have been reviewed by the other auditors and reports for consolidation purposes of those other auditors have been furnished to us. Our opinion on the Statement, in so far as it relates to the financial results/ financial information of such subsidiaries located outside India is based solely on the aforesaid review reports of the other auditors.
- b. We did not review the financial results/ financial information of thirteen subsidiaries, whose financial results/ financial information reflect total assets of INR 44,907 lakhs as at 30 September 2017 and total revenues (including other income) of INR 7,090 lakhs and INR 13,157 lakhs for the quarter and six months ended on 30 September 2017 respectively, as considered in this Statement. The Statement also include the Group's share of total comprehensive (loss)/ income (including other comprehensive income) of INR (21.68) lakhs and INR 35.95 lakhs for the quarter and six

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months ended on 30 September 2017 respectively, as considered in this Statement, in respect of three associates and a joint venture whose financial results/ financial information have not been reviewed by us. These financial results/ financial information are unaudited and have been furnished to us by the Management and our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, associates and a joint venture, is based solely on such unaudited financial results/ financial information. In our opinion and according to the information and explanations given to us by the Management, these financial results/ financial information are not material to the Group.


Our opinion on the Statement is not modified in respect of the above matters with respect to the reports of the other auditors and the financial results/ financial information certified by the Management.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with applicable accounting standards i.e. Ind AS prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including the manner in which it is to be disclosed, or that it contains any material misstatement.

*for B S R & Associates LLP*

*Chartered Accountants*

Firm registration number: 116231W/W-100024



**Vipin Lodha**

*Partner*

Membership No.: 076806

Place: Bengaluru

Date: 25 October 2017

Quess Corp Limited

Registered Office: Quess House, 3/3/2, Bellandur Gate, Sarjapur Road, Bengaluru 560 103;  
CIN No. L74140KA2007PLC043909

(Rupees in lakhs except per share data)

Part I Statement of unaudited consolidated financial results for the quarter and six months ended 30 September 2017

