

Lodha & Company  
Chartered Accountants

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### INDEPENDENT AUDITORS' REPORT

To  
The Board of Directors  
3i Infotech Inc

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

We have audited the accompanying financial statements of **3i Infotech 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.

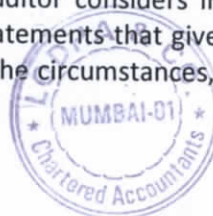
#### **AUDITORS' RESPONSIBILITY:**

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 \$ 5,02,75,217 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

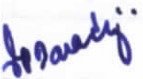
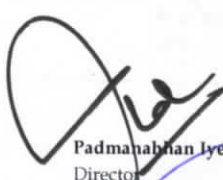

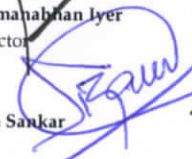
  
R P Baradiya  
Partner  
Membership No. 44101



## 3i Infotech 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	89,249,998	89,249,998
(b) Reserves and surplus	2	(41,936,644)	(25,348,157)
<b>2. Share application money pending allotment of Common Stock - Class 'B' (from Mauritius since 2011)</b>		7,700,000	7,700,000
<b>3. Non-current liabilities</b>			
(a) Long-term borrowings	3	4,745,000	4,745,000
(b) Other Long term liabilities	5	82,729,828	79,759,775
<b>4. Current liabilities</b>			
(a) Short-term borrowings	3	4,000,000	3,700,000
(b) Trade payables	4	3,809,216	3,472,535
(c) Other current liabilities	5	120,126	2,226,067
(d) Short-term provisions	6	108,002	53,140
<b>TOTAL</b>		<b>150,525,526</b>	<b>165,558,358</b>
<b>II ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	7	237,975	296,888
(ii) Intangible assets	8	606,932	17,339,479
(b) Long-term loans and advances	11	137,273,288	137,273,288
<b>2. Current assets</b>			
(a) Trade receivables	9	6,358,357	5,381,982
(b) Cash and Bank Balances	10	1,213,524	291,306
(c) Short-term loans and advances	11	996,909	1,255,163
(d) Other Current Assets	12	3,838,541	3,720,252
<b>TOTAL</b>		<b>150,525,526</b>	<b>165,558,358</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 LODHA & CO.			
Chartered Accountants			
 R P Baradiya Partner		For and on behalf of the Board  Padmanabhan Iyer Director  Ashish Kulkarni Director  Ram Sankar CFO	
Place : Mumbai			
Date : 10 AUG 2016			



## 3i Infotech 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	13	48,191,440	44,712,249
II.	Other income	14	8,892	73,804
III.	<b>Total Revenue (I + II)</b>		<b>48,200,332</b>	<b>44,786,053</b>
IV.	<b>Expenses:</b>			
	Cost of Revenue	15	7,777,285	6,755,852
	Employee benefits expense	16	35,857,584	33,765,942
	Finance costs	17	596,353	595,081
	Depreciation and amortization expense		16,823,798	22,131,316
	Corporate Charge out		794,977	727,556
	Other expenses	18	2,751,956	2,559,341
	<b>Total Expenses</b>		<b>64,601,953</b>	<b>66,535,088</b>
V.	<b>Profit/(Loss) before tax (III - IV)</b>		<b>(16,401,621)</b>	<b>(21,749,035)</b>
VI.	<b>Tax expense:</b>			
	Current tax		186,867	52,529
VII.	<b>Profit (Loss) after Tax carried over to Balance Sheet (V - VI)</b>		<b>(16,588,488)</b>	<b>(21,801,564)</b>
VIII.	<b>Earnings per Share</b>			
	Equity Shares, par value \$0.3 each	19 (2.5)		
	Basic		(0.16)	(0.22)
	Diluted		(0.10)	(0.14)
<p>See accompanying notes to the financial statements Notes referred to above form an integral part of the financial statements</p> <p>As per our attached report of even date For LODHA &amp; CO. Chartered Accountants</p> <p><i>R P Baradiya</i> R P Baradiya Partner</p> <p>Place : Mumbai Date : 10 AUG 2016</p> <p>19</p> <p>For and on behalf of the Board</p> <p><i>Padmanabhan Iyer</i> Padmanabhan Iyer Director</p> <p><i>Ram Sankar</i> Ram Sankar CFO</p> <p><i>Anish Kakkar</i> Anish Kakkar Director</p>				



