

# KOJI IKEDA ACCOUNTING FIRM

CERTIFIED PUBLIC ACCOUNTANTS

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18 April 2016

Koji Ikeda

Member of JICPA 3018268



## Audit Report

To CA Deepak Kalera  
Finance Controller  
Quick Heal Technologies Japan KK.

Dear Sirs,

In accordance with your instructions, we have audited the accompanying financial statements of Quick Heal Technologies Japan KK. , as of and for the year ended 31 March 2016.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance that the accompanying financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accompanying financial statements. It also includes an assessment of the significant estimates and judgements made by management in the preparation of the accompanying financial statements, and of whether the accounting policies are consistently applied.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the financial position of the company as of 31 March 2016 and the results of its operations for the year then ended in accordance with generally accepted accounting principles in Japan.



# **Quick Heal Technologies Japan KK.**

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## **Financial Statements**

**March 31, 2016**

**Auditor; Koji Ikeda (member of JICPA No.3018268)**

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**Koji Ikeda Accounting Firm**



# Quick Heal Technologies Japan KK

## Balance Sheet as at March 31, 2016

	Notes	As at March 31, 2016 (YEN)	As at March 31, 2015 (YEN)
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	90,350,000	42,600,000
Reserves and surplus	4	(79,688,162)	-54,026,531
		<b>10,661,838</b>	<b>-11,426,531</b>
<b>Current liabilities</b>			
Short Term Borrowings	5	12,341,972	11,262,300
Trade payables	5	44,304,613	34,554,735
Other current liabilities	5	1,300,987	4,812,996
		<b>57,947,572</b>	<b>50,630,031</b>
<b>Total</b>		<b>68,609,410</b>	<b>39,203,500</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	6	469,599	546,699
Capital work-in-progress		632,980	260,100
		<b>1,102,579</b>	<b>806,799</b>
<b>Current assets</b>			
Trade receivables	8	10,026,664	7,415,147
Inventories	9	29,785,314	22,641,746
Cash and bank balances	10	26,633,875	7,293,348
Short-term loans and advances	7	1,060,978	1,046,460
Other current assets		-	-
		<b>67,506,831</b>	<b>38,396,701</b>
<b>Total</b>		<b>68,609,410</b>	<b>39,203,500</b>





# Quick Heal Technologies Japan KK

## Statement of profit and loss for the year ended March 31, 2016

	Notes	For the year ended March 31, 2016 (YEN)	For the year ended March 31, 2015 (YEN)
<b>Income</b>			
Revenue from operations (net)	11	65,462,751	35,424,559
Other income	12	1,832,042	690,345
<b>Total revenue</b>		<b>67,294,793</b>	<b>36,114,904</b>
<b>Expenses</b>			
Cost of raw materials consumed	13(a)	1,352,032	4,169,301
Purchase of Security software products	13(b)	57,345,288	21,937,448
(Increase)/decrease in Security software products	13(c)	(5,669,838)	(3,919,327)
Employee benefit expenses	14	26,909,833	17,422,919
Depreciation and amortisation expense	15	77,100	77,096
Operation and other expenses	16	12,762,010	17,460,563
<b>Total</b>		<b>92,776,424</b>	<b>57,148,000</b>
<b>Profit before tax</b>		<b>(25,481,631)</b>	<b>(21,033,096)</b>
<b>Tax expenses</b>			
Current tax		180,000	180,000
<b>Total tax expense</b>		<b>180,000</b>	<b>180,000</b>
<b>Profit for the year</b>		<b>(25,661,631)</b>	<b>(21,213,096)</b>
Earnings per equity share	17		
[nominal value of share Yen 50,000 (March 31, 2016: Yen 50,000)]			
Basic and diluted		-14,201	-24,898