Sl. No.	Particulars	Consolidated					
		Quarter ended			Half year ended		Year ended
		30 September 2017 (Unaudited)	30 June 2017 (Unaudited)	30 September 2016 (Unaudited)	30 September 2017 (Unaudited)	30 September 2016 (Unaudited)	31 March 2017 (Audited)
1	<b>Income :</b>						
	a) Revenue from operations	127,395.24	118,810.68	101,770.36	246,205.92	200,866.34	415,735.95
	b) Other income	1,671.08	340.34	567.35	2,011.42	637.07	1,525.20
	<b>Total income (a + b)</b>	<b>129,066.32</b>	<b>119,151.02</b>	<b>102,337.71</b>	<b>248,217.34</b>	<b>201,503.41</b>	<b>417,261.15</b>
2	<b>Expenses</b>						
	a) Cost of material and stores and spare parts consumed	1,278.41	1,114.72	1,841.67	2,393.13	3,085.15	4,687.77
	b) Employee benefit expense	109,394.43	101,794.14	86,088.04	211,188.57	170,495.97	354,350.85
	c) Finance costs	1,514.73	1,606.33	983.84	3,121.06	1,904.59	4,653.28
	d) Depreciation and amortisation expense	739.88	669.37	691.31	1,409.25	1,291.54	2,644.20
	e) Other expenses	10,076.10	9,553.51	8,325.96	19,629.61	16,495.66	34,417.22
	<b>Total expenses (a + b + c + d + e)</b>	<b>123,003.55</b>	<b>114,738.07</b>	<b>97,930.82</b>	<b>237,741.62</b>	<b>193,272.91</b>	<b>400,753.32</b>
3	<b>Profit before share of (loss)/ profit of equity accounted investees, exceptional items and tax (1 - 2)</b>	<b>6,062.77</b>	<b>4,412.95</b>	<b>4,406.89</b>	<b>10,475.72</b>	<b>8,230.50</b>	<b>16,507.83</b>
4	Share of (loss)/ profit of equity accounted investees (net of income tax)	(23.10)	55.09	-	31.99	-	12.46
5	<b>Profit before exceptional items and tax (3+4)</b>	<b>6,039.67</b>	<b>4,468.04</b>	<b>4,406.89</b>	<b>10,507.71</b>	<b>8,230.50</b>	<b>16,520.29</b>
6	Exceptional items	-	-	-	-	-	-
7	<b>Profit before tax (5 + 6)</b>	<b>6,039.67</b>	<b>4,468.04</b>	<b>4,406.89</b>	<b>10,507.71</b>	<b>8,230.50</b>	<b>16,520.29</b>
8	<b>Tax expense (refer note 14)</b>						
	Current tax	555.45	974.88	933.50	1,530.33	2,143.65	3,720.74
	Deferred tax	(1,825.06)	180.08	461.22	(1,644.98)	605.24	1,455.11
	Income tax relating to previous year	(6,749.42)	-	-	(6,749.42)	-	-
	<b>Total tax expense</b>	<b>(8,019.03)</b>	<b>1,154.96</b>	<b>1,394.72</b>	<b>(6,864.07)</b>	<b>2,748.89</b>	<b>5,175.85</b>
9	<b>Profit for the period (7 - 8)</b>	<b>14,058.70</b>	<b>3,313.08</b>	<b>3,012.17</b>	<b>17,371.78</b>	<b>5,481.61</b>	<b>11,344.44</b>
10	<b>Other comprehensive income</b>						
	<i>(i) Items that will not be reclassified subsequently to profit or loss</i>						
	Remeasurement of defined benefit plans	(285.37)	(78.86)	(199.27)	(364.23)	(319.12)	(340.47)
	Share of other comprehensive income of equity accounted investees (net of income tax)	1.42	2.54	-	3.96	-	54.44
	Income tax relating to items that will not be reclassified to profit or loss	98.76	27.29	68.96	126.05	110.44	106.72
	<i>(ii) Items that will be reclassified subsequently to profit or loss</i>						
	Exchange differences in translating financial statements of foreign operations	170.82	51.90	-	222.72	-	(333.91)
	Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
	<b>Other comprehensive income for the period, net of taxes</b>	<b>(14.37)</b>	<b>2.87</b>	<b>(130.31)</b>	<b>(11.50)</b>	<b>(208.68)</b>	<b>(513.22)</b>
11	<b>Total comprehensive income for the period (9 + 10)</b>	<b>14,044.33</b>	<b>3,315.95</b>	<b>2,881.86</b>	<b>17,360.28</b>	<b>5,272.93</b>	<b>10,831.22</b>
12	<b>Profit attributable to:</b>						
	Owners of the Company	14,076.48	3,313.61	3,012.17	17,390.09	5,481.61	11,346.07
	Non-controlling interests	(17.78)	(0.53)	-	(18.31)	-	(1.63)
13	<b>Other comprehensive income attributable to:</b>						
	Owners of the Company	(14.37)	2.87	(130.31)	(11.50)	(208.68)	(513.22)
	Non-controlling interests	-	-	-	-	-	-
14	<b>Total comprehensive income attributable to:</b>						
	Owners of the Company	14,062.11	3,316.48	2,881.86	17,378.59	5,272.93	10,832.85
	Non-controlling interests	(17.78)	(0.53)	-	(18.31)	-	(1.63)
15	Paid-up equity share capital (Face value of Rs 10 per share)	13,833.49	12,679.10	12,595.34	13,833.49	12,595.34	12,679.10
16	Reserves i.e. Other equity						70,938.29
17	<b>Earning Per Share (EPS)</b>	(not annualised)	(not annualised)	(not annualised)	(not annualised)	(not annualised)	(annualised)
	(a) Basic (Rs)	10.66	2.61	2.42	13.44	4.61	9.24
	(b) Diluted (Rs)	10.54	2.58	2.37	13.28	4.51	9.10

See accompanying notes to the financial results



**Quess Corp Limited**

Registered Office: Quess House, 3/3/2, Bellandur Gate, Sarjapur Road, Bengaluru 560 103;  
CIN No. L74140KA2007PLC043909

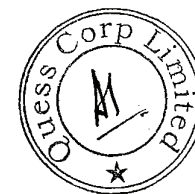
Based on the "management approach" as defined in Ind AS 108 - Operating Segments, the Chief Operating Decision Maker evaluates the Group performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along these business segments viz. People and services, Global technology solutions, Integrated facility management and Industrials. The accounting principles used in the preparation of these financial results are consistently applied to record revenue and expenditure in individual segments.

