

Lodha & Company  
Chartered Accountants

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### INDEPENDENT AUDITORS' REPORT

To  
The Board of Directors  
3i Infotech Financial Software Inc

#### **REPORT ON THE FINANCIAL STATEMENTS:**

We have audited the accompanying financial statements of **3i Infotech Financial Software Inc** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement of the company for the period 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 and financial performance 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.

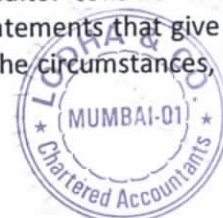
#### **AUDITORS' RESPONSIBILITY:**

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.

#### 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 31<sup>st</sup> March, 2016, and its loss and cash flows for the year ended on that date.

#### EMPHASIS OF MATTER

Without qualifying, we draw attention to the following:

Loan receivables (net) amounting to \$ 2,35,97,412 as at 31.03.2016 receivable by the Company from its affiliates are dependent upon the Ultimate Holding Company ('UPC') which has been incurring continuous losses and presently having liability mis-match and cash flow issues. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, in view of the expected continued support of the UPC's lenders and also the UPC meeting its financial obligations based on the projected operational performance in terms of the Debt Restructuring Scheme (DRS) approved in April, 2016, the financial statements of the Company have been prepared on going concern basis.

#### OTHER MATTERS:

- a) The financial statements of the Company for the year ended March 31, 2015, were audited by another auditor whose report dated May 26, 2015 expressed an unmodified opinion on those statements.
- b) The audit report has been prepared for the purpose of enabling Ultimate 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 the Ultimate Parent Company or for purposes other than that which it is meant for.

Place: Mumbai  
Date: 10.08.2016

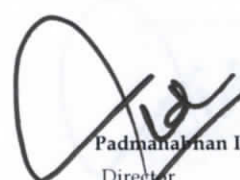
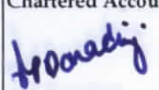
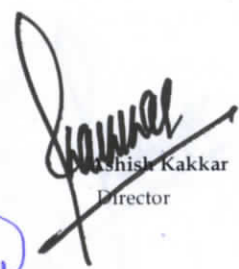
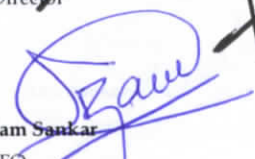


For LODHA & COMPANY  
Chartered Accountants  
Firm Registration No. 301051E

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

3i Infotech Financial Software Inc  
Balance Sheet as at 31st March, 2016

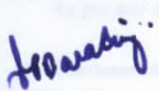
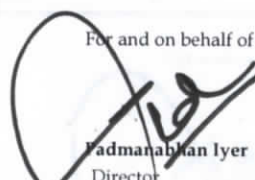

USD

Particulars	Notes	As at Mar 31, 2016	As at Mar 31, 2015
<b>I EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share capital	1	30,578,056	30,578,056
(b) Reserves and surplus	2	(7,194,164)	(5,947,157)
<b>2. Current liabilities</b>			
(a) Trade payables	3	84,223	88,912
(b) Other current liabilities	4	432,683	669,042
(c) Short-term provisions	5	8,003	68,904
<b>TOTAL</b>		<b>23,908,801</b>	<b>25,457,757</b>
<b>II ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	6	390	-
(ii) Intangible assets	7	2,405	1,390,732
(b) Non-current investments	8	11,173	11,173
(c) Long-term loans and advances	9	23,608,587	21,865,300
<b>2. Current assets</b>			
(a) Trade receivables	9	250,619	168,728
(b) Cash and Bank Balances	10	29,368	30,895
(c) Short-term loans and advances	11	6,259	1,990,929
<b>TOTAL</b>		<b>23,908,801</b>	<b>25,457,757</b>
See accompanying notes to financial statement		19	
Notes referred to above form an integral part of the financial statement			
As per our attached report of even date		For and on behalf of the Board	
For LODHA & CO. Chartered Accountants		 Padmanabhan Iyer Director	
 R P Baradiya Partner		 Shishu Kakkar Director	
Place: Mumbai		 Ram Sankar CFO	
Date <b>10 AUG 2016</b>			



3i Infotech Financial Software Inc  
Statement of Profit and Loss for the year ended 31st March, 2016.

