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R SYSTEMS INTERNATIONAL LIMITED
Subsidiary Financial Statment 2013

INDEPENDENT AUDITOR'S REPORT

To,
The Members of R Systems (Singapore) Pte Ltd., Singapore

Report on the Financial Statements

We have audited the accompanying financial statements of R Systems (Singapore) Pte Ltd., Singapore ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

R SYSTEMS (SINGAPORE) PTE. LTD**Balance Sheet as at December 31, 2013**

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	105,930,226	105,930,226
Reserves and surplus	4	61,637,243	44,437,596
Current liabilities			
Trade payables	6	3,817,531	4,552,684
Other current liabilities	6	14,110,784	2,806,569
Short-term provisions	5	1,293,870	882,059
Total		186,789,654	158,609,134
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	121,028	163,702
Intangible assets	8	-	-
Non-current investments	9	135,572,238	-
Other non-current assets	11.2	2,930,700	-
Current assets			
Trade receivables	11.1	43,634,998	26,037,263
Cash and bank balances	12	2,031,069	5,097,166
Short-term loans and advances	10	2,499,621	127,311,003
Total		186,789,654	158,609,134
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
R systems (singapore) pte. Ltd

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Joydeep Sen Chaudhuri
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

R SYSTEMS (SINGAPORE) PTE. LTD			
Statement of Profit and Loss for the year ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	13	167,401,160	118,371,630
Other income	14	2,475,084	6,798,219
Total revenue		169,876,244	125,169,849
Expenses			
Employee benefits expense	15	150,870,542	105,609,915
Operational and other expense	16	14,444,887	14,886,107
Depreciation and amortisation expense	17	54,291	35,820
Finance costs	18	239,601	58,086
Total expenses		165,609,321	120,589,928
Profit / (loss) before tax		4,266,923	4,579,921
Tax expense			
Current tax		97,440	-
Total tax expense		97,440	-
Profit / (loss) for the year		4,169,483	4,579,921
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
R systems (singapore) pte. Ltd

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Joydeep Sen Chaudhuri
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

R SYSTEMS (SINGAPORE) PTE. LTD
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	4,266,923	4,579,921
Adjustments for:		
Depreciation and amortisation expense	54,291	35,820
Unrealised foreign exchange loss / (gain)	289,006	272,556
Interest income	(2,158,977)	(6,584,356)
Operating profit before working capital changes	2,451,243	(1,696,059)
Movements in working capital :		
(Increase) / Decrease in trade receivables	(17,747,267)	(6,345,372)
Decrease / (Increase) in intra-group balances	10,196,236	5,100,527
Increase / (Decrease) in short-term and long-term provision	224,926	(24,498)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(350,212)	1,098,986
Cash generated from operations	(5,225,074)	(1,866,416)
Direct taxes paid, net of refunds	-	-
Net cash flow from operating activities (A)	(5,225,074)	(1,866,416)
B. Cash flows used in investing activities		
Purchase of fixed assets		(126,614)
Interest received	2,158,977	6,584,356
Net cash used in investing activities (B)	2,158,977	6,457,742
C. Cash flows used in financing activities		
Proceeds from issuance of share capital		-
Interest paid	-	-
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	(3,066,097)	4,591,326
Cash and cash equivalents at the beginning of the year	5,097,166	505,840
Cash and cash equivalents at the end of the year	2,031,069	5,097,166

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

For and on behalf of the Board of Directors of
R systems (singapore) pte. Ltd

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Joydeep Sen Chaudhuri
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

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 # 02-01 Singapore 486057.

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of tangible fixed assets</u>	<u>Estimated useful life</u>
Computer Hardware	3 to 5 years
Office & Electric Equipment	5 years

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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 at the weighted average cost of capital.

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

(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) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the Non-current investments.

(i) 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.

(j) 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, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2013, the rates used were SGD 1= Rs. 46.80. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 48.85.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were SGD 1= Rs. 42.78. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 45.00.

(k) **Retirement 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.

(l) **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.

(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.

(n) **Government grants and subsidies**

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with. When the grant or subsidy relates to an expense item, it is deducted in reporting the related expenses over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

(o) **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.

(p) **Segment reporting**

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

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

R SYSTEMS (SINGAPORE) PTE. LTDNotes to Financial Statements for the year ended December 31, 2013

3. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
Issued, subscribed and paid up capital		
40,70,000 Ordinary Shares of no Par Value	105,930,226	105,930,226
Total	105,930,226	105,930,226

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	4,070,000	105,930,226	4,070,000	105,930,226
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	4,070,000	105,930,226	4,070,000	105,930,226

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2013**

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	(15,821,973)	(20,401,894)
Add: Profit / (loss) for the current year	4,169,483	4,579,921
Net deficit in the statement of profit and loss	(11,652,490)	(15,821,973)
Foreign currency translation reserve		
Balance as per last financial statement	60,259,569	47,423,205
Add: Current year translation differences	13,030,164	12,836,364
Closing balance	73,289,733	60,259,569
Total	61,637,243	44,437,596

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2013****5. Short-term provisions**

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	1,192,175	882,059
Sub total (A)	1,192,175	882,059
Other provision		
Income tax	101,695	-
Sub total (B)	101,695	-
Total (A+B)	1,293,870	882,059

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	3,817,531	4,552,684
Sub total (A)	3,817,531	4,552,684
Other liabilities		
Payables to related parties		
R Systems International Limited	-	446,752
ECnet Singapore Ltd.	10,790,657	-
GST/Sales Tax	3,320,127	2,359,817
Sub total (B)	14,110,784	2,806,569
Total (A+B)	17,928,315	7,359,253