**Quick Heal Technologies Japan KK**
**Cash flow statement for the year ended March 31, 2016**

	Year ended March 31, 2016 (YEN)	Year ended March 31, 2015 (YEN)
<b>A. Cash flow from operating activities</b>		
Profit before tax	-25,481,631	-21,033,096
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization expense	77,100	77,096
Interest income	-2,822	-540
<b>Operating profit before working capital changes</b>	<b>-25,407,353</b>	<b>-20,956,540</b>
Movements in working capital :		
(Increase) in trade receivable	-2,611,517	-3,283,821
(Increase) in inventories	-7,143,568	-2,024,980
(Increase) in short term loans and advances	-14,518	-6,455
Increase / (decrease) in trade payables	9,749,878	8,155,043
Increase in other current liabilities	-3,512,009	892,344
<b>Cash generated from operations</b>	<b>-28,939,087</b>	<b>-17,224,409</b>
Direct taxes paid (net of refunds)	-180,000	-180,000
<b>Net cash used from operating activities (A)</b>	<b>-29,119,087</b>	<b>-17,404,409</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible, intangible assets including capital work-in-progress and capital advances	- 372,880	-20,600
Interest received	2,822	540
Dividends received	-	-
<b>Net cash used in investing activities (B)</b>	<b>-370,058</b>	<b>-20,060</b>
<b>Cash flows from financing activities</b>		
Issue of Equity Shares	47,750,000	8,700,000
Proceeds from Short Term Borrowings	1,079,672	11,262,300
Dividend paid on equity shares	-	-
Tax on equity dividend paid	-	-
<b>Net cash from in financing activities (C)</b>	<b>48,829,672</b>	<b>19,962,300</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>	<b>19,340,527</b>	<b>2,537,831</b>
Cash and cash equivalents at the beginning of the year	7,293,348	4,755,517
<b>Cash and cash equivalents at the end of the year</b>	<b>26,633,875</b>	<b>7,293,348</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	37,384	-
Balances with banks		
On current account	26,596,491	7,293,348
<b>Total cash and cash equivalent</b>	<b>26,633,875</b>	<b>7,293,348</b>





**Quick Heal Technologies Japan KK****Notes forming part of financial statements****3. Share capital**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>Authorized shares</b>		
4000 (Previous year : 4000) Ordinary Equity Shares of JPY 50,000 each.	200,000,000	200,000,000
	<b>200,000,000</b>	<b>200,000,000</b>
<b>Issued, subscribed and fully paid-up share capital</b>		
1807 Equity Shares of JPY 50,000 each fully paid	90,350,000	42,600,000
Total issued, subscribed and fully paid-up share capital	<b>90,350,000</b>	<b>42,600,000</b>

**(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year**

	March 31, 2016		March 31, 2015	
	No.	(YEN)	No.	(YEN)
<b>At the beginning of the year</b>				
- Ordinary equity Shares	852	42,600,000	678	33,900,000
<b>Issued during the year</b>				
- Ordinary equity Shares	-	-	174	8,700,000
<b>Issued during the year</b>				
- Ordinary equity Shares	955	47,750,000		
<b>Outstanding at the end of the year</b>	<b>1,807</b>	<b>90,350,000</b>	<b>852</b>	<b>42,600,000</b>

**(b) Terms / rights attached to equity shares**

The Company has only one type of equity shares having par value of JPY 50,000 per share. Each holder of equity shares is entitled to declare and pays dividend in Japanese Yen. The dividend proposed by Board of Directors is subject to approval of the shareholders in a General Meeting.

During the period ended May 31, 2014, the amount per share dividend recognised as distribution to equity shareholders was Nil (March

**Ordinary equity shares**

In the event of liquidation of the Company, the holders of ordinary equity shares will be entitled to receive remaining assets of the Company, after

**(c) Shares held by holding / ultimate holding company and / or their subsidiaries/ associates**

None

**(d) Details of shareholders holding more than 5% shares in the company**

	March 31, 2016		March 31, 2015	
	No.	% holding	No.	% holding
<b>Equity shares of Yen 50,000 each fully paid up</b>				
<b>Ordinary equity shares</b>				
Quick Heal Technologies Limited	1,807	100.00%	852	100.00%

The shareholding information has been extracted from the records of the company including register of shareholders / members and is based on ownership of shares.