3i Infotech 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 tax	(16,401,621)	(21,749,035)
Adjustments for:		
Depreciation / Amortisation	16,823,798	22,131,317
Bad debts written off (Net)	55,717	433
Interest Received	(99)	(165)
Interest Paid	543,568	522,834
<b>Operating Profit before Working Capital Changes</b>	<b>1,021,363</b>	<b>905,384</b>
Adjustments for:		
Trade and Other Receivables	(836,410)	7,449,264
Trade Payables and Other Liabilities	1,145,068	(8,038,613)
<b>Cash generated from Operations</b>	<b>1,330,021</b>	<b>316,035</b>
Income Tax Paid	(132,005)	(29,582)
<b>Net cash from Operating Activities</b>	<b>1,198,016</b>	<b>286,454</b>
<b>B Cash Flow from Investing Activities :</b>		
Purchase of fixed assets (excluding Capital-Work-in-Progress)	(32,331)	(90,418)
Capital Work in Progress	-	57,636
<b>Net cash from Investing Activities</b>	<b>(32,331)</b>	<b>(32,782)</b>
<b>C Cash Flow from Financing Activities :</b>		
Interest received	99	165
Interest paid	(543,568)	(522,834)
Due to Affiliates-loan	-	495,000
Repayment of loan	300,000	(800,000)
<b>Net cash from Financing Activities</b>	<b>(243,469)</b>	<b>(827,669)</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>922,217</b>	<b>(573,997)</b>
<b>Cash and Cash Equivalents as at beginning</b>	<b>291,307</b>	<b>865,304</b>
<b>Cash and Cash Equivalents as at end</b>	<b>1,213,524</b>	<b>291,307</b>
Notes :		
1. 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.		
2. Previous period's figures have been regrouped wherever necessary.		
<p>As per our attached report of even date For LODHA &amp; CO. Chartered Accountants</p> <p><i>R P Baradiya</i> R P Baradiya Partner</p> <p>Place : Mumbai Date : 10 AUG 2016</p> <p>For and on behalf of the Board</p> <p><i>Padmanabhan Iyer</i> Padmanabhan Iyer Director</p> <p><i>Ashish Kakkar</i> Ashish Kakkar Director</p> <p><i>Ram Sankar</i> Ram Sankar CFO</p>		



3i Infotech 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>		
Class A - Authorized 100,200,000 shares of par value USD 0.30 each	30,060,000	30,060,000
Class B - Authorized 1,000,000 shares of par value USD 0.01 each	10,000	10,000
<b>Optionally Convertible Preferred Stock</b>		
Series A - Authorized 21,000,000 shares of par value of USD 1 each	21,000,000	21,000,000
Series B - Authorized 29,000,000 shares of par value of USD 1 each	29,000,000	29,000,000
Employee benefits expense	37,000,000	37,000,000
	117,070,000	117,070,000
<b>Issued, Subscribed and Paid - up</b>		
<b>Common stock</b>		
Class A - Issued 100,138,406 shares of par value USD 0.30 each held by Parent only	30,041,522	30,041,522
Class B - Issued 1,000,000 shares of par value USD 0.01 each held by Parent only (of the above, 100% are held by the holding company - 3i Infotech Holdings Pvt Ltd, Mauritius)	10,000	10,000
<b>Optionally Convertible Preferred Stock and paid in capital ( expires on July 21, 2017)</b>		
Series B - Issued 23,129,051 shares of par value of USD 1 each	23,129,051	23,129,051
Series C - Issued 36,069,425 Shares of par value of USD 1 each (of the above, 100% are held by the holding company - 3i Infotech Holdings Pvt Ltd, Mauritius)	36,069,425	36,069,425
	89,249,998	89,249,998
<b>Reconciliation of shares outstanding at the beginning and at the end of the reporting period :</b>		
<b>Equity Shares - Class A of USD 0.30 each</b>		
Shares at the beginning of the period	100,138,406	100,138,406
Shares at the end of the period	100,138,406	100,138,406
<b>Equity Shares - Class B of USD 0.01 each</b>		
Shares at the beginning of the period	1,000,000	1,000,000
Shares at the end of the period	1,000,000	1,000,000
<b>Preference Shares - Series B of USD 1 each</b>		
Shares at the beginning of the period	23,129,051	23,129,051
Shares at the end of the period	23,129,051	23,129,051
<b>Preference Shares - Series C of USD 1 each</b>		
Shares at the beginning of the period	36,069,425	36,069,425
Shares at the end of the period	36,069,425	36,069,425
<b>Share application money pending allotment of Common Stock - Class 'B' (from Mauritius since 2011)</b>	7,700,000	7,700,000