*(Rupees in lakhs)*

Statement of unaudited consolidated segment-wise revenue, results, assets and liabilities for the quarter and six months ended 30 September 2017

Sl. No.	Particulars	Consolidated					
		Quarter ended			Half year ended		Year ended
		30 September 2017 (Unaudited)	30 June 2017 (Unaudited)	30 September 2016 (Unaudited)	30 September 2017 (Unaudited)	30 September 2016 (Unaudited)	31 March 2017 (Audited)
1	<b>Segment revenue</b>						
	a) People and services	68,329.24	61,936.91	58,310.86	130,266.15	115,026.64	234,541.08
	b) Global technology solutions	38,996.27	38,971.43	27,789.45	77,967.70	55,258.75	118,296.65
	c) Integrated facility management	12,564.48	11,852.38	9,948.64	24,416.86	19,561.58	40,461.18
	d) Industrials	7,505.25	6,049.96	5,721.41	13,555.21	11,019.37	22,437.04
	<b>Total Income from operations</b>	<b>127,395.24</b>	<b>118,810.68</b>	<b>101,770.36</b>	<b>246,205.92</b>	<b>200,866.34</b>	<b>415,735.95</b>
2	<b>Segment results</b>						
	a) People and services	3,266.79	3,066.22	2,615.32	6,333.01	5,123.41	10,890.38
	b) Global technology solutions	2,790.24	2,632.50	1,968.06	5,422.74	3,924.64	8,336.78
	c) Integrated facility management	755.94	725.88	498.40	1,481.82	848.76	2,030.63
	d) Industrials	354.30	273.60	563.23	627.90	1,114.12	1,709.41
	<b>Total</b>	<b>7,167.27</b>	<b>6,698.20</b>	<b>5,645.01</b>	<b>13,865.47</b>	<b>11,010.93</b>	<b>22,967.20</b>
	Less: (i) Unallocated corporate expenses	1,260.85	1,019.26	821.63	2,280.11	1,512.91	3,331.29
	Less: (ii) Finance costs	1,514.73	1,606.33	983.84	3,121.06	1,904.59	4,653.28
	Add: (iii) Other income	1,671.08	340.34	567.35	2,011.42	637.07	1,525.20
	Add: (iv) Share of (loss)/ profit of equity accounted investees (net of income tax)	(23.10)	55.09	-	31.99	-	12.46
	<b>Total profit before tax</b>	<b>6,039.67</b>	<b>4,468.04</b>	<b>4,406.89</b>	<b>10,507.71</b>	<b>8,230.50</b>	<b>16,520.29</b>
3	<b>Segment assets</b>						
	a) People and services	44,472.01	41,586.04	38,399.30	44,472.01	38,399.30	35,202.16
	b) Global technology solutions	75,015.59	74,400.44	48,989.37	75,015.59	48,989.37	71,687.50
	c) Integrated facility management	19,347.57	19,105.81	16,510.49	19,347.57	16,510.49	13,866.23
	d) Industrials	15,416.87	13,101.60	12,495.40	15,416.87	12,495.40	10,570.10
	e) Unallocated	164,277.43	83,761.21	67,042.66	164,277.43	67,042.66	96,708.06
	<b>Total</b>	<b>318,529.47</b>	<b>231,955.10</b>	<b>183,437.22</b>	<b>318,529.47</b>	<b>183,437.22</b>	<b>228,034.05</b>
4	<b>Segment liabilities</b>						
	a) People and services	19,316.22	20,729.83	28,866.15	19,316.22	28,866.15	23,241.85
	b) Global technology solutions	19,178.27	19,077.10	9,900.20	19,178.27	9,900.20	16,252.91
	c) Integrated facility management	8,502.53	8,714.42	6,015.61	8,502.53	6,015.61	7,085.10
	d) Industrials	4,367.10	4,162.76	2,196.33	4,367.10	2,196.33	3,792.01
	e) Unallocated	81,146.59	92,249.97	56,859.03	81,146.59	56,859.03	93,956.59
	<b>Total</b>	<b>132,510.71</b>	<b>144,934.08</b>	<b>103,837.32</b>	<b>132,510.71</b>	<b>103,837.32</b>	<b>144,328.46</b>

See accompanying notes to the financial results

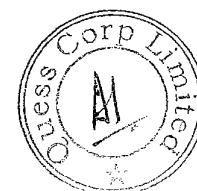


(Rupees in lakhs)