**4. Reserves and surplus**

	March 31, 2016	March 31, 2015
	(YEN)	(YEN)
<b>Surplus in the statement of profit and loss</b>		
Balance as per the last financial statements	(54,026,531)	(32,813,435)
Add : profit for the year	(25,661,631)	(21,213,096)
Less : appropriations		
- Interim dividend	-	-
- Tax on dividend	-	-
- Transfer to general reserve	-	-
<b>Net surplus in the statement of profit and loss</b>	<u>(79,688,162)</u>	<u>(54,026,531)</u>
	<u>(79,688,162)</u>	<u>(54,026,531)</u>



**Quick Heal Technologies Japan KK****Notes forming part of financial statements****5. Other current liabilities**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
	<b>(YEN)</b>	<b>(YEN)</b>
<b>Short term Borrowings</b>		
Unsecured Loan	12,341,972	11,262,300
	<b>12,341,972</b>	<b>11,262,300</b>
Trade payable	44,304,613	34,554,735
	<b>44,304,613</b>	<b>34,554,735</b>
<b>Other liabilities</b>		
Advance from customers	-	-
TDS payable	41,363	238,420
Sales tax payable	-	-
Other liabilities	1,259,624	4,574,576
	<b>1,300,987</b>	<b>4,812,996</b>
	<b>57,947,572</b>	<b>50,630,031</b>



**Quick Heal Technologies Japan KK**

## Notes forming part of financial statements

	(In YEN)				
	Office equipments	Electrical installations	Furniture and fixtures	Vehicles	Total
<b>6. Tangible assets</b>					
<b>Cost</b>					
At April 1, 2015	292,411	-	344,233	-	636,644
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At March 31, 2016</b>	<b>292,411</b>	<b>-</b>	<b>344,233</b>	<b>-</b>	<b>636,644</b>
<b>Depreciation</b>					
At April 1, 2015	45,369	-	44,576	-	89,945
Charge for the year	38,892	-	38,208	-	77,100
Disposals	-	-	-	-	-
<b>At March 31, 2016</b>	<b>84,261</b>	<b>-</b>	<b>82,784</b>	<b>-</b>	<b>167,045</b>
<b>Net Block</b>					
At March 31, 2015	247,042	-	299,657	-	546,699
At March 31, 2016	208,150	-	261,449	-	469,599



## 7. Long term loans and advances

	Non-current		Current	
	March 31, 2016 (YEN)	March 31, 2015 (YEN)	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>Security deposits</b>				
Unsecured, considered good	-	-	872,160	862,160
(c)	-	-	872,160	862,160
<b>Advances recoverable in cash or kind</b>				
Unsecured, considered good	-	-	-	-
(d)	-	-	-	-
<b>Other loans and advances</b>				
Advance income tax (net of provision for tax)	-	-	-	-
Prepaid expenses	-	-	188,818	184,300
Balances with customs and excise authorities	-	-	-	-
(e)	-	-	188,818	184,300
	-	-	1,060,978	1,046,460



## 8. Trade receivables

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good	1,393,661	1,362,395
Unsecured, considered doubtful	-	-
	<u>1,393,661</u>	<u>1,362,395</u>
Less : Provision for doubtful receivables	-	-
	<u><u>1,393,661</u></u>	<u><u>1,362,395</u></u>
<b>Others</b>		
Unsecured, considered good	8,633,003	6,052,752
	<u>8,633,003</u>	<u>6,052,752</u>
	<u><u>10,026,664</u></u>	<u><u>7,415,147</u></u>

## 9. Inventories (valued at lower of cost and net realisable value)

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
Raw materials-Internet security devices	1,525,494	51,765
Finished goods- Internet security softwares	28,259,819	22,589,981
	<u>29,785,314</u>	<u>22,641,746</u>

## 10. Cash and bank balances

	Non-Current		Current	
	March 31, 2016 (YEN)	March 31, 2015 (YEN)	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>Cash and cash equivalents</b>				
<b>Balances with banks:</b>				
On current account	-	-	26,596,491	7,293,348
Cash on hand	-	-	37,384	-
	<u>-</u>	<u>-</u>	<u>26,633,875</u>	<u>7,293,348</u>



