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AUDITORS' REPORT

To

The Members,

R Systems (Singapore) Pte Ltd., Singapore

1. We have audited the attached Balance Sheet of R Systems (Singapore) Pte Ltd a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-

CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

R SYSTEMS (SINGAPORE) PTE. LTD
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	105,930,226	105,930,226
Reserves and Surplus	2	27,021,311	9,417,326
TOTAL		132,951,537	115,347,552
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	457,621	386,648
Less : Accumulated depreciation / amortisation		395,337	314,295
Net block		62,284	72,353
Current assets, loans and advances			
Sundry debtors	4	18,266,439	4,320,820
Cash and bank balances	5	505,840	3,265,460
Other current assets	6	-	353,135
Loans and advances	7	122,086,186	110,047,181
(A)		140,858,465	117,986,596
Less : Current liabilities and provisions			
Current liabilities	8	7,139,947	2,684,147
Provisions	9	829,265	27,250
(B)		7,969,212	2,711,397
Net current assets (A-B)		132,889,253	115,275,199
TOTAL		132,951,537	115,347,552
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of R System (Singapore) Pte. Ltd

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 9, 2012

Place : Singapore
Date: February 9, 2012

Place : Singapore
Date: February 9, 2012

R SYSTEMS (SINGAPORE) PTE. LTD
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		47,589,680	20,061,290
Other income	10	5,898,674	6,239,663
TOTAL		53,488,354	26,300,953
EXPENDITURE			
Personnel expenses	11	42,676,049	12,856,123
Operating and other expenses	12	13,980,320	14,829,279
Depreciation /amortisation	3	21,066	19,057
Finance expenses	13	30,780	37,486
TOTAL		56,708,215	27,741,945
Loss before tax		(3,219,861)	(1,440,992)
Current tax expenses		-	97,881
Loss after tax		(3,219,861)	(1,538,873)
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of R System (Singapore) Pte. Ltd

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 9, 2012

Place : Singapore
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Place : Singapore
Date: February 9, 2012

R SYSTEMS (SINGAPORE) PTE. LTD
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net loss before taxation	(3,219,861)	(1,440,992)
Adjustments for:		
Depreciation / amortisation	21,066	19,057
Provision for doubtful debts / advances	3,150,349	-
Provisions doubtful debts / advances written back	-	(782,192)
Unrealised foreign exchange loss / (gain)	270,718	142,222
Interest income	(5,898,674)	(5,457,471)
Operating loss before working capital changes	(5,676,402)	(7,519,376)
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(15,661,077)	1,875,859
Decrease / (Increase) in other current assets	377,060	(341,096)
Decrease / (Increase) in intra-group balances	8,857,858	1,869,059
Increase / (Decrease) in provisions	719,038	(261,411)
Increase / (Decrease) in current liabilities	2,725,230	(78,768)
Cash used in operations	(8,658,294)	(4,455,733)
Less: Taxes Paid	-	97,887
Net cash used in operating activities	(8,658,294)	(4,553,620)
B. Cash flows from investing activities		
Purchase of fixed assets	-	-
Interest received	5,898,674	5,457,471
Net cash from investing activities	5,898,674	5,457,471
C. Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(2,759,620)	903,851
Cash and cash equivalents at the beginning of the year	3,265,460	2,361,609
Cash and cash equivalents at the end of the year	505,840	3,265,460

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of R System (Singapore) Pte. Ltd

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 9, 2012

Place : Singapore
Date: February 9, 2012

Place : Singapore
Date: February 9, 2012

R SYSTEMS (SINGAPORE) PTE. LTD
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011	As at December 31, 2010
	Rs.	Rs.
Schedule 1: Share capital		
40,70,000 Ordinary Shares of no Par Value	105,930,226	105,930,226
	105,930,226	105,930,226
Schedule 2: Reserves and Surplus		
Profit and loss account		
Carry forward Losses as per the last account	(17,182,034)	(15,643,161)
Add: Transfer of loss from Profit and Loss Account	(3,219,861)	(1,538,873)
	(20,401,895)	(17,182,034)
Foreign currency translation reserve		
Balance as per last account	26,599,360	21,208,340
Add: Current year translation differences	20,823,846	5,391,020
	47,423,206	26,599,360
	27,021,311	9,417,326

R SYSTEMS (SINGAPORE) PTE. LTD
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed Assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.01.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.01.2011	FOR THE THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Computer hardware	329,887	-	(60,553)	390,440	257,534	21,066	(49,556)	328,156	62,284	72,353
Office & electrical equipments	25,504	-	(4,682)	30,186	25,504	-	(4,682)	30,186	-	-
Computer software	31,257	-	(5,738)	36,995	31,257	-	(5,738)	36,995	-	-
TOTAL	386,648	-	(70,973)	457,621	314,295	21,066	(59,976)	395,337	62,284	72,353
Previous Year	368,645	-	(18,003)	386,648	280,850	19,057	(14,388)	314,295	72,353	87,795

R SYSTEMS (SINGAPORE) PTE. LTD
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 4: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	-	2,302,714
Considered doubtful	2,379,773	170,941
Other debts		
Unsecured, considered good	18,266,439	2,018,106
Considered doubtful	1,314,579	-
	<u>21,960,792</u>	4,491,761
Less : Provision for doubtful debts	3,694,352	170,941
	<u>18,266,439</u>	4,320,820
Schedule 5: Cash and bank balances		
Cash on hand	23,165	34,730
Balance with non schedule banks	482,675	3,230,730
	<u>505,840</u>	3,265,460
Schedule 6: Other current assets		
Unbilled revenue	-	353,135
	-	<u>353,135</u>
Schedule 7: Loans and advances (Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	960,138	206,984
Advance receivables from R Systems, Inc.	-	192,007
Advance receivables from Indus Software, Inc.	34,848,542	29,657,766
Advance receivables from ECnet Limited	86,277,506	79,990,424
	<u>122,086,186</u>	110,047,181
Schedule 8: Current liabilities		
Sundry creditors	3,952,351	1,866,506
Payables to R Systems International Limited	1,881,790	557,739
Other liabilities	1,305,806	259,902
	<u>7,139,947</u>	2,684,147
Schedule 9: Provisions		
Provision for leave encashment	829,265	27,250
	<u>829,265</u>	27,250

R SYSTEMS (SINGAPORE) PTE. LTD
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 10: Other income		
Interest income	5,898,674	5,457,471
Provisions doubtful debts / advances written back	-	782,192
	5,898,674	6,239,663
Schedule 11: Personnel expenses		
Salaries, wages and bonus	40,307,303	11,468,496
Contribution to provident fund and other funds	972,576	536,333
Staff welfare expenses	1,396,170	851,294
	42,676,049	12,856,123
Schedule 12: Operating and other expenses		
Recruitment and training expenses	518,469	206,308
Travelling and conveyance	163,197	69,880
Insurance	437,678	127,752
Provision for doubtful debts and advances	3,150,348	-
Communication costs	175,546	4,704
Printing and stationery	16,168	33,071
Advertising and sales promotion	59,671	-
Legal and professional expenses	2,606,804	4,314,165
Membership & Subscription Fees	14,833	13,418
Loss on exchange fluctuation	31,021	2,368,118
Management fees	6,719,440	7,688,743
Miscellaneous expenses	87,145	3,120
	13,980,320	14,829,279
Schedule 13: Financial expenses		
Bank charges	30,780	37,486
	30,780	37,486

SCHEDULE – 14: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

R Systems (Singapore) Pte Ltd. (The "Company") is a wholly owned subsidiary of R Systems International Limited a company incorporated in India. The company was incorporated under the laws of the Singapore in 1997 and became the subsidiary of R Systems International Limited since September 19, 2000 and having its registered office at 15, Changi Business Park Central 1 # 05-01 Singapore 486073.

The Company provides software development and rendering consultancy services primarily in Singapore.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

Category of fixed assets	Estimated useful life
Computer Hardware	3 to 5 years
Office & Electric Equipment	5 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Revenue recognition

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

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(i) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

R SYSTEM (SINGAPORE) PTE LTD., SINGAPORE
NOTES TO ACCOUNTS

(iv) Foreign currency translation

The functional currency of the Company is Singapore Dollar (SGD) but the financial statement has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were SGD 1= Rs. 37.08. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 41.11.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were SGD 1= Rs. 33.55. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 34.73.

(j) Employee benefits

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(k) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(l) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(m) Segment reporting policies

The Company operates one business segment, providing software development and rendering consultancy services in Singapore.

(n) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

R SYSTEM (SINGAPORE) PTE LTD., SINGAPORE
 NOTES TO ACCOUNTS

3. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of ECnet Ltd, Singapore ECnet (M) Sdn Bhd, Malaysia ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA LLC, USA
Key management personnel	Satinder Singh Rekhi, Director Mrs. Harpreet Rekhi, Director Cai Li Ting, Director Chum Kum Ming, Director Tarun Shankar Mathur, Director (Resigned in 2011)

Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

Particulars	December 31, 2011	December 31, 2010
	Rs.	Rs.
<u>Holding Company - R Systems International Ltd</u>		
-Sub-contracting expenses	1,999,775	1,894,740
-Amount payable	1,881,790	557,739
<u>Fellow subsidiary -EC net Ltd</u>		
- Services rendered	1,151,390	-
- Sub-contracting expenses	-	1,938,414
- Interest received	4,289,613	3,880,468
- Management fees paid	6,719,440	7,688,743
-Amount receivable (Including loan Outstanding)	86,277,506	79,990,424
<u>Fellow Subsidiary -Indus Software, Inc.</u>		
-Interest received	1,606,177	1,574,743
-Amount receivable (Including loan outstanding)	34,848,542	29,657,766

R SYSTEM (SINGAPORE) PTE LTD., SINGAPORE
NOTES TO ACCOUNTS

R Systems International Limited, being the holding company of R Systems (Singapore) Pte Limited had granted option to one of the employee of R Systems (Singapore) Pte Limited under "R Systems International Limited Year 2004 Employee Stock Option Plan". In consequence to the said grant of option to the employee, R Systems International Limited had incurred certain cost for issuing such options / shares. The said cost is insignificant.

Details of Loan given to ECnet Limited, a fellow subsidiary incorporated in Singapore:

- The outstanding amount due is Rs. 86,277,505 (equivalent to SGD 2,098,954) and Rs. 80,348,550 (equivalent to SGD 2,313,520), as at December 31, 2011 and 2010, respectively.
- The maximum amount due is Rs 95,097,240 (equivalent to SGD 2,313,520) during the year 2011.
- The amount due are non-trade, interest is charged at 5% (2010: 5%) per annum and is repayable upon demand and are to be settled in cash.

Details of Loan given to Indus Software, Inc. a fellow subsidiary incorporated in USA:

- The outstanding amount due is Rs. 32,044,636 (equivalent to SGD 779,580) and Rs. 27,043,556 (equivalent to SGD 778,680), as at December 31, 2011 and 2010, respectively.
- The maximum amount due is Rs29,989,386 (equivalent to SGD 729,580) during the year 2011
- The amount due are non-trade, unsecured, interest is charged at 5.5% (2010: 5.5%) per annum and is repayable upon demand and are to be settled in cash.

4. During the year ended December 31, 2010, the Board of Directors of R Systems International Limited had approved corporate restructuring of its Singapore Operations which involves conversion of loan by R Systems International Limited to ECnet Limited into equity investment and thereafter amalgamation of ECnet Limited and R Systems Singapore Limited, subject to corporate and regulatory approvals in India and Singapore.

During the year ended December 31, 2011, pursuant to the above restructuring plan, the loan to ECnet Limited has been converted into equity investment and amalgamation of ECnet Limited and R Systems Singapore Limited is in the process of obtaining relevant regulatory approvals in India and Singapore.

5. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
6. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems (Singapore) Pte Ltd., Singapore

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore.
Date : February 9, 2012

Place : Singapore.
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
R Systems, Inc., USA

1. We have audited the attached Balance Sheet of R Systems, Inc. USA a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

R SYSTEMS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	27,800,158	27,800,158
Reserve and surplus	2	118,388,836	79,500,366
TOTAL		146,188,994	107,300,524
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	92,935,730	70,906,135
Less : Accumulated depreciation / amortisation		67,467,518	48,305,231
Net block		25,468,212	22,600,904
Current assets, loans and advances			
Sundry debtors	4	120,328,881	92,154,771
Cash and bank balances	5	45,308,031	37,971,553
Other current assets	6	14,108,223	9,454,642
Loans and advances	7	40,372,751	29,059,990
(A)		220,117,886	168,640,956
Less : Current liabilities and provisions			
Current liabilities	8	89,604,227	76,657,978
Provisions	9	9,792,877	7,283,358
(B)		99,397,104	83,941,336
Net current assets (A-B)		120,720,782	84,699,620
TOTAL		146,188,994	107,300,524
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 9, 2012

Place : NOIDA
Date: February 9, 2012

Place : NOIDA
Date: February 9, 2012

R SYSTEMS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		634,634,773	539,730,923
Other income	10	8,636,074	718,702
TOTAL		643,270,847	540,449,625
EXPENDITURE			
Personnel expenses	11	271,959,301	261,614,812
Operating and other expenses	12	341,428,702	258,438,962
Depreciation /amortisation	3	9,223,359	9,137,851
Finance expenses	13	804,517	645,972
TOTAL		623,415,879	529,837,597
Profit before tax		19,854,968	10,612,028
Current tax expenses		2,945,522	677,631
Profit after tax		16,909,446	9,934,397
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 9, 2012

Place : NOIDA
Date: February 9, 2012

Place : NOIDA
Date: February 9, 2012

R SYSTEMS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	19,854,968	10,612,028
Adjustments for:		
Depreciation / amortization	9,223,359	9,137,851
Loss on Sale of Assets	14,907	-
Debts and advances provided / written off	13,567,986	4,957,673
Unrealised foreign exchange loss / (gain)	6,996,104	(1,216,486)
Interest income	(795,357)	(689,875)
Excess provision written back	(7,823,926)	-
Operating profit/(loss) before working capital changes	41,038,041	22,801,191
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(15,901,065)	(20,545,831)
Decrease / (Increase) in other current assets	(2,567,650)	13,578,747
Decrease / (Increase) in loans and advances	(1,870,104)	236,780
Decrease / (Increase) in intra-group balances	(5,429,629)	(1,565,207)
Increase / (Decrease) in provisions	1,126,755	(1,964,960)
Increase / (Decrease) in current liabilities	1,307,470	(744,256)
Cash generated from operations	17,703,818	11,796,464
Less: Taxes Paid	3,038,792	654,789
Net cash from operating activities	14,665,026	11,141,675
B. Cash flows used in investing activities		
Purchase of fixed assets	(8,123,905)	(3,483,405)
Interest received	795,357	689,875
Net cash used in investing activities	(7,328,548)	(2,793,530)
C. Cash flows used in financing activities		
Net cash from used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	7,336,478	8,348,145
Cash and cash equivalents at the beginning of the year	37,971,553	29,623,408
Cash and cash equivalents at the end of the year	45,308,031	37,971,553

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 9, 2012

Place : NOIDA
Date: February 9, 2012

Place : NOIDA
Date: February 9, 2012

R SYSTEMS, INC.**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Schedules to the Accounts**

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised Share Capital</u>		
5,000 Common Stock, no par value	-	-
<u>Issued, subscribed and paid up capital</u>		
2,000 (Previous year 2,000) Common Stock, no par value	27,800,158	27,800,158
	27,800,158	27,800,158
Schedule 2: Reserves and surplus		
Profit and Loss account		
Balance as per last account	81,813,930	71,879,533
Add: Transfer of profit / (loss) from Profit and loss account	16,909,446	9,934,397
	98,723,376	81,813,930
Foreign currency translation reserve		
Balance as per last account	(2,313,564)	1,444,283
Add: Current year translation differences	21,979,024	(3,757,847)
	19,665,460	(2,313,564)
Total	118,388,836	79,500,366

R SYSTEMS, INC.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Building- leasehold	5,255,991	-	(961,863)	6,217,854	3,920,037	409,522	(774,136)	5,103,695	1,114,159	1,335,954
Computer hardware	38,154,435	5,987,068	(6,786,447)	50,927,950	25,742,006	4,840,487	(5,202,546)	35,785,039	15,142,911	12,412,429
Furniture & fixtures	4,234,923	-	(774,994)	5,009,917	4,013,296	43,215	(740,407)	4,796,918	212,999	221,627
Office & electrical equipments	1,116,818	-	(204,367)	1,321,185	941,730	136,733	(191,282)	1,269,745	51,440	175,088
Vehicles	14,858,231	-	(2,719,112)	17,577,343	8,905,580	1,619,779	(1,854,193)	12,379,552	5,197,791	5,952,651
Computer Software	7,285,737	3,262,455	(1,333,289)	11,881,481	4,782,582	2,173,623	(1,176,364)	8,132,569	3,748,912	2,503,155
TOTAL	70,906,135	9,249,522	(12,780,073)	92,935,730	48,305,231	9,223,359	(9,938,928)	67,467,518	25,468,212	22,600,904
Previous year	69,963,734	3,422,841	2,480,440	70,906,135	40,771,752	9,137,851	1,604,372	48,305,231	22,600,904	29,191,982

R SYSTEMS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 4: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	-	6,264,849
Considered doubtful	14,244,378	14,080,781
Other debts		
Unsecured, considered good	120,328,881	85,889,921
Considered doubtful	8,161,026	2,001,287
	142,734,285	108,236,838
Less : Provision for doubtful debts	22,405,404	16,082,067
	120,328,881	92,154,771
* Included in Sundry debtors are:		
Dues from companies under the same management		
-Computaris USA LLC	8,530,416	-
Schedule 5: Cash and bank balances		
Balance with non schedule banks	45,308,031	37,971,553
	45,308,031	37,971,553
Schedule 6: Other current assets		
Unbilled revenue	14,108,223	9,454,642
	14,108,223	9,454,642
Schedule 7: Loans and advances		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	11,255,947	7,882,280
Advances receivables from R Systems Solutions, Inc.	31,578,911	23,258,945
Deposits - others	38,714	32,725
	42,873,572	31,173,950
Less Provision for doubtful advance	2,500,821	2,113,960
	40,372,751	29,059,990
Schedule 8: Current liabilities		
Sundry creditors	71,529,672	67,690,214
Payables to R Systems Internataional Limited	3,341,439	310,413
Payables to Indus Software, Inc.	12,573,424	7,298,486
Payables to ECnet Limited.	768,771	456,792
Payables to R Systems (Singapore) Pte Ltd.	-	192,183
Payables to Computaris USA LLC	196,864	-
Advance from customers	122,761	-
Bank overdraft	1,061,463	709,890
Other liabilities	9,833	-
	89,604,227	76,657,978
Schedule 9: Provisions		
Provision for Income Tax	1,295,861	1,185,186
Provision for leave encashment	8,497,016	6,098,172
	9,792,877	7,283,358

R SYSTEMS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 10: Other income		
Interest Income	795,357	689,875
Miscellaneous income	7,840,717	28,827
	8,636,074	718,702
Schedule 11: Personnel expenses		
Salaries, wages and bonus	254,408,945	244,542,015
Contribution to statutory and other funds	17,550,356	17,072,797
	271,959,301	261,614,812
Schedule 12: Operating and other expenses		
Recruitment and training expenses	4,342,837	5,146,348
Travelling and conveyance	18,124,057	19,700,768
Insurance	1,184,652	1,897,576
Repair and maintenance	3,718,526	2,746,796
Provision for doubtful debts and advances	13,567,986	4,957,673
Commission other	7,620,615	6,106,084
Membership & Subscription Fees	580,400	811,165
Rent - premises	3,232,726	3,016,515
Rent - equipment	596,363	704,813
Power and fuel	322,022	302,200
Communication costs	1,486,642	1,511,866
Printing and stationery	321,643	558,441
Advertising and sales promotion	469,966	713,767
Legal and professional expenses	285,198,989	209,243,638
Loss on sale of Assets	14,907	-
Foreign exchange fluctuation (net)	(28,717)	42,121
Rates and taxes	559,969	839,535
Miscellaneous expenses	115,119	139,656
	341,428,702	258,438,962
Schedule 13: Financial expenses		
Bank charges	804,517	645,972
	804,517	645,972

R SYSTEMS, INC., USA
NOTES TO ACCOUNTS

Schedule 14: Notes to accounts

1. Company Overview

R Systems, Inc. (The "Company") is a wholly owned subsidiary of R Systems International Limited a company incorporated in India. The Company provides information technology services for customers primarily in the United States of America. The Company was incorporated under the laws of the State of California on March 9, 1993 and having its registered office at 5000, Windplay Drive, Suite 5, EL Dorado Hills, CA 95762, U.S.A.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Computer Hardware	5 years
Office Furniture	7 years
Office Equipments	5 years
Leasehold Improvements	7 years
Vehicles	7 years

Individual assets costing up to US \$ 250 are fully depreciated in the year of purchase.

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Revenue recognition

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

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(i) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

R SYSTEMS, INC., USA
NOTES TO ACCOUNTS

(iv) Foreign currency translation

The functional currency of the Company is United States Dollar (US \$) but the financial statements has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were US \$ 1= Rs. 46.64. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 53.11.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were US \$ 1= Rs. 45.68. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 44.89.

(j) **Employee benefits**

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(k) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(l) **Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(m) **Segment reporting policies**

The Company operates one business segment i.e. providing information technology services in the United States of America.

(n) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

R SYSTEMS, INC., USA
NOTES TO ACCOUNTS

3. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International limited,UK (w.e.f January 26, 2011)

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK
Computairs Romania S.R.L.,Romania
Computaris Błska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA LLC, USA

Key management personnel (directors) and their relatives	Satinder Singh Rekhi, Director
	Mrs. Harpreet Rekhi, Director
	Mr. Vinay NS Behl, Director
	Sartaj Singh Rekhi (related to Satinder Singh Rekhi) Executive Manager

Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

Particulars	For the year ended	
	December 31, 2011	December 31, 2010
Holding Company		
Services received	23,567,471	17,135,034
Marketing commission paid	7,620,615	6,106,084
Amount payables	3,341,439	310,413
Indus Software, Inc.		
Sub-contracting services received	113,275,819	65,202,032
Amount payables	12,573,424	7,298,486
R Systems Solutions, Inc.		
Interest Received	792,558	686,768
Amount receivable (including outstanding loan)	31,578,911	23,258,945
ECnet Ltd		
Amount payables	768,771	456,792
R Systems Singapore		
Amount payables	-	192,183
Computaris USA LLC,		
Services rendered	7,492,405	-
Amount receivable	8,530,416	-
Amount Payable	196,864	-

R SYSTEMS, INC., USA
NOTES TO ACCOUNTS

Remuneration to key management personnel and their relatives		
Sartaj Singh Rekhi	3,828,463	3,110,674
Vinay Narjit Singh Behl	1,399,290	114,027
Rent		
Satinder Singh Rekhi	2,238,864	2,192,832

In the earlier years, R Systems International Limited, being the holding company of R Systems, Inc. had granted options to few employees of R Systems, Inc. under R Systems International Ltd. - Year 2004 Employee Stock Option Plan and R Systems International Limited Employee Stock Option Scheme 2007. In consequence to the said grant of options to the employees, R Systems International Limited had incurred certain cost for issuing such options / shares. The said cost was insignificant.

Details of Loan given to R Systems Solution, Inc., USA, a fellow subsidiary:

- The outstanding amount due is Rs. 10, 621,000 (equivalent to \$ 200,000) and Rs. 8,978,000 (equivalent to \$ 200,000), as at December 31, 2011 and 2010, respectively.
- The maximum amount due is Rs. 20,696,612 (equivalent to \$ 389,730) during the year 2011.
- The amount due are non-trade, interest is charged at 8.5% (2010: 8.5%) per annum and are due on demand.

4. Leases - In case of assets taken on lease

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Lease payments for the year	3,482,413	3,075,127
Minimum Lease Payments:		
Not later than one year	2,739,103	3,094,447
Later than one year but not later than five years	348,581	2,086,846
Later than five years	-	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. None of the operating lease arrangements have price escalation clause.

5. As at December 31, 2011, the Company has net operating losses for federal income tax purposes Rs. 107,926,619 (USD 2,032,325) and for state income tax purposes Rs. 26,625,148 (USD 501,368) and management believes that it is more likely than not that the Company will not be able to realize its benefit. Hence deferred tax assets have not been recorded in the books of account.

6. Contingent Liability

The Company is party to various legal proceedings arising in the normal course of business. In the opinion of management, resolution of these matters will not have a material adverse effect on its financial position or results of operations.

