

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
3i INFOTECH (AFRICA) LIMITED

**REPORT ON THE FINANCIAL STATEMENTS:**

We have audited the accompanying financial statements of **3i INFOTECH (AFRICA) LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year then ended, and a summary of the 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 design, implementation and maintenance of adequate internal financial controls, 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

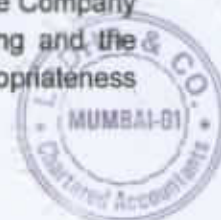
**Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 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 the 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness



of the 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 financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, 2016, and its Loss and its cash flows for the year ended on that date.

**EMPHASIS OF MATTER:**

Without qualifying, we draw attention to the following:

**Going Concern:**

The Company's net-worth is fully eroded.

The financial statements of the Company has however, been prepared on a going concern basis, in view of expected continued support of the lenders to the Parent Company and also it meeting it's financial obligation as per the projected operational performance in terms of the Debt Restructuring Scheme (DRS) approved in April, 2016 and it's continued management and financial support to the Company.

**OTHER MATTERS:**

- (a) In our opinion and to the best of our information and according to the explanations given to us:
  - (i) The Company does not have any pending litigations which would impact its financial position (Refer note no. 21(b) of the financial statements ) and
  - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- (b) The audit report has been prepared for the purpose of enabling Parent Company's financial reporting requirement under the Act. We disclaim any responsibility for reliance on this report by any person other than the Board of Directors of 3i Infotech Limited (Parent Company) or for purposes other than that which it is meant for.

For LODHA & COMPANY  
Chartered Accountants  
Firm Registration No. 301051E



Place: Mumbai  
Date: August 10, 2016

*R.P. Baradiya*  
R.P Baradiya  
Partner  
Membership No. 44101



**3i INFOTECH (AFRICA) LIMITED**  
(Incorporated in Kenya)

Balance sheet as at March 31, 2016

KES

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2	100,000	100,000
(b) Reserves and surplus	3	(304,493,394)	(279,920,019)
<b>Current liabilities</b>			
(a) Trade payables	4	308,678,067	297,106,155
(b) Other current liabilities	5	23,453,863	25,444,834
(c) Short-term provisions	6	17,742,340	17,769,169
<b>Total</b>		<b>45,480,876</b>	<b>60,500,139</b>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets	7	-	3,568,251
Tangible assets			
<b>Long-term loans and advances</b>	10	326,954	5,611,855
<b>Current assets</b>			
(a) Trade receivables	8	5,218,859	4,777,459
(b) Cash and bank balances	9	10,457,708	3,797,057
(c) Short-term loans and advances	11	29,114,551	28,898,062
(d) Other current assets	12	362,804	13,847,455
<b>Total</b>		<b>45,480,876</b>	<b>60,500,139</b>

Significant accounting policies and accompanying notes  
to financial statements

1 - 24

As per our attached report of even date

For Lodha & Co.  
Chartered Accountants  
Firm Registration No. 301051E

*R. P. Badariya*

R. P. Badariya  
Partner  
Membership No. 44101

Date: August 10, 2016  
Place: Mumbai



For and on behalf of the Board

*P. Manojan Iyer*  
P. Manojan Iyer  
Director  
DIN - 05282942  
*Ashish Kakkar*  
Ashish Kakkar  
Director  
DIN - 06370551

Statement of Profit and Loss for the year ended March 31, 2016

KES

Particulars	Note no.	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>INCOME</b>			
Revenue from operations	14	23,858,136	54,791,582
Other income	14	-	3,246,457
<b>Total Revenue</b>		<b>23,858,136</b>	<b>58,038,039</b>
<b>EXPENSES</b>			
Cost of revenue	15	(4,254,419)	34,261,490
Employee benefits expense	16	14,419,965	22,201,241
Finance cost	18	103,554	126,822
Depreciation	7	3,568,250	864,478
Other expenses	17	28,097,671	10,527,353
<b>Total Expenses</b>		<b>41,935,021</b>	<b>67,981,384</b>
<b>Profit/(Loss) before tax and exceptional items</b>		<b>(18,076,885)</b>	<b>(9,943,345)</b>
Exceptional items	19	1,089,636	-
<b>Profit before tax</b>		<b>(19,166,521)</b>	<b>(9,943,345)</b>
Tax expense		5,406,854	17,000,000
<b>Profit/(loss) after tax for the year</b>		<b>(24,573,375)</b>	<b>(26,943,345)</b>