**Quick Heal Technologies Japan KK**
**Notes forming part of financial statements**
**11. Revenue from operations (net)**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>Revenue from operations</b>		
Sale of Security software products	65,462,751	35,424,559
Sale of software support services	-	-
<b>Revenue from operations (net)</b>	<b>65,462,751</b>	<b>35,424,559</b>

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>Details of products sold</b>		
Security software products	11,473,951	3,815,147
Internet security devices- Unified Threat Management (UTM)	53,988,800	22,690,000
	<b>65,462,751</b>	<b>26,505,147</b>

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
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**12. Other income**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
Interest income on		
Foreign exchange gains (net)	1,317,057	-
Others	2,822	540
Miscellaneous income	512,163	689,805
	<b>1,832,042</b>	<b>690,345</b>

**13. Software licenses, hardware and material costs**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>13(a) Raw materials consumed</b>		
Inventory at the beginning of the year	51,765	1,946,112
Add: Purchases	2,825,761	2,274,954
Less: Inventory as at end of the half year	1,525,494	51,765
	<b>1,352,032</b>	<b>4,169,301</b>

**13(b) Purchase of Security software products**

Security software products	57,345,288	21,937,448
	<b>57,345,288</b>	<b>21,937,448</b>

**13(c) (Increase )/decrease in Security software products**

Opening finished goods	22,589,981	18,670,654
Less: Closing finished goods	28,259,819	22,589,981
<b>(Increase) /decrease in inventory</b>	<b>-5,669,838</b>	<b>-3,919,327</b>
	<b>53,027,481</b>	<b>22,187,422</b>

**Details of raw materials consumed**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
Packing & Other Material	1,352,032	4,169,301

**Details of inventory**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
<b>Raw materials</b>		
Packing Material	1,525,494	51,765
	<b>1,525,494</b>	<b>51,765</b>

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
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**Finished goods**

Security softwares products	28,259,819	22,589,981
	<b>28,259,819</b>	<b>22,589,981</b>



**Quick Heal Technologies Japan KK****Notes forming part of financial statements****14. Employee benefit expenses**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
Salaries, wages and bonus	26,096,643	17,344,805
Staff welfare expenses	813,190	78,114
	<b>26,909,833</b>	<b>17,422,919</b>

**15. Depreciation and amortization expense**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
Depreciation on tangible assets	77,100	77,096
	<b>77,100</b>	<b>77,096</b>

**16. Operation and other expenses**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
Bank Charges	171,572	63,135
Business promotion expenses	642,449	541,071
Communication costs	530,786	617,637
Foreign exchange loss (net)	-	2,413,761
Insurance	4,512	4,518
Interest on Loan	671,339	103,618
Legal and professional fees	3,176,066	4,032,844
Miscellaneous expenses	109,128	-
Office expenses	132,549	103,421
Payment to statutory auditor (refer details below)	84,445	471,482
Postage and courier expenses	100,351	53,472
Power and fuel	356,392	340,017
Printing and stationery	384,299	279,489
Rates and taxes	14,500	18,500
Rent	3,786,786	3,722,480
Repairs and maintenance - Others	96,100	247,271
Software Expenses	25,920	-
Translation Expenses	1,221,774	3,154,889
Transportation and octroi expenses	269,150	381,573
Traveling and conveyance	983,892	911,385
	<b>12,762,010</b>	<b>17,460,563</b>
	12,762,010.00	12,762,010.00

**Payment to auditor**

	March 31, 2016 (YEN)	March 31, 2015 (YEN)
As auditor		
-Audit fees	84,445	471,482
- Other services	-	-
-Reimbursement of expenses	-	-
	<b>84,445</b>	<b>471,482</b>



# Quick Heal Technologies Japan KK

## Notes forming part of financial statements

### 17. Earnings per share

	March 31, 2016	March 31, 2015
<b><u>Numerator for Basic and Diluted EPS</u></b>		
Net Profit after tax (In Yen)	(A) (25661631.33)	(21213096.00)
<b><u>Denominator for Basic and diluted EPS</u></b>		
Weighted average number of equity shares	(B) 1,807	852.00
<b>Basic and diluted earning per share of face value of Yen 50,000 each (In (A/B))</b>	<b>(14201.23)</b>	<b>(24898.00)</b>