Schedule 7: Tangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013	-	DURING THE YEAR	31.12.2013	1.1.2013	31.12.2013	DURING THE YEAR	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2012
Computer hardware	560,638	-	325,203	(47,903)	283,338	396,935	54,291	325,203	(36,287)	162,310	121,028	163,703
Office & electrical equipments	33,046	-	35,852	(2,806)	-	33,046	-	35,852	(2,806)	-	-	(0)
Total	593,684	-	361,055	(50,709)	283,338	429,981	54,291	361,055	(39,093)	162,310	121,028	163,703
Previous year	420,626	133,200	-	(39,857)	593,683	358,342	35,820	-	(35,819)	429,981	163,702	62,284

Schedule 8: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013	-	DURING THE YEAR	31.12.2013	1.1.2013	31.12.2013	DURING THE YEAR	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2012
Computer Software	40,500	-	-	(3,461)	43,961	40,500	-	-	(3,461)	43,961	-	-
Total	40,500	-	-	(3,461)	43,961	40,500	-	-	(3,461)	43,961	-	-
Previous year	36,995	-	-	(3,505)	40,500	36,995	-	-	(3,505)	40,500	-	-

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2013**

9. Non Current Investment

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Investment In Associate: Other than Trade, unquoted ECnet Limited, Singapore (27,979,435 (Previous year Nil) ordinary equity shares of No Par Value)	135,572,238	-
Total	135,572,238	-

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2013**

10. Short term loans and advances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	2,049,328	1,686,564
Sub Total (A)	2,049,328	1,686,564
Loans & Advances		
Advance Recoverable		
Advance recoverable from RSIL	450,293	-
Loan to related parties		
Unsecured, considered good		
Loan recoverable from Indus Software, Inc., USA	-	13,146,577
Loan recoverable from ECnet Limited, Singapore	-	112,477,862
Sub Total (B)	450,293	125,624,439
Total (A+B)	2,499,621	127,311,003

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2013****11.1 Trade receivables**

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	2,827,880	2,836,394
	2,827,880	2,836,394
Provision for doubtful receivables	2,827,880	2,836,394
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	43,634,998	26,037,263
Unsecured, considered doubtful	1,562,112	1,208,025
	45,197,110	27,245,288
Provision for doubtful receivables	1,562,112	1,208,025
Sub Total (B)	43,634,998	26,037,263
Total (A+B)	43,634,998	26,037,263

11.2 Other current assets

Particulars	Non-current	
	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Non-current bank balances (refer note 11)	2,930,700	-
Total	2,930,700	-

R SYSTEMS (SINGAPORE) PTE. LTD

Notes to Financial Statements for the year ended December 31, 2013

12. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents				
Cash on hand			49,138	12,670
Balances with others banks				
On current accounts			1,981,931	5,084,496
	-	-	2,031,069	5,097,166
Other bank balances				
Margin money deposit (refer detail below)	2,930,700	-		
Amount disclosed under non-current assets (refer note 10.2)	(2,930,700)	-	-	-
Total	-	-	2,031,069	5,097,166

Detail of margin money deposit

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Margin moneys deposit to Government departments	2,930,700	-
Total	2,930,700	-

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2013**

13. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	167,401,160	118,371,630
Total	167,401,160	118,371,630

14. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest Income	2,158,953	6,584,344
Miscellaneous Income	316,131	213,875
Total	2,475,084	6,798,219

15. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	145,826,568	102,138,685
Contribution to employee's benefits fund	2,753,912	2,171,516
Staff welfare	2,290,062	1,299,714
Total	150,870,542	105,609,915

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2013****16. Operational and other expenses**

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	908,911	535,647
Travelling and conveyance	587,295	577,224
Insurance	1,559,809	1,056,974
Repair and maintenance	-	2,994
Membership & Subscription Fees	68,173	17,110
Communication costs	492,824	427,046
Printing and stationery	36,318	31,914
Advertising and sales promotion	165,546	92,611
Legal and professional expenses	2,056,140	2,536,851
Foreign exchange fluctuation (net)	(74,742)	1,814,858
Management fees	8,480,341	7,750,830
Miscellaneous expenses	164,272	42,048
Total	14,444,887	14,886,107

17. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	54,291	35,820
Total	54,291	35,820

18. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	239,601	58,086
Total	239,601	58,086

19. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

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 (Liquidated as on December 24, 2013)
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 Inc, USA

Key management personnel	Satinder Singh Rekhi, Director Mrs. Harpreet Rekhi, Director Cai Li Ting, Director (Resigned in 2013) Chum Kum Ming, Director Joydeep Sen Chaudhuri, Director
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Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

Particulars	December 31, 2013	December 31, 2012
	Rs.	Rs.
<u>Holding Company- R Systems International Ltd</u>		
-Sub-contracting expenses	-	299,896
-Amount Receivable	450,293	
-Amount payable	-	446,752
<u>Fellow Subsidiary –EC net Ltd</u>		
- Services rendered	5,099,203	22,89,318
- Sub-contracting expenses	976,877	-
- Interest received	2,092,800	5,710,505
- Management fees paid	8,480,341	7,750,830
- Amount payable	10,790,657	
- Loan Outstanding	-	112,477,862
<u>Fellow Subsidiary –Indus Software, Inc.</u>		
-Interest received	55,412	862,900
-Loan Outstanding	-	13,146,577

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.Nil (equivalent to SGD Nil) and Rs. 112,477,862 (equivalent to SGD 2,499,508), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs. 116,976,974 (equivalent to SGD 2,499,508) during the year 2013.
- The interest is charged at 5.75% (2012: 5%) per annum.