R SYSTEMS, INC., USA
NOTES TO ACCOUNTS

7. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems, Inc., USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place: NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
Indus Software, Inc., USA

We have audited the attached Balance Sheet of Indus Software, Inc. USA a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the period ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

INDUS SOFTWARE INC.**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Balance Sheet as at December 31, 2011**

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	10,785,738	10,785,738
TOTAL		10,785,738	10,785,738
APPLICATION OF FUNDS			
Current assets, loans and advances			
Sundry debtors	2	12,573,424	7,298,495
Cash and bank balances	3	2,574,240	1,511,357
Other current assets	4	1,199,323	1,604,952
Loans and advances	5	75,459	73,933
(A)		16,422,446	10,488,737
Less : Current liabilities and provisions			
Current liabilities	6	36,563,792	30,476,145
Provisions	7	53,052	44,845
(B)		36,616,844	30,520,990
Net current assets (A-B)		(20,194,398)	(20,032,253)
Reserves & Surplus	8	30,980,136	30,817,991
TOTAL		10,785,738	10,785,738
Notes to accounts	12		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Indus Software, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

**INDUS SOFTWARE INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		113,275,819	65,202,032
TOTAL		113,275,819	65,202,032
EXPENDITURE			
Personnel expenses	9	107,396,735	60,880,188
Operating and other expenses	10	1,166,896	988,100
Finance expenses	11	1,609,184	1,576,098
TOTAL		110,172,815	63,444,386
Profit before tax		3,103,004	1,757,646
Current tax expenses		25,512	291,966
Profit after tax		3,077,492	1,465,680
Notes to accounts	12		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Indus Software, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

INDUS SOFTWARE INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	3,103,004	1,757,646
Adjustments for:		
Unrealised foreign exchange loss / (gain)	372,256	(114,913)
Interest expense	1,609,184	1,576,098
Operating profit before working capital changes	5,084,444	3,218,831
Movements in working capital :		
Decrease / (Increase) in other current assets	10,541	(44,542)
Decrease / (Increase) in intra-group balances	(3,102,273)	(3,795,518)
Increase / (Decrease) in current liabilities	704,869	(793,622)
Cash generated from / (used in) operations	2,697,581	(1,414,851)
Less: Taxes Paid	25,514	291,966
Net cash from / (used in) operating activities	2,672,067	(1,706,817)
B. Cash flows from / (used in) investing activities	-	-
Net cash from / (used in) investing activities	-	-
C. Cash flows used in financing activities		
Interest paid	(1,609,184)	(1,576,098)
Net cash used in financing activities	(1,609,184)	(1,576,098)
Net increase in cash and cash equivalents (A + B + C)	1,062,883	(3,282,915)
Cash and cash equivalents at the beginning of the year	1,511,357	4,794,272
Cash and cash equivalents at the end of the year	2,574,240	1,511,357

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
Indus Software Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

INDUS SOFTWARE INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised</u>		
250,000 of Common Stock of no par value	-	-
<u>Issued, subscribed and paid up capital</u>		
243,750 of Common Stock of no par value	10,785,738	10,785,738
	10,785,738	10,785,738
Schedule 2: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	-	-
Considered doubtful	455,641	385,156
Other debts		
Unsecured, considered good *	12,573,424	7,298,495
Considered doubtful	-	-
	13,029,065	7,683,651
Less : Provision for doubtful debts	455,641	385,156
	12,573,424	7,298,495
* Included in Sundry debtors are:		
Dues from companies under the same management		
-R Systems, Inc.	12,573,424	7,298,486
Schedule 3: Cash and bank balances		
Balance with non schedule banks	2,574,240	1,511,357
	2,574,240	1,511,357

INDUS SOFTWARE INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 4: Other current assets		
Unbilled revenue	1,199,323	1,604,952
	1,199,323	1,604,952
Schedule 5: Loans and advances		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	75,459	73,933
	75,459	73,933
Schedule 6: Current liabilities		
Sundry creditors	1,733,433	786,922
Payables to R Systems (Singapore) Pte. Ltd.	34,651,013	29,537,620
Advance from clients	179,346	151,603
	36,563,792	30,476,145
Schedule 7: Provisions		
Income tax	53,052	44,845
	53,052	44,845
Schedule 8: Reserves & Surplus		
Profit and loss account		
Carry forward Losses as per the last account	32,389,477	33,855,157
Add: Transfer of (Profit) / Loss from Profit and Loss Account	(3,077,492)	(1,465,680)
	29,311,985	32,389,477
Foreign currency translation reserve		
Balance as per last account	(1,571,486)	(807,708)
Add: Current year translation differences	3,239,637	(763,778)
	1,668,151	(1,571,486)
	30,980,136	30,817,991

INDUS SOFTWARE INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 9: Personnel expenses		
Salaries, wages and bonus	98,555,089	55,865,273
Contribution to statutory and other funds	8,841,646	5,014,915
	107,396,735	60,880,188
Schedule 10: Operating and other expenses		
Legal and professional expenses	1,166,896	988,100
	1,166,896	988,100
Schedule 11: Financial expenses		
Interest	1,609,184	1,576,098
	1,609,184	1,576,098

SCHEDULE – 12: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

Indus Software, Inc., (The "Company") is a wholly owned subsidiary of R Systems International Limited a company incorporated in India. The Company provides information technology services, which includes professional IT staffing and consulting services, primarily to R Systems Inc., an affiliate wholly-owned by R Systems International Limited. The Company was incorporated under the laws of the State of Delaware on November 6, 1996 and having its registered office at 5000, Windplay Drive, Suite 5, EL Dorado Hills, CA 95762, U.S.A.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(d) Revenue recognition

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

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(e) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

INDUS SOFTWARE, INC., USA
NOTES TO ACCOUNTS

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were US \$ 1= Rs. 46.64. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 53.11.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were US \$ 1= Rs. 45.68. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 44.89.

(f) **Employee benefits**

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(g) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(h) **Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(i) **Segment reporting policies**

The Company operates one business segment, providing information technology services in the United States of America.

(j) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

INDUS SOFTWARE, INC., USA
NOTES TO ACCOUNTS

3. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc.,USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International limited,UK (w.e.f January 26, 2011)

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK
Computaris Romania SR.L.,Romania
Computaris Polska sp Zoo, Poland
ICS Computaris International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA LLC, USA

Key management personnel
Satinder Singh Rekhi, Director
Mrs. Harpreet Rekhi, Director

Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:
(Amount in Rs.)

Particulars	December 31,	
	2011	2010
R Systems, Inc.		
Services rendered	113,275,819	65,202,032
Amount Receivable	12,573,424	7,298,486
R Systems Singapore Pte Ltd		
Interest Paid	1,609,184	1,576,098
Loan Payable	34,651,013	29,537,620

Details of Loan taken from R Systems Singapore Pte Ltd, Singapore, a fellow subsidiary:

- The outstanding amount due is Rs. 34,651,013 (equivalent to \$ 652,500) and Rs. 29,537,620 (equivalent to \$ 658,000), as at December 31, 2011 and 2010, respectively.
- The maximum amount due is Rs. 34,943,090 (equivalent to \$ 658,000) during the year 2011.
- The amount due are non-trade, interest is charged at 55% (2010: 5.5%) per annum and are due on demand.

INDUS SOFTWARE, INC., USA
NOTES TO ACCOUNTS

4. As at December 31, 2011, the Company has net operating losses for federal income tax purposes Rs. 14,412,856 (USD 271,403) and for state income tax purposes Rs. 6,271,701 (USD 118,100) and management believes that it is more likely than not that the Company will not be able to realize its benefit. Hence deferred tax asset have not been recorded in the books of account.
5. The Company recorded a net profit of Rs. 3,077,492 during the financial year ended 31 December, 2011, and as at that date Company's current and total liabilities exceeded its current and total assets by Rs. 20,194,398. These factors indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as going concern. The ability of the company to continue as a going concern depends on the holding company undertaking to provide continuing financial support to enable the company to continue as a going concern.

If the Company is unable to continue in operational existence for the foreseeable future, the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet.

6. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classifications.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Indus Software, Inc., USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
R Systems Solutions, Inc., USA

1. We have audited the attached Balance Sheet of R Systems Solutions, Inc. USA a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **Profit** for the period ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

PLACE: NEW DELHI
DATED: February 9, 2012

Sd/-
CA. S.K. RELAN
Membership No.12149

R SYSTEMS SOLUTIONS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31 , 2011 Rs.	As at December 31 , 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	82,727,400	82,727,400
TOTAL		82,727,400	82,727,400
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	77,938,996	65,438,666
Less : Accumulated depreciation / amortisation		76,651,850	63,371,482
		1,287,146	2,067,184
Current assets, loans and advances			
Sundry debtors	3	25,804,549	3,986,366
Cash and bank balances	4	5,896,778	8,316,321
Loans and advances	5	2,132,905	2,907,077
(A)		33,834,232	15,209,764
Less : Current liabilities and provisions			
Current liabilities	6	48,979,815	33,540,237
Provisions	7	1,289,472	989,465
(B)		50,269,287	34,529,702
Net current assets (A-B)		(16,435,055)	(19,319,938)
Reserves & Surplus	8	97,875,309	99,980,154
TOTAL		82,727,400	82,727,400
Notes to accounts	13		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date : February 9 , 2012

For and behalf of the Board of Directors of R System Solution, Inc.

Sd/-
Satinder Singh Rekhi
[Director]

Place : NOIDA
Date : February 9 , 2012

Sd/-
Sartaj Singh Rekhi
[Director]

Place : NOIDA
Date : February 9 , 2012

R SYSTEMS SOLUTIONS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the period ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		68,380,747	45,372,435
Other income	9	10,451,437	11,278,420
TOTAL		78,832,184	56,650,855
EXPENDITURE			
Personnel expenses	10	56,746,367	42,214,438
Operating and other expenses	11	15,113,441	13,041,273
Depreciation / amortisation	2	1,478,415	13,444,664
Finance expenses	12	816,113	719,889
TOTAL		74,154,336	69,420,264
Profit/ (Loss) before tax		4,677,848	(12,769,409)
Current Tax expense		56,065	42,943
Profit/ (Loss) after tax		4,621,783	(12,812,352)
Notes to accounts	13		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of R System Solution, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9 , 2012

Place : NOIDA
Date : February 9 , 2012

Place : NOIDA
Date : February 9 , 2012

R SYSTEMS SOLUTIONS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit / (loss) before taxation	4,677,848	(12,769,409)
Adjustments for:		
Depreciation / amortization	1,478,415	13,444,664
Unrealised foreign exchange loss / (gain)	1,042,248	(289,776)
Interest expense	792,558	686,768
Operating profit before working capital changes	7,991,069	1,072,247
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(18,414,237)	1,552,845
Decrease / (Increase) in other current assets	(262,507)	(747,527)
Decrease / (Increase) in intra-group balances	5,294,507	875,534
Increase / (Decrease) in provisions	104,480	52,856
Increase / (Decrease) in current liabilities	4,176,787	(1,181,434)
Cash generated from / (used in) operations	(1,109,901)	1,624,521
Less: Taxes Paid	56,065	42,943
Net cash from / (used in) operating activities	(1,165,966)	1,581,578
B. Cash flows used in investing activities		
Purchase of fixed assets	(461,019)	(335,823)
Net cash used in investing activities	(461,019)	(335,823)
C. Cash flows used in financing activities		
Interest paid	(792,558)	(686,768)
Net cash used in financing activities	(792,558)	(686,768)
Net increase in cash and cash equivalents (A + B + C)	(2,419,543)	558,987
Cash and cash equivalents at the beginning of the year	8,316,321	7,757,334
Cash and cash equivalents at the end of the year	5,896,778	8,316,321

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems Solutions, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9 , 2012

Place : NOIDA
Date : February 9 , 2012

Place : NOIDA
Date : February 9 , 2012

R SYSTEMS SOLUTIONS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised</u>		
10,000,000 Series A Preferred Stock , No Par Value	-	-
50,000,000 Common Stock No Par Value	-	-
<u>Issued, subscribed and paid up capital</u>		
8,666,884 Series A Preferred Stock , No Par Value	36,286,450	36,286,450
11,335,833 Common Stock No Par Value	46,440,950	46,440,950
	82,727,400	82,727,400

R SYSTEMS SOLUTIONS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 2: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 01.01.2011	ADDITION DURING THE PERIOD	ADJUSTMENT DURING THE PERIOD	TOTAL 31.12.2011	AS ON 01.01.2011	FOR THE THE PERIOD	ADJUSTMENT DURING THE PERIOD	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Computer hardware	52,397,448	397,335	(9,588,889)	62,383,672	52,141,246	260,564	(9,632,283)	62,034,093	349,579	256,202
Furniture & fixtures	5,173,662	-	(946,771)	6,120,433	3,875,950	894,083	(833,162)	5,603,195	517,238	1,297,712
Office & electrical equipments	5,898,007	127,578	(1,079,350)	7,104,935	5,799,864	111,585	(1,022,701)	6,934,150	170,785	98,143
Computer Software	1,969,549	-	(360,407)	2,329,956	1,554,422	212,183	(313,807)	2,080,412	249,544	415,127
Total	65,438,666	524,913	(11,975,417)	77,938,996	63,371,482	1,478,415	(11,801,953)	76,651,850	1,287,146	2,067,184
Previous year	67,501,849	329,955	2,393,138	65,438,666	52,004,215	13,444,664	2,077,397	63,371,482	2,067,184	15,497,634

R SYSTEMS SOLUTIONS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 3: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	279,817	168,097
Considered doubtful	6,972,899	5,894,213
Other debts		
Unsecured, considered good	25,524,733	3,818,282
Considered doubtful	-	-
	<u>32,777,448</u>	9,880,592
Less : Provision for doubtful debts	6,972,899	5,894,213
	<u>25,804,549</u>	3,986,366
Schedule 4: Cash and bank balances		
Balance with non schedule banks	5,896,778	8,316,321
	<u>5,896,778</u>	8,316,321
Schedule 5: Loans and advance (Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,568,810	1,216,923
Advances receivables from R Systems International Limited	-	1,213,332
Deposits - others	564,095	476,822
	<u>2,132,905</u>	2,907,077
Schedule 6: Current liabilities		
Sundry creditors	16,609,514	10,037,988
Payables to R Systems, Inc.	31,578,916	23,258,945
Payables to R Systems International Limited	529,106	-
Advance received from Customers	123,229	44,890
Other liabilities	139,050	198,414
	<u>48,979,815</u>	33,540,237
Schedule 7: Provisions		
Provision for income tax	42,484	35,912
Provision for leave encashment	1,246,988	953,553
	<u>1,289,472</u>	989,465
Schedule 8: Reserves & Surplus		
Profit and Loss Account		
Carry forward Losses as per the last account	101,411,758	88,599,406
Add: Transfer of (Profit) / Loss from Profit and Loss Account	(4,621,783)	12,812,352
	<u>96,789,975</u>	101,411,758
Foreign currency translation reserve		
Balance as per last account	(1,431,604)	(1,037,525)
Add: Current year translation differences	2,516,938	(394,079)
	<u>1,085,334</u>	(1,431,604)
	<u>97,875,309</u>	99,980,154

R SYSTEMS SOLUTIONS, INC.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 9: Other income		
Miscellaneous income	10,451,437	11,278,420
	10,451,437	11,278,420
Schedule 10: Personnel expenses		
Salaries, wages and bonus	50,801,216	39,089,104
Contribution to statutory and other funds	5,945,151	3,125,334
	56,746,367	42,214,438
Schedule 11: Operating and other expenses		
Recruitment and training expenses	318,283	127,093
Travelling and conveyance	359,316	248,475
Advertising and sales promotion	502,944	238,333
Repair and maintenance	2,273,012	1,872,222
Rent premises	6,245,917	4,500,559
Power & fuel	610,017	653,418
Office exp.	1,178,473	978,186
Communication costs	2,331,713	2,718,106
Printing and stationery	116,796	290,916
Legal and professional expenses	1,058,806	1,044,609
Rates & taxes	109,560	301,332
Miscellaneous expenses	8,604	68,024
	15,113,441	13,041,273
Schedule 12: Financial expenses		
Interest Expense	792,558	686,768
Bank Charges	23,555	33,121
	816,113	719,889

R SYSTEMS SOLUTIONS, INC., USA
NOTES TO ACCOUNTS

SCHEDULE – 13: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

R Systems Solutions, Inc. is a wholly owned subsidiary of R Systems International Limited a Company incorporated in India. The Company provides outsourced solution for technical support, customer care and remote monitoring, primarily in the United States of America. The Company was incorporated under the laws of the State of California on February 18, 2000 and having its registered office at Metro Annex Building 9, Suite B, 1193 West 2400 South, West Valley City, UT 84119.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Computer Hardware	3 years
Office Furniture	5 years
Office Equipment	3 years

Individual assets costing up to US \$ 250 are fully depreciated in the year of purchase.

(e) Impairment

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

R SYSTEMS SOLUTIONS, INC., USA
NOTES TO ACCOUNTS

(f) Intangibles

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Revenue recognition

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

Revenue from outsourcing solutions services comprises income from time-and-material which is recognised when the related services are performed in accordance with the specific terms of the contract with the customer.

Telecommunication services

Revenue from telecommunication services has been recognised on accrual basis and has been included in the other income.

(i) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

((iv) Foreign currency translation

The functional currency of the Company is United States Dollar (US \$) but the financial statements has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were US \$ 1= Rs. 46.64. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 53.11.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were US \$ 1= Rs. 45.68. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 44.89.

(j) Employee benefits

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

R SYSTEMS SOLUTIONS, INC., USA
NOTES TO ACCOUNTS

(k) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(l) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(m) Segment reporting policies

The Company operates one business segment, providing outsourcing solutions services in the United States of America

(n) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems, Inc., USA Indus Software, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore R Systems (Singapore) Pte Ltd, Singapore Computaris International limited,UK (w.e.f January 26, 2011)

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK
Computairs Romania S.R.L.,Romania
Computaris Polska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA LLC, USA

R SYSTEMS SOLUTIONS, INC., USA
NOTES TO ACCOUNTS

Key management personnel Satinder Singh Rekhi, Director
 Sartaj Singh Rekhi, Director

Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

Particulars	(Amount in Rs.)	
	For the year ended December 31,	
	2011	2010
Holding Company		
Miscellaneous Income	8,332,679	11,277,278
Amount Receivables	-	1,213,332
Amount Payables	529,106	-
R Systems, Inc.		
Interest Paid	792,558	686,768
Amount Payable (including loan outstanding)	31,578,916	23,258,945

Details of Loan taken from R Systems Inc., USA a fellow subsidiary :

- The outstanding amount due is Rs 10,621,000 (equivalent to \$ 200,000) and Rs. 8,978,000 (equivalent to \$ 200,000), as at December 31, 2011 and 2010, respectively.
- The maximum amount due is Rs. 20,696,612 (equivalent to \$ 389,730) during the year 2011.
- The loan is given for the working capital requirement and has a revolving line of credit which is repayable on demand.
- The amount due are non-trade, interest is charged at 8.5% (2010: 8.5%) per annum.

4. Leases - In case of assets taken on lease

The Company has operating leases for office equipments, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Lease payments for the year	6,245,917	4,500,559
Minimum Lease Payments:		
Not later than one year	7,395,243	6,280,515
Later than one year but not later than five years	618,248	6,773,856
Later than five years	-	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception.

5. As at December 31, 2011, the Company has net operating losses for federal income tax purposes Rs. 205,983,727 (USD 3,878,801) and for state income tax purposes Rs. 83,058,769 (USD 1,564,048) and management believes that it is more likely than not that the Company will not be able to realize its benefit. Hence deferred tax assets have not been recorded in the books of account.
6. The Company recorded a net profit of Rs. 4,621,783 during the financial year ended 31 December, 2011, and as at that date Company's current liabilities exceeded its current assets by Rs. 16,435,055 and its total liabilities exceeded its total assets by Rs. 15,147,909. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. The ability of the Company to continue as a going concern depends on the holding Company undertaking to provide continuing financial support to enable the Company to continue as a going concern.

R SYSTEMS SOLUTIONS, INC., USA
NOTES TO ACCOUNTS

If the Company is unable to continue in operational existence for the foreseeable future, the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet.

7. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems Solution, Inc., USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
R Systems NV, Belgium

1. We have audited the attached Balance Sheet of R Systems NV, Belgium a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

PLACE: NEW DELHI
DATED: February 9, 2012

Sd/-
CA. S.K. RELAN
Membership No.12149

R SYSTEMS NV
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	3,474,734	3,474,734
TOTAL		3,474,734	3,474,734
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	2	1,335,186	1,621,335
Loans and advances	3	1,712	340,941
(A)		1,336,898	1,962,276
Less : Current liabilities and provisions			
Current liabilities	4	288,854	271,013
(B)		288,854	271,013
Net current assets (A-B)		1,048,044	1,691,263
Reserves & Surplus	5	2,426,690	1,783,471
TOTAL		3,474,734	3,474,734
Notes to accounts	8		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems NV

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

R SYSTEMS NV
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the period ended December 31, 2010 Rs.
INCOME			
Other Income		1,348	1,738
TOTAL		1,348	1,738
EXPENDITURE			
Operating and other expenses	6	847,927	633,632
Financial charges	7	6,627	6,138
TOTAL		854,554	639,770
Loss before tax		(853,206)	(638,032)
Current tax expense / (credit)		-	(766)
Loss after tax		(853,206)	(637,266)
Notes to accounts	8		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems NV

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

R SYSTEMS NV
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net loss before taxation	(853,206)	(638,032)
Adjustments for:		
Unrealised foreign exchange loss / (gain)	209,987	(239,058)
Interest income	(1,348)	(1,738)
Operating loss before working capital changes	(644,567)	(878,828)
Movements in working capital :		
Decrease / (Increase) in loans and advances	339,229	(84,590)
Increase / (Decrease) in current liabilities	17,841	270,891
Cash used in operations	(287,497)	(692,527)
Less: Taxes Paid	-	(1,088)
Net cash used in operating activities	(287,497)	(691,439)
B. Cash flows from investing activities		
Interest received	1,348	1,738
Net cash from investing activities	1,348	1,738
C. Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(286,149)	(689,701)
Cash and cash equivalents at the beginning of the year	1,621,335	2,311,036
Cash and cash equivalents at the end of the year	1,335,186	1,621,335

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of R Systems NV

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

R SYSTEMS NV
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised</u>		
200 common shares of Euro 310 each	EUR 62,000	EUR 62,000
<u>Issued, subscribed and paid up capital</u>		
200 common shares of Euro 310 each	3,474,734	3,474,734
	3,474,734	3,474,734
Schedule 2: Cash and bank balances		
Balance with non schedule banks	1,335,186	1,621,335
	1,335,186	1,621,335
Schedule 3: Loans and advances (Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,202	340,373
Income tax receivables	510	568
	1,712	340,941
Schedule 4: Current liabilities		
Sundry creditors	41,539	56,688
Expenses Payable	247,315	214,325
	288,854	271,013
Schedule 5: Reserve & Surplus		
Profit and Loss Account		
Carry forward Losses as per the last account	2,065,580	1,428,314
Add: Transfer of loss from Profit and Loss Account	853,206	637,266
	2,918,786	2,065,580
Foreign currency translation reserve		
Balance as per last account	(282,109)	(548,221)
Add: Current year translation differences	(209,987)	266,112
	(492,096)	(282,109)
	2,426,690	1,783,471

R SYSTEMS NV
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the period ended December 31, 2010 Rs.
Schedule 6: Operating and other expenses		
Rates & taxes	365,612	84,886
Legal and professional expenses	482,315	548,746
	847,927	633,632
Schedule 7: Financial expenses		
Bank charges	6,627	6,138
	6,627	6,138

R SYSTEMS NV, BELGIUM

NOTES TO ACCOUNTS

SCHEDULE – 8: NOTES ON ACCOUNTS

1. Company Overview

R Systems NV (the “Company”) is limited Company domiciled and incorporated in Belgium on August 28, 2007 as a wholly-owned subsidiary of R Systems International Limited, a company incorporated in India. The address of the registered office is Diestseweg 32 C, B-2440, Geel, Belgium.

The main object of the Company is to provide Information Technology Services to the customers primarily situated in Belgium. There is no revenue during the year ended on December 31, 2011 and December 31, 2010.

2. Statement of significant accounting policies

a. Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis except unless otherwise stated. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except unless otherwise stated.