Earnings per share  
(Equity shares, par value KES 1,000 each)

Before exceptional items :

Basic & Diluted (KES) (234,837) (269,433)

After exceptional items :

Basic & Diluted (KES) (245,734) (269,433)

Significant accounting policies and accompanying notes to financial statements

1 - 24

As per our attached report of even date

For Lodha & Co.  
Chartered Accountants  
Firm Registration No. 301051E

*R. P. Badariya*  
R. P. Badariya  
Partner  
Membership No. 44101  
Date:

Date: August 10, 2016  
Place: Mumbai



For and on behalf of the Board

*Padmanabhan Iyer*  
Padmanabhan Iyer  
Director  
DIN - 05282942

*Ashish Kakkar*  
Ashish Kakkar  
Director  
DIN - 06370551

Cash flow statement for the year ended March 31, 2016

KES

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. Cash Flow from Operating Activities :</b>		
Profit/(Loss) before exceptional items and tax	(18,076,885)	(9,943,345)
<b>Adjustments for:</b>		
Depreciation	3,568,250	864,478
Provision for doubtful debts	9,887,050	(1,085,564)
Foreign exchange (gain)/ loss	7,667,500	-
<b>Operating Profit / (Loss) before Working Capital Changes</b>	<b>3,045,915</b>	<b>(10,164,431)</b>
<b>Adjustments for:</b>		
Decrease/(increase) in Trade and other receivables	(5,939,377)	(1,226,970)
Increase/(Decrease) in Trade payables and other liabilities	9,554,112	5,886,337
<b>Cash generated from Operations</b>	<b>6,660,651</b>	<b>4,659,367</b>
Income taxes paid	-	-
<b>Net cash from/(used in) Operating Activities -(A)</b>	<b>6,660,651</b>	<b>(5,505,064)</b>
<b>B. Cash Flow from Investing Activities</b>		
<b>Net cash from/(used in) Investing Activities -(B)</b>	<b>-</b>	<b>-</b>
<b>C. Cash Flow from Financing Activities</b>		
<b>Net cash from/(used in) Financing Activities - (C)</b>	<b>-</b>	<b>-</b>
<b>Net Increase / (Decrease) in cash and cash equivalents (A+B+C)</b>	<b>6,660,651</b>	<b>(5,505,064)</b>
Cash and cash equivalents at beginning of the year	3,797,057	9,302,121
<b>Cash and cash equivalents at end of the year</b>	<b>10,457,708</b>	<b>3,797,057</b>

Notes :

- 1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3 on "Cash Flow Statements" as prescribed in Section 133 of the Companies Act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.
- 2) Previous years figures have been regrouped / rearranged wherever necessary to confirm to the current years presentation.

As per our attached report of even date

For Lodha & Co.

Chartered Accountants

Firm Registration No. 301051E

*K. P. Badariya*

K. P. Badariya

Partner

Membership No: 44101

Date: August 10, 2016

Place: Mumbai

For and on behalf of the Board

*Padmanabhan Iyer*  
Padmanabhan Iyer  
Director  
DIN - 05282942

*Aspish Kakkar*  
Aspish Kakkar  
Director  
DIN - 06370551



**3i INFOTECH (AFRICA) LIMITED**  
(Incorporated in Kenya)  
Notes forming part of the financial statements

**2. Share capital**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
<b>Authorised capital</b>				
Equity shares of KES 1,000 each	100	100,000	100	100,000
<b>Issued, subscribed &amp; paid up</b>				
Equity shares of KES 1,000 each fully paid up	100	100,000	100	100,000

**b) Rights of equity shareholders**

The Company has issued one class of equity shares having a face value of KES 1,000 per share. Each shareholder has right to vote in respect of such share, on every resolution placed before the Company and his voting right on a poll shall be in proportion to his share of the paid-up equity capital of the Company. In the event of liquidation, the equity shareholders are entitled to receive the remaining assets of the Company after payments to secured and unsecured creditors, in proportion to their shareholding.