Consolidated Statement of Assets and Liabilities as at 30 September 2017

Particulars		As at	As at
		30 September 2017	31 March 2017
		(Unaudited)	(Audited)
<b>A</b>	<b>ASSETS</b>		
1	<b>Non-current assets</b>		
	Property, plant and equipment	5,252.35	5,043.56
	Capital work in progress	17.34	-
	Goodwill	38,847.65	37,920.48
	Other intangible assets	829.41	745.18
	Intangible assets under development	1,065.95	771.68
	Investments in equity accounted investees	8,485.24	7,398.32
	<b>Financial assets</b>		
	(i) Investments	22,365.50	22,365.50
	(ii) Loans	1,939.60	1,433.41
	(iii) Others	49.42	131.13
	Deferred tax assets (net)	13,913.60	4,799.58
	Income tax assets (net)	10,126.73	11,780.15
	Other non-current assets	4,658.00	563.30
	<b>Total non-current assets</b>	<b>107,550.79</b>	<b>92,952.29</b>
2	<b>Current assets</b>		
	Inventories	639.68	572.74
	<b>Financial assets</b>		
	(i) Investments	56,453.79	-
	(ii) Trade receivables	53,564.75	44,684.60
	(iii) Unbilled revenue	45,861.82	38,682.58
	(iv) Cash and cash equivalents	24,199.89	30,127.19
	(v) Bank balances other than cash and cash equivalents above	23,735.10	15,833.46
	(vi) Loans	2,264.63	2,302.32
	(vii) Others	333.79	259.86
	Other current assets	3,925.23	2,619.01
	<b>Total current assets</b>	<b>210,978.68</b>	<b>135,081.76</b>
	<b>Total Assets</b>	<b>318,529.47</b>	<b>228,034.05</b>
<b>B</b>	<b>EQUITY AND LIABILITIES</b>		
1	<b>Equity</b>		
	Equity share capital	13,833.49	12,679.10
	Other equity	172,115.38	70,938.29
	<b>Total equity attributable to equity holders of the Company</b>	<b>185,948.87</b>	<b>83,617.39</b>
	Non-controlling interests	69.89	88.20
	<b>Total equity</b>	<b>186,018.76</b>	<b>83,705.59</b>
2	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
	<b>Financial liabilities</b>		
	(i) Borrowings	25,776.45	27,444.87
	(ii) Others	11,730.72	13,279.03
	Provisions	2,612.30	2,254.62
	<b>Total non current liabilities</b>	<b>40,119.47</b>	<b>42,978.52</b>
3	<b>Current liabilities</b>		
	<b>Financial liabilities</b>		
	(i) Borrowings	34,026.57	45,599.74
	(ii) Trade payables	7,441.65	6,314.45
	(iii) Others	30,347.86	32,688.02
	Other current liabilities	16,827.56	13,651.78
	Provisions	2,876.52	2,272.23
	Income tax liabilities (net)	871.08	823.72
	<b>Total current liabilities</b>	<b>92,391.24</b>	<b>101,349.94</b>
	<b>Total Equity and Liabilities</b>	<b>318,529.47</b>	<b>228,034.05</b>

See accompanying notes to the financial results



**Quess Corp Limited**

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CIN No. L74140KA2007PLC043909.

**Unaudited consolidated financial results for the quarter and six months ended 30 September 2017**

**Notes :**

- The above results of Quess Corp Limited (the 'Company') including its subsidiaries (collectively known as the 'Group'), its associates and its joint venture are prepared in accordance with applicable accounting standards i.e. Ind AS prescribed under Section 133 of the Companies Act, 2013. The consolidated figures above include figures of subsidiary companies namely Coachive Solutions Private Limited, MFX Infotech Private Limited, Aravon Services Private Limited, Quess (Philippines) Corp, Quess Corp (USA) Inc., Quesscorp Holdings Pte Ltd, Ikya Business Services (Private) Limited, Mindwire Systems Ltd., Canada, Brainhunter Companies Canada Inc., Brainhunter Companies LLC, Brainhunter Systems Ltd, MFXchange Holdings Inc., MFXchange (Ireland) Limited, MFXchange US Inc., Quessglobal (Malaysia) Sdn. Bhd, Quesscorp Lanka (Private) Limited, CentreQ Business Services Private Limited, Dependo Logistics Solutions Private Limited, Excelus Learning Solutions Private Limited, Inticore VJP Advance Systems Private Limited and Comtel Solutions Pte Limited and results of the associates namely Terrier Security Services (India) Private Limited, Simpliance Technologies Private Limited and Heptagon Technologies Private Limited and its joint venture Himmer Industrial Services (M) Sdn. Bhd.
- The Statement of unaudited consolidated financial results ('the Statement') of the Group, its associates and its joint venture for the quarter and six months ended 30 September 2017 has been reviewed by the Audit Committee and thereafter approved by the Board of Directors in the meeting held on 25 October 2017.
- The figures for the quarter and six months ended 30 September 2017 was subjected to 'Limited Review' by Statutory Auditors of the Company. The review report of the Statutory Auditors is being filed with Bombay Stock Exchange and National Stock Exchange and is also available on the Company's website [www.quescorp.com](http://www.quescorp.com)
- These financial results have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules thereunder and in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Pursuant to the provisions of Listing Agreement, the Management has decided to publish unaudited consolidated financial results in the newspapers. However, the unaudited standalone financial results of the Company will be made available on the Company's website [www.quescorp.com](http://www.quescorp.com) and also on the website of BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)).
- During the current quarter, the Company has completed the Institutional Placement Programme (IPP) and raised a total capital of Rs 87,392.23 lakhs by issuing 10,924,029 equity shares of Rs 10 each at a premium of Rs 790 per equity share. The proceeds from IPP is Rs 84,754.90 lakhs (net of estimated issue expenses).  
Details of utilisation of IPP proceeds are as follows:

*(Rupees in lakhs)*

Particulars	Objects of the issue as per the prospectus	Utilised upto 30 September 2017	Unutilised amount as on 30 September 2017
Acquisitions and other strategic initiatives	62,500.00	-	62,500.00
Funding incremental working capital requirement of our Company	15,000.00	15,000.00	-
General corporate purpose	7,254.90	-	7,254.90
<b>Total</b>	<b>84,754.90</b>	<b>15,000.00</b>	<b>69,754.90</b>

Unutilised amounts of the issue have been temporarily deployed in fixed deposit with banks and invested in mutual funds which is in accordance with objects of the issue. The deployment of net proceeds is expected to be complete by 2020.  
Expenses estimated by the Company amounting to Rs 2,637.33 lakhs, in connection with IPP have been adjusted towards the securities premium in accordance with Section 52 of the Companies Act, 2013.

- During the previous year ended 31 March 2017, the Company has completed the Initial Public Offering (IPO) and raised a total capital of Rs 40,000 lakhs by issuing 12,618,297 equity shares of Rs 10 each at a premium of Rs 307 per equity share. The equity shares of the Company got listed on NSE and BSE effective from 12 July 2016. The proceeds from IPO is Rs 37,038.47 lakhs (net of issue expenses).  
Details of utilisation of IPO proceeds are as follows:

*(Rupees in lakhs)*

Particulars	Objects of the issue as per the prospectus	Utilised upto 30 September 2017	Unutilised amount as on 30 September 2017
Repayment of debt availed by the Company	5,000.00	5,000.00	-
Meeting capital expenditure requirement of the Company and Subsidiary MFX US	7,171.70	5,631.36	1,540.34
Funding incremental working capital requirement of our Company	15,790.10	15,790.10	-
Acquisitions and strategic initiatives	8,000.00	8,000.00	-
General corporate purpose	1,076.67	1,076.67	-
<b>Total</b>	<b>37,038.47</b>	<b>35,498.13</b>	<b>1,540.34</b>

Unutilised amounts of the issue as at 30 September 2017 have been temporarily deployed in fixed deposit with banks which is in accordance with objects of the issue. The same needs to be utilised by 2018.  
Expenses incurred by the Company amounting to Rs 2,961.53 lakhs, in connection with IPO have been adjusted towards the securities premium in accordance with Section 52 of the Companies Act, 2013.

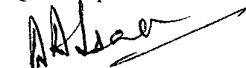
- The Company has entered into a Share Subscription Agreement (SSA) dated 21 June 2017 with Heptagon Technologies Private Limited ("Heptagon") to subscribe 46% of shares for a consideration of Rs 977 lakhs. In accordance with SSA, the Company has acquired 44.94% stake for a consideration of Rs 936.02 lakhs till 30 September 2017 and accordingly Heptagon has become the associate of the Company.