USD

S.No	Particulars	Notes	For the Year ended Mar 31, 2016	For the year ended Mar 31, 2015
I.	Revenue from operations	12	6,944,183	10,261,612
II.	Other income	13	9,394	847
III.	<b>Total Revenue (I +II)</b>		<b>6,953,578</b>	<b>10,262,459</b>
IV.	<b>Expenses:</b>			
	Cost of Revenue	14	6,484,059	9,900,886
	Employee benefits expense	15	979	188
	Finance costs	16	396	391
	Depreciation and amortization expense		1,388,456	2,537,657
	Corporate Charge out		139,072	205,236
	Other expenses	17	339,911	252,189
	<b>Total Expenses</b>		<b>8,352,872</b>	<b>12,896,547</b>
V.	<b>Profit/(Less) before exceptional and tax (III - IV)</b>		<b>(1,399,295)</b>	<b>(2,634,088)</b>
VI.	Exceptional Items	18	(99,746)	511,684
VII.	<b>Profit/(Loss)before tax (VI - V)</b>		<b>(1,299,549)</b>	<b>(3,145,772)</b>
	<b>Tax expense:</b>			
	Current tax		8,003	(16,708)
	Deferred tax		-	-
	Prior year's Tax adjustment		(60,548)	-
IX.	<b>Profit (Loss) after Tax carried over to Balance Sheet</b>		<b>(1,247,004)</b>	<b>(3,129,064)</b>
X.	<b>Earnings per Share</b>			
	Equity Shares, par value \$ 1 each			
	Basic		(4.44)	(11.15)
	Diluted		(0.04)	(0.10)
See accompanying notes to the financial statements		19		
Notes referred to above form an integral part of the financial statements				
As per our attached report of even date				
For LODHA & CO.				
Chartered Accountants				
 R P Baradiya Partner		For and on behalf of the Board  Padmanabhan Iyer Director		
		 Ram Sankar CFO		
Place: Mumbai				
Date 10 AUG 2016				



3i Infotech Financial Software Inc  
Cash Flow Statement

(USD)

	For the Year ended Mar 31, 2016	For the year ended Mar 31, 2015
<b>A Cash Flow from Operating Activities :</b>		
Profit before taxation and exceptional and prior period items	(1,299,549)	(3,145,772)
Adjustments for:		
Depreciation / Amortisation	1,388,456	2,537,657
Provision for doubtful debts	(10,024)	(12,147)
<b>Operating Profit before Working Capital Changes</b>	<b>78,884</b>	<b>(620,263)</b>
Adjustments for:		
Trade and Other Receivables	159,492	1,166,465
Inventories		
Trade Payables and Other Liabilities	(231,024)	(430,516)
<b>Cash generated from Operations</b>	<b>7,352</b>	<b>115,686</b>
Taxes Paid	(8,359)	(103,287)
<b>Net cash from Operating Activities</b>	<b>(1,007)</b>	<b>12,399</b>
<b>B Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(520)	(3800)
<b>Net cash from Investing Activities</b>	<b>(520)</b>	<b>-</b>
<b>C Cash Flow from Financing Activities :</b>		
<b>Net cash from Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(1,526)</b>	<b>8,599</b>
<b>Cash and Cash Equivalents as at beginning</b>	<b>30,894</b>	<b>22,295</b>
<b>Cash and Cash Equivalents as at end</b>	<b>29,368</b>	<b>30,894</b>

Notes :

- The above cash flow statement has been prepared by using the indirect method setout in Accounting Standard 3-on Cash Flow Statements as defined in Accounting Standards notified under Companies (Accounting Standards) Rules, 2006.
- Previous period's figures have been regrouped wherever necessary.