**c) Reconciliation of numbers of equity shares**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	100	100,000	100	100,000
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	100	100,000	100	100,000

**d) Details of members holding more than 5% equity shares in the company**

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of shares held	% of Holding	No. of shares held	% of Holding
3i Infotech Middle East FZ LLC	100	100%	100	100%

**3. Reserves and Surplus**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Surplus/(Deficit) in Statement of Profit and loss</b>		
Opening balance	(279,920,019)	(252,910,751)
Add/(Less) : Depreciation Reserve	-	(65,923)
Add/(Less) : Profit/(loss) for the year	(24,573,375)	(26,943,345)
<b>CLOSING BALANCE</b>	<b>(304,493,394)</b>	<b>(279,920,019)</b>

**4. Trade Payables**

Particulars	As at March 31, 2016	As at March 31, 2015
Due to related parties	299,867,440	285,840,743
Others	8,810,627	11,265,412
<b>TOTAL</b>	<b>308,678,067</b>	<b>297,106,155</b>





5. Other current liabilities

Particulars	As at March 31, 2016	As at March 31, 2015
Other liabilities	20,510	20,510
Statutory Dues Payable	9,481,950	9,313,468
Advance received from customers	13,951,403	16,110,856
<b>TOTAL</b>	<b>23,453,863</b>	<b>25,444,834</b>

6. Short-term provisions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits	742,340	769,169
Provision for Income Tax	17,000,000	17,000,000
<b>TOTAL</b>	<b>17,742,340</b>	<b>17,769,169</b>



31 INFOTECH (AFRICA) LIMITED

(Incorporated in Kenya)

NOTES FORMING PART OF FINANCIAL STATEMENTS

7. Fixed assets

KES

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK	
	As at April 1, 2015	Additions during the period	Deductions during the year	As at March 31, 2016	As at April 1, 2015	For the year	Adjustment during the year	As at March 31, 2016	As at March 31, 2016
Furniture & fixtures	2,790,598	-	-	2,790,598	830,140	1,960,458	-	2,790,598	-
Motor vehicles	2,500,000	-	-	2,500,000	1,290,999	1,209,001	-	2,500,000	-
Office equipment	526,457	-	-	526,457	198,064	328,393	-	526,457	-
Computers	712,515	-	-	712,515	642,117	70,398	-	712,515	-
<b>TOTAL</b>	<b>6,529,570</b>	<b>-</b>	<b>-</b>	<b>6,529,570</b>	<b>2,961,320</b>	<b>3,568,250</b>	<b>-</b>	<b>6,529,570</b>	<b>-</b>

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK	
	As at April 1, 2014	Additions during the period	Deductions / Adjustments during the year	As at March 31, 2015	As at April 1, 2014	For the year	Adjustment during the year	As at March 31, 2015	As at March 31, 2015
Furniture & fixtures	2,790,598	-	-	2,790,598	551,080	279,060	-	830,140	1,960,458
Motor vehicles	2,500,000	-	-	2,500,000	978,499	312,500	-	1,290,999	1,209,001
Office equipment	526,457	-	-	526,457	72,481	97,868	27,715	198,064	328,393
Computers	712,515	-	-	712,515	428,858	175,051	38,208	642,117	70,398
<b>TOTAL</b>	<b>6,529,570</b>	<b>-</b>	<b>-</b>	<b>6,529,570</b>	<b>2,030,918</b>	<b>864,479</b>	<b>65,923</b>	<b>2,961,320</b>	<b>3,568,250</b>





8. Trade receivables

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>		
Debts outstanding for a period exceeding 6 months from the due date of payment	-	-
Others	5,218,859	4,777,459
<b>Others</b>	<b>5,218,859</b>	<b>4,777,459</b>
<b>Unsecured, considered doubtful</b>		
Doubtful debts exceeding six months	12,131,107	12,103,991
Less: Provision for doubtful debts	(12,131,107)	(12,103,991)
<b>TOTAL</b>	<b>5,218,859</b>	<b>4,777,459</b>

9. Cash and bank balances

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Cash and cash equivalents</b>		
Balances with banks in current accounts	10,404,410	3,759,308
Cash on hand	53,298	37,749
<b>Total</b>	<b>10,457,708</b>	<b>3,797,057</b>

10. Long-term loans and advances

Particulars	As at March 31, 2016	As at March 31, 2015
Security deposits	326,954	205,000
Withholding tax	-	5,406,855
<b>Total</b>	<b>326,954</b>	<b>5,611,855</b>