All figures are in Rupees except where expressly stated.

b. Revenue recognition

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

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

c. Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company’s monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

R SYSTEMS NV, BELGIUM

NOTES TO ACCOUNTS

(iv) Foreign currency translation

The Functional currency of the company is Euro (€) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were €1= Rs. 64.87. For translating assets and liabilities at the year-end, the rates used were €1= Rs. 68.66.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were €1= Rs. 60.57. For translating assets and liabilities at the year-end, the rates used were €1= Rs. 59.52.

d Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

e. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Notes to account

a. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore
	R Systems, Inc., USA
	R Systems Solutions, Inc., USA
	Indus Software, Inc., USA
	R Systems S.A.S., France
	R Systems Europe B.V, Netherlands
	ECnet Ltd, Singapore
	Computaris International limited,UK (w.e.f January 26, 2011)
	Following are the subsidiaries of ECnet Ltd, Singapore
	ECnet (M) Sdn Bhd, Malaysia
	ECnet Systems (Thailand) Co. Ltd., Thailand
	ECnet (Shanghai) Co. Ltd., People's Republic of China
	ECnet (Hong Kong) Ltd., Hong Kong
	ECnet, Inc., USA
	ECnet Kabushiki Kaisha, Japan

R SYSTEMS NV, BELGIUM
NOTES TO ACCOUNTS

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK
Computairs Romania S.R.L.,Romania
Computaris Błska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA LLC, USA
Key management personnel Satinder Singh Rekhi, Director
Sartaj Singh Rekhi, Director

- b. The Board of Directors of R Systems NV (Company) in its meeting dated January 10, 2011 had approved the liquidation of the Company, subject to the applicable corporate and other regulatory approvals in India and Belgium. Accordingly the financial statements have been prepared on liquidation basis and all the assets are recorded at realisable value and liabilities at settlement amount. The Company is in the process of obtaining relevant approvals. Further, cost in relation to above said liquidation has been provided during the year ended December 31, 2010.
- c. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems NV, Belgium

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place: NOIDA
Date : February 9, 2012

Place: NOIDA
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
R Systems, Europe BV, Netherland

We have audited the attached Balance Sheet of R Systems, Europe BV Netherland a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

PLACE: NEW DELHI
DATED: February 9, 2012

Sd/-
CA. S.K. RELAN
Membership No.12149

R SYSTEMS EUROPE B.V.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011			
	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	18,213,869	18,213,869
Reserves & Surplus	2	42,390,667	39,447,821
		60,604,536	57,661,690
Loan funds			
Secured loans	3	970,041	3,326,203
TOTAL		61,574,577	60,987,893
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	197,828,121	165,828,220
Less : Accumulated depreciation / amortisation		184,913,084	149,015,940
Net block		12,915,037	16,812,280
Current assets, loans and advances			
Sundry debtors	5	18,822,377	29,187,701
Cash and bank balances	6	65,871,510	45,269,847
Other current assets	7	36,645,566	29,484,051
Loans and advances	8	8,590,615	6,035,443
(A)		129,930,068	109,977,042
Less : Current liabilities and provisions			
Current liabilities	9	104,660,814	105,194,354
Provisions	10	5,435,684	5,065,913
(B)		110,096,498	110,260,267
Net current assets (A-B)		19,833,570	(283,225)
Profit and loss account	11	28,825,970	44,458,838
TOTAL		61,574,577	60,987,893
Notes to accounts	16		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
R Systems Europe B.V.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

R SYSTEMS EUROPE B.V.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		392,436,868	351,811,400
Other income	12	724,147	6,867,620
TOTAL		393,161,015	358,679,020
EXPENDITURE			
Personnel expenses	13	203,223,537	179,456,191
Operating and other expenses	14	161,699,482	156,706,175
Depreciation / amortisation	5	12,281,406	19,022,093
Finance expenses	15	323,722	1,408,491
TOTAL		377,528,147	356,592,950
Profit before tax		15,632,868	2,086,070
Current tax expenses		-	-
Profit after tax		15,632,868	2,086,070
Notes to accounts	16		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
R Systems Europe B.V.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

R SYSTEMS EUROPE B.V.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	15,632,868	2,086,070
Adjustments for:		
Depreciation / amortisation	12,281,406	19,022,093
Other excess provisions written back	-	(3,028,400)
Write back of provision for doubtful debts	-	(1,303,712)
Unrealised foreign exchange loss / (gain)	7,709,899	(7,015,679)
Interest income	(724,147)	(677,694)
Interest expense	9,460	200,456
Operating profit before working capital changes	34,909,486	9,283,134
Movements in working capital :		
Decrease / (Increase) in sundry debtors	16,650,106	(16,843,590)
Decrease / (Increase) in other current assets	(5,105,921)	(2,446,581)
Decrease / (Increase) in loans and advances	(1,303,308)	2,199,883
Decrease / (Increase) in intra-group balances	3,063,496	(3,972,083)
Increase / (Decrease) in provisions	(386,075)	(235,095)
Increase / (Decrease) in current liabilities	(19,073,165)	374,763
Cash generated from / (used in) operations	28,754,619	(11,639,569)
Less: Taxes Paid	-	-
Net cash from / (used in) operating activities	28,754,619	(11,639,569)
B. Cash flows used in investing activities		
Purchase of fixed assets	(6,158,797)	(4,893,077)
Interest received	724,147	677,694
Net cash used in investing activities	(5,434,650)	(4,215,383)
C. Cash flows used in financing activities		
Repayment of borrowings	(2,708,846)	(6,946,981)
Interest paid	(9,460)	(200,456)
Net cash used in financing activities	(2,718,306)	(7,147,437)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	20,601,663	(23,002,389)
Cash and cash equivalents at the beginning of the year	45,269,847	68,272,236
Cash and cash equivalents at the end of the year	65,871,510	45,269,847

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date : February 9, 2012

For and on behalf of the Board of Directors of
R Systems Europe B.V.

Sd/-
Satinder Singh Rekhi
[Director]

Place : NOIDA
Date : February 9, 2012

Sd/-
Sartaj Singh Rekhi
[Director]

Place : NOIDA
Date : February 9, 2012

R SYSTEMS EUROPE B.V.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised Share Capital</u>		
15,850 ordinary shares of Euro 100 each	EUR 1,585,000	EUR 1,585,000
<u>Issued, subscribed and paid up capital</u>		
3,170 ordinary shares of Euro 100 each	18,213,869	18,213,869
	18,213,869	18,213,869
Schedule 2: Reserves & Surplus		
Share premium account	44,846,887	44,846,887
Foreign currency translation reserve		
Balance as per last account	(5,399,066)	(4,028,779)
Add: Current year translation differences	2,942,846	(1,370,287)
	(2,456,220)	(5,399,066)
	42,390,667	39,447,821
Schedule 3: Secured loans		
-From other		
Finance lease obligation (refer note below)	970,041	3,326,203
	970,041	3,326,203

Amount repayable within one year is Rs. 970,041 (Previous year Rs.24,85,366)

R SYSTEMS EUROPE B.V.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 4: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Leasehold improvements	34,837,507	-	(5,353,087)	40,190,594	31,676,561	2,386,572	(5,006,932)	39,070,065	1,120,529	3,160,946
Office & electrical equipments	32,470,801	2,829,652	(4,989,422)	40,289,875	27,400,729	4,900,114	(4,496,887)	36,797,730	3,492,145	5,070,072
Furniture & fixtures	32,549,789	-	(5,001,560)	37,551,349	30,828,178	1,624,868	(4,832,031)	37,285,077	266,272	1,721,611
Computer hardware	22,078,742	1,356,625	(3,392,592)	26,827,959	19,232,629	2,054,894	(3,075,419)	24,362,942	2,465,017	2,846,113
Computer software	43,891,381	2,332,669	(6,744,294)	52,968,344	39,877,843	1,314,958	(6,204,469)	47,397,270	5,571,074	4,013,538
Total	165,828,220	6,518,946	(25,480,955)	197,828,121	149,015,940	12,281,406	(23,615,738)	184,913,084	12,915,037	16,812,280
Previous year	180,279,876	4,808,002	19,259,658	165,828,220	145,912,697	19,022,093	15,918,850	149,015,940	16,812,280	34,367,179

R SYSTEMS EUROPE B.V.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 5: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	-	-
Considered doubtful	2,740,683	2,375,645
Other debts		
Unsecured, considered good	18,822,377	29,187,701
Considered doubtful	-	-
	21,563,060	31,563,346
Less : Provision for doubtful debts	2,740,683	2,375,645
	18,822,377	29,187,701
Schedule 6: Cash and bank balances		
Cash in hand	32,478	16,762
Balance with non schedule banks		
On current accounts	57,617,453	34,646,336
On cash credit / overdraft accounts	3,437,055	6,350,134
On deposit accounts	4,784,524	4,256,615
	65,871,510	45,269,847
Bank balance amounting to Rs. 4,698,061 and Rs. 3,433,000 is blocked as bank guarantee for the building in Enschede and for FCF Commercial Finance as bank guarantee for finance lease.		
Schedule 7: Other current assets		
Unbilled revenue	36,645,566	29,484,051
	36,645,566	29,484,051
Schedule 8: Loans and advances (Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	8,590,615	5,996,942
Advance receivables from R Systems International Limited	-	38,501
	8,590,615	6,035,443
Schedule 9: Current liabilities		
Sundry creditors	38,233,226	50,590,668
Payables to R Systems S.A.S.	56,098,588	46,276,666
Payables to R Systems International Limited	487,091	-
Other liabilities	9,841,909	8,327,020
	104,660,814	105,194,354
Schedule 10: Provisions		
Provision for leave encashment	5,435,684	5,065,913
	5,435,684	5,065,913
Schedule 11: Profit and loss account		
Profit and loss account		
Carry forward Losses as per the last account	44,458,838	46,544,908
Add: Transferred of profit from profit and loss account	(15,632,868)	(2,086,070)
	28,825,970	44,458,838

R SYSTEMS EUROPE B.V.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 12: Other income		
Miscellaneous income	-	1,857,814
Other excess provisions written back	-	3,028,400
Write back of provision for doubtful debts	-	1,303,712
Interest income	724,147	677,694
	724,147	6,867,620
Schedule 13: Personnel expenses		
Salaries, wages and bonus	171,283,668	150,207,209
Contribution to statutory and other funds	29,615,780	26,591,483
Staff welfare	2,324,089	2,657,499
	203,223,537	179,456,191
Schedule 14: Operating and other expenses		
Recruitment and training expenses	1,171,367	1,654,966
Travelling and conveyance	8,394,532	6,074,969
Insurance	1,136,038	982,051
Repair and maintenance	15,776,793	13,644,498
Rent - premises	20,355,057	17,584,506
Rent - equipment	684,161	934,889
Power & fuel	1,693,149	1,701,975
Communication costs	2,196,456	1,488,264
Printing and stationery	450,612	748,277
Advertising and sales promotion	1,124,418	867,384
Foreign exchange fluctuation (net)	28,917	236,313
Rates & taxes	428,773	392,998
Legal and professional expenses	108,084,910	110,262,847
Miscellaneous expenses	174,299	132,238
	161,699,482	156,706,175
Schedule 15: Financial expenses		
Interest Expense	9,460	200,456
Bank charges	314,262	1,208,035
	323,722	1,408,491

R SYSTEMS EUROPE B.V., NETHERLAND
NOTES TO ACCOUNTS

SCHEDULE – 16: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

R Systems Europe B.V. (The "Company"), formerly Sento Europe B.V was incorporated on May 31, 1999. The company was established by Xtrasource Acquisition, Inc. a company incorporated in United States. As on January 23, 2008, R Systems International Limited, a company incorporated in India acquired all shares of company from Xtrasource Acquisition, Inc. and become the ultimate holding company & subsequently changed its name. The address of the registered office is Brammelerstraat 8, 7511 JG Enscheda, The Netherlands.

The company providing outsourcing solutions services by means of electronic communication such as email, telephone and fax, mainly in Europe.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Leasehold improvements	Lower of lease period or useful life
Office and electrical equipment's	5 years
Furniture and fittings	5 years
Computer Hardware	1-5 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 5 years or below in specific cases.

(g) Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Revenue recognition

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

Revenue from outsourcing solutions services comprises income from time-and-material which is recognised when the related services are performed in accordance with the specific terms of the contract with the customer.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(i) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is Euro (€) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

R SYSTEMS EUROPE B.V., NETHERLAND
NOTES TO ACCOUNTS

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were €1= Rs. 64.87. For translating assets and liabilities at the year-end, the rates used were €1= Rs. 68.66.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were €1= Rs. 60.57. For translating assets and liabilities at the year-end, the rates used were €1= Rs.59.52.

(j) **Employee benefits**

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(k) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(l) **Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(m) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc., USA Indus Software, Inc., USA R Systems N.V., Belgium R Systems S.A.S., France ECnet Ltd, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of ECnet Ltd, Singapore ECnet (M) Sdn Bhd, Malaysia ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA

R SYSTEMS EUROPE B.V., NETHERLAND
NOTES TO ACCOUNTS

ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK

Computairs Romania S.R.L.,Romania

Computaris Polska sp Zoo, Poland

ICS Computairs International S.R.L., Moldova

Computaris Malaysian SDN.BHD., Malaysia

Computaris USA LLC, USA

Key management personnel

Bart V Eunen, Director

Satinder Singh Rekhi, Director

Ramneet Singh Rekhi, Director

Sartaj Singh Rekhi, Director

Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

(Amount in Rs)

Particulars	December 31,	
	2011	2010
R Systems Europe S.A.S		
Sub-contracting expenses	75,378,762	67,854,694
Amount Payable	56,098,588	46,276,666
R Systems International Ltd		
Sub-contracting expenses	1,204,969	370,676
Amount Receivable	-	38,501
Amount Payable	487,091	-

Payment to key management personnel for year ended December 31, 2011 and December 31, 2010:

(Amount in Rs)

Name of Key Management Personnel	For the year ended December 31,	
	2011	2010
Bart V Eunen	9,638,722	7,606,212

4. Leases - In case of assets taken on lease

The Company has operating leases for office equipment, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Lease payments for the year	20,510,362	19,431,729
Minimum Lease Payments:		
Not later than one year	21,823,684	18,449,293
Later than one year but not later than five years	62,285,073	71,054,363
Later than five years	-	-

The operating lease arrangements extend for a maximum of 5 years from their respective dates of inception.

R SYSTEMS EUROPE B.V., NETHERLAND
NOTES TO ACCOUNTS

The company has finance leases for computers hardware and office and electrical equipment. The lease term is from 3 to 5 years and after the expiry of initial lease term, the company has an option to buy the assets under finance lease at a nominal value. Gross block & net block includes assets obtained on finance lease as per the details given below:

	Gross block		Net block	
	As at December 31,		As at December 31,	
	2011	2010	2011	2010
	Rs.	Rs.	Rs.	Rs.
Computers	-	941,170	-	31,370
Office and electrical equipment	5,820,245	25,726,002	2,910,123	4,565,569
Total	5,820,245	26,667,172	2,910,123	4,596,939

Minimum lease payments and present values for assets obtained on finance lease are as follows:-

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Total minimum lease payments during the year	2,713,942	7,110,776
Less : Amount representing finance charges	5,076	163,824
Present value of minimum lease payments	2,708,866	6,946,952
Minimum Lease Payments:		
Not later than one year [For finance lease: Present value Rs. 970,041 as on December 31, 2011 (Rs. 2,485,366 as on December 31, 2010)]	970,041	2,490,008
Later than one year but not later than five years [For finance lease: Present value Rs. Nil as on December 31, 2011 (Rs. 840,837 as on December 31, 2010)]	Nil	840,837
Later than five years [For finance lease: Present value Rs. Nil as on December 31, 2011 (Rs. Nil as on December 31, 2010)]	Nil	Nil

- The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
- Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems Europe B.V.,
Netherland

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place: NOIDA
Date : February 9, 2012

Place: NOIDA
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
R Systems, SAS France

We have audited the attached Balance Sheet of R Systems, SAS France a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

R SYSTEMS, S.A.S.**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Balance Sheet as at December 31, 2011**

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	8,759,263	8,759,263
Reserve and surplus	2	38,304,453	30,055,798
TOTAL		47,063,716	38,815,061
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	24,478,177	21,193,348
Less : Accumulated depreciation / amortisation		22,781,407	20,596,229
Net block		1,696,770	597,119
Current assets, loans and advances			
Sundry debtors	4	73,307,473	59,969,510
Cash and bank balances	5	398,221	1,114,624
Other current assets	6	410,587	355,900
Loans and advances	7	4,190,798	3,998,285
(A)		78,307,079	65,438,319
Less : Current liabilities and provisions			
Current liabilities	8	28,301,921	23,832,165
Provisions	9	4,638,212	3,388,212
(B)		32,940,133	27,220,377
Net current assets (A-B)		45,366,946	38,217,942
TOTAL		47,063,716	38,815,061
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
R Systems S.A.S.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ine Pasveer
[Finance Controller]

Place : New Delhi
Date : February 9, 2012

Place : Enschede, Netherland
Date : February 9, 2012

R SYSTEMS, S.A.S.**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Profit and Loss Account for the year ended December 31, 2011**

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		79,270,782	71,488,788
Other income	10	44,609	652
TOTAL		79,315,391	71,489,440
EXPENDITURE			
Personnel expenses	11	57,946,454	51,413,692
Operating and other expenses	12	17,310,408	17,279,599
Depreciation / amortisation	3	612,463	602,807
Finance expenses	13	122,287	121,613
TOTAL		75,991,612	69,417,711
Profit before tax		3,323,779	2,071,729
Current tax expense		1,165,595	783,750
Total tax expense		1,165,595	783,750
Profit after tax		2,158,184	1,287,979
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
R Systems S.A.S.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ine Pasveer
[Finance Controller]

Place : New Delhi
Date : February 9, 2012

Place : Enschede, Netherland
Date : February 9, 2012

R SYSTEMS, S.A.S.**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Cash Flow Statement for the year ended December 31, 2011**

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	3,323,779	2,071,729
Adjustments for:		
Depreciation / amortization	612,463	602,807
Excess provision written back	(44,609)	-
Unrealised foreign exchange loss / (gain)	122,215	(91,959)
Interest income	-	(652)
Interest expense	33,156	37,874
Operating profit before working capital changes	4,047,004	2,619,799
Movements in working capital :		
Decrease / (Increase) in other current assets	44,609	-
Decrease / (Increase) in loans and advances	(375,320)	(98,251)
Decrease / (Increase) in intra-group balances	(2,561,338)	3,822,678
Increase / (Decrease) in provisions	538,653	95,753
Increase / (Decrease) in current liabilities	(395,427)	(5,254,241)
Cash generated from operations	1,298,181	1,185,738
Less: Taxes Paid	416,706	827,904
Net cash from operating activities	881,475	357,834
B. Cash flows from / (used in) investing activities		
Purchase of fixed assets	(1,564,722)	-
Interest received	-	652
Net cash from / (used in) investing activities	(1,564,722)	652
C. Cash flows used in financing activities		
Interest paid	(33,156)	(37,874)
Net cash used in financing activities	(33,156)	(37,874)
Net increase in cash and cash equivalents (A + B + C)	(716,403)	320,612
Cash and cash equivalents at the beginning of the year	1,114,624	794,012
Cash and cash equivalents at the end of the year	398,221	1,114,624

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date : February 9, 2012

For and on behalf of the Board of Directors of
R Systems S.A.S.

Sd/-
Ine Pasveer
[Finance Controller]

Place : Enschede, Netherland
Date : February 9, 2012

R SYSTEMS, S.A.S.**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Schedules to the Accounts**

	As at December 31 , 2011	As at December 31 , 2010
	Rs.	Rs.
Schedule 1: Share capital		
<u>Authorised Share Capital</u>		
10,000 ordinary shares of Euro 15.24 each	EUR 152,400	EUR 152,400
<u>Issued, subscribed and paid up capital</u>		
10,000 ordinary shares of Euro 15.24 each	8,759,263	8,759,263
	8,759,263	8,759,263
Schedule 2: Reserves and surplus		
Profit and Loss account		
Balance as per last account	29,614,650	28,326,671
Add: Transfer of profit from Profit and Loss Account	2,158,184	1,287,979
	31,772,834	29,614,650
Foreign currency translation reserve		
Balance as per last account	441,148	4,954,842
Add: Current year translation differences	6,090,471	(4,513,694)
	6,531,619	441,148
	38,304,453	30,055,798

R SYSTEMS, S.A.S.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Furniture & fixtures	7,657,770	1,656,175	205,498	9,108,447	7,222,892	453,485	245,802	7,430,575	1,677,872	434,878
Office & electrical equipments	7,319,621	-	(879,016)	8,198,637	7,157,380	158,978	(863,381)	8,179,739	18,898	162,241
Computer Software	6,215,957	-	(955,136)	7,171,093	6,215,957	-	(955,136)	7,171,093	-	-
TOTAL	21,193,348	1,656,175	(1,628,654)	24,478,177	20,596,229	612,463	(1,572,715)	22,781,407	1,696,770	597,119
Previous year	23,728,289	-	2,534,941	21,193,348	22,396,571	602,807	2,403,149	20,596,229	597,119	1,331,718

R SYSTEMS, S.A.S.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Schedules to the Accounts

	As at December 31 , 2011 Rs.	As at December 31 , 2010 Rs.
Schedule 4: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good*	32,521,305	26,796,325
Considered doubtful	-	-
Other debts		
Unsecured, considered good*	40,786,168	33,173,185
Considered doubtful	-	-
	73,307,473	59,969,510
Less : Provision for doubtful debts	-	-
	73,307,473	59,969,510
* Included in Sundry debtors are:		
Dues from companies under the same management		
-R Systems B.V.	72,896,887	59,613,610
Schedule 5: Cash and bank balances		
Cash in hand	8,475	13,690
Balance with non schedule banks	389,746	1,100,934
	398,221	1,114,624
Schedule 6: Other current assets		
Unbilled revenue	410,587	355,900
	410,587	355,900
Schedule 7: Loans and advances		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	2,854,993	2,192,932
Advance Income tax	-	387,800
Deposits - others	1,335,805	1,417,553
	4,190,798	3,998,285
Schedule 8: Current liabilities		
Sundry creditors	5,675,672	5,398,254
Other liabilities	5,827,950	5,096,946
Payables to R Systems B.V.	16,798,299	13,336,965
	28,301,921	23,832,165
Schedule 9: Provisions		
Provision for Income tax	345,291	-
Provision for leave encashment	4,292,921	3,388,212
	4,638,212	3,388,212

R SYSTEMS, S.A.S.**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Schedules to the Accounts**

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 10: Other Income		
Interest Income	-	652
Excess provision Written back	44,609	-
	44,609	652
Schedule 11: Personnel expenses		
Salaries, wages and bonus	41,713,149	37,414,710
Contribution to statutory and other funds	16,007,418	13,737,761
Staff welfare	225,887	261,221
	57,946,454	51,413,692
Schedule 12: Operating and other expenses		
Recruitment and training expenses	278,683	317,291
Travelling and conveyance	350,700	299,224
Insurance	-	149,611
Repair and maintenance	749,081	627,202
Rent - premises	5,174,855	5,248,894
Rent - equipment	1,602,960	2,369,420
Communication costs	4,999,601	4,746,574
Printing and stationery	97,997	57,125
Advertising and sales promotion	29,753	38,725
Legal and professional expenses	1,781,242	1,481,682
Rates and taxes	2,180,414	1,861,109
Miscellaneous expenses	65,122	82,742
	17,310,408	17,279,599
Schedule 13: Financial expenses		
Interest Expense	33,156	37,874
Bank charges	89,131	83,739
	122,287	121,613

SCHEDULE – 14: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

R Systems, S.A.S, (The "Company"), formerly Sento S.A.S was incorporated on July 13, 2000. The Company was established by Xtrasource Acquisition, Inc. a company incorporated in United States. As on January 23, 2008, R Systems International Limited, a company incorporated in India acquired all shares of company from Xtrasource Acquisition, Inc. and become the ultimate holding company & subsequently changed its name. The address of the registered office is 9, rue Thomas Edison 57070 Metz, France.

The company providing outsourcing solutions services by means of electronic communication such as email, telephone and fax, in Europe.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:-

Category of fixed assets	Estimated useful life
Computer Hardware	1-5 years
Office Furniture & Equipment	5 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Revenue recognition

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

Revenue from outsourcing solutions services comprises income from time-and-material which is recognised when the related services are performed in accordance with the specific terms of the contract with the customer.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(i) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is Euro (€) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were € 1= Rs. 64.87. For translating assets and liabilities at the year-end, the rates used were € 1= Rs. 68.66.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were € 1= Rs. 60.57. For translating assets and liabilities at the year-end, the rates used were € 1= Rs. 59.52.

(j) Employee benefits

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(k) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(l) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(m) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore
	R Systems, Inc., USA
	R Systems Solutions, Inc., USA
	Indus Software, Inc., USA
	R Systems N.V., Belgium
	R Systems Europe B.V, Netherlands
	ECnet Ltd, Singapore
	Computaris International limited,UK (w.e.f January 26, 2011)

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK
Computairs Romania S.R.L.,Romania
Computaris Błska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA LLC, USA

Key management personnel Ine Pasveer, Finance Controller

Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:
(Amount in Rs)

Particulars	December 31,	
	2011	2010
R Systems Europe B.V.		
Services rendered	75,378,762	67,854,694
Amount receivable	72,896,887	59,613,610
Amount Payable	16,798,299	13,336,965

4. Leases - In case of assets taken on lease

The Company has operating leases for office equipment, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	Rs.	Rs.
Lease payments for the year	5,949,990	6,480,231
Minimum Lease Payments:		
Not later than one year	6,690,705	5,643,986
Later than one year but not later than five years	10,040,079	15,519,488
Later than five years	-	-

The operating lease arrangements extend for a maximum of 5 years from their respective dates of inception.

5. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems, S.A.S., France

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ine Pasveer
[Finance Controller]

Place : New Delhi
Date : February 9, 2012

Place: Enschede, Netherland.
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
ECNET Ltd., Singapore

1. We have audited the attached Balance Sheet of ECNET LIMITED, Singapore, a subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

PLACE: NEW DELHI
DATED: February 9, 2012

Sd/-
CA. S.K. RELAN
Membership No.12149

ECNET LIMITED, SINGAPORE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	2,280,290,504	2,128,290,504
TOTAL		2,280,290,504	2,128,290,504
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	39,932,493	34,547,587
Less : Accumulated depreciation / amortisation		30,270,808	23,352,247
Net block		9,661,685	11,195,340
Investments	3	12,166,130	6,056,926
Current assets, loans and advances			
Sundry debtors	4	10,275,864	7,696,374
Cash and bank balances	5	6,039,485	8,860,595
Other current assets	6	229,288	2,734,494
Loans and advances	7	60,809,724	50,575,274
(A)		77,354,361	69,866,737
Less : Current liabilities			
Current liabilities	8	133,477,702	232,183,008
(B)		133,477,702	232,183,008
Net current assets (A-B)		(56,123,341)	(162,316,271)
Reserves & Surplus	9	2,314,586,030	2,273,354,509
TOTAL		2,280,290,504	2,128,290,504
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of ECnet Ltd, Singapore

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET LIMITED, SINGAPORE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		101,532,088	137,606,725
Other income	10	62,980,642	34,565,856
TOTAL		164,512,730	172,172,581
EXPENDITURE			
Personnel expenses	11	95,637,277	100,314,685
Operating and other expenses	12	69,619,828	69,493,281
Depreciation / amortisation	2	3,922,901	3,738,781
Finance expenses	13	12,450,739	11,466,050
TOTAL		181,630,745	185,012,797
Loss before tax		(17,118,015)	(12,840,216)
Current Tax expenses		-	-
Loss after tax		(17,118,015)	(12,840,216)
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of ECnet Ltd, Singapore

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET LIMITED, SINGAPORE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net loss before taxation	(17,118,015)	(12,840,216)
Adjustments for:		
Depreciation / amortization	3,922,901	3,738,781
Provision for doubtful debts written back	(2,460,062)	(10,576,490)
Unrealised foreign exchange gain / (loss)	(26,846,896)	(6,904,415)
Loss on sale / discard of fixed assets	13,083	187,386
Interest income	(1,028)	(1,808)
Interest expense	12,227,836	11,247,707
Operating loss before working capital changes	(30,262,181)	(15,149,055)
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(119,428)	13,896,820
Decrease / (Increase) in other current assets	2,505,206	10,786,404
Decrease / (Increase) in loans and advances	(10,234,450)	(10,661,503)
Increase / (Decrease) in current liabilities	53,294,694	30,013,203
Cash generated from operations	15,183,841	28,885,869
Less: Taxes Paid	-	-
Net cash from operating activities	15,183,841	28,885,869
B. Cash flows used in investing activities		
Investment in subsidiary	(4,959,600)	-
Purchase of fixed assets	(818,543)	(12,808,368)
Proceeds from sale of fixed assets	-	13,483
Interest received	1,028	1,808
Net cash used in investing activities	(5,777,115)	(12,793,077)
C. Cash flows used in financing activities		
Interest paid	(12,227,836)	(11,247,707)
Net cash used in financing activities	(12,227,836)	(11,247,707)
Net increase in cash and cash equivalents (A + B + C)	(2,821,110)	4,845,085
Cash and cash equivalents at the beginning of the year	8,860,595	4,015,510
Cash and cash equivalents at the end of the year	6,039,485	8,860,595

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of ECnet Ltd, Singapore

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET LIMITED, SINGAPORE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011	As at December 31, 2010
	Rs.	Rs.
Schedule 1: Share capital		
56,210,788 Ordinary Shares (Previous Year 17,904,335) of No Par Value	2,280,290,504	2,128,290,504
	2,280,290,504	2,128,290,504

ECNET LIMITED, SINGAPORE

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 2: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING 2011	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE 2011	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Leasehold Improvements	1,954,604	384,460	347,248	2,686,312	516,455	429,027	135,910	1,081,392	1,604,920	1,438,149
Computer Hardware	18,543,544	396,730	1,859,399	20,799,673	17,496,411	720,229	1,761,933	19,978,573	821,100	1,047,133
Furniture & Fixtures	194,280	37,353	34,515	266,148	39,386	70,093	14,212	123,691	142,457	154,894
Office & Electrical Equipments	398,332	-	(65,488)	332,844	385,586	9,073	(66,817)	327,842	5,002	12,746
Computer Software	13,456,827	-	2,390,689	15,847,516	4,914,409	2,694,480	1,150,421	8,759,310	7,088,206	8,542,418
Total	34,547,587	818,543	4,566,363	39,932,493	23,352,247	3,922,902	2,995,659	30,270,808	9,661,685	11,195,340
Previous Year	21,546,715	12,808,368	192,504	34,547,587	19,195,844	3,738,781	417,622	23,352,247	11,195,340	2,350,871

ECNET LIMITED, SINGAPORE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 3: Investments		
Long term investments (at cost)		
Other than trade, unquoted		
ECnet (M) Sdn BHD	8,485,111	2,931,212
ECnet Systems (Thailand) Co Ltd	3,681,000	3,125,700
ECnet (Shanghai) Co. Ltd	14,659,166	12,447,746
ECnet (Hong Kong)	41	35
ECnet Inc	139,878	118,777
ECnet Kabushi Kaisha	6,568,540	5,577,638
Less Provision for Diminution against Investment	21,367,606	18,144,180
	12,166,130	6,056,926
Aggregate amount of unquoted investments	12,166,130	6,056,926
Aggregate amount of quoted investments	Nil	Nil
Schedule 4: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	-	-
Considered doubtful	3,050,032	5,264,778
Other debts		
Unsecured, considered good	10,275,864	7,696,374
Considered doubtful	5,275,709	1,901,975
	18,601,605	14,863,127
Less : Provision for doubtful debts	8,325,741	7,166,753
	10,275,864	7,696,374
Schedule 5: Cash and bank balances		
Cash on hand	12,980	50,359
Balance with non schedule banks	6,026,505	8,810,236
	6,039,485	8,860,595
Schedule 6: Other current assets		
Unbilled revenue	229,288	2,734,494
	229,288	2,734,494
Schedule 7: Loans and advances		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	2,757,229	2,861,654
Advance receivables from R Systems, Inc.	769,298	455,615
Advance receivables from ECnet (M) Sdn Bhd.	25,815,291	17,473,583
Advance receivables from ECnet Systems (Thailand) Co. Ltd.	282,882	7,150,073
Advance receivables from ECnet Kabushiki Kaisha.	4,417,355	5,480,047
Advance receivables from ECnet (Shanghai) Co. Ltd.	23,978,851	14,321,506
Deposits - others	2,788,818	2,832,796
	60,809,724	50,575,274

ECNET LIMITED, SINGAPORE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 8: Current liabilities		
Sundry creditors	12,958,418	9,852,466
Payables to R Systems International Limited	29,284,728	138,610,615
Payables to R Systems (Singapore) Pte. Ltd.	85,847,221	79,990,424
Payables to ECnet (Hong Kong) Ltd.	3,259,696	1,680,963
Payables to ECnet, Inc.	455,929	692,398
Deferred revenue	109,459	118,592
Other liabilities	1,562,251	1,237,550
	133,477,702	232,183,008
Schedule 9: Reserves & Surplus		
Profit and loss account		
Carry forward Losses as per the last account	2,244,488,212	2,231,647,996
Add: Transfer of loss from Profit and Loss Account	17,118,015	12,840,216
	2,261,606,227	2,244,488,212
Foreign currency translation reserve		
Balance as per last account	28,866,297	22,219,639
Add: Current year translation differences	24,113,506	6,646,658
	52,979,803	28,866,297
Total	2,314,586,030	2,273,354,509

ECNET LIMITED, SINGAPORE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 10: Other income		
Interest Income	1,028	1,808
Provision for doubtful debts written back, net	2,460,062	10,576,490
Management fees	60,519,552	23,377,314
	62,980,642	33,955,612
Schedule 11: Personnel expenses		
Salaries, wages and bonus	86,682,657	90,259,633
Contribution to provident fund and other funds	5,426,514	5,567,770
Staff welfare expenses	3,528,106	4,487,282
	95,637,277	100,314,685
Schedule 12: Operating and other expenses		
Recruitment and training expenses	8,833	332,106
Travelling and conveyance	7,420,822	6,571,009
Insurance	110,165	80,550
Repair and maintenance	3,638,371	3,814,790
Rent - premises	9,596,357	10,982,199
Rent - equipment	507,295	458,909
Power and fuel	422,553	690,837
Communication costs	7,130,609	7,441,861
Printing and stationery	707,712	587,017
Advertising and sales promotion	10,967	133,516
Legal and professional expenses	36,441,936	33,270,875
Foreign exchange fluctuation (net)	762,145	2,698,117
Loss on sale/discard of fixed assets	13,083	187,386
Membership and subscription	1,006,679	199,151
Rates & taxes	1,348,115	1,127,235
Seminar expenses	433,963	217,143
Miscellaneous expenses	60,223	90,336
	69,619,828	68,883,037
Schedule 13: Financial expenses		
Interest expenses	12,227,836	11,247,707
Bank charges	222,903	218,343
	12,450,739	11,466,050

Schedule 14: Notes to accounts

1. Company Overview

ECnet Limited (The "Company") is a subsidiary of R Systems International Limited, a company incorporated in India. The company was incorporated under the laws of the Singapore in 1996 and R Systems International Limited acquired the majority share on January 8, 2004. The registered office of the Company is located at 15 Changi Business Park Central 1 #05-01 Singapore 486073.

The Company provides collaborative Internet-based supply chain solutions and management services, customers technical and administrative support services and information technology consultancy services

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Leasehold Improvements	5 years
Computer Hardware	3 years
Furniture & Fixtures	5 years
Office & Electrical Equipment	3 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3-5 years or below in specific cases.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Revenue recognition

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

Rendering of services

Revenue from rendering of services that are of short duration is recognized when the services are completed.

Subscriptions

Revenue from subscription services includes one-time activation and set-up charges, monthly subscription charges and usages fees. Revenue from one-time activation and set-up charges is recognized when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognized over the term of the subscription period which coincides with the financials year end. Usage fees are recognized on an accrual basis.

Other services

Revenue from provision of information technology related services is recognized when the services is performed, completed and accepted by the customers.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(i) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The functional currency of the Company is Singapore Dollar (SGD) but the financial statement has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income and expense during the year ended December 31, 2011, the rates used were SGD 1= Rs. 37.08. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 40.90.

For translating income and expense during the year ended December 31, 2010, the rates used were SGD 1= Rs. 33.55. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 34.73.

(j) **Employee benefits**

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(k) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

(l) **Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(m) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

ECNET LIMITED, SINGAPORE
NOTES TO ACCOUNTS

3. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA LLC, USA
Wholly Owned Subsidiaries of ECnet limited	ECnet (M) Sdn Bhd, Malaysia ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA
Key management personnel	ECnet Kabushiki Kaisha, Japan Cai Li Ting, Director Chan Kum Ming, Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

Transaction	(Amount in Rs.)	
	For the year ended December, 31	
	2011	2010
<u>R System International Limited</u>		
a). Services Rendered	2,441,545	2,509,576
b). Consultancy fees paid	24,081,144	16,510,167
c). Interest Paid	7,938,209	7,367,238
<u>R Systems (Singapore) Pte Ltd</u>		
a). Services Rendered	6,719,440	1,938,422
b). Management Fees Received	-	7,688,743
c). Interest Paid	4,289,613	3,880,467
d). Sub – Contracting Expenses	1,151,390	-
<u>ECnet (M) Sdn Bhd, Malaysia</u>		
a). Services rendered	14,644,491	8,771,789
b). Management fee received	7,073,550	6,204,315
<u>ECnet (Shanghai) Co. Ltd.</u>		
a). Services rendered	6,259,199	6,604,537
b). Management fee received	5,498,677	4,024,261
c). Sub – Contracting Expenses	682,401	-
<u>ECnet (Hong Kong) Ltd.</u>		
a). Services rendered	85,553	86,165
b). Management fee received	1,257,464	1,184,268

ECNET LIMITED, SINGAPORE
NOTES TO ACCOUNTS

ECnet Kabushiki Kaisha.		
a). Services rendered	36,596	8,783
b). Management fee received	1,145,839	966,834
<u>ECnet Systems (Thailand) Co. Ltd..</u>		
a). Services rendered	14,259,409	15,596,492
b). Management fee received	2,677,043	3,308,892

(b) Inter-companies balances as at December 31, 2011 and December 31, 2010:

Outstanding balances	(Amount in Rs.)	
	As at December, 31	
	2011	2010
R System International Limited		
- Amount Payables	29,284,728	138,610,615
<u>R Systems (Singapore) Pte Ltd</u>		
- Amount Payables	85,847,221	79,990,424
<u>R Systems, Inc.</u>		
- Amount Receivables	769,298	455,615
<u>ECnet (M) Sdn Bhd.</u>		
- Amount Receivables	25,815,291	17,473,583
<u>ECnet Systems (Thailand) Co. Ltd..</u>		
- Amount Receivables (Net of Provision Rs. 159,169 and Rs. Nil in 2011 and 2010, respectively)	282,882	7,150,073
<u>ECnet Kabushiki Kaisha</u>		
- Amount Receivables (Net of Provision Rs. 19,636,122 and Rs. 17,731,124 in 2011 and 2010, respectively)	4,417,355	5,480,047
<u>ECnet (Shanghai) Co. Ltd.</u>		
- Amount Receivables (Net of Provision Rs. 5,008,000 and Rs. 7,622,367 in 2011 and 2010, respectively)	23,978,851	14,321,506
<u>ECnet (Hong Kong) Ltd.</u>		
- Amount Payables	3,259,696	1,680,963
<u>ECnet, Inc.</u>		
- Amount Payables (Net of Provision Rs. 169,144,400 in 2011 and Rs. 142,977,159 in 2010, respectively)	455,929	692,398
TOTAL	173,501,241	176,093,594

Details of Loan received from R Systems (Singapore) Pte Ltd., a fellow subsidiary incorporated in Singapore :

- The outstanding amount due is Rs. 85,847,211 (equivalent to SGD 2,098,954) and Rs. 80,348,550 (equivalent to SGD 2,313,520), as at December 31, 2011 and 2010, respectively.
- The maximum amount due is Rs. 94,622,968 (equivalent to SGD 2,313,520) during the year 2011.
- The amount due are non-trade, interest is charged at 5% (2010: 5%) per annum and is repayable upon demand and are to be settled in cash.

Payment to key management personnel for year ended December 31, 2011 and December 31, 2010:

(Amount in Rs)

ECNET LIMITED, SINGAPORE
NOTES TO ACCOUNTS

Name of Key Management Personnel	For the year ended December 31,	
	2011	2010
Tarun Shankar Mathur	8,852,966	10,793,563
Esther Cai	4,370,862	3,080,933
Chan Kum Ming	985,872	-
Total	14,209,700	13,874,496

R Systems International Limited, being the holding company of ECnet Limited had granted option to one of the employee of ECnet Limited under "R Systems International Limited Year 2004 Employee Stock Option Plan" and few employees of ECnet Limited under the "R Systems International Limited Year 2004 Employee Stock Option Plan – ECnet". In consequence to the said grant of option to the employee, R Systems International Limited had incurred certain cost for issuing such options/shares. The said cost is insignificant.

- During the year ended December 31, 2011, ECnet Limited, Singapore has Subscribed 300,000 ordinary shares of RM 1 each, for a consideration of Rs 4,959,600 (SGD 123,060) in ECnet (M) Sdn Bhd, Malaysia.
- During the year ended December 31, 2010, the Board of Directors of R Systems International Limited had approved corporate restructuring of its Singapore Operations which involves conversion of loan by R Systems International Limited to ECnet Limited into equity investment and thereafter amalgamation of ECnet Limited and R Systems Singapore Limited, subject to corporate and regulatory approvals in India and Singapore.

During the year ended December 31, 2011, pursuant to the above restructuring plan, the loan to ECnet Limited amounting to Rs. 152,000,000 (SGD 3,800,000) has been converted into equity investment and amalgamation of ECnet Limited and R Systems Singapore Limited is in the process of obtaining relevant regulatory approvals in India and Singapore.

6. **Leases - In case of assets taken on lease**

The Company has operating leases mainly on equipment, networking, and office premise and furniture rental. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	Rs.	Rs.
Lease payments for the year	10,113,930	13,840,157
Minimum Lease Payments:		
Not later than one year	11,153,798	9,471,184
Later than one year but not later than five years	3,717,933	3,157,061
Later than five years	-	-

These leases have an average life of between 1 and 3 years with no renewal option or escalation clause included in the contracts

- The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

ECNET LIMITED, SINGAPORE
NOTES TO ACCOUNTS

8. The Company incurred a net loss of Rs 17,118,015 during the financial year ended 31 December, 2011, and as at that date Company's current liabilities exceeded its current assets by Rs. 56,123,341 and its total liabilities exceeded its total assets by Rs 34,295,526. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. The ability of the Company to continue as a going concern depends on the holding Company undertaking to provide continuing financial support to enable the Company to continue as a going concern.

If the Company is unable to continue in operational existence for the foreseeable future, the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet.

9. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of ECnet Limited., Singapore

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore.
Date : February 9, 2012

Place : Singapore.
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
ECNET (M) SDN. BHD, MALAYSIA

1. We have audited the attached Balance Sheet of ECNET (M) SDN. BHD., Malaysia, a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the period ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

ECNET (M) SDN. BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	7,353,080	2,393,480
TOTAL		7,353,080	2,393,480
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	6,405,518	6,373,982
Less : Accumulated depreciation / amortisation		5,605,000	5,351,174
Net block		800,518	1,022,808
Current assets, loans and advances			
Sundry debtors	3	21,731,584	4,898,773
Cash and bank balances	4	8,877,073	6,624,085
Other current assets	5	8	1,422,019
Loans and advances	6	1,002,676	1,481,905
(A)		31,611,341	14,426,782
Less : Current liabilities and provisions			
Current liabilities	7	27,075,832	18,839,993
Provisions	8	635,037	-
(B)		27,710,869	18,839,993
Net current assets (A-B)		3,900,472	(4,413,211)
Reserves & Surplus	9	2,652,090	5,783,883
TOTAL		7,353,080	2,393,480
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (M) Sdn. Bhd., Malaysia

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Vincent Tey Chyng Siang
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Malaysia
Date : February 9, 2012

ECNET (M) SDN. BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		56,033,953	37,897,430
Other income	10	406,567	473,799
TOTAL		56,440,520	38,371,229
EXPENDITURE			
Personnel expenses	11	15,167,133	10,161,712
Operating and other expenses	12	35,013,640	27,024,884
Depreciation /amortisation	2	674,003	629,584
Finance expenses	13	31,756	28,695
TOTAL		50,886,532	37,844,875
Profit before tax		5,553,988	526,354
Current Tax expenses		2,353,094	100,231
Profit after tax		3,200,894	426,123
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (M) Sdn. Bhd., Malaysia

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Vincent Tey Chyng Siang
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place :Malaysia
Date : February 9, 2012

ECNET (M) SDN. BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	5,553,988	526,354
Adjustments for:		
Depreciation / amortization	674,003	629,584
Loss / (profit) on Sale of Assets	1,880	(14,860)
Provision for doubtful debts	2,203,358	81,445
Excess provision written back	(406,567)	(458,939)
Unrealised foreign exchange (loss) / gain	(196,648)	(272,156)
Operating profit before working capital changes	7,830,014	491,428
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(19,036,169)	418,897
Decrease / (Increase) in other current assets	1,422,011	3,521,781
Decrease / (Increase) in loans and advances	479,229	1,256,741
Increase / (Decrease) in current liabilities	8,642,406	(7,107,226)
Cash generated from / (used in) operations	(662,509)	(1,418,379)
Less: Taxes Paid	1,718,057	903,641
Net cash from / (used in) operating activities	(2,380,566)	(2,322,020)
B. Cash flows used in investing activities		
Purchase of fixed assets	(386,046)	(1,364,610)
Proceeds from sale of fixed assets	-	15,468
Net cash used in investing activities	(386,046)	(1,349,142)
C. Cash flows from / (used in) financing activities		
Proceeds from issue of shares capital	5,019,600	
Net cash from / (used in) financing activities	5,019,600	-
Net increase in cash and cash equivalents (A + B + C)	2,252,988	(3,671,162)
Cash and cash equivalents at the beginning of the year	6,624,085	10,295,247
Cash and cash equivalents at the end of the year	8,877,073	6,624,085

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (M) Sdn. Bhd., Malaysia

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Vincent Tey Chyng Siang
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Malaysia
Date : February 9, 2012

ECNET (M) SDN. BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December	As at December
	31, 2011	31, 2010
	Rs.	Rs.
Schedule 1: Share capital		
<u>Authorised Share Capital</u>		
500,000 Ordinary Shares of RM 1 Each	RM 500,000	RM 500,000
<u>Issued, subscribed and paid up capital</u>		
500,000 (Previous year 200,000) Ordinary Shares of RM 1 Each	7,353,080	2,393,480
	7,353,080	2,393,480

ECNET (M) SDN. BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 2: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING 2011	ADJUSTMENT DURING THE Year	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE 2011	ADJUSTMENT DURING THE Year	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 1.1.2011
Leasehold Improvements	123,014	46,180	(16,113)	185,307	117,755	18,913	23,037	113,631	71,676	5,259
Computer Hardware	1,590,453	322,481	286,127	1,626,807	1,242,349	326,019	298,045	1,270,323	356,484	348,104
Furniture & Fixtures	827,173	15,728	(108,347)	951,248	699,328	28,900	(134,767)	862,995	88,253	127,845
Office & Electrical Equipments	1,236,834	1,656	303,848	934,643	1,011,240	118,265	321,544	807,961	126,682	225,594
Computer Software	2,596,507	-	(111,006)	2,707,513	2,280,502	181,905	(87,683)	2,550,090	157,423	316,005
Total	6,373,982	386,046	354,509	6,405,518	5,351,174	674,003	420,177	5,605,000	800,518	1,022,808
Previous Year	4,699,220	1,364,610	(310,152)	6,373,982	4,413,297	629,584	(308,293)	5,351,174	1,022,808	285,923

ECNET (M) SDN. BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 3: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	1,799,529	388,880
Considered doubtful	11,978,887	8,451,675
Other debts		
Unsecured, considered good	19,932,055	4,509,893
Considered doubtful	-	-
	33,710,471	13,350,448
Less : Provision for doubtful debts	11,978,887	8,451,675
	21,731,584	4,898,773
Schedule 4: Cash and bank balances		
Cash on hand	25,098	22,191
Balance with non schedule banks	8,851,975	6,601,894
	8,877,073	6,624,085
Schedule 5: Other Current Assets		
Unbilled Revenue	8	1,422,019
	8	1,422,019
Schedule 6: Loans & Advances (Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	269,814	215,699
Advance Tax	-	762,316
Deposits - others	732,862	503,890
	1,002,676	1,481,905
Schedule 7: Current liabilities		
Sundry creditors	1,238,846	1,218,867
Trade Payables to Ecnet Limited	25,800,155	17,621,126
Other liabilities	36,831	-
	27,075,832	18,839,993
Schedule 8: Provisions		
Income Tax payables	635,037	-
	635,037	-
Schedule 9 : Reserves & Surplus		
Profit and Loss Account		
Carry forward Losses as per the last account	3,905,535	4,331,658
Add: Transfer of (profit)/ loss from Profit and Loss Account	(3,200,894)	(426,123)
	704,641	3,905,535
Foreign currency translation reserve		
Balance as per last account	1,878,348	1,608,659
Add: Current year translation differences	69,101	269,689
	1,947,449	1,878,348
	2,652,090	5,783,883

ECNET (M) SDN. BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 10: Other income		
Other written back	406,567	458,939
Profit on sale of assets	-	14,860
	406,567	473,799
Schedule 11: Personnel expenses		
Salaries, wages and bonus	13,292,834	10,318,347
Contribution to provident fund and other funds	1,484,151	1,222,505
Staff welfare expenses	390,148	176,471
	15,167,133	11,717,323
Schedule 12: Operating and other expenses		
Recruitment and training expenses	526,802	369,252
Travelling and conveyance	6,240,199	5,081,526
Repair and maintenance	93,165	76,675
Loss on sale of Assets	1,880	-
Rent - premises	1,254,438	1,116,861
Power and fuel	82,599	83,281
Communication costs	787,409	699,621
Printing and stationery	337,210	349,508
Legal and professional expenses	15,791,678	12,074,853
Sales tax	9,536	-
Provision for doubtful debts	2,203,358	81,445
Foreign Exchange fluctuation (Net)	553,503	(1,012,471)
Management fees	7,071,848	6,277,749
Miscellaneous expenses	60,015	270,973
	35,013,640	25,469,273
Schedule 13: Financial expenses		
Bank charges	31,756	28,695
	31,756	28,695

Schedule 14: Notes to accounts

1. Company Overview

ECnet M) SDN. BHD (The "Company") is a wholly owned subsidiary of ECnet Limited, a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The registered office of the company is located at Level 12, Suite 12.05 Menara Summit, Persiaran Kewajipan, USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, Malaysia.

The Company provides Internet-based supply chain management solutions and management services

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Computer Equipment	3 years
Furniture and Fixture	5 years
Office and Electrical Equipment	3 years
Leasehold improvement	5 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 to 5 years or below in specific cases.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Revenue recognition

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

Rendering of services

Revenue from rendering of services that are of short duration is recognized when the services are completed.

Subscriptions

Revenue from subscription services includes one-time activation and set-up charges, monthly subscription charges and usages fees. Revenue from one-time activation and set-up charges is recognized when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognized over the term of the subscription period which coincides with the financials year end. Usage fees are recognized on an accrual basis.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Other services

Revenue from provision of information technology related services is recognized when the services is performed, completed and accepted by the customers.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(i) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The functional currency of the Company is Malaysian Ringgit (MYR) but the financial statement has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income and expense during the year ended December 31, 2011, the rates used were MYR 1= Rs. 15.23. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 16.73.

For translating income and expense during the year ended December 31, 2010, the rates used were MYR 1= Rs. 14.32. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 14.79.

(j) Employee benefits

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(k) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(l) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(m) Segment reporting policies

The Company operates one business segment, providing Internet-based supply chain solutions, management services and rendering information technology consultancy services.

(n) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

ECNET (M) SDN. BHD, MALAYSIA
NOTES TO ACCOUNTS

3. Related Party Disclosures

Holding Company	ECnet Limited, Singapore
Fellow Subsidiaries	ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA LLC, USA
Key Management Personnel	Chan kum Ming, Director Vincent Tey Chyng Siang , Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

TRANSACTIONS	(Amount in Rs.)	
	For the year ended December, 31	
	2011	2010
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	14,197,415	9,262,753
b). Management Fees Paid	7,071,848	6,277,749

(b). Inter-companies balances as at December 31, 2011 and December 31, 2010:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2011	2010
<u>ECnet Limited, Singapore</u>		
- Amount Payables	25,800,158	17,621,126

Payment to key management personnel for year ended December 31, 2011 and December 31, 2010:

(Amount in Rs)

Name of Key Management Personnel	For the year ended December 31,	
	2011	2010
Vincent Tey Chyng Siang	2,015,340	1,555,611

ECNET (M) SDN. BHD, MALAYSIA
 NOTES TO ACCOUNTS

4. During the year ended December 2011, ECnet Limited, Singapore has further subscribed 300,000 ordinary shares of RM 1 each, for a consideration of Rs4, 959,600 (SGD 123,060) in ECnet (M) Sdn Bhd, Malaysia.