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

- The outstanding amount due is Rs. Nil (equivalent to SGD Nil) and Rs. 11,016,900 (equivalent to SGD 244,820), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs.11,457,576 (equivalent to SGD 244,820) during the year 2013.
- The interest is charged at 5.75% (2012: 5.5%) per annum.

20. During the year ended December 31, 2010, the Board of Directors of R Systems International Limited had approved 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, 2013, the Board of Directors has further reassessed the synergies arising out of proposed amalgamation and approved modification of the scheme of corporate restructuring to convert the loans given by R Systems (Singapore) Pte Limited to ECnet Limited into equity instead of merging both companies. The outstanding loan amounting to SGD 2,775,560 given by R Systems (Singapore) Pte Limited to ECnet Limited has been converted into investment in ECnet Limited.

21. 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.
ICAI 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/-
Joydeep Sen Chaudhuri
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of R Systems, Inc., USA ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

R SYSTEMS, INC. USA			
Balance Sheet as at December 31, 2013			
	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	27,800,158	27,800,158
Reserves and surplus	4	194,508,097	128,365,842
Current liabilities			
Trade payables	6	121,117,331	76,118,901
Other current liabilities	6	25,658,598	11,193,449
Short-term provisions	5	19,236,035	14,107,068
Total		388,320,219	257,585,418
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	19,497,806	19,984,888
Intangible assets	9	2,395,778	3,225,886
Long-term loans and advances	7	645,183	876,546
Current assets			
Trade receivables	10.1	177,749,591	122,899,721
Cash and bank balances	11	90,563,982	30,073,086
Short-term loans and advances	7	83,179,069	67,890,245
Other current assets	10.2	14,288,810	12,635,046
Total		388,320,219	257,585,418
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date: February 07, 2014

Place : Singapore
Date: February 07, 2014

R SYSTEMS, INC. USA			
Statement of Profit and Loss for the year ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	12	1,078,716,392	722,542,567
Other income	13	3,503,753	2,469,482
Total revenue		1,082,220,145	725,012,049
Expenses			
Employee benefits expense	14	583,737,638	415,474,219
Operational and other expenses	15	441,807,958	287,336,512
Depreciation and amortisation expense	16	11,381,276	11,020,900
Finance costs	17	1,086,010	998,268
Total expenses		1,038,012,882	714,829,899
Profit before tax		44,207,263	10,182,150
Tax expense			
Current tax / (credit)		(105,595)	5,503,225
Total tax expense / (credit)		(105,595)	5,503,225
Profit for the year		44,312,858	4,678,925
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date: February 07, 2014

Place : Singapore
Date: February 07, 2014

R SYSTEMS, INC. USA

Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	44,207,263	10,182,150
Adjustments for:		
Depreciation and amortisation expense	11,381,276	11,020,900
Loss on sale / discard of fixed assets (net)	(79,076)	-
Provision for doubtful debts and advances (net)	10,804,580	(1,432,876)
Unrealised foreign exchange loss / (gain)	6,699,379	1,120,787
Interest income	(1,286,689)	(1,951,801)
Operating profit/(loss) before working capital changes	71,726,733	18,939,160
Movements in working capital :		
(Increase) / Decrease in trade receivables	(34,861,925)	1,108,234
(Increase) / Decrease in other current assets	(80,841)	1,915,428
(Increase) / Decrease in loans and advances	(4,078,369)	(4,344,491)
Decrease / (Increase) in intra-group balances	(1,451,887)	(29,187,695)
Increase / (Decrease) in short-term and long-term provision	4,227,919	3,855,906
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	31,171,165	3,982,120
Cash generated from operations	66,652,795	(3,731,338)
Direct taxes paid, net of refunds	(125,483)	5,503,232
Net cash flow from operating activities (A)	66,527,312	(9,234,570)
B. Cash flows used in investing activities		
Purchase of fixed assets	(7,402,181)	(7,953,756)
Proceeds from sale of fixed assets	79,076	-
Proceeds from fixed deposit from banks	-	267,105
Interest received	1,286,689	1,951,801
Net cash used in investing activities (B)	(6,036,416)	(5,734,850)
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	60,490,896	(14,969,420)
Cash and cash equivalents at the beginning of the year	30,073,086	45,042,506
Cash and cash equivalents at the end of the year	90,563,982	30,073,086

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date: February 07, 2014

Place : Singapore
Date: February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of tangible 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

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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 at the weighted average cost of capital.

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

(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 Statement of Profit and Loss 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.

(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, 2013, the rates used were US \$ 1= Rs. 58.58. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 61.81.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were US \$ 1= Rs. 53.42. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 54.98.

(j) **Retirement benefits**

Retirement benefits in the form of defined contribution schemes are charged to the statement of Profit and loss 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) **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.

(m) **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.