11. Short-term loans and advances

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>		
Security deposits	-	326,954
Due from		
Related Parties	28,200,489	26,752,464
Advances recoverable in cash or in kind or for value to be received	914,062	1,818,644
<b>Total</b>	<b>29,114,551</b>	<b>28,898,062</b>

12. Other current assets

Particulars	As at March 31, 2016	As at March 31, 2015
Unbilled revenue	142,745	13,056,348
Prepaid expenses	220,059	791,107
<b>Total</b>	<b>362,804</b>	<b>13,847,455</b>



13. Revenue from Operations

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
IT solutions	23,858,136	54,791,582
Total	23,858,136	54,791,582

14. Other Income

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Foreign exchange gain (net)	-	827,123
Miscellaneous income	-	2,419,334
Total	-	3,246,457

15. Cost of Revenue

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Cost of outsourced services/boughtout items	(4,254,419)	34,261,490
Total	(4,254,419)	34,261,490

16. Employee benefit expenses

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries and wages	14,309,626	22,197,076
Staff welfare expenses	110,339	4,165
Total	14,419,965	22,201,241

17. Other expenses

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Rent	3,159,041	2,224,159
Travelling and conveyance	2,707,918	6,963,980
Electricity charges	76,789	126,516
Insurance	396,516	224,847
Rates and taxes	1,084,221	60,002
Communication Expenses	190,439	535,427
Printing and stationery	36,706	146,984
Legal and professional charges	2,388,470	425,741
Selling and distribution expenses	-	499,936
Provision for doubtful debts	9,887,050	(1,085,564)
Foreign exchange loss (net)	7,667,500	-
Repairs and maintenance	90,683	357,274
Miscellaneous expenses	412,338	48,051
Total	28,097,671	10,527,353

18. Finance Cost

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Bank and other financial charges	103,554	126,822
Total	103,554	126,822

19. Exceptional items

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Old irrecoverable Balances Written Off	1,088,636	-
Total	1,088,636	-



### **3i INFOTECH (AFRICA) LIMITED**

(Incorporated in Kenya)

#### **NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

##### **Significant Accounting Policies and Notes to Financial Statements**

##### **1. Significant Accounting Policies**

###### **1.1 Method of Accounting**

The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting and in accordance with the generally accepted accounting practices in India (GAAP). GAAP comprises mandatory accounting standards prescribed under section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014.

###### **1.2 Currency**

The Company has used the Kenyan Shillings (KES) as its reporting currency.

###### **1.3 Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as on the date of financial statements. The recognition, measurement, classification or disclosures of an item or information in the financial statements are made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

###### **1.4 Revenue Recognition**

###### **a) Revenue from IT solutions:**

Revenue from IT solutions comprises of revenue from sale of software products, providing IT services and sale of hardware/ third party software.

- i) Revenue from sale of software products is recognized on delivery or installation, as applicable, as per a pre-determined policy laid down for different software products across all geographies or an amount as considered appropriate in terms of the contract, whichever is lower.
- ii) Revenue from IT services is recognized either on time and material basis or fixed price basis or based on certain measurable criteria as per relevant contracts. Revenue on time and material contracts is recognized as and when services are performed. Revenue on fixed-price contracts is recognized on the percentage of completion method. Provision for estimated losses, if any, on such uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.
- iii) Revenue from sale of hardware / other Materials and sale of Third Party Software License / Term License incidental to the aforesaid services is recognized based on delivery/installation, as the case may be. Recovery of incidental expenses is added to revenue.
- iv) Maintenance revenue in respect of products is deferred and recognized proportionately over the period of the underlying maintenance agreement.





**b) Revenue from Transaction Services:**

Revenue from transaction services and other service contracts is recognized based on transactions processed or manpower deployed.

**1.5 Unbilled and Unearned Revenue**

Revenue recognized over and above the billings on a customer is classified as "unbilled revenue" and advance billing to customer is classified as "Unearned revenue" and included under 'Other current liabilities'.

**1.6 a. Fixed Assets**

Fixed assets comprise tangible and intangible assets.

**Tangible assets**

Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use.

Advances given towards acquisition of fixed assets are disclosed under 'Capital advances' under 'Long-term Loans and Advances' and the cost of assets not ready for use as at the balance sheet date are disclosed as 'Capital Work in progress'.