5. **Leases - In case of assets taken on lease**

The Company has operating leases mainly on equipment, networking, and office premise and furniture rental. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	Rs.	Rs.
Lease payments for the year	1,188,174	1,116,861
Minimum Lease Payments:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-

6. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

7. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
 Firm registration number: 001720N
 Chartered Accountants

For and on behalf of the Board of Directors of ECnet (M) Sdn Bhd., Malaysia

Sd/-
 CA. S.K. RELAN
 Membership No. 12149

Sd/-
 Chan Kum Ming
 [Director]

Sd/-
 Vincent Tey Chyng Siang
 [Director]

Place : New Delhi
 Date : February 9, 2012

Place : Singapore
 Date : February 9, 2012

Place : Malaysia
 Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
ECnet Inc., USA

1. We have audited the attached Balance Sheet of ECnet Inc., USA, a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

ECNET, INC., USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	91,110	91,110
TOTAL		91,110	91,110
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	40,861	34,566
Less : Accumulated depreciation / amortisation		40,857	34,563
Net block		4	3
Current assets, loans and advances			
Sundry debtors	3	-	-
Cash and bank balances	4	431,630	77,604
Loans and advances	5	335,698	56,113
(A)		767,328	133,717
Less : Current liabilities and provisions			
Current liabilities	6	168,977,336	142,410,582
(B)		168,977,336	142,410,582
Net current assets (A-B)		(168,210,008)	(142,276,865)
Reserves & Surplus	7	168,301,114	142,367,972
TOTAL		91,110	91,110
Notes to accounts	10		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board of Directors of ECnet, Inc., USA

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

ECNET, INC., USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Other income	8	153	996
TOTAL		153	996
EXPENDITURE			
Finance expenses	9	20,270	19,864
TOTAL		20,270	19,864
Loss before tax		(20,117)	(18,868)
Current Tax expense		-	-
Loss after tax		(20,117)	(18,868)
Notes to accounts	10		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For and on behalf of the Board of Directors of ECnet, Inc., USA

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place : NOIDA
Date : February 9, 2012

ECNET, INC., USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net loss before taxation	(20,117)	(18,868)
Adjustments for:		
Unrealised foreign exchange loss / (gain)	(25,913,026)	5,229,250
Operating profit before working capital changes	(25,933,143)	5,210,382
Movements in working capital :		
Decrease / (Increase) in sundry debtors	-	34,905
Decrease / (Increase) in loans and advances	(279,585)	2,062
Increase / (Decrease) in current liabilities	26,566,754	(7,184,431)
Cash generated from / (used in) operations	354,026	(1,937,082)
Less: Taxes Paid	-	-
Net cash from / (used in) operating activities	354,026	(1,937,082)
B. Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
C. Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	354,026	(1,937,082)
Cash and cash equivalents at the beginning of the year	77,604	2,014,686
Cash and cash equivalents at the end of the year	431,630	77,604

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date : February 9, 2012

For and on behalf of the Board of Directors of
ECnet, Inc., USA

Sd/-
Satinder Singh Rekhi
[Director]

Place : NOIDA
Date : February 9, 2012

ECNET, INC., USA

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011	As at December 31, 2010
	Rs.	Rs.
Schedule 1: Share capital		
<u>Authorised Share Capital</u>		
10,000 Shares of USD 2 Each	USD 20,000	USD 20,000
<u>Issued, subscribed and paid up capital</u>		
10,000 Shares of USD 2 Each	91,110	91,110
	91,110	91,110

ECNET, INC., USA

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 2: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING 2011	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE YEAR 2011	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Office & Electrical Equipments	34,566	-	6,295	40,861	34,563	-	6,294	40,857	4	3
Total	34,566	-	6,295	40,861	34,563	-	6,294	40,857	4	3
Previous Year	35,836	-	(1,270)	34,566	35,833	-	(1,270)	34,563	3	3

ECNET, INC., USA**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Schedules to the Accounts**

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 3: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	-	-
Considered doubtful	915,637	774,577
Other debts		
Unsecured, considered good	-	-
Considered doubtful	-	-
	915,637	774,577
Less : Provision for doubtful debts	915,637	774,577
	-	-
Schedule 4: Cash and bank balances		
Balance with non schedule banks	431,630	77,604
	431,630	77,604
Schedule 5: Loans and advances		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	63,497	56,113
Advances Receivables from EC Net (Hong Kong) Ltd	272,201	-
	335,698	56,113
Schedule 6: Current liabilities		
Sundry creditors	227,913	192,801
Payables to ECnet Limited	168,718,247	142,191,408
Other liabilities	31,176	26,373
	168,977,336	142,410,582
Schedule 7 : Reserves & Surplus		
Profit and loss account		
Carry forward Losses as per the last account	138,679,726	138,660,858
Add: Transfer of loss from Profit and Loss Account	20,117	18,868
	138,699,843	138,679,726
Foreign currency translation reserve		
Balance as per last account	3,688,246	8,917,495
Add: Current year translation differences	25,913,025	(5,229,249)
	29,601,271	3,688,246
	168,301,114	142,367,972

ECNET, INC., USA**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Schedules to the Accounts**

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 8: Other income		
Miscellaneous income	153	996
	153	996
Schedule 9: Financial expenses		
Bank charges	20,270	19,864
	20,270	19,864

Schedule – 10: Notes to account

1. Company Overview

ECnet, Inc. (the 'Company') is a wholly owned subsidiary of ECnet Ltd. a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The address of the registered office is Corporation Trust Center 1209 Orange Street Wilmington, New Castle, DE 19801, U.S.A.

The main object of the Company is to provide services of Supply Chain Management through Internet. There is no revenue during the year ended on December 31, 2011.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Office & Electrical Equipment	3 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Revenue recognition

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

Rendering of services

Revenue from rendering of services that are of short duration is recognized when the services are completed.

Subscriptions

Revenue from subscription services includes one-time activation and set-up charges, monthly subscription charges and usages fees. Revenue from one-time activation and set-up charges is recognized when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognized over the term of the subscription period which coincides with the financials year end. Usage fees are recognized on an accrual basis.

Other services

Revenue from provision of information technology related services is recognized when the services is performed, completed and accepted by the customers.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(g) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The functional currency of the Company is United States Dollar (US \$) but the financial statements has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income and expense during the year ended December 31, 2011, the rates used were US \$ 1= Rs. 46.74. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 53.07.

For translating income and expense during the year ended December 31, 2010, the rates used were US \$ 1= Rs. 45.68. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 44.89.

(h) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(i) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

Holding Company	ECnet Limited, Singapore
Fellow Subsidiaries	ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA LLC, USA
Key Management Personnel	Satinder Singh Rekhi, Director Chan Kum Ming, Director

ECNET, INC., USA
NOTES TO ACCOUNT

Inter-companies balances as at December 31, 2011 and December 31, 2010:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2011	2010
<u>ECnet Limited, Singapore</u>		
Amount Payables	168,718,247	142,191,408
<u>ECnet Hong Kong</u>		
Amount Receivables	272,201	-

- The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
- No Staff Cost was incurred during the year. None of the directors have received any fees or emoluments in respect of their services rendered to the company during the year.
- The Company incurred a net loss of Rs. 20,117 during the financial year ended 31 December, 2011, and as at that date Company's current liabilities exceeded its current assets by Rs. 168,210,008 and its total liabilities exceeded its total assets by Rs. 168,210,004. These factors indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as going concern. The ability of the company to continue as a going concern depends on the holding Company support to enable the company to continue as a going concern.

If the Company is unable to continue in operational existence for the foreseeable future, the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet.
- Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of ECnet, Inc., USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Satinder Singh Rekhi
[Director]

Place : New Delhi
Date : February 9, 2012

Place: NOIDA
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
EC Net (Hong Kong) Ltd., Hong Kong

1. We have audited the attached Balance Sheet of ECNET (HONG KONG) LTD., Hong Kong a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE:NEW DELHI
DATED: February 9, 2012

ECNET (HONG KONG) LIMITED, HONG KONG
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	12	12
Reserve & surplus	2	3,301,198	1,901,580
TOTAL		3,301,210	1,901,592
APPLICATION OF FUNDS			
Current assets, loans and advances			
Sundry debtors	3	80,947	92,982
Cash and bank balances	4	297,918	588,967
Loans and advances	5	3,484,568	1,491,755
(A)		3,863,433	2,173,704
Less : Current liabilities and provisions			
Current liabilities	6	562,223	238,618
Income Tax Payables	7	-	33,494
(B)		562,223	272,112
Net current assets (A-B)		3,301,210	1,901,592
TOTAL		3,301,210	1,901,592
Notes to accounts	11		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (Hong Kong) Limited, Hong Kong

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET (HONG KONG) LIMITED, HONG KONG
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		2,960,622	3,654,086
Other income	8	5	6
TOTAL		2,960,627	3,654,092
EXPENDITURE			
Operating and other expenses	9	1,774,948	1,677,888
Finance expenses	10	13,477	10,773
Foreign Exchange Fluctuations loss/(Gain)		56,036	
TOTAL		1,844,461	1,688,661
Profit before tax		1,116,166	1,965,431
Current Tax expenses		184,167	324,293
Profit after tax		931,999	1,641,138
Notes to accounts	11		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (Hong Kong) Limited, Hong Kong

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET (HONG KONG) LIMITED, HONG KONG
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	1,116,166	1,965,431
Adjustments for:		
Provision for Doubtful Debts	-	81,190
Unrealised foreign exchange loss / (gain)	467,619	(34,361)
Interest income	(5)	(6)
Operating profit before working capital changes	1,583,780	2,012,254
Movements in working capital :		
Decrease / (Increase) in sundry debtors	12,035	2,824
Decrease / (Increase) in loans and advances	(1,992,813)	(1,094,969)
Increase / (Decrease) in current liabilities	323,605	(479,820)
Cash generated from operations	(73,393)	440,289
Less: Taxes Paid	217,661	290,799
Net cash from operating activities	(291,054)	149,490
B. Cash flows used in investing activities		
Interest received	5	6
Net cash used in investing activities	5	6
C. Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(291,049)	149,496
Cash and cash equivalents at the beginning of the year	588,967	439,471
Cash and cash equivalents at the end of the year	297,918	588,967

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (Hong Kong) Limited, Hong Kong

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET (HONG KONG) LIMITED, HONG KONG
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised Capital</u>		
10,000 Ordinary Shares of HKD 1 Each	HKD 10,000	HKD 10,000
<u>Issued, subscribed and paid up capital</u>		
2 Ordinary Shares of HKD 1 Each	12	12
	12	12
Schedule 2: Reserve & surplus		
Profit and loss account		
Balance as per last account	2,023,402	382,264
Add: Transfer of profit from Profit and Loss Account	931,999	1,641,138
	2,955,401	2,023,402
Foreign currency translation reserve		
Balance as per last account	(121,822)	(87,461)
Add: Current year translation differences	467,619	(34,361)
	345,797	(121,822)
	3,301,198	1,901,580
Schedule 3: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	11,476	3,244
Considered doubtful	24,592	20,890
Other debts		
Unsecured, considered good	69,471	89,738
Considered doubtful	-	-
	105,539	113,872
Less : Provision for doubtful debts	24,592	20,890
	80,947	92,982
Schedule 4: Cash and bank balances		
Balance with non schedule banks	297,918	588,967
	297,918	588,967
Schedule 5: Loans and advances		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	228,433	40,136
Advance receivables from ECnet Limited	3,256,135	1,451,619
	3,484,568	1,491,755
Schedule 6: Current liabilities		
Sundry creditors	274,067	222,713
Deferred revenue	14,841	15,905
Payables to ECnet Inc	273,315	-
	562,223	238,618
Schedule 7: Income Tax Payables		
Income Tax Payables	-	33,494
	-	33,494

ECNET (HONG KONG) LIMITED, HONG KONG
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 8: Other income		
Interest income	5	6
	5	6
Schedule 9: Operating and other expenses		
Communication costs	21,047	16,932
Legal and professional expenses	481,506	462,419
Provision for Doubtful Debts	-	81,190
Printing & Stationary	8,091	-
Foreign Exchange fluctuation (Net)	-	(64,126)
Management fees	1,264,304	1,181,473
	1,774,948	1,677,888
Schedule 10: Financial expenses		
Bank charges	13,477	10,773
	13,477	10,773

Schedule 11: Notes to accounts

1. Company Overview

ECnet (Hong Kong) Limited, (The "Company") is a wholly owned subsidiary of ECnet Limited, a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The Company provides Internet-based supply chain management services. The registered office of the company is located at Room No.1903, 19/F, World-wide House, 19 Des Voeux Road, Central, Hong Kong.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(d) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(e) Revenue recognition

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

Rendering of services

Revenue from rendering of services that are of short duration is recognized when the services are completed.

Subscriptions

Revenue from subscription services includes one-time activation and set-up charges, monthly subscription charges and usages fees. Revenue from one-time activation and set-up charges is recognized when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognized over the term of the subscription period which coincides with the financials year end. Usage fees are recognized on an accrual basis.

Other services

Revenue from provision of information technology related services is recognized when the services is performed, completed and accepted by the customers.

ECNET (HONG KONG) LIMITED, HONG KONG
NOTES TO ACCOUNTS

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(f) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The functional currency of the Company is Hong Kong Dollar (HKD) but the financial statement has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income and expense during the year ended December 31, 2011, the rates used were HKD 1= Rs. 5.99. For translating assets and liabilities at the year-end, the rates used were HKD 1= Rs. 6.83.

For translating income and expense during the year ended December 31, 2010, the rates used were HKD 1= Rs. 5.88. For translating assets and liabilities at the year-end, the rates used were HKD 1= Rs. 5.80.

(g) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(h) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

ECNET (HONG KONG) LIMITED, HONG KONG
 NOTES TO ACCOUNTS

(i) **Segment reporting policies**

The Company operates one business segment, providing Internet-based supply chain solutions, management services and rendering information technology consultancy services in Singapore.

(j) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

Holding Company	ECnet Limited, Singapore
Fellow Subsidiaries	ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (M) SDN. BHD, Malaysia ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Rbska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA LLC, USA
Key Management Personnel	Chan Kum Ming, Director Cai Li Ting, Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

TRANSACTIONS	For the year ended December, 31	
	2011	2010
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	85,833	85,808
b). Management Fees Paid	1,264,305	1,181,473

(b). Inter-companies balances as at December 31, 2011 and December 31, 2010:

OUTSTANDING BALANCES	As at December, 31	
	2011	2010
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
- Amount Receivables	3,256,133	1,451,619

ECNET (HONG KONG) LIMITED, HONG KONG
 NOTES TO ACCOUNTS

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2011	2010
<u>ECnet Inc</u>		
- Amount Payable	273,315	-

4. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
 During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
5. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
 Firm registration number: 001720N
 Chartered Accountants

For and on behalf of the Board of Directors of ECnet (Hong Kong) Ltd.,
 Hong Kong

Sd/-
 CA. S.K. RELAN
 Membership No. 12149

Sd/-
 Chan Kum Ming
 [Director]

Sd/-
 Cai Li ting
 [Director]

Place : New Delhi
 Date : February 9, 2012

Place: Singapore
 Date : February 9, 2012

Place: Singapore
 Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
ECNET Systems (Thailand) Co. Ltd., Thailand

1. We have audited the attached Balance Sheet of ECNET SYSTEMS (THAILAND) COMPANY LTD., Thailand a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Balance Sheet as at December 31, 2011**

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	2,339,600	2,339,600
Reserve and surplus	2	10,070,007	11,836,726
		12,409,607	14,176,326
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	2,739,216	2,233,790
Less : Accumulated depreciation / amortisation		2,371,600	1,970,211
Net block		367,616	263,579
Current assets, loans and advances			
Sundry debtors	4	8,094,429	6,151,071
Cash and bank balances	5	2,193,472	10,141,339
Other current assets	6	793	4,530,866
Loans and advances	7	3,746,326	1,196,425
(A)		14,035,020	22,019,701
Less : Current liabilities and provisions			
Current liabilities	8	1,794,489	8,106,954
Provisions	9	198,540	-
(B)		1,993,029	8,106,954
Net current assets (A-B)		12,041,991	13,912,747
TOTAL		12,409,607	14,176,326
Notes to accounts	13		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet Systems (Thailand) Company Limited, Thailand

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		27,214,709	25,216,976
TOTAL		27,214,709	25,216,976
EXPENDITURE			
Personnel expenses	10	5,709,663	3,741,656
Operating and other expenses	11	24,523,167	23,458,123
Depreciation /amortisation	3	144,476	74,946
Finance expenses	12	34,082	21,377
TOTAL		30,411,388	27,296,102
Loss before tax		(3,196,679)	(2,079,126)
Current tax expenses		-	4,087
Loss after tax		(3,196,679)	(2,083,213)
Notes to accounts	13		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet Systems (Thailand) Company Limited, Thailand

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

**ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit / (loss) before taxation	(3,196,679)	(2,079,126)
Adjustments for:		
Depreciation / amortization	144,476	74,946
Unrealised foreign exchange loss / (gain)	1,411,778	837,796
Operating profit / (loss) before working capital changes	(1,640,425)	(1,166,384)
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(1,943,358)	(4,778,920)
Decrease / (Increase) in other current assets	4,530,073	(2,063,110)
Decrease / (Increase) in loans and advances	(2,549,901)	7,987,507
Increase / (Decrease) in current liabilities	(6,312,465)	7,472,304
Cash generated from operations	(7,916,076)	7,451,397
Less: Taxes Paid	(198,540)	78,693
Net cash from / (used in) operating activities	(7,717,536)	7,372,704
B. Cash flows used in investing activities		
Purchase of fixed assets	(230,331)	(278,674)
Net cash used in investing activities	(230,331)	(278,674)
C. Cash flows used in financing activities		
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(7,947,867)	7,094,030
Cash and cash equivalents at the beginning of the year	10,141,339	3,047,309
Cash and cash equivalents at the end of the year	2,193,472	10,141,339

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
ECnet Systems (Thailand) Company Limited, Thailand

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised Share Capital</u>		
4,00,000 Ordinary Shares of 5 THB Each	THB 2,000,000	THB 2,000,000
<u>Issued, subscribed and paid up capital</u>		
4,00,000 Ordinary Shares of 5 THB Each	2,339,600	2,339,600
	2,339,600	2,339,600
Schedule 2: Reserves and surplus		
Profit and loss account		
Balance as per last account	9,011,343	11,094,556
Add: Transfer of profit / (loss) from Profit and Loss Account	(3,196,679)	(2,083,213)
	5,814,664	9,011,343
Foreign currency translation reserve		
Balance as per last account	2,825,383	1,987,257
Add: Current year translation differences	1,429,960	838,126
	4,255,343	2,825,383
	10,070,007	11,836,726

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING 2011	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE 2011	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Leasehold Improvements	66,897	-	8,238	75,135	47,942	13,676	7,256	68,874	6,261	18,955
Computer Hardware	1,096,089	208,722	134,985	1,439,796	866,196	116,543	118,191	1,100,930	338,866	229,893
Furniture & Fixtures	465,431	15,348	57,319	538,098	465,427	466	57,364	523,257	14,841	4
Office & Electrical Equipments	605,373	6,261	74,553	686,187	590,646	13,791	74,102	678,539	7,648	14,727
Total	2,233,790	230,331	275,095	2,739,216	1,970,211	144,476	256,913	2,371,600	367,616	263,579
Previous year	1,844,079	278,674	111,037	2,233,790	1,784,558	74,946	110,707	1,970,211	263,579	59,521

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 4: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	-	-
Considered doubtful	-	-
Other debts		
Unsecured, considered good	8,094,429	6,151,071
Considered doubtful	-	-
	8,094,429	6,151,071
Less : Provision for doubtful debts	-	-
	8,094,429	6,151,071
Schedule 5: Cash and bank balances		
Cash on hand	25,185	22,424
Balance with non schedule banks	2,168,287	10,118,915
	2,193,472	10,141,339
Schedule 6: Other Current Assets		
Unbilled revenue	793	4,530,866
	793	4,530,866
Schedule 7: Loans and advances (Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,786,689	929,381
Advance receivables from R Systems International Limited	1,659,707	-
Deposits - others	299,930	267,044
	3,746,326	1,196,425
Schedule 8 : Current liabilities		
Sundry creditors	1,360,990	630,690
Payables to Ecnnet Limited	433,499	7,459,752
Advance from customers	-	16,512
	1,794,489	8,106,954
Schedule 9 : Provisions		
Income tax payables	198,540	-
	198,540	-

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 10: Personnel expenses		
Salaries, wages and bonus	5,627,026	3,691,483
Contribution to provident fund and other funds	82,637	50,173
	5,709,663	3,741,656
Schedule 11: Operating and other expenses		
Recruitment and training	-	123,785
Travelling and conveyance	2,474,848	2,000,370
Repair and maintenance	-	5,403
Rent - premises	448,876	380,597
Rent - equipment	13,752	12,751
foreign exchange fluctuation (net)	1,072,926	350,203
Communication costs	397,739	374,521
Printing and stationery	64,393	106,536
Advertising and sales promotion	155,700	118,628
Legal and professional expenses	17,034,748	16,698,561
Rates & taxes	166,197	411
Management fees	2,677,180	3,269,165
Miscellaneous expenses	16,808	17,192
	24,523,167	23,458,123
Schedule 12: Financial expenses		
Bank charges	34,082	21,377
	34,082	21,377

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
NOTES TO ACCOUNTS

Schedule 13: Notes to accounts

1. Company Overview

ECnet Systems (Thailand) Company Limited (The "Company") is a wholly owned subsidiary of ECnet Limited, a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The Company provides services of Supply Chain Management through Internet. The registered office of the Company is located at 2/3 Moo 14, Bangan Tower A, 2nd floor, Room no. 205, Bangna-Trad K.M. 6.5, Bangkaew, Bangplee, Samutprakarn.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Computer Equipment	3 years
Furniture & Fitting	5 years
Office Equipment	3 years
Leasehold Improvements	5 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) Revenue recognition

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

Rendering of services

Revenue from rendering of services that are of short duration is recognized when the services are completed.

Subscriptions

Revenue from subscription services includes one-time activation and set-up charges, monthly subscription charges and usages fees. Revenue from one-time activation and set-up charges is recognized when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognized over the term of the subscription period which coincides with the financial year end. Usage fees are recognized on an accrual basis.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Other services

Revenue from provision of information technology related services is recognized when the services is performed, completed and accepted by the customers.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
NOTES TO ACCOUNTS

(iv) Foreign currency translation

The functional currency of the Company is Thailand Bhat (THB) but the financial statement has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income and expense during the year ended December 31, 2011, the rates used were THB 1= Rs. 1.53. For translating assets and liabilities at the year-end, the rates used were THB 1= Rs. 1.68.

For translating income and expense during the year ended December 31, 2010, the rates used were THB 1= Rs. 1.43. For translating assets and liabilities at the year-end, the rates used were THB 1= Rs. 1.49.

(i) **Employee benefits**

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(j) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(k) **Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(l) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
 NOTES TO ACCOUNTS

3. Related Party Disclosures

Holding Company	ECnet Limited, Singapore
Fellow Subsidiaries	ECnet (M) Sdn Bhd, Malaysia ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related Companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA LLC, USA
Key Management Personnel	Satinder Singh Rekhi, Director Cai Li ting Director Chan Kum Ming,Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

Particulars	(Amount in Rs.)	
	For the year ended December, 31	
	2011	2010
<u>R System International Limited</u>		
a). Services Rendered	2,221,257	-
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	19,739,925	15,350,140
b). Administrative Expenses	2,759,655	3,269,165

(b). Inter-companies balances as at December 31, 2011 and December 31, 2010:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2011	2010
<u>R Systems International Limited</u>		
- Amount Receivables	1,659,707	-
<u>ECnet Limited, Singapore</u>		
- Amount Payables	433,499	7,459,752

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
 NOTES TO ACCOUNTS

4. **Leases - In case of assets taken on lease**

The Company has operating leases mainly on equipment, networking, and office premise and furniture rental. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December	
	31, 2011	31, 2010
	Rs.	Rs.
Lease payments for the year	405,913	435,612
Minimum Lease Payments:		
Not later than one year	64,474	132,373
Later than one year but not later than five years	-	-
Later than five years	-	-

5. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

6. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
 Firm registration number: 001720N
 Chartered Accountants

For and on behalf of the Board of Directors of ECnet Systems (Thailand)
 Compnay Limited, Thaliand

Sd/-
 CA. S.K. RELAN
 Membership No. 12149

Sd/-
 Chan Kum Ming
 [Director]

Sd/-
 Cai Li Ting
 [Director]

Place : New Delhi
 Date : February 9, 2012

Place: Singapore.
 Date : February 9, 2012

Place: Singapore
 Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
ECnet Kabushiki Kaisha, Japan

We have audited the attached Balance Sheet of ECnet Kabushiki Kaisha, Japan, subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

PLACE : NEW DELHI
DATED: February 9, 2012

Sd/-
CA. S.K. RELAN
Membership No.12149

ECNET KABUSHIKI KAISHA, JAPAN
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	4,288,000	4,288,000
TOTAL		4,288,000	4,288,000
APPLICATION OF FUNDS			
Current assets, loans and advances			
Sundry debtors	2	68,558	116,531
Cash and bank balances	3	466,533	654,334
(A)		535,091	770,865
Less : Current liabilities and provisions			
Current liabilities	4	24,278,106	23,594,714
(B)		24,278,106	23,594,714
Net current assets (A-B)		(23,743,015)	(22,823,849)
Reserves & Surplus	5	28,031,015	27,111,849
TOTAL		4,288,000	4,288,000
Notes to accounts	9		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
ECnet Kabushiki Kaisha, Japan

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET KABUSHIKI KAISHA, JAPAN
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		3,301,671	2,691,346
Other income	6	2,402,349	242
TOTAL		5,704,020	2,691,588
EXPENDITURE			
Operating and other expenses	7	1,693,935	20,795
Finance expenses	8	83,283	68,925
TOTAL		1,777,218	89,720
Profit before tax		3,926,802	2,601,868
Current Tax expense		-	-
Profit after tax		3,926,802	2,601,868
Notes to accounts	9		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
ECnet Kabushiki Kaisha, Japan

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET KABUSHIKI KAISHA, JAPAN
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	3,926,802	2,601,868
Adjustments for:		
Unrealised foreign exchange loss / (gain)	(4,845,968)	(1,936,169)
Operating profit before working capital changes	(919,166)	665,699
Movements in working capital :		
Decrease / (Increase) in sundry debtors	47,973	54,566
Increase / (Decrease) in current liabilities	683,392	(591,705)
Cash generated from / (used in) operations	(187,801)	128,560
Less: Taxes Paid	-	-
Net cash from / (used in) operating activities	(187,801)	128,560
B. Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
C. Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(187,801)	128,560
Cash and cash equivalents at the beginning of the year	654,334	525,774
Cash and cash equivalents at the end of the year	466,533	654,334

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
ECnet Kabushiki Kaisha, Japan

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET KABUSHIKI KAISHA, JAPAN
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 1: Share capital		
<u>Authorised capital</u>		
800 Shares of Yen 50,000 each	YEN 40,000,000	YEN 40,000,000
<u>Issued, subscribed and paid up capital</u>		
200 Shares of Yen 50,000 each	4,288,000	4,288,000
	4,288,000	4,288,000
Schedule 2: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	26,044	-
Considered doubtful	-	-
Other debts		
Unsecured, considered good	42,514	116,531
Considered doubtful	-	-
	68,558	116,531
Less : Provision for doubtful debts	-	-
	68,558	116,531
Schedule 3: Cash and bank balances		
Cash on hand	3,352	2,698
Balance with non schedule banks	463,181	651,636
	466,533	654,334
Schedule 4: Current liabilities		
Deferred Revenue	50,926	130,003
Payables to ECnet Limited	24,133,654	23,395,816
Other liabilities	93,526	68,895
	24,278,106	23,594,714
Schedule 5 : Reserves & Surplus		
Carry forward Losses as per the last account	20,793,649	23,395,517
Add: Transfer of (profit) / loss from Profit and Loss Account	(3,926,802)	(2,601,868)
	16,866,847	20,793,649
Foreign currency translation reserve		
Balance as per last account	6,318,200	4,382,031
Add: Current year translation differences	4,845,968	1,936,169
	11,164,168	6,318,200
	28,031,015	27,111,849

ECNET KABUSHIKI KAISHA, JAPAN
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 6: Other income		
Miscellaneous income	141	242
Foreign exchange fluctuation	2,402,208	1,413,810
	2,402,349	1,414,052
Schedule 7: Operating and other expenses		
Communication costs	166,139	160,352
Legal and professional expenses	340,582	278,204
Rates and taxes	40,952	36,178
Management fees	1,146,262	959,871
	1,693,935	1,434,605
Schedule 8: Financial expenses		
Bank charges	83,283	68,925
	83,283	68,925

Schedule – 9: Notes to account

1. Company Overview

ECnet Kabushiki Kaisha (the “Company”) is a wholly owned subsidiary of ECnet Ltd. a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The address of the registered office is 1-6-17 Godo Build. 6 F Kaji-cho, Chiyoda-ku Tokyo Japan 101-0044.