As per our attached report of even date

Chartered Accountants

*R P Baradiya*  
R P Baradiya  
Partner

Place: Mumbai  
Date: 10 AUG 2016

For and on behalf of the Board

*Padmanabhan Iyer*  
Padmanabhan Iyer  
Director

*Ashish Kakkar*  
Ashish Kakkar  
Director

*Ram Sankar*  
Ram Sankar  
CFO



3i Infotech Financial Software Inc  
Notes to Financial Statements

1 Share Capital

(USD)

	As at Mar 31, 2016	As at Mar 31, 2015
<b>Authorised</b>		
<b>Common Stock :</b> 1,000,000 Common Stock of \$1 each	1,000,000	1,000,000
<b>Optionally Convertible Preferred Stock</b> 30,297,575 Preferred Stock (Series A) of \$1 each	30,297,575	30,297,575
	<b>31,297,575</b>	<b>31,297,575</b>
<b>Issued, Subscribed &amp; Paid - up</b>		
<b>Common Stock :</b> 280,556 Common Stock of \$1 each fully Paid up (at the commencement and end of the year) (of the above, 100% are held by the holding company - 3i Infotech Holdings Pvt Ltd, Mauritius)	280,556	280,556
<b>Optionally Convertible Preferred Stock and paid in capital</b> Preference Stock Capital 30,297,500 of \$1 each fully paid up (at the commencement and end of the year) (of the above, 100% are held by the holding company - 3i Infotech Holdings Pvt Ltd, Mauritius)	30,297,500	30,297,500
<b>Total</b>	<b>30,578,056</b>	<b>30,578,056</b>

2 Reserves and Surplus

	As at Mar 31, 2016	As at Mar 31, 2015
<b>a. Securities Premium Account</b>	9,819,444	9,819,444
	9,819,444	9,819,444
<b>b. Profit and Loss Account Surplus (including debit balance)</b>	(15,766,601)	(12,637,537)
Add/ (Less): Net Profit / (Loss) transferred from Profit and Loss account	(1,247,004)	(3,129,064)
	(17,013,605)	(15,766,601)
<b>Total</b>	<b>(7,194,164.06)</b>	<b>(5,947,157)</b>



3i Infotech Financial Software Inc  
Notes to Financial Statements

3 Trade Payables

USD

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Trade Payables	84,223	-	88,912	-
<b>Total</b>	<b>84,223</b>	<b>-</b>	<b>88,912</b>	<b>-</b>

4 Other Liabilities

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Due to Affiliates	11,175	-	245,871	-
Excess of Billing over Revenue recognised	420,078	-	421,442	-
Other Payables - Statutory payments to Government authorities	1,430	-	1,728	-
<b>Total</b>	<b>432,683</b>	<b>-</b>	<b>669,042</b>	<b>-</b>

5 Provisions

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Provision for Tax	8,003	-	68,904	-
<b>Total</b>	<b>8,003</b>	<b>-</b>	<b>68,904</b>	<b>-</b>



6 Tangible asset (USD)

Particulars	GROSS BLOCK			AMORTIZATION				NET BLOCK		
	As at April 1, 2015	Additions during the year	Deductions during the year	As at Mar 31, 2016	Upto Mar 31, 2015	Amortization during the year	Adjustments during the year	Upto Mar 31, 2016	As at Mar 31, 2016	As at Mar 31, 2015
Computers	3,828	520		4,348	3,828	130	-	3,958	390	-
Total Assets	3,828	520	-	4,348	3,828	130	-	3,958	390	-

7 Intangible asset

Particulars	GROSS BLOCK			AMORTIZATION				NET BLOCK		
	As at April 1, 2015	Additions during the year	Deductions during the year	As at Mar 31, 2016	Upto Mar 31, 2015	Amortization during the year	Adjustments during the year	Upto Mar 31, 2016	As at Mar 31, 2016	As at Mar 31, 2015
Goodwill	6,937,832	-	-	6,937,832	5,550,266	1,387,567	-	6,937,832	-	1,387,566
Software Products - Others	11,169,178	-	-	11,169,178	11,166,012	760	-	11,166,772	2,406	3,166
Total Assets	18,107,010	-	-	18,107,010	16,716,278	1,388,327	-	18,104,604	2,405	1,390,732

Previous Year  
Tangible asset (USD)

Particulars	GROSS BLOCK			AMORTIZATION				NET BLOCK		
	As at April 1, 2014	Additions during the year	Deductions during the year	As at Mar 31, 2015	Upto Mar 31, 2014	Amortization during the year	Adjustments during the year	Upto Mar 31, 2015	As at Mar 31, 2015	As at Mar 31, 2014
Computers	3,828	-	-	3,828	3,828	-	-	3,828	-	-
Total Assets	3,828	-	-	3,828	3,828	-	-	3,828	-	-