(n) **Segment reporting**

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

(o) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

R SYSTEMS, INC. USA

Notes to Financial Statements for the year ended December 31, 2013

3. Share capital

Particulars	As at	
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
5,000 Common Stock, no par value		
Issued, subscribed and paid up capital		
2,000 (Previous year 2,000) Common Stock, no par value	27,800,158	27,800,158
Total	27,800,158	27,800,158

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	2,000	27,800,158	2,000	27,800,158
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	2,000	27,800,158	2,000	27,800,158

R SYSTEMS, INC. USA**Notes to Financial Statements for the year ended December 31, 2013**

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	103,402,301	98,723,376
Add: Profit for the current year	44,312,858	4,678,925
Net surplus in the statement of profit and loss	147,715,159	103,402,301
Foreign currency translation reserve		
Balance as per last financial statement	24,963,541	19,665,460
Add: Current year translation differences	21,829,397	5,298,081
Closing balance	46,792,938	24,963,541
Total	194,508,097	128,365,842

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	17,971,690	12,765,454
Sub Total (A)	17,971,690	12,765,454
Other provision		
Income tax	1,264,345	1,341,614
Sub Total (B)	1,264,345	1,341,614
Total (A+B)	19,236,035	14,107,068

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	121,117,331	76,118,901
Sub total (A)	121,117,331	76,118,901
Other liabilities		
Payable to Related parties		
R Systems Internataional Limited	4,896,979	7,295,385
Indus Software, Inc.	3,154,480	127,196
ECnet Limited.	-	262,207
R Systems Solutions, Inc., USA	15,888,270	197,249
Payable for purchase of fixed assets	-	1,536,097
Advance from customers	1,385,543	461,833
Book overdraft	333,326	1,313,482
Sub total (B)	25,658,598	11,193,449
Total (A+B)	146,775,929	87,312,350

R SYSTEMS, INC. USA

Notes to Financial Statements for the year ended December 31, 2013

7. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	600,127	849,056	18,933,887	13,416,274
Unsecured, considered doubtful			2,910,521	2,589,118
Provision for doubtful advances	600,127	849,056	21,844,408	16,005,392
			2,910,521	2,589,118
Total (A)	600,127	849,056	18,933,887	13,416,274
Advance recoverable from:				
R Systems International limited			9,667,559	16,344,245
ECnet Limited			110,054	-
Computaris USA, LLC			4,174,256	837,010
Systemes R. International Ltee, Canada			896,284	302,062
Loan recoverable from				
R Systems Solutions, Inc., USA			24,087,263	21,806,168
Indus software, Inc., USA			25,309,766	15,171,896
Total (B)	-	-	64,245,182	54,461,381
Security deposit				
Unsecured, considered good	45,056	27,490	-	12,590
Total (C)	45,056	27,490	-	12,590
Total (A+B+C)	645,183	876,546	83,179,069	67,890,245

Schedule 8: Tangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013		DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Building- leasehold	6,437,390	247,090	-	(799,110)	7,483,590	5,759,712	262,503	-	(729,463)	6,751,678	731,912	677,678
Computer hardware	58,252,695	939,439	-	(2,421,440)	61,613,574	43,633,557	3,244,440	-	(5,595,414)	52,473,411	9,140,163	14,619,138
Furniture & fixtures	6,252,396	4,132,803	-	(776,147)	11,161,346	5,036,336	610,920	-	(658,879)	6,306,135	4,855,211	1,216,060
Office & electrical equipments	1,367,833	465,873	-	(4,979,616)	681,322	1,367,833	3,132,258	-	(342,508)	4,842,599	1,970,723	-
Vehicles	18,197,954	1,216,947	1,167,125	(2,259,022)	20,506,798	14,725,942	2,198,910	1,167,125	(1,949,274)	17,707,001	2,799,797	3,472,012
Total	90,508,268	7,002,152	1,167,125	(11,235,335)	107,578,630	70,523,380	9,449,031	1,167,125	(9,275,538)	88,080,824	19,497,806	19,984,888
Previous year	81,054,249	6,592,204	-	(2,861,815)	90,508,268	59,334,949	8,835,615	-	(2,352,816)	70,523,380	19,984,888	21,719,300

Schedule 9: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013		DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Computer Software	13,894,653	808,239	-	(1,724,827)	16,427,719	10,668,767	1,932,245	-	(1,430,929)	14,031,941	2,395,778	3,225,886
Total	13,894,653	808,239	-	(1,724,827)	16,427,719	10,668,767	1,932,245	-	(1,430,929)	14,031,941	2,395,778	3,225,886
Previous year	11,881,481	1,593,668	-	(419,504)	13,894,653	8,132,569	2,185,283	-	(350,913)	10,668,767	3,225,886	3,748,912

R SYSTEMS, INC. USA

Notes to Financial Statements for the year ended December 31, 2013

10. Trade receivables and other assets

10.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	33,553,965	13,658,204
	33,553,965	13,658,204
Provision for doubtful receivables	33,553,965	13,658,204
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	177,749,591	122,899,721
Unsecured, considered doubtful	2,264,715	8,063,612
	180,014,306	130,963,333
Provision for doubtful receivables	2,264,715	8,063,612
Sub Total (B)	177,749,591	122,899,721
Total (A+B)	177,749,591	122,899,721

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management		
Computaris USA LLC	19,817,661	6,485,176
Systemes R. International Ltee, Canada	815,826	-

10.2 Other current assets

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unbilled revenue	14,288,810	12,635,046
Total	14,288,810	12,635,046

R SYSTEMS, INC. USA**Notes to Financial Statements for the year ended December 31, 2013**

11. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Balances with other banks:		
On current accounts	90,563,982	30,073,086
Total	90,563,982	30,073,086

R SYSTEMS, INC. USA**Notes to Financial Statements for the year ended December 31, 2013**

12. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	1,078,716,392	722,542,567
Total	1,078,716,392	722,542,567

13. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest income	1,286,689	1,952,073
Profit on sale of assets	79,076	-
Miscellaneous income	2,137,988	517,409
Total	3,503,753	2,469,482

14. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	546,392,739	388,187,664
Contribution to employee's benefits fund	37,344,899	27,286,555
Total	583,737,638	415,474,219

R SYSTEMS, INC. USA**Notes to Financial Statements for the year ended December 31, 2013****15. Operational and other expenses**