2 Reserves and Surplus

	(USD)	
	As at Mar 31, 2016	As at Mar 31, 2015
<b>a. Securities Premium Account</b>	54,542,302	54,542,302
<b>b. Profit and Loss Account Surplus (including debit balance)</b>	54,542,302	54,542,302
Add/ (Less): Net Profit / (Loss) transferred from Profit and Loss account	(79,890,459)	(58,083,315)
Add/ (Less): Amendment in depreciation	(16,588,488)	(21,801,564)
	-	(5,579)
	(96,478,946)	(79,890,459)
<b>Total</b>	<b>(41,936,644)</b>	<b>(25,348,157)</b>



3i Infotech INC  
Notes to Financial Statements

3 Borrowings

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
<b>Secured Loans</b>				
Loans repayable on demand				
-From Banks	4,000,000	-	3,700,000	-
[Interest rate- 6% p.a. (Previous Period 6%p.a.)]*				
<b>Total Secured Loans</b>	4,000,000	-	3,700,000	-
<b>Unsecured Loans</b>				
Loans and advances from Related Parties	-	4,745,000	-	4,745,000
<b>Total Unsecured Loans</b>	-	4,745,000	-	4,745,000
<b>Total</b>	4,000,000	4,745,000	3,700,000	4,745,000

\* Refer Note 19(2.1)(a)



3i Infotech INC  
Notes to Financial Statements

4 Trade Payables

(USD)

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Trade Payables	3,809,216	-	3,472,535	-
Total	3,809,216	-	3,472,535	-

5 Other Liabilities

(USD)

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Other current liabilities				
Due To Affiliates	-	80,878,744	2,133,244	78,274,214
Lease Obligation	15,585	-	-	-
Interest accrued but not due on Loans and advances from Related Parties- Affiliates	-	1,720,484	-	1,354,961
Interest accrued and not due on borrowings from Banks	13,242	-	18,157	-
Deposits	-	130,600	-	130,600
Excess of Billing over Revenue recognised	56,112	-	1,643	-
Advances received from customers	-	-	41,275	-
Other Payables - Statutory payments to Government authorities	35,187	-	31,748	-
Total	120,126	82,729,828	2,226,067	79,759,775

6 Provisions

(USD)

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Provision for Tax (Net off Advance Tax of USD 80,000)	108,002	-	53,140	-
Total	108,002	-	53,140	-



3i Infotech INC  
Notes to Financial Statements

Current year

7 Tangible assets

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at April 1, 2015	Additions during the period	Deductions during the period	As at Mar 31, 2016	Upto Mar 31, 2015	Depreciation during the period	Adjustments during the period	Upto As at Mar 31, 2016	As at Mar 31, 2015
Building - Leasehold - Freehold	86,567	22,898	-	109,465	66,504	19,282	-	85,786	23,679
Furniture & Fixtures	702,294	-	-	702,294	524,828	43,222	-	568,050	134,244
Office Equipment	67,289	4,277	-	71,565	43,474	7,902	-	51,376	25,066
Computers	325,792	4,946	-	330,728	290,230	20,635	-	270,866	59,862
<b>Total Assets</b>	<b>1,181,931</b>	<b>32,121</b>	<b>-</b>	<b>1,214,052</b>	<b>885,036</b>	<b>91,042</b>	<b>-</b>	<b>976,078</b>	<b>237,975</b>

8 Intangible assets

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at April 1, 2015	Additions during the period	Deductions during the period	As at Mar 31, 2016	Upto Mar 31, 2015	Amortization during the period	Adjustments during the period	Upto As at Mar 31, 2016	As at Mar 31, 2015
Goodwill	106,182,408	-	-	106,182,408	90,255,165	15,927,243	-	106,182,408	0
Software Products - Others	17,225	210	-	17,435	10,349	2,451	-	12,800	6,876
Business and Commercial Rights	4,015,315	-	-	4,015,315	2,609,955	803,063	-	3,413,018	602,297
<b>Total Assets</b>	<b>110,214,948</b>	<b>210</b>	<b>-</b>	<b>110,215,158</b>	<b>92,875,469</b>	<b>16,732,757</b>	<b>-</b>	<b>109,608,226</b>	<b>609,932</b>