- 9 During the current quarter, the Company has granted options to employees under the ESOP Scheme 2015. The Company has granted 230,680 stock options to employees at the exercise price of Rs10 each which has graded vesting over a period of 3 years. Accordingly, the Company has accounted for ESOP cost aggregating to Rs 135.98 lakhs using fair value method.
- 10 During the previous year, the Company had entered into definitive agreement with Manipal Integrated Services Private Limited ("MIS") dated 28 November 2016 to demerge the Facility Management Business and Catering Business (together means "Identified Business") of MIS through the Scheme of Arrangement ("the Scheme") into the Company. The Board vide its meeting dated 28 November 2016 had approved the draft Scheme of arrangement and filed the Scheme with BSE and NSE. The Company in the previous year had received the approval from BSE and NSE dated 23 March 2017 and 27 March 2017 respectively and has filed the Scheme with National Company Law Tribunal (NCLT) dated 26 April 2017 and awaiting the approval. In pursuance of the Scheme, the Company has invested Rs 22,000 lakhs by subscribing to Compulsory Convertible Preference Share of MIS as part of the purchase consideration.
- The Scheme requires the Company to account for the acquisition, on and from 1 December 2016, i.e. appointed date. In accordance with Indian Accounting Standard 103, Business Combinations, (Ind AS 103), the accounting for the acquisition has to be done on and from the "Acquisition date". As per paragraph 9 of Ind AS 103, the acquisition date is the date on which the acquirer obtains control of the acquiree and is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree - the closing date. The appointed date (1 December 2016) as per the Scheme is not the same as the acquisition date, as defined under Ind AS 103. The accounting from the appointed date as mentioned in the Scheme is subject to regulatory approval.
- 11 The Company had entered into Share Purchase Agreement (SPA) with Terrier Security Services (India) Private Limited ("Terrier") and its shareholders dated 19 October 2016, to acquire 74% stake subject to the approval of Ministry of Home Affairs ("MHA") for consideration as per the terms mentioned in the SPA. The Company in the previous year had acquired 49% stake for a consideration of Rs 720 million ('First Tranche'). Balance 25% stake will be acquired after receiving approval from MHA ('Second Tranche'). As MHA approval is not yet received, Terrier continues to be an associate of the Company.
- 12 The Company has entered into Share Subscription Agreement (SSA) dated 19 October 2016 with Simpliance Technologies Private Limited ("Simpliance") and its shareholders to acquire equity stake of 45% in Simpliance for a consideration of Rs 250 lakhs. In accordance with SSA, the Company has currently acquired 42.73% equity stake for a consideration of Rs 228 lakhs till 30 September 2017 and accordingly Simpliance has become the associate of the Company.
- 13 During the year ended 31 March 2015, the Company acquired 100% interest in Brainhunter Systems (Canada) Limited ("BSL") from ICICI Bank, India. Prior to acquisition of BSL by the Company, equity shares of BSL were originally owned by Zylog Systems Limited ("ZSL") and were pledged in favour of ICICI Bank as security for loans availed by ZSL from ICICI Bank. ZSL defaulted on loan repayments and ICICI Bank invoked the pledge and sold the shares to the Company.
- During the year ended 31 March 2015, the Company had received a notice from the official liquidator of ZSL, alleging that the acquisition of the equity shares of BSL by the Company was not in accordance with law and therefore void-ab-initio, as such sale and transfer of the equity shares of BSL had taken place subsequent to an order passed by the Honorable Madras High Court appointing the official liquidator for ZSL liquidation. Further, the Company had also received letter from the RBI stating its inability to take on record the transfer of the equity shares of BSL until the winding up proceedings of ZSL have been completed and resolved. The Company is of the view that they have a strong case and had taken a legal opinion.
- The legal opinion reiterates that the case does not have merit and the sale is bonafide on the basis of the following:
- There is adequate precedent that upholds the principle that a secured creditor can independently exercise his rights outside winding up proceedings.
  - ICICI Bank has enforced its security to realise its rights as a secured creditor and the sale is in compliance with Canadian law.
  - That the sale of equity shares of BSL is not prejudicial to the parties and that the same has been undertaken in accordance with the provisions of the law.
- The Company in the earlier years had also obtained legal opinion from Canadian law firm which has confirmed that the acquisition is appropriate from a Canadian jurisdiction perspective.
- Based on the legal opinions taken by the Company in the earlier years, the Management believes that the acquisition of BSL is appropriate.
- 14 As per the amendment in the Finance Act 2016, deduction under Section 80JJAA of Income Tax Act, 1961 was extended across all sectors subject to fulfilment of conditions as stipulated in the said Section. The amendment was first applicable for the financial year ended 31 March 2017. Since the provision was subject to a number of clarification and interpretation, the Company has obtained an opinion from an external advisor establishing its eligibility and method to compute deduction under Section 80JJAA in the current quarter. Resultantly, the Company has accounted for 80JJAA deduction and the related impact for the year ended 31 March 2017 in the current quarter.

for and on behalf of Board of Directors of  
Quess Corp Limited



Aji Isaac  
Chairman & Managing Director & CEO  
Place: Bengaluru  
Date: 25 October 2017