Intangible asset

Particulars	GROSS BLOCK			AMORTIZATION				NET BLOCK		
	As at April 1, 2014	Additions during the year	Deductions during the year	As at Mar 31, 2015	Upto Mar 31, 2014	Amortization during the year	Adjustments during the year	Upto Mar 31, 2015	As at Mar 31, 2015	As at Mar 31, 2014
Goodwill	6,937,832	-	-	6,937,832	4,162,699	1,387,567	-	5,550,266	1,387,566	2,775,133
Software Products - Others	11,165,378	3,800	-	11,169,178	10,015,922	1,150,090	-	11,166,012	3,166	1,149,456
Total Assets	18,103,210	3,800	-	18,107,010	14,178,621	2,537,657	-	16,716,278	1,390,732	3,924,589





3i Infotech Financial Software Inc  
Notes to Financial Statements

8 Investments

(USD)

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non - Current	Current	Non - Current
Investments (Valued at cost)				
Non Trade Investments -Unquoted				
Investments in Equity Instruments				
49,994 Equity shares of 3i Infotech Outsourcing Service Limited at Rs 10 each - Fully Paid up	-	11,173	-	11,173
<b>Total</b>	-	11,173	-	11,173



3i Infotech Financial Software Inc  
Notes to Financial Statements

9 Trade receivables

	(USD)	
	As at Mar 31, 2016	As at Mar 31, 2015
	Current	Current
Receivable outstanding for a period exceeding six months		
Unsecured, Considered Doubtful	1,275	11,299
Less: Provision for bad and doubtful debts	1,275	11,299
Sub Total(A)	-	-
Other Receivables		
Unsecured, Considered good (B)	250,619	168,728
Total (A) + (B)	250,619	168,728



3i Infotech Financial Software Inc  
Notes to Financial Statements

10 Cash and Bank Balances (USD)

	As at Mar 31, 2016	As at Mar 31, 2015
Balances with banks: -in current accounts	29,368	30,895
<b>Total</b>	<b>29,368</b>	<b>30,895</b>

11 Loans and advances

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
<b>Unsecured, considered good</b>				
(a) Loans and advances to Related Parties	-	23,608,587	1,990,928	21,865,300
(b) Prepaid expenses	6,259	-	1	-
<b>Total</b>	<b>6,259</b>	<b>23,608,587</b>	<b>1,990,929</b>	<b>21,865,300</b>



3i Infotech Financial Software Inc  
Notes to Financial Statements

12 Revenue from Operations

(USD)

	For the Year ended Mar 31, 2016	For the Year ended Mar 31, 2015
IT Services	6,944,183	10,261,612
Total	6,944,183	10,261,612

13 Other Income

	For the Year ended Mar 31, 2016	For the Year ended Mar 31, 2015
Miscellaneous Income	9,394	847
Total	9,394	847



3i Infotech Financial Software Inc  
Notes to Financial Statements

14 Cost of Revenue (USD)

	For the Year ended Mar 31, 2016	For the Year ended Mar 31, 2015
Cost of third party products / outsourced services	6,484,059	9,900,886
<b>Total</b>	<b>6,484,059</b>	<b>9,900,886</b>

15 Employee benefit expenses

	For the Year ended Mar 31, 2016	For the Year ended Mar 31, 2015
Recruitment and training expenses	979	188
<b>Total</b>	<b>979</b>	<b>188</b>

16 Finance cost

	For the Year ended Mar 31, 2016	For the Year ended Mar 31, 2015
Bank Charges	396	391
<b>Total</b>	<b>396</b>	<b>391</b>

17 Other expenses

	For the Year ended Mar 31, 2016	For the period ended Mar 31, 2015
Power and fuel	4,638	5,937
Rent	44,578	58,376
Travelling and conveyance	21,658	16,508
Rates and taxes	202,120	5,163
Communication expenses	13,448	11,082
Printing and stationery	941	646
Legal and Professional charges	35,059	37,123
Selling and distribution expenses	11,246	14,392
Provision for doubtful debts	(10,024)	(12,147)
Miscellaneous expenses	16,247	115,109
<b>Total</b>	<b>339,911</b>	<b>252,189</b>