**Intangible assets**

a) "Software Products (Meant for sale)" are products licensed to customers. Costs that are directly associated with such products whether acquired or developed or upgraded in partnership with others, and have probable economic benefit exceeding one year are recognized as Software Products (Meant for sale). Costs related to further development of existing "software products meant for sale" are capitalised only if the costs results in a software products whose life and value in use is in excess of its originally assessed standard of performance, can be measured reliably, technological feasibility has been established future economic benefits of each of such products is probable and the company intends to complete development and to use the software.

b) Software Products-Others: Purchased software meant for in house consumption and significant upgrades thereof and have probable economic benefit exceeding one year are capitalized at the acquisition price.

c) Business and Commercial Rights are capitalized at the acquisition price.

**a. Method of Depreciation / amortization**

Leasehold land, leasehold building and improvements thereon are amortized over the period of lease or its life whichever is lower.

Business and Commercial Rights are amortized over their estimated useful life or ten years, whichever is lower..

Intellectual Property Rights are amortized at lower of the period the benefits arising out of these are expected to accrue and five years.

Depreciation on tangible assets is provided using the straight-line method at the rates and in the manner as prescribed in Schedule II to the Companies Act, 2013.

The Management estimates the useful lives for the other fixed assets as follows

Leasehold Improvements	10 years
Computers	3 years
Office Equipments	5 years
Furniture and Fixtures	10 years
Vehicles	8 years



## 1.7 Investments

Trade investments are the investments made to enhance the Company's business interest. Investments are either classified as current or non-current based on the management's intention at the time of purchase. Non-current investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments.

Current investments are carried at the lower of the cost or fair value and provision is made to recognize any decline in the carrying value.

## 1.8 Accounting for taxes on income

Provision for current income tax is made on the basis of the estimated taxable income for the current accounting period in accordance with the tax rate prevalent at the balance sheet date, as per local laws of Kenya.

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual/reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

## 1.9 Translation of Foreign Currency Items

Transactions in foreign currency are recorded in Kenyan Shillings (KES) at the rate of exchange in force on the date of the transactions. Exchange differences in respect of all current monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains / losses arising there from are recognized in the Statement of Profit and Loss.

Exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are accounted as below:

- In so far as they relate to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset; and
- In other cases, the said exchange differences are accumulated in a 'Foreign Currency Monetary Items Translation Difference Account' and amortized over the balance period of such long term asset/liability.

## 1.10 Accounting of Employee Benefits

Employee benefits towards defined contributions plans of the state are recognized as an expense in the statement of profit and loss, as incurred. Leave encashment and gratuity provisions are made as per the policies laid down and any accruals for these benefits are charged to the profit and loss account.

## 1.11 Provisions , contingent liabilities and contingent assets

- i. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources.
- ii. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.
- iii. Contingent Assets are neither recognized nor disclosed in the financial statements.





#### 1.12 Borrowing costs

Borrowing costs directly attributable to acquisition, construction and production of qualifying assets are capitalized as a part of the cost of such asset upto the date of completion. Other borrowing costs are charged to the statement of profit and loss.

#### 1.13 Impairment of assets

In accordance with AS 28 on 'Impairment of Assets', where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized in the statement of Profit & Loss whenever the carrying amount of such assets exceeds its recoverable amount. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization/depreciation) had no impairment loss been recognized.

#### 1.14 Leases

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 inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the Statement of Profit and Loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

Leased assets are depreciated on a straight-line basis over the useful life of the asset or the useful life as per Schedule II to of the Companies Act, 2013, whichever is lower.

Leases, where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss.

#### 1.15 Earnings per share

In determining the earnings per share, the Company considers the net profit/loss after tax and the post tax effect of any exceptional items and discontinuing operations on earnings per share is shown separately. The number of shares considered in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares considered for computing diluted earnings per share is the aggregate of weighted average number of shares used for deriving the basic earnings per share and the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issues.





## 2. Notes to Financial Statements

### 19. a) Contingent liabilities:

KES

Particulars	As at March 30, 2016	As at March 30, 2015
<b>Contingent Liabilities not provided for in respect of</b>		
Outstanding Guarantees	-	-
Claims against the company not acknowledged as debt (relates to a customer dispute)	48,981,670	48,981,670

- b) The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial statements.

### 20.

#### (a) Commitments

The Company does not have any outstanding capital commitments as on the date of the Balance Sheet.