The main object of the Company is to provide services of Supply Chain Management through Internet.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates.

(c) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(d) Revenue recognition

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

Rendering of services

Revenue from rendering of services that are of short duration is recognized when the services are completed.

Subscriptions

Revenue from subscription services includes one-time activation and set-up charges, monthly subscription charges and usages fees. Revenue from one-time activation and set-up charges is recognized when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognized over the term of the subscription period which coincides with the financials year end. Usage fees are recognized on an accrual basis.

Other services

Revenue from provision of information technology related services is recognized when the services is performed, completed and accepted by the customers.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(e) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The functional currency of the Company is Japanese yen (JPY) but the financial statement has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income and expense during the year ended December 31, 2011, the rates used were JPY 1= Rs. 0.59. For translating assets and liabilities at the year-end, the rates used were JPY 1= Rs. 0.69.

For translating income and expense during the year ended December 31, 2010, the rates used were JPY 1= Rs. 0.52. For translating assets and liabilities at the year-end, the rates used were JPY 1= Rs. . 0.55.

(f) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(g) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

The Company is wholly owned subsidiary of ECnet Limited (subsidiary of R Systems International limited), Singapore and having five fellow subsidiary companies under the holding of same management:

- (a) ECnet Systems (Thailand) Co. Ltd., Thailand
- (b) ECnet (M) Sdn Bhd, Malaysia
- (c) ECnet (Shanghai) Co. Ltd., People's Republic of China
- (d) ECnet (Hong Kong) Ltd., Hong Kong
- (e) ECnet, Inc., USA

Other fellow subsidiary companies

- (a) R Systems (Singapore) Pte Ltd, Singapore
- (b) R Systems, Inc., USA
- (c) Indus Software, Inc., USA
- (d) R Systems Solutions, Inc., USA
- (e) R Systems N.V., Belgium
- (f) R Systems Europe B.V., Netherlands
- (g) R Systems S.A.S., France
- (h) Computaris International limited,UK (w.e.f January 26, 2011)

Following are the subsidiaries of Computaris International Limited

- (a) Computaris limited,UK
- (b) Computairs Romania S.R.L.,Romania
- (c) Computaris Polska sp Zoo, Poland
- (d) ICS Computairs International S.R.L., Moldova
- (e) Computaris Malaysian SDN.BHD., Malaysia
- (f) Computaris USA LLC, USA

Key management personnel

- (a) Vijay Ganpati Kale, Director
- (b) Cai Li Ting, Director
- (c) Chan Kum Ming, Director
- (d) Tarun Shankar Mathur, Director (Resigned in 2011)

ECNET KABUSHIKI KAISHA, JAPAN
NOTES TO ACCOUNT

- (a) Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

(Amount in Rs.)

TRANSACTIONS	For the year ended December, 31	
	2011	2010
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	36,624	8,694
b). Management Fees Paid	1,146,262	959,871

- (b) Inter-companies balances as at December 31, 2011 and December 31, 2010:

(Amount in Rs.)

OUTSTANDING BALANCES	As at December, 31	
	2011	2010
<u>ECnet Limited, Singapore</u>		
- Amount Payables	24,133,654	23,395,816

4. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
5. No Staff Cost was incurred during the year. None of the directors have received any fees or emoluments in respect of their services rendered to the Company during the year.
6. The Company recorded a net profit of Rs 3,926,802 during the financial year ended 31 December, 2011, and as at that date Company's current and total liabilities exceeded its current and total assets by Rs. 23,743,015. These factors indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as going concern. The ability of the company to continue as a going concern depends on the holding company undertaking to provide continuing financial support to enable the company to continue as a going concern.

If the Company is unable to continue in operational existence for the foreseeable future, the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

ECNET KABUSHIKI KAISHA, JAPAN
NOTES TO ACCOUNT

7. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of ECnet Kabushiki
Kaisha, Japan

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 9, 2012

Place: Singapore
Date : February 9, 2012

Place: Singapore
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
EC Net (Shanghai) Co. Ltd., Shanghai

We have audited the attached Balance Sheet of EC Net (Shanghai) Co. Ltd., China a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2011 also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - ii) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

PLACE : NEW DELHI
DATED: February 9, 2012

Sd/-
CA. S.K. RELAN
Membership No.12149

ECNET (SHANGHAI) CO. LTD., SHANGHAI
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	9,122,099	9,122,099
TOTAL		9,122,099	9,122,099
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	2,048,873	1,610,210
Less : Accumulated depreciation / amortisation		1,815,763	1,333,215
Net block		233,110	276,995
Current assets, loans and advances			
Sundry debtors	3	1,539,071	938,615
Cash and bank balances	4	14,401,003	11,847,314
Loans and advances	5	328,740	266,594
Other current Assets	6	-	118,826
(A)		16,268,814	13,171,349
Less : Current liabilities and provisions			
Current liabilities	7	29,346,383	22,153,685
Provisions	8	95,353	154,094
(B)		29,441,736	22,307,779
Net current assets (A-B)		(13,172,922)	(9,136,430)
Reserves & Surplus	9	22,061,911	17,981,534
TOTAL		9,122,099	9,122,099
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (Shanghai) Co. Ltd., Shanghai

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET (SHANGHAI) CO. LTD., SHANGHAI
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Revenue		22,140,107	22,837,914
Other income	10	63,366	43,654
TOTAL		22,203,473	22,881,568
EXPENDITURE			
Personnel expenses	11	8,853,377	6,890,837
Operating and other expenses	12	14,894,931	13,616,963
Depreciation / amortisation	2	147,040	152,749
Finance expenses	13	33,224	38,140
TOTAL		23,928,572	20,698,689
Profit / (loss) before tax		(1,725,099)	2,182,879
Current Tax expense		-	-
Profit / (loss) after tax		(1,725,099)	2,182,879
Notes to accounts	14		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and behalf of the Board of Directors of
ECnet (Shanghai) Co. Ltd., Shanghai

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET (SHANGHAI) CO. LTD., SHANGHAI
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(1,725,099)	2,182,879
Adjustments for:		
Depreciation / amortisation	147,040	152,749
Bad debts	53,733	6,461
Unrealised foreign exchange loss / (gain)	(2,395,125)	(28,340)
Interest income	(63,366)	(43,654)
Operating profit before working capital changes	(3,982,817)	2,270,095
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(654,189)	770,150
Decrease / (Increase) in loans and advances	(62,146)	40,523
Decrease / (Increase) in other current assets	118,826	
Increase / (Decrease) in provisions	-	23,091
Increase / (Decrease) in current liabilities	7,192,698	(1,666,259)
Cash generated from operations	2,612,372	1,437,600
Less: Taxes Paid	58,741	-
Net cash from operating activities	2,553,631	1,437,600
B. Cash flows used in investing activities		
Purchase of fixed assets	(63,308)	(239,074)
Interest received	63,366	43,654
Net cash used in investing activities	58	(195,420)
C. Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	2,553,689	1,242,180
Cash and cash equivalents at the beginning of the year	11,847,314	10,605,134
Cash and cash equivalents at the end of the year	14,401,003	11,847,314

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
ECnet (Shanghai) Co. Ltd., Shanghai

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

ECNET (SHANGHAI) CO. LTD., SHANGHAI
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December	As at December
	31, 2011	31, 2010
	Rs.	Rs.
Schedule 1: Share capital		
Shares of No Par Value	9,122,099	9,122,099
	9,122,099	9,122,099

ECNET (SHANGHAI) CO. LTD., SHANGHAI
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 2: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.1.2011	ADDITION DURING 2011	SALE/ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 1.1.2011	FOR THE 2011	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
Computer Hardware	645,610	63,308	150,498	859,415	415,413	119,265	116,889	651,567	207,848	230,197
Furniture & Fixtures	459,305	-	107,069	566,374	459,305	-	107,069	566,374	-	-
Office & Electrical Equipments	505,295	-	117,789	623,084	458,497	27,775	111,550	597,822	25,262	46,798
Total	1,610,210	63,308	375,356	2,048,873	1,333,215	147,040	335,508	1,815,763	233,110	276,995
Previous Year	4,468,026	239,074	(3,096,890)	1,610,210	4,274,116	152,749	(3,093,650)	1,333,215	276,995	193,910

ECNET (SHANGHAI) CO. LTD., SHANGHAI
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Schedule 3: Sundry debtors		
Debts outstanding for more than six months		
Unsecured, considered good	202,377	11,705
Considered doubtful	-	-
Other debts		
Unsecured, considered good	1,336,694	926,910
Considered doubtful	-	-
	1,539,071	938,615
Less : Provision for doubtful debts	-	-
	1,539,071	938,615
Schedule 4: Cash and bank balances		
Cash on hand	130,951	94,335
Balance with non schedule banks	14,270,052	11,752,979
	14,401,003	11,847,314
Schedule 5: Loans and advances (Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	75,510	61,235
Deposits - others	253,230	205,359
	328,740	266,594
Schedule 6: Other Current Assets		
Unbilled revenue	-	118,826
	-	118,826
Schedule 7: Current liabilities		
Sundry creditors	92,851	75,298
Advance from Customer	-	38
Payables to ECnet Limited	29,253,532	22,078,349
	29,346,383	22,153,685
Schedule 8: Provisions		
Income tax	95,353	154,094
	95,353	154,094
Schedule 9 : Reserves & Surplus		
Profit and loss account		
Carry forward Losses as per the last account	13,745,798	15,928,677
Add: Transfer of (profit) / loss from Profit and Loss Account	1,725,099	(2,182,879)
	15,470,897	13,745,798
Foreign currency translation reserve		
Balance as per last account	4,235,736	4,322,981
Add: Current year translation differences	2,355,278	(87,245)
	6,591,014	4,235,736
	22,061,911	17,981,534

ECNET (SHANGHAI) CO. LTD., SHANGHAI
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
Schedule 10: Other income		
Interest	63,366	43,654
	63,366	43,654
Schedule 11: Personnel expenses		
Salaries, wages and bonus	5,899,056	4,696,874
Contribution to provident fund and other funds	2,954,321	2,193,963
	8,853,377	6,890,837
Schedule 12: Operating and other expenses		
Recruitment and training expenses	5,781	16,186
Repair and maintenance	39,020	36,419
Travelling and conveyance	550,050	556,748
Rent - premises	867,120	809,304
Power and fuel	41,409	40,397
Communication costs	301,693	275,767
Printing and stationery	144,692	201,883
Foreign exchange fluctuation (net)	(1,055,203)	(297,962)
Legal and professional expenses	7,172,552	6,788,470
Bad debts	53,733	6,461
Rates and taxes	1,257,686	1,167,328
Management Fees	5,516,398	4,015,962
	14,894,931	13,616,963
Schedule 13: Financial expenses		
Bank charges	33,224	38,140
	33,224	38,140

ECNET (SHANGHAI) CO. LTD., SHANGHAI
NOTES TO ACCOUNTS

Schedule 14: Notes to accounts

1. Company Overview

ECnet (Shanghai) Co. Ltd. (the "Company") is a wholly owned subsidiary of ECnet Ltd. a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The address of the registered office is Rm H, 20th Floor, Foresight Mansion, No. 768, Xie Tu Rd, Shanghai 200023, People's Republic of China.

The main object of the Company is to provide services of Supply Chain Management through Internet

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Computer Hardware	3 years
Furniture & fixture	5 years
Office & electrical Equipment	3 years
Leasehold Improvements	5 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) Revenue recognition

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

Rendering of services

Revenue from rendering of services that are of short duration is recognized when the services are completed.

Subscriptions

Revenue from subscription services includes one-time activation and set-up charges, monthly subscription charges and usages fees. Revenue from one-time activation and set-up charges is recognized when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognized over the term of the subscription period which coincides with the financial year end. Usage fees are recognized on an accrual basis.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Other services

Revenue from provision of information technology related services is recognized when the services is performed, completed and accepted by the customers.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(e) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The functional currency of the Company is Chinese Yuan Renminbi (CNY) but the financial statement has been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income and expense during the year ended December 31, 2011, the rates used were CNY 1= Rs. 7.23. For translating assets and liabilities at the year-end, the rates used were CNY 1= Rs. 8.44.

For translating income and expense during the year ended December 31, 2010, the rates used were CNY 1= Rs. 6.74. For translating assets and liabilities at the year-end, the rates used were CNY 1= Rs. 6.85.

ECNET (SHANGHAI) CO. LTD., SHANGHAI
NOTES TO ACCOUNTS

(f) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(g) **Employee benefits**

Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(h) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

Holding Company	ECnet Limited, Singapore
Fellow Subsidiaries	ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (M) Sdn Bhd, Malaysia ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International limited,UK (w.e.f January 26, 2011) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA LLC, USA
Key Management Personnel	Chan Kum Ming, Director Tarun Shankar Mathur, Director (Resigned in 2011)

ECNET (SHANGHAI) CO. LTD., SHANGHAI
NOTES TO ACCOUNTS

- (a) Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

TRANSACTIONS	(Amount in Rs.)	
	For the year ended December, 31	
	2011	2010
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	6,988,289	6,627,364
b). Management Fees Paid	5,516,398	4,015,962
c.) Services Rendered	682,472	-

- (b) Inter-companies balances as at December 31, 2011 and December 31, 2010:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2011	2010
<u>ECnet Limited, Singapore</u>		
- Amount Payables	29,253,526	22,078,349

4. Leases - In case of assets taken on lease

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Lease payments for the year	867,120	809,304
Minimum Lease Payments:		
Not later than one year	379,845	821,436
Later than one year but not later than five years	-	308,039
Later than five years	-	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. None of the operating lease arrangements have price escalation clause.

5. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. During the year ended December 31 2011 and 2010, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
6. The Company incurred a net loss of Rs. 1,725,099 during the financial year ended 31 December, 2011, and as at that date Company's current liabilities exceeded its current assets by Rs.13, 172,922 and its total liabilities exceeded its total assets by Rs.12, 939,812. These factors indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as going concern. The ability of the company to continue as a going concern depends on the holding company undertaking to provide continuing financial support to enable the company to continue as a going concern.

If the Company is unable to continue in operational existence for the foreseeable future, the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

ECNET (SHANGHAI) CO. LTD., SHANGHAI
NOTES TO ACCOUNTS

7. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and behalf of the Board of Directors of ECnet (Shanghai) Co. Ltd.,
Shanghai

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Chan Kum Ming
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Singapore
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
Computaris International Limited, UK

We have audited the attached Balance Sheet of Computaris International Limited, a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the period ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the period ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

COMPUTARIS INTERNATIONAL LIMITED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31, 2011 Rs.
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	58,100
Reserve and surplus	2	232,259,614
TOTAL		232,317,714
APPLICATION OF FUNDS		
Fixed assets		
Gross block	3	608,740
Less : Accumulated depreciation		315,582
Net block		293,158
Investments	4	967,692
Current assets, loans and advances		
Sundry debtors	5	122,054,535
Cash and bank balances	6	104,516,415
Other current assets	7	41,308,124
Loans and advances	8	23,594,798
(A)		291,473,872
Less : Current liabilities and provisions		
Current liabilities	9	16,433,420
Provisions	10	43,983,588
(B)		60,417,008
Net current assets (A-B)		231,056,864
TOTAL		232,317,714
Notes to accounts	15	

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of Computaris International Limited

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 9, 2012

Place : South Sudan
Date : February 9, 2012

Place: Bucharest
Date : February 9, 2012

COMPUTARIS INTERNATIONAL LIMITED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Profit and Loss Account for the period ended December 31, 2011

	Schedules	For the period ended December 31, 2011 Rs.
INCOME		
Revenue		711,852,639
Other income	11	8,588,272
TOTAL		720,440,911
EXPENDITURE		
Personnel expenses	12	12,045,548
Operating and other expenses	13	658,964,181
Depreciation	3	127,456
Finance expenses	14	498,352
TOTAL		671,635,537
Profit before tax		48,805,374
Current tax expenses		12,017,507
Total tax expense		12,017,507
Profit after tax		36,787,867
Notes to accounts	15	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of Computaris International Limited

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date: February 9, 2012

Place : South Sudan
Date : February 9, 2012

Place : Bucharest
Date : February 9, 2012

COMPUTARIS INTERNATIONAL LIMITED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Cash Flow Statement for the period ended December 31, 2011

For the Period ended
December 31, 2011
Rs.

A. Cash flow from operating activities	
Net profit/(loss) before taxation	48,805,374
Adjustments for:	
Depreciation	127,456
Debts and advances provided / written off	(8,587,672)
Unrealised foreign exchange (loss) / gain	25,621,644
Interest income	(600)
Operating profit/(loss) before working capital changes	65,966,202
Movements in working capital :	
Decrease / (Increase) in sundry debtors	28,015,643
Decrease / (Increase) in other current assets	(13,078,133)
Decrease / (Increase) in loans and advances	(11,025,226)
Increase / (Decrease) in current liabilities	(8,546,896)
Cash generated from operations	61,331,590
Less: Taxes Paid	5,900,667
Net cash from operating activities	55,430,923
B. Cash flows used in investing activities	
Purchase of fixed assets	(111,218)
Interest received	600
Net cash used in investing activities	(110,618)
C. Cash flows used in financing activities	
Net cash from used in financing activities	-
Net increase in cash and cash equivalents (A + B + C)	55,320,305
Cash and cash equivalents at the beginning of the year	49,196,110
Cash and cash equivalents at the end of the year	104,516,415

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of Computaris International Limited

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 9, 2012

Place : South Sudan
Date : February 9, 2012

Place : Bucharest
Date : February 9, 2012

COMPUTARIS INTERNATIONAL LIMITED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.
Schedule 1: Share capital	
<u>Authorised Share Capital</u> 80,000 Shares of .01 GBP each	GBP 800
<u>Issued, subscribed and paid up capital</u> 80,000 Shares Stock of .01 GBP each	58,100
	58,100
Schedule 2: Reserves and surplus	
Profit and Loss account	
Opening Balance	169,712,932
Add: Transfer of profit / (loss) from Profit and loss account	36,787,867
	206,500,799
Foreign currency translation reserve	
Current year translation differences	25,758,815
	25,758,815
Total	232,259,614

COMPUTARIS INTERNATIONAL LIMITED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK			TOTAL 31.12.2011	DEPRECIATION			AS AT 31.12.2011	NET BLOCK AS AT 26.01.2011
	AS ON 26.1.2011	ADDITION DURING THE PERIOD	ADJUSTMENT DURING THE PERIOD		UPTO 26.1.2011	FOR THE PERIOD	Deletions		
Computer hardware	439,817	111,218	(57,705)	608,740	155,563	127,456	(32,563)	315,582	293,158
TOTAL	439,817	111,218	(57,705)	608,740	155,563	127,456	(32,563)	315,582	293,158

COMPUTARIS INTERNATIONAL LIMITED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.
Schedule 4: Investments	
Long term investments (at cost)	
Other than trade, unquoted	
Computaris Limited	65,712
Computaris Polska sp zoo, Poland	843,562
ICS Computaris International SRL, Moldova	-
Computaris Romania srl, Romania	36,404
Computaris Malaysia Sdn. Bhd.	16,921
Computaris USA, LLC	5,093
	967,692
Schedule 5: Sundry debtors	
Debts outstanding for more than six months	
Unsecured, considered good	-
Considered doubtful	28,931,762
Other debts	
Unsecured, considered good	122,054,535
Considered doubtful	-
	150,986,297
Less : Provision for doubtful debts	28,931,762
	122,054,535
Schedule 6: Cash and bank balances	
Balance with non schedule banks	104,516,415
	104,516,415
Schedule 7: Other current assets	
Unbilled revenue	41,308,124
	41,308,124
Schedule 8: Loans and advances (Unsecured, considered good, except where otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	1,999,863
Advances receivables from R Systems International limited	1,816,444
Advances receivables from Computaris Polska, sp zoo.	12,996,766
Advances receivables from Computaris USA LLC	5,219,504
Deposits - others	1,562,221
	23,594,798
Less Provision for doubtful advance	-
	23,594,798
Schedule 9: Current liabilities	
Sundry creditors	4,172,383
Payable to Computaris Romania S.R.L.	11,784,379
Other liabilities	476,658
	16,433,420
Schedule 10: Provisions	
Provision for income tax	43,983,588
	43,983,588

COMPUTARIS INTERNATIONAL LIMITED
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

For the period ended
December 31, 2011
Rs.

Schedule 11: Other income

Interest Income	600
Provision for doubtful debts and advances written back	8,587,672
	8,588,272

Schedule 12: Personnel expenses

Salaries, wages and bonus	11,836,745
Contribution to statutory and other funds	208,803
	12,045,548

Schedule 13: Operating and other expenses

Recruitment and training expenses	2,084,202
Travelling and conveyance	3,318,424
Insurance	1,846,010
Rent - premises	470,762
Communication costs	1,945,425
Printing and stationery	77,973
Advertising and sales promotion	4,873,610
Legal and professional expenses	637,913,056
Foreign exchange fluctuation (net)	6,095,311
Rates and taxes	145,075
Miscellaneous expenses	194,333
	658,964,181

Schedule 14: Financial expenses

Bank charges	498,352
	498,352

SCHEDULE – 15: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

Computaris International Limited, Inc., (The "Company") is a wholly owned subsidiary of R Systems International Limited a company incorporated in India. The Company provides real time communication software solutions and associated services. The company is heavily committed to research and development activities in the field of real time communication software solutions. Computaris is having subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA. Computaris international Limited is a limited company incorporated and domiciled in England and wales on November 16, 2006 having its registered office at 11 Queens Road, Brentwood Essex CMI4 4HE, UK.

As at January 26, 2011, R Systems International Limited has acquired all the share capital of Computaris International Limited. Since then it became the wholly owned subsidiary of R Systems International Limited and accordingly the accounts are being prepared from January 26, 2011 to December 31, 2011.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Computer hardware	4 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the

year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

(f) Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) Revenue recognition

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

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year

Computairs International Limited, UK
NOTES TO ACCOUNTS

ended December 31, 2011, the rates used were GBP 1= Rs. 74.97. For translating assets and liabilities at the year-end, the rates used were GBP 1= Rs. 82.14.

For translating cash flows items, during the period ended January 31, 2011, the rates used were GBP 1= Rs. 72.62.