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	4,133,109	5,099,822
Travelling and conveyance	30,508,121	24,237,118
Insurance	2,326,663	1,779,909
Repair and maintenance	4,754,349	5,754,296
Provision for doubtful debts and advances (net)	10,804,580	(1,432,851)
Membership & Subscription Fees	1,301,549	1,108,272
Rent - premises	5,533,961	4,670,486
Rent - equipment	510,038	492,531
Power and fuel	277,841	303,042
Communication costs	1,924,919	1,561,191
Printing and stationery	196,949	364,900
Advertising and sales promotion	662,851	417,513
Legal and professional expenses	377,632,233	241,867,910
Foreign exchange fluctuation (net)	(15,109)	86,761
Rates and taxes	1,141,291	787,372
Miscellaneous expenses	114,613	238,240
Total	441,807,958	287,336,512

16. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	9,449,031	8,847,277
Amortisation on intangible assets	1,932,245	2,173,623
Total	11,381,276	11,020,900

17. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	1,086,010	998,268
Total	1,086,010	998,268

18. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

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 (Liquidated as on December 24, 2013)
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 Inc., USA

Key management personnel (directors) and their relatives	Satinder Singh Rekhi, Director Harpreet Rekhi, Director Vinay NS Behl, Director Sartaj Singh Rekhi (related to Satinder Singh Rekhi) Executive Manager Ramneet Singh Rekhi (related to Satinder Singh Rekhi) Assistant Manager Strategy.
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Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

Particulars	For the year ended	
	December 31, 2013	December 31, 2012
Holding Company		
Services received	18,176,994	19,687,775
Amount payables	4,896,979	7,295,385
Amount Receivables	9,667,559	16,344,245
Indus Software, Inc.		
Services received	74,977,092	79,466,354
Interest Received	1,037,862	360,535
Amount payable	3,154,480	127,196
Loan Outstanding	25,309,766	15,171,896
R Systems Solutions, Inc.		
Interest Received	248,827	1,591,266
Amount Payable	15,888,270	197,249
Loan Outstanding	24,087,263	21,806,168
ECnet Ltd		
Amount payables	-	262,207
Amount receivable	110,054	-

Computaris USA LLC,		
Services rendered	82,830,495	63,961,080
Amount receivable	23,991,917	7,322,181
Systemes R. International Ltee, Canada		
Services rendered	773,190	-
Amount Receivables	1,712,110	302,062

Remuneration to key management personnel and their relatives		
Sartaj Singh Rekhi	10,251,964	6,971,302
Ramneet Singh Rekhi	3,221,625	1,880,859
Vinay Narjit Singh Behl	1,757,250	1,602,630
Rent		
Satinder Singh Rekhi	3,514,500	3,205,260

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

- The outstanding amount due is Rs. 24,087,263 (equivalent to \$ 389,730) and Rs. 21,806,168 (equivalent to \$ 396,620), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs. 23,988,103 (equivalent to \$ 409,528) during the year 2013.
- The amount due are non-trade, interest is charged at 5% (2012: 5%) per annum and are due on demand.

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

- The outstanding amount due is Rs. 25,309,766 (equivalent to \$ 409,510) and Rs. 15,171,896 (equivalent to \$ 275,953), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs. 23,987,048 (equivalent to \$ 409,510) during the year 2013.
- The amount due are non-trade, interest is charged at 5% per annum and are due on demand.

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 incurred insignificant cost for issuing the options / shares to the employees.

19. Operating Lease- Company as lessee

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, 2013 Rs.	Year ended December 31, 2012 Rs.
Lease payments for the year	5,681,658	4,761,991
Non-cancellable operating lease obligation		
Not later than one year	7,608,717	4,194,259
Later than one year but not later than five years	11,716,250	1,063,093

None of the operating lease arrangements have price escalation clause.

20. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognized in the books of accounts.

21. 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.

22. 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.
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Indus Software, Inc., USA

Report on the Financial Statements

We have audited the accompanying financial statements of Indus Software, Inc., USA ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

Indus Software, Inc., USA			
Balance Sheet as at December 31, 2013			
	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	10,785,738	10,785,738
Reserves and surplus	4	(32,287,880)	(30,989,787)
Current liabilities			
Short-term Borrowings	6	25,309,766	28,293,533
Trade payables	7	2,989,184	2,158,606
Other current liabilities	7	208,715	185,678
Short-term provisions	5	49,444	54,925
Total		7,054,967	10,488,693
ASSETS			
Current assets			
Trade receivables	9.1	3,154,480	127,196
Cash and bank balances	10	3,696,085	9,932,669
Short-term loans and advances	8	204,402	211,107
Other current assets	9.2	-	217,721
Total		7,054,967	10,488,693
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date: February 07, 2014

Place : Singapore
Date: February 07, 2014

Indus Software, Inc., USA
Statement of Profit and Loss for the year ended December 31, 2013

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	11	74,977,092	79,466,354
Total revenue		74,977,092	79,466,354
Expenses			
Employee benefits expense	12	70,444,473	76,279,039
Operational and other expenses	13	2,283,740	1,117,874
Finance costs	14	1,093,977	1,223,925
Total expenses		73,822,190	78,620,838
Profit before tax		1,154,902	845,516
Tax expense			
Current tax		8,177	162,101
Total tax expense		8,177	162,101
Profit for the year		1,146,725	683,415
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date: February 07, 2014

