ProAlpha Capital Private Limited

Notes forming part of the Financial Statements for the year ended March 31, 2022

Note 19. Significant Accounting policies

a. Background

ProAlpha Capital Private Limited a Company duly incorporated from 3 October 2016 in India under the Indian Companies Act and having its registered office at Unit No. 501, 5th floor, Marathon Icon, Marathon Next Gen Campus, Off Ganpatrao Kadam Marg, Lower Parel (West), Mumbai -400013, Indiais the Indian advisor to Monsoon Capital,LLC.

ProAlpha is engaged in the business of providing research and related investment advisory services and other information analysis in connection with investments in Indian Securities.

b. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles in India and the provisions of the Companies Act, 2013. 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.

c. Classification under the Companies Act, 2013

The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 (as amended). Accordingly, the Company has complied with the accounting standards as applicable to Small and Medium Sized Company.

d. Classification of assets and liabilities

All assets and liabilities have been classified and disclosed as current or non-current as per the Company's normal operating cycle and other criteria's set out in the schedule III of Companies Act, 2013. Since the Company is a Service Company, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

e. Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported balances of assets and liabilities as on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences, if any, between the actual results and estimates are recognized in the period in which the results are known/ materialized.

f. Revenue Recognition

Revenue is recognized to the extent, that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from services

1) Management fees and Incentives fees

Revenue from sale of services is recognized on accrual basis as and when the services rendered and they are invoiced as per terms of the specific contracts.

2) Support services

Revenue from support services is recognized over the period in which service are provided.

Interest income
Interest income is accounted on the time basis determined by the amount outstanding and the rate applicable.

g. Fixed Assets

Tangible Assets

Fixed assets are stated at cost, net offIndirect taxes and include amounts reduced on account of accumulated depreciation and impairment loss, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use.

Intangible Assets

Intangible assets resulting in future economic benefits where the cost can be reliably measured are capitalized. Intangible assets are stated at cost less accumulated depreciation/ amortization and impairment loss.

h. Depreciation/Amortization

Tangible Assets

Depreciation on additions/ deletions to the fixed asset i.e. Tangible & Intangible is calculated pro-rata from/ up to the date of such additions/ deletions. Depreciation on fixed asset is provided on useful life basis at the rates and the manner provided in schedule II of the Companies Act, 2013.

Particulars	Useful life (In years)
Computer	3
Furniture and fixtures	10
Office equipment	5

Depreciation on addition to tangible assets is provided on pro-rata basis from the date the assets are ready for intended use. Depreciation on sale/discard from tangible assets is provided for upto the date of sale, deduction or discard of tangible assets as the case may be.

Amortization of Intangible fixed assets

Amortization of intangible fixed assets has been calculated on straight line basis at the following rates, based on management estimates, which in the opinion of the management are reflective of the estimated useful lives of the Intangible fixed assets.

Particulars	Useful life (In years)
Website development	3

i. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash generation unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the assets is reflected at the recoverable amount.

j. Foreign Currency Transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting the Company entity's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

k. Employee benefits

(i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the statement of profit and loss for the year in which the related service is rendered.

(ii) Post-employment and other long term employee benefits are recognized as an expense in the statement of profit and loss for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation technique.

(iii) Actuarial gains and losses in respect of post-employment and other long term employee benefits are charged to the statement of profit and loss and are not deferred.

(iv) Actuarial valuation is done as per Projected Unit Credit Method

l. Accounting for Taxes on Income

(i) Tax expense comprises of current and deferred income taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act 1961, of India. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

(ii) Deferred Tax Liability is recognized, subject to the consideration of prudence on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(iii) Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where any of the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

(iv) MAT paid in accordance with tax laws, which give rise to future economic benefits in the form of adjustment of future tax liability, is recognized as an asset only when, based on convincing evidence, it is probable that the future economic benefits associated with it will flow to the Company and the assets can be measured reliably.

m. Investments

Non-current investments are stated at cost. The provision for diminution in the value of non-current investments is made only if such decline is other than temporary. Current investments are stated at lower of cost and fair value.

n. Provisions and Contingent Liabilities and contingent Asset

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognized nor disclosed in the financial statement.

o. Operating Lease

Operating lease rentals for premises are recognized as expenditure in the statement of profit and loss on a straight line basis over the lease term.

p. Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

q. Social Security Code, 2020

The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued.

The Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.