(i) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(j) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(k) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(l) Intangibles

Computer software

Costs relating to acquired software are capitalized and amortized on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

3. Related Party Disclosures

(i) Names of related parties where control exists irrespective of whether transactions have occurred or not:

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore
	R Systems, Inc., USA
	R Systems Solutions, Inc.,USA
	R Systems N.V., Belgium
	R Systems Europe B.V., Netherlands
	R Systems S.A.S., France
	ECnet Ltd, Singapore

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
 ECnet Systems (Thailand) Co. Ltd., Thailand
 ECnet (Shanghai) Co. Ltd., People's Republic of China
 ECnet (Hong Kong) Ltd., Hong Kong
 ECnet, Inc., USA
 ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK
 Computaris Romania S.R.L.,Romania
 Computaris Polska sp Zoo, Poland
 ICS Computaris International S.R.L., Moldova
 Computaris Malaysian SDN.BHD., Malaysia

Key management personnel	Computaris USA LLC, USA
	Satinder Singh Rekhi, Director
	Ian Adrian Tidder, Director
	Irina Arsene, Director
	Bogdan Mihai Danila, Director
	Raluca Marina Rusu, Director

Enterprises owned or significantly influenced by key management personnel or their relatives

Sl. No.	Name of Enterprises	Related to	Relationship
1	Euro IT Limited	Ian Adrian Tidder	Sole shareholder of Euro IT Limited

Computairs International Limited, UK
 NOTES TO ACCOUNTS

(ii) Details of transactions with related parties for year ended December 31, 2011 is as follow:

Particulars	(Amount in Rs.) December 31, 2011
Services rendered to	
R Systems International Limited	7,917,329
Computer consultancy services received from	
Computairs Romania S.R.L.,Romania	457,372,214
Computaris Polska sp Zoo, Poland	68,872,541
ICS Computairs International S.R.L., Moldova	68,791,344
Computaris Malaysian SDN.BHD., Malaysia	10,659,503
Computaris USA LLC, USA	13,568,045
Total	619,263,647
Balance outstanding as at the year end	December 31, 2011
Amount Payable	
Computaris Romania S.R.L.	11,784,379
Amount Receivable	
Computaris USA LLC	5,219,504
Computaris Polska sp Zoo (including outstanding loan)	12,996,766
R Systems International Limited	1,816,444
Support services received from relative parties	
Euro IT Limited	11,388,026
Remuneration to key management personnel	December 31, 2011
Ian Adrian Tidder	1,949,324
Arsene Irina	701,007
Raluca Marina Rusu	701,007
Bogdan Mihai Danila	701,007
Michal Misiaszek	701,007
Total	4,753,478

Details of Loan given to Computaris Polska sp Zoo, Poland, a fellow subsidiary:

- The outstanding amount due is Rs.12,996,766 (equivalent to GBP 158,227) as at December 31, 2011 respectively.
- The maximum amount due is Rs. 12,996,766. (Equivalent to GBP 158,227) during the year 2011.
- The amount due are non-trade, interest is charged at 10% per annum and are due on demand.

Computairs International Limited, UK
NOTES TO ACCOUNTS

4. Leases - In case of assets taken on lease

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.
Lease payments for the year	470,762
Minimum Lease Payments:	-
Not later than one year	-
Later than one year but not later than five years	-
Later than five years	-

5. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Computaris
International Limited, UK

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 9, 2012

Place : South Sudan
Date : February 9, 2012

Place : Bucharest
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
Computaris Limited, UK

We have audited the attached Balance Sheet of Computaris Limited, a wholly-owned subsidiary of Computaris International Limited, as at 31st December, 2011 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, for the period ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 09, 2012

COMPUTARIS LIMITED, U.K.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31 , 2011 Rs.
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	58,096
TOTAL		58,096
Reserve and surplus	2	58,096
TOTAL		58,096
Notes to accounts	3	

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Computaris
Limited

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 9, 2012

Place: South Sudan
Date : February 9, 2012

Place : Bucharest
Date : February 9, 2012

COMPUTARIS LIMITED, U.K.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the period ended December 31, 2011

	Schedules	For the year ended December 31, 2011 Rs.
INCOME		
Revenue		-
TOTAL		-
EXPENDITURE		
Personnel expenses		-
TOTAL		-
Profit before tax		
Current tax expenses		-
Total tax expense		-
Profit after tax		
Notes to accounts	3	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of R Systems, Inc.

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 9, 2012

Place: South Sudan
Date : February 9, 2012

Place : Bucharest
Date: February 9, 2012

COMPUTARIS LIMITED, U.K.
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

As at December
31, 2011
Rs.

Schedule 1: Share capital

Authorised Share Capital

80,000 Ordinary shares of 0.01 GBP each

GBP 800

Issued, subscribed and paid up capital

80,000 Ordinary shares of 0.01 GBP each

58,096

58,096

Schedule 2: Reserves and surplus

Profit and Loss account

Balance as per last account

58,096

SCHEDULE – 3: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

Computaris Limited, (The "Company") is a wholly owned subsidiary of Computaris International Limited which is again a subsidiary of R System International Limited company w.e.f January 26, 2011, a company incorporated in India. The Company provides real time communication software solutions and associated services.

Computaris International Limited is a limited company incorporated and domiciled in England and Wales on February 9, 1992 having its registered office at 11 Queens Road, Brentwood Essex CMI4 4HE, UK.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Revenue recognition

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

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

Computaris Limited, UK
NOTES TO ACCOUNTS

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were GBP 1= Rs. 74.97. For translating assets and liabilities at the year-end, the rates used were GBP 1= Rs. 82.14.

For translating cash flows items, during the period ended January 31, 2010, the rates used were GBP 1= Rs. 72.62.

(i) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(j) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(k) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Related Party Disclosures

(i) Names of related parties where control exists irrespective of whether transactions have occurred or not:

Holding Company	Computaris International limited,UK (wholly owned subsidiary of R Systems International Limited, India)
Other Subsidiaries in Group	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc.,USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computairs Romania S.R.L.,Romania
Computaris Polska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA LLC, USA

Key management personnel	Ian Adrian Tidder, Director Bogdan Mihai Danila, Director
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4. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Indus Software, Inc., USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 9, 2012

Place: South Sudan
Date : February 9, 2012

Place: Bucharest
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
Computaris Romania SRL, Romania

We have audited the attached Balance Sheet of Computaris Romania SRL, Romania, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the period ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the period ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

COMPUTARIS ROMANIA S.R.L.,ROMANIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31 , 2011 Rs.
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	23,429
Reserve and surplus	2	38,023,465
TOTAL		38,046,894
APPLICATION OF FUNDS		
Fixed assets		
Gross block	3	51,145,372
Less : Accumulated depreciation / amortisation		37,086,642
Net block		14,058,730
Current assets, loans and advances		
Sundry debtors	4	3,712,356
Cash and bank balances	5	18,236,660
Loans and advances	6	22,953,523
(A)		44,902,539
Less : Current liabilities and provisions		
Current liabilities	7	15,149,502
Provisions	8	5,764,873
(B)		20,914,375
Net current assets (A-B)		23,988,164
TOTAL		38,046,894
Notes to accounts	13	

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
Computairs Romania Srl.,Romania

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 9, 2012

Place : South Sudan
Date: February 9, 2012

COMPUTARIS ROMANIA S.R.L.,ROMANIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the period ended December 31, 2011

	Schedules	For the period ended December 31, 2011 Rs.
INCOME		
Revenue		429,699,288
Other income	9	2,313,692
TOTAL		432,012,980
EXPENDITURE		
Personnel expenses	10	337,721,952
Operating and other expenses	11	62,975,283
Depreciation /amortisation	3	12,250,787
Finance expenses	12	1,448,511
TOTAL		414,396,533
Profit / (loss) before tax		17,616,447
Current tax expenses / (credit)		4,157,403
Total tax expense		4,157,403
Profit / (loss) after tax		13,459,044
Notes to accounts	13	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors of
Computairs Romania Srl.,Romania

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 9, 2012

Place : South Sudan
Date: February 9, 2012

COMPUTARIS ROMANIA S.R.L.,ROMANIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the period ended December 31, 2011

For the period ended December 31, 2011

Rs.

A. Cash flow from operating activities	
Net profit/(loss) before taxation	17,616,447
Adjustments for:	
Depreciation / amortization	12,250,787
Unrealised foreign exchange (loss) / gain	1,238,386
Interest income	(199,130)
Operating profit/(loss) before working capital changes	30,906,490
Movements in working capital :	
Decrease / (Increase) in sundry debtors	(3,712,356)
Decrease / (Increase) in other current assets	35,685
Decrease / (Increase) in loans and advances	(9,654,853)
Increase / (Decrease) in provisions	2,314,665
Increase / (Decrease) in current liabilities	1,261,612
Cash generated from operations	21,151,243
Less: Taxes Paid	5,033,572
Net cash from operating activities	16,117,671
B. Cash flows used in investing activities	
Purchase of fixed assets	(7,538,801)
Interest received	199,130
Net cash used in investing activities	(7,339,671)
C. Cash flows used in financing activities	
Net cash from used in financing activities	-
Net increase in cash and cash equivalents (A + B + C)	8,778,000
Cash and cash equivalents at the beginning of the year	9,458,660
Cash and cash equivalents at the end of the year	18,236,660

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date: February 9, 2012

For and on behalf of the Board of Directors of
Computairs Romania Srl.,Romania

Sd/-
Ian Adrian Tidder
[Director]

Place : South Sudan
Date: February 9, 2012

COMPUTARIS ROMANIA S.R.L.,ROMANIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December
	31, 2011
	Rs.
<hr/>	
Schedule 1: Share capital	
<u>Authorised Share Capital</u>	
100 Shares of RON 16 each	RON 1600
<hr/>	
<u>Issued, subscribed and paid up capital</u>	
100 Shares of RON 16 each	23,429
	23,429
<hr/>	
Schedule 2: Reserves and surplus	
Profit and Loss account	
Opening balance	18,868,589
Add: Transfer of profit from Profit and loss account	13,459,044
	32,327,633
<hr/>	
Foreign currency translation reserve	
Current year translation differences	2,311,029
	2,311,029
<hr/>	
Capital Reserve	3,384,803
<hr/>	
Total	38,023,465
<hr/>	

COMPUTARIS ROMANIA S.R.L.,ROMANIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	AS ON 26.01.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 26.01.2011	FOR THE THE YEAR	DELETIONS/ ADJUSTMENT	AS AT 31.12.2011	AS AT 31.12.2011	AS AT 26.01.2011
Leasehold Improvement	1,622,723	-	(136,861)	1,759,584	585,544	883,288	(77,749)	1,546,581	213,003	1,037,179
Computer hardware	28,962,478	5,176,752	(2,442,713)	36,581,943	16,932,550	9,196,294	(1,723,407)	27,852,251	8,729,692	12,029,928
Furniture & fixtures	1,062,672	82,470	(89,627)	1,234,769	714,534	74,012	(62,642)	851,188	383,581	348,138
Office & electrical equipments	900,530	170,466	(75,951)	1,146,947	397,953	366,093	(45,319)	809,365	337,582	502,577
Computer Software	7,375,196	2,424,904	(622,029)	10,422,129	3,910,735	1,731,100	(385,422)	6,027,257	4,394,872	3,464,461
SUB TOTAL	39,923,599	7,854,592	(3,367,181)	51,145,372	22,541,316	12,250,787	(2,294,539)	37,086,642	14,058,730	17,382,283
Others-WIP	315,791	-	315,791	-	-	-	-	-	-	315,791
TOTAL	40,239,390	7,854,592	(3,051,390)	51,145,372	22,541,316	12,250,787	(2,294,539)	37,086,642	14,058,730	17,698,074

COMPUTARIS ROMANIA S.R.L.,ROMANIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.
Schedule 4: Sundry debtors	
Debts outstanding for more than six months	
Unsecured, considered good	-
Considered doubtful	-
Other debt	
Unsecured, considered good	3,712,356
Considered doubtful	-
	3,712,356
Less : Provision for doubtful debts	-
	3,712,356
Schedule 5: Cash and bank balances	
Balance with non schedule banks	18,236,660
	18,236,660
Note: Balances amounting to Rs.59,876 has been restricted with non schedule bank.	
Schedule 6: Loans and advances	
(Unsecured, considered good, except where otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	3,836,189
Advances recoverable from Computaris International limited	15,141,483
Other Deposit	4,088,220
	23,065,892
Less : Provision for doubtful advance	112,369
	22,953,523
Schedule 7: Current liabilities	
Sundry creditors	1,768,238
Advance from customers	1,201,457
Other liabilities	12,179,807
	15,149,502
Schedule 8.: Provisions	
Provision for Income tax	310,939
Provision for Employee bonus	5,453,934
	5,764,873

COMPUTARIS ROMANIA S.R.L.,ROMANIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

For the period ended
December 31, 2011
Rs.

Schedule 9: Other income

Interest Income	199,130
Miscellaneous income	2,114,562
	2,313,692

Schedule 10: Personnel expenses

Salaries, wages and bonus	266,843,172
Contribution to statutory and other funds	70,878,780
	337,721,952

Schedule 11: Operating and other expenses

Recruitment and training expenses	2,735,737
Travelling and conveyance	10,923,948
Insurance	162,194
Repair and maintenance	2,522,638
Rent - premises	20,456,228
Power and fuel	856,197
Communication costs	3,711,497
Printing and stationery	1,074,280
Advertising and sales promotion	4,341,380
Legal and professional expenses	13,229,671
Foreign exchange fluctuation (net)	1,287,287
Bad Debts	385
Miscellaneous expenses	1,673,841
	62,975,283

Schedule 12: Financial expenses

Bank charges	1,448,511
	1,448,511

COMPUTARIS ROMANIA SRL, ROMANIA

NOTES TO ACCOUNTS

ISCHEDULE – 13: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

Computaris Romania SRL, Romania, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris Romania SRL is a limited company incorporated and domiciled in Romania on November 06, 2001 having its registered office is Str. Gheorghe Manu, Nr. 5, Parter, Camera 2, Sector1, Bucuresti, and Cod. 010442, Romania.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

Category of fixed assets

Estimated useful life

Leasehold Improvement	Lease Period or useful life, whichever is lower
Office and electrical equipment's	3-20 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

COMPUTARIS ROMANIA SRL, ROMANIA

NOTES TO ACCOUNTS

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

(f) **Leases**

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) **Revenue recognition**

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

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) **Foreign currency translation**

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

COMPUTARIS ROMANIA SRL, ROMANIA

NOTES TO ACCOUNTS

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were RON 1= Rs. 15.38. For translating assets and liabilities at the year-end, the rates used were RON 1= Rs. 15.88.

For translating cash flows items, during the period ended January 31, 2011, the rates used were RON 1= Rs. 14.64.

(i) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(j) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(k) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(l) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

COMPUTARIS ROMANIA SRL, ROMANIA
NOTES TO ACCOUNTS

3. Related Party Disclosures

(i) Names of related parties where control exists irrespective of whether transactions have occurred or not:

Holding Company	Computaris International limited,UK (wholly owned subsidiary of R Systems International Limited, India)
Other Subsidiaries in Group	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc.,USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris USA, LLC
Computaris Polska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris Limited, UK

Key Management Personnel Ian Adrian Tidder, Director

(ii) Details of transactions with related parties for year ended December 31, 2011:

	(Amount in Rs.)
Particulars	December 31, 2011
Computaris International Limited	
Services rendered	422,351,551
Account Receivables	15,141,483

4. Leases - In case of assets taken on lease

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011
	Rs.
Lease payments for the year	20,456,228
Minimum Lease Payments:	
Not later than one year	2,292,897
Later than one year but not later than five years	-
Later than five years	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

COMPUTARIS ROMANIA SRL, ROMANIA
NOTES TO ACCOUNTS

5. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Computaris Romania Srl,
Romania

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date : February 9, 2012

Place : South Sudan
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
Computaris Polska sp zo.o., Poland

We have audited the attached Balance Sheet of Computaris Polska sp z o.o., Poland, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the period ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the period ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

COMPUTARIS POLSKA, SP Z.O.O., POLAND**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Balance Sheet as at December 31, 2011**

	Schedules	As at December 31 , 2011 Rs.
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	804,450
Reserve and surplus	2	42,529,920
TOTAL		43,334,370
APPLICATION OF FUNDS		
Fixed assets		
Gross block	3	7,160,004
Less : Accumulated depreciation / amortisation		5,062,428
Net block		2,097,576
Defferd tax Assets	4	8,088,277
Current assets, loans and advances		
Sundry debtors	5	230,409,177
Cash and bank balances	6	26,396,808
Other current assets	7	5,536,717
Loans and advances	8	15,803,388
(A)		278,146,090
Less : Current liabilities and provisions		
Current liabilities	9	242,807,773
Provisions	10	2,189,800
(B)		244,997,573
Net current assets (A-B)		33,148,517
TOTAL		43,334,370
Notes to accounts	15	

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date: February 9, 2012

For and on behalf of the Board of Directors
of Computaris polska, sp z.o.o., poland

Sd/-
Dariusz Górczyski
[Director]

Place : Warsaw
Date: February 9, 2012

Sd/-
Monika Borkowska
[Director]

Place : Warsaw
Date: February 9, 2012

COMPUTARIS POLSKA, SP Z.O.O., POLAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the period ended December 31, 2011

	Schedules	For the period ended December 31, 2011 Rs.
INCOME		
Revenue		235,020,096
Other income	11	896,859
TOTAL		235,916,955
EXPENDITURE		
Personnel expenses	12	56,197,829
Operating and other expenses	13	144,977,628
Depreciation /amortisation	3	863,622
Finance expenses	14	405,164
TOTAL		202,444,243
Profit / before tax		33,472,712
Current tax expenses		13,420,744
Deferred tax Credit		(8,352,679)
Total tax expense		5,068,065
Profit after tax		28,404,647
Notes to accounts	15	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of Computaris polska, sp z.o.o., poland

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Dariusz Górczyski
[Director]

Sd/-
Monika Borkowska
[Director]

Place : New Delhi
Date: February 9, 2012

Place : Warsaw
Date: February 9, 2012

Place : Warsaw
Date: February 9, 2012

COMPUTARIS POLSKA, SP Z.O.O., POLAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the period ended December 31, 2011

For the period ended
December 31, 2011
Rs.

A. Cash flow from operating activities	
Net profit/(loss) before taxation	33,472,712
Adjustments for:	
Depreciation / amortization	863,622
Loss on Sale of Assets	17,233
Debts and advances provided / written off	1,522,020
Unrealised foreign exchange (loss) / gain	(1,080,720)
Interest income	(79,923)
Interest expense	302,805
Excess provision written back	(617,578)
Operating profit/(loss) before working capital changes	34,400,171
Movements in working capital :	
Decrease / (Increase) in sundry debtors	(228,478,766)
Decrease / (Increase) in other current assets	(5,536,717)
Decrease / (Increase) in loans and advances	(4,592,564)
Increase / (Decrease) in provisions	184,298
Increase / (Decrease) in current liabilities	234,130,597
Cash generated from operations	30,107,019
Less: Taxes Paid	12,877,189
Net cash from operating activities	17,229,830
B. Cash flows used in investing activities	
Purchase of fixed assets	(854,903)
Proceeds from sale of fixed assets	2,665
Interest received	79,923
Net cash used in investing activities	(772,315)
C. Cash flows used in financing activities	
Interest paid	(302,805)
Net cash from used in financing activities	(302,805)
Net increase in cash and cash equivalents (A + B + C)	16,154,710
Cash and cash equivalents at the beginning of the year	10,242,098
Cash and cash equivalents at the end of the year	26,396,808

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date: February 9, 2012

For and on behalf of the Board of Directors
of Computaris polska, sp z.o.o., poland

Sd/-
Dariusz Górczyski
[Director]

Place : Warsaw
Date: February 9, 2012

Sd/-
Monika Borkowska
[Director]

Place : Warsaw
Date: February 9, 2012

COMPUTARIS POLSKA, SP Z.O.O., POLAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

As at December
31, 2011
Rs.

Schedule 1: Share capital

Authorised Share Capital

100 Shares of 500 PLN each

PLN 50000

Issued, subscribed and paid up capital

100 Shares of 500 PLN each

804,450

804,450

Schedule 2: Reserves and surplus

Profit and Loss account

Opening balance

(723,587)

Add: Transfer of profit / (loss) from Profit and loss account

28,404,647

27,681,060

Foreign currency translation reserve

Current year translation differences

(1,420,514)

(1,420,514)

Capital Reserve

16,269,374

Total

42,529,920

COMPUTARIS POLSKA, SP Z.O.O., POLAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 26.01.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 26.01.2011	FOR THE THE YEAR	DELETION/ ADJUSTMENTS	AS AT 31.12.2011	AS AT 31.12.2011	AS AT 26.01.2011
Computer hardware	5,035,197	660,482	391,491	5,304,188	2,864,357	819,632	296,473	3,387,516	1,916,672	2,170,840
Furniture & fixtures	205,505	-	9,069	196,436	187,501	11,415	8,555	190,361	6,075	18,004
Office & electrical equipments	674,161	194,421	29,749	838,833	661,419	32,575	29,990	664,004	174,829	12,742
Computer Software	858,429	-	37,882	820,547	858,429	-	37,882	820,547	-	-
TOTAL	6,773,292	854,903	468,191	7,160,004	4,571,706	863,622	372,900	5,062,428	2,097,576	2,201,586

COMPUTARIS POLSKA, SP Z.O.O., POLAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.
Schedule 4: Deferred tax assets / (liability) (net)	
Timing differences for deferred tax assets component	8,550,939
Gross deferred tax assets	8,550,939
Timing differences for deferred tax liability component	462,662
Gross deferred tax liability	462,662
Deferred tax assets / (liability) (net)	8,088,277
Schedule 5: Sundry debtors	
Debts outstanding for more than six months	
Unsecured, considered good	-
Considered doubtful	817,394
Other debts	
Unsecured, considered good	230,409,177
Considered doubtful	-
	231,226,571
Less : Provision for doubtful debts	817,394
	230,409,177
Schedule 6: Cash and bank balances	
Balance with non schedule banks	26,396,808
	26,396,808
Note:	
Balances amounting to Rs. 3,075,800 has been deposited as margin money with bank against derivative facilities taken from bank	
Schedule 7: Other current assets	
Unbilled revenue	5,536,717
	5,536,717
Schedule 8: Loans and advances	
Advances recoverable in cash or in kind or for value to be received	16,138,619
Mark-to-market on forward contracts	434,088
	16,572,707
Less Provision for doubtful advance	769,319
	15,803,388
Schedule 9: Current liabilities	
Sundry creditors	126,103,909
Amount payables to Computaris International Limited	13,337,099
Deferred Revenue	42,184,843
Other liabilities	61,181,922
	242,807,773
Schedule 10.: Provisions	
Provision for income tax	543,555
Provision for Employee Bonus	1,646,245
	2,189,800

COMPUTARIS POLSKA, SP Z.O.O., POLAND
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

For the period ended
December 31, 2011
Rs.

Schedule 11: Other income

Interest Income	79,923
Miscellaneous income	816,936
	896,859

Schedule 12: Personnel expenses

Salaries, wages and bonus	50,092,043
Contribution to statutory and other funds	5,781,475
Staff Welfare	324,311
	56,197,829

Schedule 13: Operating and other expenses

Recruitment and training expenses	-
Travelling and conveyance	2,786,517
Insurance	355,593
Repair and maintenance	405,070
Provision for doubtful debts and advances	1,522,020
Membership & Subscription Fees	684,714
Rent - premises	3,879,975
Power and fuel	358,542
Communication costs	2,335,991
Printing and stationery	93,230
Advertising and sales promotion	607,266
Legal and professional expenses	132,389,334
Loss on sale of Assets	17,233
Foreign exchange fluctuation (net)	(1,225,253)
Miscellaneous expenses	767,396
	144,977,628

Schedule 14: Financial expenses

Interest Expense	302,805
Bank charges	102,359
	405,164

COMPUTARIS POLSKA, SP Z.O.O., POLAND

NOTES TO ACCOUNTS

SCHEDULE – 15: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

Computaris Polska, sp z.o.o., Poland, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris Polska, sp z.o.o., Poland is a company incorporated and domiciled in Poland on September 20, 2001 having its registered office is Okolona 47, 01-059 Warszawa, Poland.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of Fixed Assets</u>	<u>Estimated Useful Life</u>
Office and electrical equipment	3-20 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

COMPUTARIS POLSKA, SP Z.O.O., POLAND

NOTES TO ACCOUNTS

(f) Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) Revenue recognition

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

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were Polish zolty 1= Rs. 15.77. For translating assets and liabilities at the year-end, the rates used were Polish zolty 1= Rs. 15.38.

For translating cash flows items, during the period ended January 31, 2011, the rates used were Polish zolty 1= Rs. 16.09.

COMPUTARIS POLSKA, SP Z.O.O., POLAND

NOTES TO ACCOUNTS

(i) **Income taxes**

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(j) **Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(k) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(l) **Intangibles**

Computer software

Costs relating to acquired software are capitalized and amortized on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

(w) **Accounting for derivatives**

The Company uses foreign exchange forward contracts (derivative financial instrument) to hedge its exposure to movements in foreign exchange rates against firm commitment or highly probable forecast transactions. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on a mark-to-market basis at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Profit and Loss Account.

The mark-to-market is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

COMPUTARIS POLSKA, SP Z.O.O., POLAND

NOTES TO ACCOUNTS

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the Profit and Loss Account. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the Profit and Loss Account.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Profit and Loss Account. Amounts taken to equity are transferred to the Profit and Loss Account when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Profit and Loss Account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

COMPUTARIS POLSKA, SP Z.O.O., POLAND
NOTES TO ACCOUNTS

3. Related Party Disclosures

(i) Names of related parties where control exists irrespective of whether transactions have occurred or not:

Holding Company	Computaris International limited,UK (wholly owned subsidiary of R Systems International Limited, India)
Other Subsidiaries in Group	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc.,USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris Romania S.R.L.,Romania
Computaris USA, LLC
ICS Computaris International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris Limited, UK

Key management personnel	Dariusz Górczynski, Director Monika Borkowska, Director
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(ii) Details of transactions with related parties for the period ended December 31, 2011:

(Amount in Rs.)

Particulars	For the period ended December 31, 2011
R Systems International Limited	
Services rendered	68,870,524
Remuneration to key management personnel	
Gorczynski Dariusz	4,697,501
Borkowska Monika	1,969,758
Michal Misiaszek	4,969,639
Total	11,631,732
Rent Paid	
Borkowska Monika	132,135
Total	132,135

COMPUTARIS POLSKA, SP Z.O.O., POLAND
NOTES TO ACCOUNTS

Particulars	December 31, 2011
Computaris International Limited	
Loan Outstanding	13,337,099

Details of Loan taken from Computaris International Limited, Holding Company:

- The outstanding amount due is Rs. 13,337,099 (equivalent to PLN 867,228).
- The maximum amount due is Rs. 13,337,099 (equivalent to PLN 867,228) during the year 2011.
- The amount due are non-trade, interest is charged at 10 % per annum and are due on demand.