Previous year

Tangible assets

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at April 1, 2014	Additions during the period	Deductions during the period	As at Mar 31, 2015	Upto Mar 31, 2014	Depreciation during the period	Adjustments during the period	Upto As at Mar 31, 2015	As at Mar 31, 2014
Land - Leasehold - Freehold	86,567	-	-	86,567	50,454	16,051	-	66,504	20,063
Furniture & Fixtures	702,294	-	-	702,294	481,606	43,222	-	524,828	177,466
Office Equipment	57,992	9,296	-	67,288	36,033	6,189	-	42,222	25,066
Computers	248,010	77,764	-	325,774	221,407	24,471	-5,603	251,481	74,293
<b>Total Assets</b>	<b>1,094,864</b>	<b>87,060</b>	<b>-</b>	<b>1,181,924</b>	<b>789,500</b>	<b>89,933</b>	<b>-5,603</b>	<b>885,036</b>	<b>296,888</b>

Intangible assets

Particulars	GROSS BLOCK			AMORTIZATION				NET BLOCK	
	As at April 1, 2014	Additions during the period	Deductions during the period	As at Mar 31, 2015	Upto Mar 31, 2014	Amortization during the period	Adjustments during the period	Upto As at Mar 31, 2015	As at Mar 31, 2014
Goodwill	106,182,408	-	-	106,182,408	69,018,842	21,236,324	-	90,255,165	15,927,243
Software Products - Others	13,867	3,358	-	17,225	8,353	1,996	-	10,349	6,876
Business and Commercial Rights	4,015,315	-	-	4,015,315	1,806,892	803,063	-	2,609,955	1,405,360
<b>Total Assets</b>	<b>110,211,590</b>	<b>3,358</b>	<b>-</b>	<b>110,214,948</b>	<b>70,834,087</b>	<b>22,041,382</b>	<b>-</b>	<b>92,875,469</b>	<b>17,339,479</b>



3i Infotech INC  
Notes to Financial Statements

9 Trade receivables

(USD)

	As at Mar 31, 2016	As at Mar 31, 2015
	Current	Current
Receivables outstanding for a period exceeding six months from the due date:		
Unsecured, Considered Doubtful	310,030	533,486
Less: Provision for bad and Doubtful debts.	310,030	533,486
Sub Total (A)	-	-
Other Receivables		
Unsecured considered good	6,358,357	5,381,982
Less: provision for bad and doubtful debts	-	-
Sub Total (B)	6,358,357	5,381,982
Total (A+B)	6,358,357	5,381,982



3i Infotech 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	1,213,524	291,306
<b>Total</b>	<b>1,213,524</b>	<b>291,306</b>

11 Loans and advances

(USD)

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Unsecured, considered good				
(a) Security Deposits	30,000	-	30,000	-
(b) Loans and advances to Related Parties	346,157	137,273,288	8,529	137,273,288
(c) Loans to Staff	-	-	-	-
(d) Advances recoverable in cash or in kind or for value to be received	620,752	-	1,216,634	-
<b>Total</b>	<b>996,909</b>	<b>137,273,288</b>	<b>1,255,163</b>	<b>137,273,288</b>

12 Other Current Assets

(USD)

	As at Mar 31, 2016		As at Mar 31, 2015	
	Current	Non Current	Current	Non Current
Unbilled Revenue	3,838,541	-	3,720,252	-
<b>Total</b>	<b>3,838,541</b>	<b>-</b>	<b>3,720,252</b>	<b>-</b>



3i Infotech INC  
Notes to Financial Statements

13 Revenue from Operations

	(USD)	
	For the year ended Mar 31, 2016	For the year ended Mar 31, 2015
IT Services	48,191,440	44,712,249
Total	48,191,440	44,712,249

14 Other Income

	(USD)	
	For the year ended Mar 31, 2016	For the year ended Mar 31, 2015
Interest income	99	165
Other Non-operating income (Net)	8,793	73,639
Total	8,892	73,804



3i Infotech INC  
Notes to Financial Statements

15 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	7,777,285	6,755,852
<b>Total</b>	<b>7,777,285</b>	<b>6,755,852</b>

16 Employee benefit expenses

(USD)