18 Exceptional items

	For the Year ended Mar 31, 2016	For the Year ended Mar 31, 2015
Exceptional items	(99,746)	511,684
<b>Total</b>	<b>(99,746)</b>	<b>511,684</b>



## 3i INFOTECH Financial Software INC

Schedules forming part of Financial Statements for the Year ended March 31, 2016

### Note 20: Significant Accounting Policies and Notes to Financial Statements

#### 1. Significant Accounting Policies

##### 1.1. Overview of the Company

3i Infotech Financial Software Inc is a wholly owned subsidiary of 3i Infotech Holdings Private Limited. The Company undertakes IT Services and Staffing Services.

##### 1.2. Method of Accounting

- a) The financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of India under the historical cost convention on the accrual basis, except for certain tangible assets which are carried at revalued amounts. GAAP comprises mandatory accounting standards notified under the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 2013. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard required a change in accounting policy hitherto in use.
- b) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company cannot identify its operating cycle and thus has ascertained its operating cycle to be 12 months for the purpose of current and non-current classification of assets and liabilities.
- c) The Company's reporting currency is the US Dollar (USD).

##### 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 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

The Company generates the majority of its revenues from Business Process Outsourcing Services and sale of software licenses and related implementation services. Revenue from software products is recognized on delivery/ installation, as per the predetermined/laid down policy or lower, as considered appropriate by the management on the basis of facts in specific cases. 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 year in which such losses become probable based on the current liabilities. Changes in estimates are reflected in the year in which the changes become known. Maintenance revenues are recognized ratably over the term of the underlying maintenance agreement.



### 1.5 Fixed Assets

a) Tangible Assets

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

b) Intangible Assets

Purchased software meant for in house consumption, Goodwill and Business & Commercial Rights are capitalized at the acquisition price.

Acquired software/products meant for sale are capitalized at the acquisition price.

Costs in respect of Software development are charged to Profit and Loss account as and when incurred.

### 1.6 Depreciation / Amortization:

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

Business & Commercial Rights are amortized at lower of the period the benefits out of them is expected to accrue or five years, while acquired goodwill is amortized over a period of five years.

Project Assets / Acquired software are amortized at lower of the estimated life of the project / product and five years.

Fixed Asset	Useful life in years
Building -Leasehold improvements	5
Furniture, Fixtures and Equipment	10
Vehicles	5
Computers	3
Computer being Server	6
Office Equipment	5

### 1.7 Investments

Investments are classified into long-term investments and current investments. Long-term 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 and 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 year in accordance with the relevant applicable law in force.

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 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 at the rate of exchange in force on the date of the transactions. Current assets, current liabilities and borrowings denominated in foreign



currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain/loss is recognized in the Statement of Profit & Loss.

#### 1.10 Accounting of Employee Benefits

- a) The Company has a defined contribution plan with respect to the retirement benefits provided to its employees through contribution towards 401(k) pension plan. These contributions are charged to revenue as and when incurred. Liability for leave encashment is provided on the basis of actual eligibility of the year end as well as for the interim reporting years.
- b) The Company has a defined contribution plan covering substantially all of its employees. The Company makes a discretionary 50 % matching contribution of a participant's contribution.

#### 1.11 Lease

Where the Company has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of fair value or present value of minimum lease payment and liability is created for an equivalent amount. Each lease rental paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating lease. Lease rentals for such leases are charged to Statement of Profit and Loss. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the financial year in which termination takes place.

#### 1.12 Unbilled and Unearned Revenue

Revenue recognized over and above the billings on a customer is classified as unbilled revenue while excess of billing over the revenue recognized in respect of a customer is classified as unearned revenue.

#### 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 realizable whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the Statement of Profit & Loss. 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 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.





## 2. Notes to Accounts

### 2.1 Contingent Liabilities and Commitments (to the extent not provided for):

Particulars	In USD	
	As at March 31, 2016	As at March 31, 2015
Sales tax matters	-	144,033

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 reasonably expect the outcome of these proceedings to have a material impact on its financial statements.