4. Leases - In case of assets taken on lease

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.
Lease payments for the year	3,879,975
Minimum Lease Payments:	-
Not later than one year	279,590
Later than one year but not later than five years	-
Later than five years	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

5. As of December 31, 2011, the Company had derivative financial instruments to sell EURO 1,809,364 and buy EURO 225,000. The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Company has recognised mark-to-market loss of Rs 434,088 relating to such derivative financial instruments in the Profit and Loss Account for the period ended December 31, 2011.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Computaris Polska, Sp
zo.o., Poland

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Dariusz Górczynski
[Director]

Sd/-
MonikaBorkowska
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Warsaw
Date : February 9, 2012

Place : Warsaw
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
ICS Computaris International S.R.L, Moldova, Moldova

We have audited the attached Balance Sheet of ICS Computaris International Srl, Moldova, Moldova, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the period ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the period ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

**ICS COMPUTARIS INTERNATIONAL S.R.L., MOLDOVA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

Balance Sheet as at December 31, 2011

	Schedules	As at December 31 , 2011 Rs.
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	20,693
Reserve and surplus	2	19,875,807
TOTAL		19,896,500
APPLICATION OF FUNDS		
Fixed assets		
Gross block	3	6,928,403
Less : Accumulated depreciation / amortisation		3,703,903
Net block		3,224,500
Current assets, loans and advances		
Cash and bank balances	4	11,311,242
Loans and advances	5	7,967,611
(A)		19,278,853
Less : Current liabilities and provisions		
Current liabilities	6	2,606,853
(B)		2,606,853
Net current assets (A-B)		16,672,000
TOTAL		19,896,500
Notes to accounts	9	

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of ICS Computaris International S.R.L., Moldova

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 9, 2012

Place : South Sudan
Date: February 9, 2012

ICS COMPUTARIS INTERNATIONAL S.R.L., MOLDOVA**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Profit and Loss Account for the period ended December 31, 2011**

	Schedules	For the period ended December 31, 2011 Rs.
INCOME		
Revenue		68,921,848
TOTAL		68,921,848
EXPENDITURE		
Personnel expenses	7	39,174,620
Operating and other expenses	8	21,424,432
Depreciation /amortisation	3	1,189,936
TOTAL		61,788,988
Profit before tax		7,132,860
Current tax expenses		-
Total tax expense		-
Profit after tax		7,132,860
Notes to accounts	9	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of ICS Computaris International S.R.L., Moldova

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 9, 2012

Place : South Sudan
Date: February 9, 2012

ICS COMPUTARIS INTERNATIONAL S.R.L., MOLDOVA**BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****Cash Flow Statement for the period ended December 31, 2011****For the period ended December 31, 2011****Rs.**

A. Cash flow from operating activities	
Net profit/(loss) before taxation	7,132,860
Adjustments for:	
Depreciation / amortization	1,189,936
Unrealised foreign exchange (loss) / gain	2,349,446
Operating profit/(loss) before working capital changes	10,672,242
Movements in working capital :	
Decrease / (Increase) in other current assets	242,117
Decrease / (Increase) in loans and advances	(7,349,410)
Increase / (Decrease) in current liabilities	5,117,273
Cash generated from operations	8,682,222
Less: Taxes Paid	745,067
Net cash from operating activities	7,937,155
B. Cash flows used in investing activities	
Purchase of fixed assets	(951,367)
Net cash used in investing activities	(951,367)
C. Cash flows used in financing activities	
Net cash from used in financing activities	-
Net increase in cash and cash equivalents (A + B + C)	6,985,788
Cash and cash equivalents at the beginning of the year	4,325,454
Cash and cash equivalents at the end of the year	11,311,242

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of ICS Computaris International S.R.L., Moldova

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 9, 2012

Place : South Sudan
Date: February 9, 2012

ICS COMPUTARIS INTERNATIONAL S.R.L., MOLDOVA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

As at December
31, 2011
Rs.

Schedule 1: Share capital

Authorised Share Capital

1 Shares of no par value

-

Issued, subscribed and paid up capital

1 Shares of no par value

20,693

20,693

Schedule 2: Reserves and surplus

Profit and Loss account

Opening Balance

6,723,344

Add: Transfer of profit / (loss) from Profit and loss account

7,132,860

13,856,204

Foreign currency translation reserve

Current year translation differences

2,747,550

2,747,550

Capital Reserve

3,272,053

Total

19,875,807

ICS COMPUTARIS INTERNATIONAL S.R.L., MOLDOVA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 26.01.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 26.01.2011	FOR THE THE YEAR	DELETION/ ADJUSTMENTS	AS AT 31.12.2011	AS AT 31.12.2011	AS AT 26.01.2011
Computer hardware	3,162,553	-	(571,933)	3,734,486	1,285,686	834,744	(342,071)	2,462,501	1,271,985	1,876,867
Furniture & fixtures	635,595	271,002	(114,944)	1,021,541	83,825	54,428	(22,303)	160,556	860,985	551,770
Office & electrical equipments	425,409	98,233	(76,934)	600,576	55,591	36,100	(14,791)	106,482	494,094	369,818
Computer Software	616,795	582,132	(111,545)	1,310,472	390,853	264,664	(105,421)	760,938	549,534	225,942
Total	4,840,352	951,367	(875,356)	6,667,075	1,815,955	1,189,936	(484,586)	3,490,477	3,176,598	3,024,397
CWIP	221,306	-	(40,022)	261,328	180,740	-	(32,686)	213,426	47,902	40,566
TOTAL	5,061,658	951,367	(915,378)	6,928,403	1,996,695	1,189,936	(517,272)	3,703,903	3,224,500	3,064,963

ICS COMPUTARIS INTERNATIONAL S.R.L., MOLDOVA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

As at December
31, 2011
Rs.

Schedule 4: Cash and bank balances

Balance with non schedule banks	11,311,242
	11,311,242

Note: Balances amounting to Rs. 859,750 has been restricted with non schedule bank.

Schedule 5: Loans and advances

Advances recoverable in cash or in kind or for value to be received	1,345,418
Deposits - others	6,622,193
	7,967,611
Less: Provision for doubtful advance	-
	7,967,611

Schedule 6: Current liabilities

Sundry creditors	15,480
Other liabilities	2,591,373
	2,606,853

ICS COMPUTARIS INTERNATIONAL S.R.L., MOLDOVA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

For the period ended
December 31, 2011
Rs.

Schedule 7: Personnel expenses

Salaries, wages and bonus	35,256,788
Contribution to statutory and other funds	3,917,832
	39,174,620

Schedule 8: Operating and other expenses

Recruitment and training expenses	375,932
Travelling and conveyance	12,731,280
Rent - premises	6,088,980
Communication costs	734,872
Printing and stationery	142,892
Legal and professional expenses	734,916
Foreign exchange fluctuation (net)	615,560
	21,424,432

ICS COMPUTAIRS INTERNATIONAL S.R.L., MOLDOVA

NOTE TO ACCOUNTS

SCHEDULE – 9: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

ICS Computaris International S.R.L, Moldova, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. ICS Computaris International S.R.L, Moldova is a limited company incorporated and domiciled in Republic of Moldova on February 28, 2008 having its registered office is Vlaicu Pircalab Street, No 63, Et.9, oficio B, MD-2012, Chisinau, republica Moldova.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of fixed assets</u>	<u>Estimated Useful Life</u>
Office and electrical equipment's	3-20 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years

(e) Revenue recognition

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

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

ICS COMPUTAIRS INTERNATIONAL S.R.L., MOLDOVA

NOTE TO ACCOUNTS

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

(g) Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were MYR 1= Rs. 4.00. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 4.53.

ICS COMPUTAIRS INTERNATIONAL S.R.L., MOLDOVA

NOTE TO ACCOUNTS

For translating cash flows items, during the period ended January 31, 2011, the rates used were MYR 1= Rs. 3.83.

(i) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(j) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(k) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(l) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

ICS COMPUTAIRS INTERNATIONAL S.R.L., MOLDOVA
NOTE TO ACCOUNTS

3. Related Party Disclosures

(i) Names of related parties where control exists irrespective of whether transactions have occurred or not:

Holding Company	Computaris International limited,UK (wholly owned subsidiary of R Systems International Limited, India)
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc.,USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computairs Romania S.R.L.,Romania
Computaris Polska sp Zoo, Poland
Computaris USA, LLC
Computaris Malaysian SDN.BHD., Malaysia
Computaris Limited, UK

Key Management Personnel Ian Adrian Tidder, Director

(ii) Details of transactions with related parties for year ended December 31, 2011:

	(Amount in Rs.)
	December 31,2011
Particulars	
Computaris International Limited	
Services rendered	68,921,848

4. Leases - In case of assets taken on lease

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December
	31, 2011
	Rs.
Lease payments for the year	6,088,980
Minimum Lease Payments:	-
Not later than one year	465,034
Later than one year but not later than five years	77,504
Later than five years	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

ICS COMPUTAIRS INTERNATIONAL S.R.L., MOLDOVA
NOTE TO ACCOUNTS

5. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of ICS Computaris
International S.R.L, Moldova

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Ian Adrian Tidder
[Director]

Place : New Ddhi
Date : February 9, 2012

Place: South Sudan
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
Computaris Malaysia Sdn. Bhd., Malaysia

We have audited the attached Balance Sheet of Computaris Malaysia Sdn. Bhd., Malaysia, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **PROFIT** for the period ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the period ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

COMPUTARIS MALAYSIAN SDN.BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31 , 2011 Rs.
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	14,930
Reserve and surplus	2	536,740
TOTAL		551,670
APPLICATION OF FUNDS		
Fixed assets		
Gross block	3	162,049
Less : Accumulated depreciation / amortisation		36,777
Net block		125,272
Current assets, loans and advances		
Sundry debtors	4	167,320
Cash and bank balances	5	318,828
Loans and advances	6	209,067
(A)		695,215
Less : Current liabilities and provisions		
Current liabilities	7	46,850
Provisions	8	221,967
(B)		268,817
Net current assets (A-B)		426,398
TOTAL		551,670
Notes to accounts	12	

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors a
of Computaris Malaysian Sdn.Bhd., Malaysia

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date: February 9, 2012

Place : Bucharest
Date: February 9, 2012

Place : Bucharest
Date: February 9, 2012

COMPUTARIS MALAYSIAN SDN.BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the period ended December 31, 2011

	Schedules	For the period ended December 31, 2011 Rs.
INCOME		
Revenue		10,523,108
TOTAL		10,523,108
EXPENDITURE		
Personnel expenses	9	8,078,577
Operating and other expenses	10	2,194,173
Depreciation /amortisation	3	21,083
Finance expenses	11	7,434
TOTAL		10,301,267
Profit before tax		221,841
Current tax expenses		108,400
Profit after tax		113,441
Notes to accounts	12	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors a
of Computaris Malaysian Sdn.Bhd., Malaysia

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date: February 9, 2012

Place : Bucharest
Date: February 9, 2012

Place : Bucharest
Date: February 9, 2012

COMPUTARIS MALAYSIAN SDN.BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cash Flow Statement for the period ended December 31, 2011

	For the period ended Decemebr 31, 2011 Rs.
A. Cash flow from operating activities	
Net profit/(loss) before taxation	221,841
Adjustments for:	
Depreciation / amortization	21,083
Unrealised foreign exchange (loss) / gain	53,364
Operating profit/(loss) before working capital changes	296,288
Movements in working capital :	
Decrease / (Increase) in sundry debtors	(167,320)
Decrease / (Increase) in loans and advances	(90,000)
Increase / (Decrease) in provisions	51,078
Increase / (Decrease) in current liabilities	(122,710)
Cash generated from operations	(32,664)
Less: Taxes Paid	108,400
Net cash from operating activities	(141,064)
B. Cash flows used in investing activities	
Purchase of fixed assets	(93,950)
Net cash used in investing activities	(93,950)
C. Cash flows used in financing activities	
Net cash from used in financing activities	-
Net increase in cash and cash equivalents (A + B + C)	(235,014)
Cash and cash equivalents at the beginning of the year	553,843
Cash and cash equivalents at the end of the year	318,829

As per our report of even date

For **S.K. Relan & Co**
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors a
of Computaris Malaysian Sdn.Bhd., Malaysia

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date: February 9, 2012

Place : Bucharest
Date: February 9, 2012

Place : Bucharest
Date: February 9, 2012

COMPUTARIS MALAYSIAN SDN.BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

As at December
31, 2011
Rs.

Schedule 1: Share capital

Authorised Share Capital

1,000 ordinary shares of RM 1 each

MYR 1000

Issued, subscribed and paid up capital

1,000 ordinary shares of RM 1 each

14,930

14,930

Schedule 2: Reserves and surplus

Profit and Loss account

Opening Balance

366,143

Add: Transfer of profit / (loss) from Profit and loss account

113,441

479,584

Foreign currency translation reserve

Current year translation differences

57,156

57,156

536,740

COMPUTARIS MALAYSIAN SDN.BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 3: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 26.1.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 26.1.2011	FOR THE THE YEAR	DELETIONS/ ADJUSTMENT	AS AT 31.12.2011	AS AT 31.12.2011	AS AT 26.1.2011
Computer hardware	47,596.80	-	(1,930)	49,527.00	9,326.40	9,185.67	(1,282)	19,794.00	29,733	38,270
Office & electrical equipments	5,949.60	42,616.40	(241)	48,807.00	1,431.12	6,580.78	(705)	8,717.00	40,090	4,518
Computer Software	11,899.20	51,333.78	(482)	63,715.00	2,331.60	5,316.42	(618)	8,266.00	55,449	9,568
TOTAL	65,446	93,950	(2,653)	162,049	13,089	21,083	(2,605)	36,777	125,272	52,356

COMPUTARIS MALAYSIAN SDN.BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2011 Rs.
Schedule 4: Sundry debtors	
Debts outstanding for more than six months	
Unsecured, considered good	-
Considered doubtful	-
Other debts	
Unsecured, considered good	167,320
Considered doubtful	-
	<u>167,320</u>
Less : Provision for doubtful debts	-
	<u>167,320</u>
Schedule 5: Cash and bank balances	
Balance with non schedule banks	318,828
	<u>318,828</u>
Schedule 6: Loans and advances	
(Unsecured, considered good, except where otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	75,629
Deposits - others	133,438
	<u>209,067</u>
Less : Provision for doubtful debts	-
	<u>209,067</u>
Schedule 7: Current liabilities	
Sundry creditors	46,850
	<u>46,850</u>
Schedule 8.: Provisions	
Provision for income tax	221,967
	<u>221,967</u>

COMPUTARIS MALAYSIAN SDN.BHD., MALAYSIA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

For the period ended
December 31, 2011
Rs.

Schedule 9: Personnel expenses

Salaries, wages and bonus	7,085,107
Contribution to statutory and other funds	956,544
Staff welfare expenses	36,926
	8,078,577

Schedule 10: Operating and other expenses

Recruitment and training expenses	225,696
Travelling and conveyance	399,037
Insurance	106,740
Repair and maintenance	1,295
Rent - premises	682,299
Communication costs	165,266
Printing and stationery	29,842
Advertising and sales promotion	92,253
Legal and professional expenses	373,002
Foreign exchange fluctuation (net)	69,936
Miscellaneous expenses	48,807
	2,194,173

Schedule 11: Financial expenses

Bank charges	7,434
	7,434

COMPUTARIS MALAYSIA SDN. BHD., MALAYSIA

NOTES TO ACCOUNTS

SCHEDULE – 12: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

Computaris Malaysia Sdn. Bhd., Malaysia, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris Malaysia Sdn. Bhd., Malaysia is a limited company incorporated and domiciled in Malaysia on November 19, 2009 having its registered office is Suite 21.02 & 03, 21st floor, Menara Haw Par, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of fixed assets</u>	<u>Estimated useful life</u>
Office and electrical equipment's	3-20 years
Computer hardware and network installations	3-6 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination.

COMPUTARIS MALAYSIA SDN. BHD., MALAYSIA

NOTES TO ACCOUNTS

Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

(f) **Leases**

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) **Revenue recognition**

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

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) **Foreign currency translation**

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were MYR 1= Rs. 15.23. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 16.73.

COMPUTARIS MALAYSIA SDN. BHD., MALAYSIA

NOTES TO ACCOUNTS

For translating cash flows items, during the period ended January 31, 2011, the rates used were MYR 1= Rs. 14.93.

(i) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(j) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(k) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(l) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

COMPUTARIS MALAYSIA SDN. BHD., MALAYSIA
NOTES TO ACCOUNTS

3. Related Party Disclosures

(i) Names of related parties where control exists irrespective of whether transactions have occurred or not:

Holding Company	Computaris International limited,UK (wholly owned subsidiary of R Systems International Limited, India)
Other Subsidiaries in Group	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc.,USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computairs Romania S.R.L.,Romania
Computaris Polska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris USA, LLC
Computaris Limited, UK

Key management Personnel	Bogdan Mihai Danila, Director Razvan Rusu, Director
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(ii) Details of transactions with related parties for year ended December 31, 2011:

Particulars	(Amount in Rs.) December 31, 2011
Computaris International Limited	
Services rendered	10,066,109

4. Leases - In case of assets taken on lease

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.
Lease payments for the year	682,299
Minimum Lease Payments:	
Not later than one year	44,150
Later than one year but not later than five years	-
Later than five years	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

COMPUTARIS MALAYSIA SDN. BHD., MALAYSIA
NOTES TO ACCOUNTS

5. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Computaris Malaysia
Sdn. Bhd., Malaysia

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date : February 9, 2012

Place : Bucharest
Date : February 9, 2012

Place : Bucharest
Date : February 9, 2012

AUDITORS' REPORT

To
The Members,
Computaris USA, LLC, USA

We have audited the attached Balance Sheet of Computaris USA, LLC, USA, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;

 - ii) in the case of the Profit and Loss Account, of the **LOSS** for the period ended on that date;

 - iii) in the case of the Cash Flow Statement, of the cash flow for the period ended on that date;

For S.K.RELAN & CO.
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 9, 2012

COMPUTARIS USA LLC, USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet as at December 31, 2011

	Schedules	As at December 31 , 2011 Rs.
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	4,558
TOTAL		4,558
APPLICATION OF FUNDS		
Fixed assets		
Gross block	2	216,771
Less : Accumulated depreciation / amortisation		10,613
Net block		206,158
Current assets, loans and advances		
Cash and bank balances	3	10,766,889
(A)		10,766,889
Less : Current liabilities and provisions		
Current liabilities	4	13,740,810
(B)		13,740,810
Net current assets (A-B)		(2,973,921)
Reserve and surplus	5	2,772,321
TOTAL		4,558
Notes to accounts	9	

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of Computaris USA LLC,USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date: February 9, 2012

Place : EL Dorado Hills
Date: February 9, 2012

COMPUTARIS USA LLC, USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Profit and Loss Account for the period ended December 31, 2011

Schedules	For the period ended December 31, 2011 Rs.
INCOME	
Revenue	13,115,452
TOTAL	13,115,452
EXPENDITURE	
Personnel expenses	3,426,954
Operating and other expenses	11,237,791
Depreciation /amortisation	98,137
Finance expenses	9,142
TOTAL	14,772,024
Profit / (loss) before tax	(1,656,572)
Current tax expenses / (credit)	44,031
Total tax expense	44,031
Profit / (loss) after tax	(1,700,603)
Notes to accounts	9

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

For and on behalf of the Board of Directors
of Computaris USA LLC,USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date: February 9, 2012

Place : EL Dorado Hills
Date: February 9, 2012

COMPUTARIS USA LLC, USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
Cash Flow Statement for the period ended December 31, 2011

For the period ended December 31,
2011
Rs.

A. Cash flow from operating activities

Net profit/(loss) before taxation	(1,656,572)
Adjustments for:	
Depreciation / amortization	98,137
Unrealised foreign exchange (loss) / gain	350,468
Operating profit/(loss) before working capital changes	(1,207,967)
Movements in working capital :	
Increase / (Decrease) in current liabilities	11,283,272
Cash generated from operations	10,075,305
Less: Taxes Paid	44,031
Net cash from operating activities	10,031,274

B. Cash flows used in investing activities

Purchase of fixed assets	(216,771)
Net cash used in investing activities	(216,771)

C. Cash flows used in financing activities

Net cash from used in financing activities	-
---	----------

Net increase in cash and cash equivalents (A + B + C)	9,814,503
Cash and cash equivalents at the beginning of the year	1,655,834
Cash and cash equivalents at the end of the year	11,470,337

As per our report of even date

For S.K. Relan & Co
Firm Registration No. 001720N
Chartered Accountants

Sd/-
CA. S.K. RELAN
Membership No. 12149

Place : New Delhi
Date: February 9, 2012

For and on behalf of the Board of Directors
of Computaris USA LLC,USA

Sd/-
Michal Misiaszek
[Director]

Place : EL Dorado Hills
Date: February 9, 2012

COMPUTARIS USA LLC, USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

As at December

31, 2011

Rs.

Schedule 1: Share capital

Authorised Share Capital

100 shares of USD 1 each

USD 100

Issued, subscribed and paid up capital

100 shares of USD 1 each

4,558

4,558

COMPUTARIS USA LLC, USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 2: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 26.01.2011	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL 31.12.2011	UPTO 26.01.2011	FOR THE THE YEAR	DELETIONS/ ADJUSTMENT	AS AT 31.12.2011	AS AT 31.12.2011	AS AT 26.01.2011
Computer hardware	-	216,771	-	216,771	-	9,329	(1,284)	10,613	206,158	-
Computer Software	91,287	-	91,287	-	5,059	88,249	93,308	-	-	86,228
TOTAL	91,287	216,771	91,287	216,771	5,059	97,578	92,024	10,613	206,158	86,228

COMPUTARIS USA LLC, USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

As at December
31, 2011
Rs.

Schedule 3: Cash and bank balances

Balance with non schedule banks	10,766,889
	10,766,889

Schedule 4: Current liabilities

Sundry creditors	170,126
Payable to R System Inc.	8,327,225
Payable to Computaris International Limited	5,243,459
	13,740,810

Schedule 5: Reserves and surplus

Profit and Loss account

Balance as per last account	719,994
Add: Transfer of loss from Profit and loss account	1,700,603
	2,420,597

Foreign currency translation reserve

Current year translation differences	351,724
	351,724
	2,772,321

COMPUTARIS USA LLC, USA
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

For the period ended
December 31, 2011
Rs.

Schedule 6: Personnel expenses

Salaries, wages and bonus	3,119,157
Staff welfare	307,797
	3,426,954

Schedule 7: Operating and other expenses

Recruitment and training expenses	36,148
Travelling and conveyance	2,750,211
Commission other	559,716
Power and fuel	3,731
Communication costs	3,731
Legal and professional expenses	7,785,977
Miscellaneous expenses	98,277
	11,237,791

Schedule 8: Financial expenses

Bank charges	9,142
	9,142

COMPUTARIS USA, LLC, USA

NOTES TO ACCOUNTS

SCHEDULE – 9: NOTES TO ACCOUNTS

BACKGROUND:-

1. Company Overview

Computaris USA, LLC, USA, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris USA, LLC, USA is a limited company incorporated and domiciled in United States of America on April 02, 2010 having its registered office is 14004 Roosevelt Boulevard, Suite 601H Clearwater, Florida 33762, U.S.A.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

Category of fixed assets	Estimated useful life
Computer hardware and network installations	3-6 years

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

COMPUTARIS USA, LLC, USA

NOTES TO ACCOUNTS

(f) **Leases**

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(g) **Revenue recognition**

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

Revenue associated with software development and maintenance services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) **Foreign currency translation**

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Foreign currency translation

The Functional currency of the company is United States Dollar (US \$) but the Financial Statements had been prepared in Indian Rupees. In translating the financial statements, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were USD \$ 1= Rs. 46.64. For translating assets and liabilities at the year-end, the rates used were USD \$ 1= Rs. 53.07.

For translating cash flows items, during the period ended January 31, 2011, the rates used were USD \$ 1= Rs. 45.58.

COMPUTARIS USA, LLC, USA
NOTES TO ACCOUNTS

(i) Income taxes

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date in accordance with the tax laws of the country where such operations are domiciled and any adjustment to tax payable in respect of previous year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

(j) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(k) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(l) Intangibles

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

COMPUTARIS USA, LLC, USA
NOTES TO ACCOUNTS

3. Related Party Disclosures

(i) Names of related parties where control exists irrespective of whether transactions have occurred or not:

Holding Company	Computaris International limited,UK (wholly owned subsidiary of R Systems International Limited, India)
Other Subsidiaries in Group	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA R Systems Solutions, Inc.,USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore

Following are the subsidiaries of ECnet Ltd, Singapore

ECnet (M) Sdn Bhd, Malaysia
ECnet Systems (Thailand) Co. Ltd., Thailand
ECnet (Shanghai) Co. Ltd., People's Republic of China
ECnet (Hong Kong) Ltd., Hong Kong
ECnet, Inc., USA
ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited

Computaris Romania S.R.L.,Romania
Computaris Polska sp Zoo, Poland
ICS Computaris International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris Limited, UK

Key Management Personnel	Raluca Marina Rusu, Director Michal Misiaszek, Director
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(ii) Details of transactions with related parties for year ended December 31, 2011:

Particulars	December 31,2011
Computaris International Limited	
Services rendered	13,115,452
Account Payable	5,243,459
R System Inc.	
Amount Payable	8,327,225
Services received	7,492,405

4. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

For S.K. RELAN & CO.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Computaris USA, LLC,
USA

Sd/-
CA. S.K. RELAN
Membership No. 12149

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date : February 9, 2012

Place : EL Dorado Hills
Date : February 9, 2012