	For the year ended Mar 31, 2016	For the year ended Mar 31, 2015
Salaries and wages	35,809,971	33,688,010
Recruitment and training expenses	47,613	77,932
<b>Total</b>	<b>35,857,584</b>	<b>33,765,942</b>

17 Finance cost

(USD)

	For the year ended Mar 31, 2016	For the year ended Mar 31, 2015
Bank Charges	52,785	72,247
Interest expenses	543,568	522,834
<b>Total</b>	<b>596,353</b>	<b>595,081</b>

18 Other expenses

(USD)

	For the year ended Mar 31, 2016	For the year ended Mar 31, 2015
Power and fuel	36,420	38,937
Rent (Net)	176,705	227,046
Repairs & Maintenance	57,231	88,202
Insurance	144,722	158,848
Travelling and conveyance	572,436	528,387
Rates and taxes	126,510	143,761
Communication expenses	77,136	105,196
Printing and stationery	12,209	13,756
Legal and Professional charges	1,386,117	1,131,869
Selling and distribution expenses	52,206	65,273
Bad debts written off(net)	55,717	433
Miscellaneous expenses	54,547	57,633
<b>Total</b>	<b>2,751,956</b>	<b>2,559,341</b>



### 3i INFOTECH INC

Schedules forming part of Financial Statements for the period 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 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 the sale of software licenses, hardware and related implementation services and time and material contracts. 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	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) - Nil

- a) The Company has obtained a \$4,500,000 line of credit from State Bank of India, California Branch, USA, with the charge on the current assets of the company.
- b) 3i Infotech Limited, the ultimate holding Company in India has executed a Facility Agreement for a credit facility of INR 1,250 million, dated March 20, 2009 with ICICI Bank Limited, India. Pursuant to the execution of the said agreement the Company has offered a guarantee to ICICI Bank Limited, India and consequently the Company has entered into an agreement with the Security Agent, Wells Fargo Bank Northwest, National Association wherein a security interest on current and future has been granted on; each and every account receivables, all cash, all chattel paper, all commercial tort claims, all computer programs and intellectual property rights (including but not limited to domain names and trade secret rights), all contracts and contract rights, all deposit accounts, all documents, all equipments, all general intangibles, all goods, all instruments, all intellectual property, all letter of credit rights, all permits, all promissory notes, all security accounts, all software and software licensing rights, all supporting obligations, all books and records and all accessions to products and proceedings.

In December 2011, 3i Infotech Limited, India executed a Facility Agreement with ICICI Bank for availing a credit facility of INR 2,500 million. The Company is listed as a Guarantor in the said agreement for guaranteeing all the obligations of 3i Infotech Limited, India. Consequently the Company has entered in to a security agreement with Security Agent, ICICI Bank, New York Branch for creating a first pari passu charge over its moveable fixed assets and current assets, both present and future.

- c) 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 Leases:

**Operating Lease:** The Company has an operating lease for its office space and guest houses. Future minimum rental commitments under the non-cancellable lease are as follows:



Particulars	IN USD	
	As at March 31, 2016	As at Mar 31, 2015
Within one year	154,800	146,340
Later than one year and not later than five years	514,200	669,000
Later than five years	-	-
Total	669,000	815,340

Security deposit related to lease for office premises was \$ 30,000 as of March 31, 2016 and \$30,000 as of March 31, 2015

The Company has sub leased its warehouse for warehouse space and general office use in a manner consistent with its current use.

Future minimum rental receipts under the non-cancellable lease are as follows:

Particulars	IN USD	
	As at March 31, 2016	As at Mar 31, 2015
Within one year	33,600	33,600
Later than one year and not later than five years	100,800	134,400
Later than five years	-	-
Total	134,400	168,000

Security deposit received related to the warehouse sub lease is \$ 5,600 as of March 31, 2016, and \$5,600 as of March 31, 2015

#### 2.4 Auditors' remuneration

Particulars	IN USD	
	For the year ended March 31, 2016	For the year ended Mar 31, 2015
Audit fees	60,000	60,000
Tax matters	60,000	60,000
Other Services	54,787	18,000



## 2.5 Earnings per Share

The earnings per share have been computed as under:

IN USD			
Particulars		As at Mar 31, 2016	As at Mar 31, 2015
Profit attributable to Equity Shareholders (USD)	A	(16,588,488)	(21,801,564)
Weighted average number of Equity Shares outstanding during the year (Nos.)	B	101,138,406	101,138,406
Add : Effect of dilutive issues of options		-	-
Diluted weighted average number of Equity Shares outstanding during the year (Nos.)	C	160,336,882	160,336,882
Nominal value of Equity Shares (USD)		0.30	0.30
Basic Earnings Per Share (USD)	A/B	(0.16)	(0.22)
Diluted Earnings Per Share (USD)		(0.10)	(0.14)

## 2.6 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

**Fellow Subsidiaries:**

3i Infotech (MEA) FZ-LLC

**Directors / Key Management Personnel:**

Mr. Madhivanan Balakrishnan (Chairman)

Mr. Padmanabhan Iyer (Director)

Mr. Ashish Kakkar (Director)



IN USD

Particulars	As at Mar 31, 2016	As at Mar 31, 2015
<b>3i Infotech Ltd</b>		
Balances		
a) Receivable/(Payable)	(57,083,529)	(56,963,727)
Transaction for the year ended March 31, 2016 and year ended March 31, 2015		
a) Consultancy fees and expenses	4,867,333	7,589,738
b) Cost of Outsourced Resources	1,921,800	1,650,000
c) Corporate Charge out	1,103,076	1,100,923
<b>3i Infotech Holdings Private Limited</b>		
Balances		
a) Loan Receivable/(Payable)	(495,000)	(495,000)
b) Interest Receivable/(Payable)	(27,395)	-
c) Receivable/(Payable)	(3,666)	(3,666)
d) Share Application Money	7,700,000	7,700,000
Transaction for the year ended March 31, 2016 and year ended March 31, 2015		-
a) Loan Taken	-	(495,000)
b) Interest on Loan	27,395	-
<b>3i Infotech Financial Software Inc</b>		
Balances		
a) Receivable/(Payable)	(23,791,540)	(23,443,728)
Transaction for the year ended March 31, 2016 and year ended March 31, 2015		
a) Corporate charge out	139,072	205,235
b) Consultancy fees and expenses	3,224,070	6,144,016
c) Cost of Outsourced Resources	1,557,048	1,576,846
<b>3i Infotech BPO Limited</b>		
Balances		
a) Receivable/(Payable)	-	-
b) Consultancy fees	(8,084)	-
<b>3i Infotech (Middle East) FZ LLC</b>		
Balances		
a) Receivable/(Payable)	137,273,288	137,273,288
Transaction for the year ended March 31, 2016 and year ended March 31, 2015		
a) Expenses	-	-
<b>3i Infotech Asia Pacific Pte. Ltd.</b>		
Balances		
a) Loan receivable/(Payable)	(2,750,000)	(2,750,000)
a) Interest receivable/(Payable)	(752,076)	(533,287)



Transaction for the year ended March 31, 2016 and year ended March 31, 2015		
a) Interest on loan	218,789	167,342
<b>3i Infotech Sdn Bhd</b>		
Balances		
a) Loan receivable/(Payable)	(1,500,000)	(1,500,000)
b) Interest receivable/(Payable)	(941,013)	(821,674)
Transaction for the year ended March 31, 2016 and year ended March 31, 2015		
a) Interest on loan	119,339	113,880
<b>3i Infotech (UK) Ltd</b>		
Balances		
Receivable/(Payable)	215,992	4,366
Transaction for the year ended March 31, 2016 and year ended March 31, 2015		
a) Expenses	211,626	22,177
<b>Locuz INC</b>		
Receivable/(Payable)	130,165	7,829
Transaction for the year ended March 31, 2016 and year ended March 31, 2015		
a) Expenses	122,336	7,829

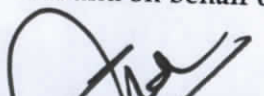
**Notes:**

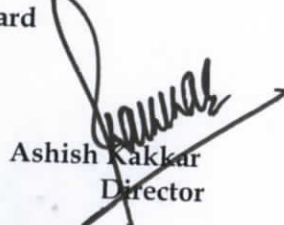
1. Related Party is identified by the Management and relied upon by the Auditors.
2. No balances in respect of the related parties have been provided for / written back / written off.


2.7 The Company is dependent on its Parent Company in respect of its loan receivables from affiliates amounting to \$ 137,273,288. 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.

2.8 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

Date : 10 AUG 2016  
Place :