2.2 In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. Provision for all known and determined liabilities is adequate and not in excess.

The accounts of certain Trade receivables, Trade Payables, Current Assets, Current Liabilities and Loans & Advances are however, subject to formal confirmations or reconciliation and consequent adjustments, if any. However there is no indication of dispute on this accounts, other than mentioned those in the Financial Statements. The Management does not expect any material difference affecting the current year's Financial Statement on such reconciliations, adjustments.

### 2.3 Earnings per Share

The earnings per share have been computed as under:

Particulars		In USD	
		As at March 31, 2016	As at March 31, 2015
Profit/(Loss) attributable to Equity Stockholders	A	(1,247,004)	(3,129,064)
Weighted average number of Equity Shares outstanding during the year (Nos.)	B	280,556	280,556
Diluted weighted average number of Equity Shares outstanding during the year (Nos.)	C	30,578,056	30,578,056
Nominal value of Equity Shares		1	1
Basic Earnings Per Share	A/B	(4.44)	(11.15)
Diluted Earnings Per Share	A/B	(0.04)	(0.10)

### 2.4 Related Party Transactions

Parties with whom transactions have been carried out in the ordinary course of business

#### The parties where control exists:-

Ultimate Holding Company: 3i Infotech Limited, India

Holding Company: 3i Infotech Holdings Private Limited

Subsidiary Company - 3i Infotech Outsourcing Services Limited



**Fellow Subsidiaries:**

3i Infotech (MEA) FZ-LLC

Elegon Infotech Limited

3i Infotech BPO Limited

**Directors / Key Management Personnel:**

Mr. Madhivanan Balakrishnan (Chairman)

Mr. Padmanabhan Iyer (Director)

Mr. Ashish Kakkar (Director)

Nature of Transaction	In USD	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Corporate Charges Payable to 3i Infotech Inc	139,072	205,235
Consultancy fees and expenses Payable to 3i Infotech Inc.	3,224,070	6,144,016
Cost of Outsourced Resources to 3i Infotech Inc.	1,557,048	1,576,846
Cost of Outsourced Resources to 3i Infotech Limited	595,453	287,500
Cost of Outsourced Resources- Elegon Infotech Limited	3,60,705	1,026,180
Cost of Outsourced Resources- 3i Infotech BPO limited	616,454	855,677

**Outstanding Balances:**

Related Party	Nature of transaction	In USD	
		As at March 31, 2016	As at March 31, 2015
3i Infotech, Inc.	Receivable/ (Payable)	23,791,540	23,443,728
3i Infotech Outsourcing Service Limited	Receivable/ (Payable)	(11,173)	(11,173)
3i Infotech BPO Limited	Receivable/ (Payable)	-	(154,885)
Elegon Infotech Limited	Receivable/ (Payable)	-	(79,815)
3i Infotech Limited	Receivable/ (Payable)	(182,953)	412,500



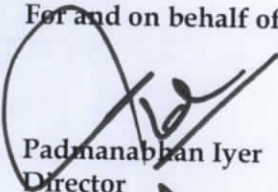
## 2.5 Auditors' remuneration

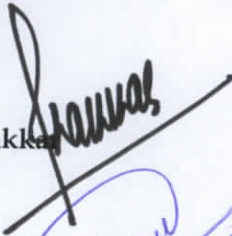
Particulars	In USD	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Audit fees	15,000	15,000
Tax matters	15,000	15,000
Other Services	1,200	-


2.6 The Company is dependent on its Parent Company in respect of its loan receivables from affiliates amounting to \$ 2,41,55,588. During the year ended March 31, 2012, the Parent Company undertook restructuring of its debts through Corporate Debt Restructuring ('CDR') cell and also renegotiated with the bond holders with respect of its Foreign Currency Convertible Bonds ('FCCB'). Post the debts restructuring, the group is confident of successful implementation of the CDR package and is also confident of meeting its FCCB obligation. Accordingly, the Company has prepared the financials on a going concern basis.

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

For and on behalf of the Board

  
Padmanabhan Iyer  
Director

  
Ashish Kakkar  
Director

  
Ram Sankar  
CFO