Place : Singapore
Date: February 07, 2014

Indus Software, Inc., USA
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013	For the year ended December 31, 2012
	Rs.	Rs.
A. Cash flow from operating activities		
Net profit before taxation	1,154,902	845,516
Adjustments for:		
Unrealised foreign exchange loss / (gain)	842,636	296,990
Interest on loans	1,093,977	1,223,925
Operating profit before working capital changes	3,091,515	2,366,432
Movements in working capital :		
(Increase) / Decrease in Trade Receivables	-	994,913
(Increase) / Decrease in loans and advances & other current assets	552,734	(129,199)
Decrease / (Increase) in intra-group balances	(8,778,679)	5,158,680
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	-	353,630
Cash generated from operations	(5,134,430)	8,744,455
Direct taxes paid (net of refunds)	(8,177)	(162,101)
Net cash flow from operating activities (A)	(5,142,607)	8,582,354
B. Cash flows used in investing activities	-	-
Net cash used in investing activities (B)	-	-
C. Cash flows used in financing activities		
Interest paid	(1,093,977)	(1,223,925)
Net cash used in financing activities (C)	(1,093,977)	(1,223,925)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	(6,236,584)	7,358,429
Cash and cash equivalents at the beginning of the year	9,932,669	2,574,240
Cash and cash equivalents at the end of the year	3,696,085	9,932,669

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date: February 07, 2014

Place : Singapore
Date: February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. 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 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, Tangible assets / intangibles assets 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 statement of Profit and Loss 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.

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.

(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 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, 2013, the rates used were US \$ 1= Rs. 58.58. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 61.81.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were US \$ 1= Rs. 53.42. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 54.98.

(g) Retirement benefits

Retirement benefits in the form of defined contribution schemes are charged to the Statement of Profit and Loss 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) 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.

(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) Segment reporting

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

(I) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013 Rs.	December 31, 2012 Rs.
Authorised Share Capital 250,000 of Common Stock of no par value	-	-
Issued, subscribed and paid up capital 243,750 of Common Stock of no par value	10,785,738	10,785,738
Total	10,785,738	10,785,738

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	243,750	10,785,738	243,750	10,785,738
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	243,750	10,785,738	243,750	10,785,738

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	(28,628,570)	(29,311,985)
Add: Profit for the current year	1,146,725	683,415
Net deficit in the statement of profit and loss	(27,481,845)	(28,628,570)
Foreign currency translation reserve		
Balance as per last financial statement	(2,361,217)	(1,668,150)
Add: Current year translation differences	(2,444,818)	(693,067)
Closing balance	(4,806,035)	(2,361,217)
Total	(32,287,880)	(30,989,787)

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Other provision		
Income tax	49,444	54,925
Total	49,444	54,925

6. Short-term borrowings

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unsecured Loan		
Loans from related parties repayable on demand (Refer note 15)		
R Systems (Singapore) Pte Ltd, Singapore	-	13,121,637
R Systems Inc., USA	25,309,766	15,171,896
Total	25,309,766	28,293,533

7. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	2,989,184	2,158,606
Sub total (A)	2,989,184	2,158,606
Other liabilities		
Advance from customers	208,715	185,678
Sub total (B)	208,715	185,678
Total (A+B)	3,197,899	2,344,284

Indus Software, Inc., USA**Notes to Financial Statements for the year ended December 31, 2013**

8. Short term loans and advances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	204,402	211,107
Total	204,402	211,107

9. Trade receivables and other assets**9.1 Trade receivables**

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	530,287	471,739
	530,287	471,739
Provision for doubtful receivables	530,287	471,739
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	3,154,480	127,196
Unsecured, considered doubtful	-	-
	3,154,480	127,196
Provision for doubtful receivables	-	-
Sub Total (B)	3,154,480	127,196
Total (A+B)	3,154,480	127,196

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management		
R Systems Inc., USA	3,154,480	127,196

9.2 Other current assets

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unbilled revenue	-	217,721
Total	-	217,721

Indus Software, Inc., USA**Notes to Financial Statements for the year ended December 31, 2013**

10. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Balances with other banks:		
On current accounts	3,696,085	9,932,669
Total	3,696,085	9,932,669

11. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	74,977,092	79,466,354
Total	74,977,092	79,466,354

12. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	64,754,917	69,938,063
Contribution to employee's benefits fund	5,689,556	6,340,976
Total	70,444,473	76,279,039

13. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Legal and professional expenses	2,283,740	1,117,874
Total	2,283,740	1,117,874

14. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest on loans	1,093,977	1,223,925
Total	1,093,977	1,223,925

15. 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 (Liquidated as on June 24, 2013)
	R Systems Europe B.V., Netherlands
	R Systems S.A.S., France
	ECnet Ltd, Singapore
	Computaris International Limited, U.K.
	Systèmes R. International Ltée, Canada, (date of incorporation October 29, 2012)

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 (Liquidated as on December 24, 2013)
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 Inc, USA

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

Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs.)

Particulars	December 31,	
	2013	2012
R Systems, Inc.		
Services rendered	74,977,092	79,466,354
Interest Paid	1,037,862	360,535
Amount Receivable	3,154,480	127,196
Loan Payable	25,309,766	15,171,896
R Systems Singapore Pte Ltd		
Interest Paid	56,115	863,390
Loan Payable	-	13,121,637

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

- The outstanding amount is Nil and Rs. 13,121,637 (equivalent to \$ 238,662), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs. 14,035,742 (equivalent to \$ 239,620) during the year 2013.
- The amount due are non-trade, interest is charged at 5.75% (2012: 5.5%) per annum.

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

- The outstanding amount due is Rs. 25,309,766 (equivalent to \$ 409,510) and Rs. 15,171,896 (equivalent to \$ 275,953), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs. 23,987,048 (equivalent to \$ 409,510) during the year 2013.
- The amount due are non-trade, interest is charged at 5% per annum and are due on demand.

16. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognized in the books of accounts.

17. The Company recorded a net profit of Rs. 1,146,725 during the financial year ended 31 December, 2013, and as at that date Company's total liabilities exceeded its total assets by Rs. 21,502,142. 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.

18. 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.
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of R Systems Solutions, Inc., USA ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

R SYSTEMS SOLUTIONS, INC.
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	96,141,274	82,727,400
Reserves and surplus	4	(45,666,899)	(69,129,874)
Current liabilities			
Short-term Borrowings	6	24,087,263	21,806,168
Trade payables	7	26,768,244	19,798,666
Other current liabilities	7	1,347,039	1,269,924
Short-term provisions	5	4,166,943	2,480,312
Total		106,843,864	58,952,596
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	11,154,104	11,055,325
Intangible assets	9	798,581	93,659
Long-term loans and advances	10	1,467,760	715,963
Current assets			
Trade receivables	11	27,556,351	37,905,300
Cash and bank balances	12	47,497,577	6,472,678
Short-term loans and advances	10	18,369,491	2,709,671
Total		106,843,864	58,952,596
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

R SYSTEMS SOLUTIONS, INC.**Statement of Profit and Loss for the year ended December 31, 2013**

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	13	307,751,157	197,480,226
Other income	14	-	2,083,419
Total revenue		307,751,157	199,563,645
Expenses			
Employee benefits expense	15	230,353,269	138,264,991
Operational and other expenses	16	53,266,767	28,625,631
Depreciation and amortisation expense	17	5,168,252	2,529,716
Finance costs	18	251,053	1,601,149
Total expenses		289,039,341	171,021,487
Profit before tax		18,711,816	28,542,158
Tax expense			
Current tax		5,675	92,151
Total tax expense		5,675	92,151
Profit for the year		18,706,141	28,450,007
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

R SYSTEMS SOLUTIONS, INC.
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	18,711,816	28,542,158
Adjustments for:		
Depreciation and amortisation expense	5,168,252	2,529,716
Debts and advances provided / written off (net)	-	270,471
Unrealised foreign exchange loss / (gain)	2,905,510	218,644
Interest Expense	248,827	1,591,266
Operating profit/(loss) before working capital changes	27,034,405	33,152,255
Movements in working capital :		
(Increase) / Decrease in trade receivables	14,267,605	(11,266,796)
Decrease / (Increase) in loans and advances	(303,128)	(860,839)
Decrease / (Increase) in intra-group balances	(15,186,226)	(11,246,531)
Increase / (Decrease) in short-term and long-term provision	1,306,681	1,112,812
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	4,134,602	3,436,148
Cash generated from operations	31,253,939	14,327,049
Direct taxes paid, net of refunds	(5,675)	(92,151)
Net cash flow from operating activities (A)	31,248,264	14,234,898
B. Cash flows used in investing activities		
Purchase of fixed assets	(4,618,288)	(12,067,731)
Net cash used in investing activities (B)	(4,618,288)	(12,067,731)
C. Cash flows used in financing activities		
Proceeds from issuance of share capital	14,643,750	-
Interest paid	(248,827)	(1,591,266)
Net cash used in financing activities (C)	14,394,923	(1,591,266)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	41,024,899	575,900
Cash and cash equivalents at the beginning of the year	6,472,678	5,896,778
Cash and cash equivalents at the end of the year	47,497,577	6,472,678

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014
Place : Singapore
Date : February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

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

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(f) Impairment

The carrying amount of assets is 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 assets are depreciated / amortised on the revised carrying amount over its remaining useful life.

(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, 2013, the rates used were US \$ 1= Rs. 58.58. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 61.81.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were US \$ 1= Rs. 53.42. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 54.98.

(j) Retirement 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) 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.

(m) 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.

(n) Segment reporting

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

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised Share Capital		
10,000,000 Series A Preferred Stock , No Par Value		
50,000,000 Common Stock No Par Value		
Issued, subscribed and paid up capital		
8,666,884 Series A Preferred Stock , No Par Value	36,286,450	36,286,450
16,335,883 (Previous year 11,335,883) Common Stock No Par Value	59,854,824	46,440,950
Total	96,141,274	82,727,400

A. Reconciliation of the Series A Preferred stock shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	8,666,884	36,286,450	8,666,884	36,286,450
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	8,666,884	36,286,450	8,666,884	36,286,450

B. Reconciliation of the Common Stock shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	11,335,833	46,440,950	11,335,833	46,440,950
Add: Shares issued during the year	5,000,000	13,413,874	-	-
Shares outstanding at the end of the year	16,335,833	59,854,824	11,335,833	46,440,950

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last account	(68,339,968)	(96,789,975)
Add: Profit for the current year	18,706,141	28,450,007
Net deficit in the statement of profit and loss	(49,633,827)	(68,339,968)
Foreign currency translation reserve		
Balance as per last account	(789,906)	(1,085,337)
Add: Current year translation differences	4,756,834	295,431
Closing balance	3,966,928	(789,906)
Total	(45,666,899)	(69,129,874)

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	4,117,499	2,436,328
Sub Total (A)	4,117,499	2,436,328
Other provision		
Income tax	49,444	43,984
Sub Total (B)	49,444	43,984
Total (A+B)	4,166,943	2,480,312

6. Short-term borrowings

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unsecured		
Loan from related party repayable on demand R Systems Inc., USA	24,087,263	21,806,168
Total	24,087,263	21,806,168

7. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	26,768,244	19,798,666
Sub total (A)	26,768,244	19,798,666
Other liabilities		
Payable to Related parties R Systems International Limited	133,964	58,028
Advance from customers	143,487	127,613
Others	1,069,588	1,084,283
Sub total (B)	1,347,039	1,269,924
Total (A+B)	28,115,283	21,068,590