#### (b) Leases

The future operating lease rental payments in relation to the office building that the company is Committed to make are as under:

KES

Particulars	As at March 31, 2016	As at March 31, 2015
- within one year	227,290	2,578,717
- later than one year and not later than five years	-	214,893
- later than five years	-	-

### 21. Earnings per share

The earnings per share have been computed in accordance with the 'AS 20 - Earnings per share'. The detailed calculations of EPS are given below.

Particulars		For the year Ended March 31, 2016	For the year Ended March 31, 2015
Profit/(Loss) attributable to Equity Shareholders before Exceptional Items (KES)	A	(23,483,738)	(26,943,345)
Less: Exceptional Items (KES)		1,089,636	-
Profit/(Loss) attributable to Equity Shareholders after Exceptional Item (KES)	B	(24,573,375)	(26,943,345)
Weighted average number of Equity Shares outstanding during the year/period (Nos.)		100	100
Diluted weighted average number of Equity Shares outstanding during the year/period (Nos.)		100	100
Nominal value of Equity Shares (KES)	C	1,000	1,000
<b>Before Exceptional Items</b>			
Basic and Diluted Earnings Per Share (KES)	A/C	(234,837)	(269,433)
<b>After Exceptional Items</b>			
Basic and Diluted Earnings Per Share (KES)	B/C	(245,733)	(269,433)



## 22. Related Party transactions

The related parties of the company include the entities given below and Key Management Personnel of the company.

- a. 3i Infotech (Middle East) FZ LLC – Holding Company
- b. 3i Infotech Limited – Ultimate Holding Company

The fellow subsidiaries of the company are given below which includes entities with whom the company had transactions during the year.

- c. Fellow Subsidiaries – The details are given below

No.	Name of the fellow subsidiary
1	3i Infotech Inc.
2	3i Infotech Asia Pacific Pte Limited
3	3i Infotech SDN BHD
4	3i Infotech UK Limited
5	3i Infotech (Thailand) Limited
6	3i Infotech (Western Europe) Holdings Limited
7	3i Infotech (Western Europe) Group Limited
8	Rhyme Systems Limited
9	3i Infotech Holdings Private Limited
10	3i Infotech Saudi Arabia LLC
11	3i Infotech Financial Software Inc.
12	Black Barret Holdings Limited
13	3i Infotech Framework Limited (Up to February 8,2016)
14	Elegon Infotech Limited
15	3i Infotech Services SDN BHD (formerly known as Datacons Asia Pacific SDN BHD)
16	3i Infotech Trusteeship Services Limited (Up to October 15,2015)
17	Professional Access Software Development Private Limited
18	3i Infotech BPO Limited
19	Locuz Inc
20	Locuz Enterprise Solutions Limited
21	3i Infotech Consultancy Services Limited
22	3i Infotech (South Africa) (Pty) Limited
23	IFRS Cloud Solutions Limited

The related party transactions for the year ended March 31, 2016 are given below.

KES

Nature of transactions	For the Year ended March 31, 2016	For the Year ended March 31, 2015
<b>3i Infotech Ltd</b>		
Expenses	-	947,525
<b>3i Infotech (Middle East) FZ LLC</b>		
Expenses	228,941	-
Advance given	-	4,383,500
Advance taken	2,289,789	19,403,125



Balances outstanding with related parties are given below.

KES

	As at Mar 31, 2016	As at Mar 31, 2015
<b>3i Infotech Ltd</b>		
Trade Payable	299,867,440	285,840,743
<b>3i Infotech Middle East FZ LLC</b>		
Receivable	28,200,489	26,752,464

Notes:

1. Related party as identified by the management and relied upon by the auditor.
2. No balances in respect of the related parties have been provided for/written back/written off except as stated above

### 23. Going Concern:

The financial statements of the Company has been prepared on a going concern basis, in view of expected continued support of the lenders and also meeting its financial obligations based on the projected operational performance in terms of the Parent's Debt Restructuring Scheme approved in April, 2016.

24. Figures for the previous year have been re-grouped / re-arranged, wherever considered necessary to confirm to current year's presentation.

Signatures to Notes to Financial Statements 1 - 24

For and on behalf of the Board

  
Padmanabhan Iyer  
Director  
DIN - 05282942

  
Ashish Kakkar  
Director  
DIN - 06370551

Date: August 10, 2016

Place: Mumbai