Schedule 8: Tangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON	ADDITION	DELETION	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR	31.12.2013	1.1.2013		DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Building - Lease hold	-	750,782	-	750,782	-	39,531	-	(2,180)	41,711	709,071	-
Computer hardware	67,804,925	1,733,577	-	77,955,537	64,737,965	1,626,361	-	(8,126,001)	74,490,327	3,465,210	3,066,960
Furniture & fixtures	6,578,063	486,322	-	7,880,960	6,352,664	(240,383)	-	(775,312)	6,887,593	993,367	225,399
Office & electrical equipments	16,315,545	841,784	-	19,182,677	8,552,579	3,394,741	-	(1,248,901)	13,196,221	5,986,456	7,762,966
Total	90,698,533	3,812,465	-	105,769,956	79,643,208	4,820,250	-	(10,152,394)	94,615,852	11,154,104	11,055,325
Previous year	75,609,040	12,419,935	-	90,698,533	74,571,438	2,369,722	-	(2,702,048)	79,643,208	11,055,325	1,037,602

Schedule 9: Intangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON	ADDITION	DELETION	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR	31.12.2013	1.1.2013		DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Computer Software	2,412,221	1,060,489	-	3,772,154	2,318,562	348,002	-	(307,009)	2,973,573	798,581	93,659
Total	2,412,221	1,060,489	-	3,772,154	2,318,562	348,002	-	(307,009)	2,973,573	798,581	93,659
Previous year	2,329,956	-	-	2,412,221	2,080,412	159,994	-	(78,156)	2,318,562	93,659	249,544

10. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	662,920	-	2,481,226	2,512,422
Sub Total (A)	662,920	-	2,481,226	2,512,422
Loans & advances to related parties				
Advance recoverable from:				
R Systems Inc., USA			15,888,265	197,249
Sub Total (B)	-	-	15,888,265	197,249
Security deposit				
Unsecured, considered good	804,840	715,963	-	-
Sub Total (C)	804,840	715,963	-	-
Total (A+B+C)	1,467,760	715,963	18,369,491	2,709,671

11. Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	8,428,130	7,497,429
	8,428,130	7,497,429
Provision for doubtful receivables	8,428,130	7,497,429
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	27,556,351	37,905,300
Unsecured, considered doubtful	-	-
	27,556,351	37,905,300
Provision for doubtful receivables	-	-
Sub Total (B)	27,556,351	37,905,300
Total (A+B)	27,556,351	37,905,300

R SYSTEMS SOLUTIONS, INC.**Notes to Financial Statements for the year ended December 31, 2013**

12. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Balances with other banks:		
On current accounts	47,497,577	6,472,678
Total	47,497,577	6,472,678

R SYSTEMS SOLUTIONS, INC.**Notes to Financial Statements for the year ended December 31, 2013**

13. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	307,751,157	197,480,226
Total	307,751,157	197,480,226

14. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Miscellaneous income	-	2,083,419
Total	-	2,083,419

15. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	208,215,352	124,336,543
Contribution to employee's benefits fund	22,137,917	13,928,448
Total	230,353,269	138,264,991

16. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	12,768,664	1,342,995
Travelling and conveyance	694,700	518,270
Insurance	704,501	113,408
Repair and maintenance	9,451,669	5,637,708
Provision for doubtful debts and advances (net)	-	270,471
Rent - premises	7,275,015	7,439,231
Power and fuel	1,063,701	859,625
Communication costs	3,367,505	2,390,710
Printing and stationery	808,689	322,057
Advertising and sales promotion	1,250,874	944,093
Legal and professional expenses	15,534,670	8,610,260
Rates and taxes	279,831	106,978
Miscellaneous expenses	66,948	69,825
Total	53,266,767	28,625,631

17. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	4,820,250	2,369,722
Amortisation on intangible assets	348,002	159,994
Total	5,168,252	2,529,716

18. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest on loans	248,827	1,591,266
Bank charges	2,226	9,883
Total	251,053	1,601,149

19. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems, Inc., USA Indus Software, Inc., USA R Systems N.V., Belgium (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore R Systems (Singapore) Pte Ltd, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

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 (Liquidated as on December 24, 2013)
Computaris Romania S.R.L., Romania
Computaris Polska sp Zoo, Poland
ICS Computaris International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA Inc., USA

Key management personnel	Satinder Singh Rekhi, Director Sartaj Singh Rekhi, Director
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Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs.)

Particulars	For the year ended December 31,	
	2013	2012
R Systems International Limited		
Miscellaneous Income	-	2,083,419
Amount Payables	133,964	58,028
R Systems, Inc.		
Interest Paid	248,827	1,591,266
Amount Receivable	15,888,265	197,249
Loan Payable	24,087,263	21,806,168

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

- The outstanding amount due is Rs 24,087,263 (equivalent to \$ 389,730) and Rs. 21,806,168 (equivalent to \$ 396,620), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs. 23,988,103 (equivalent to \$ 409,528) during the year 2013.
- 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 5% (2012: 5%) per annum.

20. Operating Lease- Company as lessee

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, 2013 Rs.	Year ended December 31, 2012 Rs.
Lease payments for the year	7,275,015	7,439,231
Non-cancellable operating lease obligation		
Not later than one year	7,887,492	6,899,550
Later than one year but not later than five years	8,802,515	569,043
Later than five years	-	-

21. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognized in the books of accounts.

22. 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.
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Systèmes R. International Ltée, Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Systèmes R. International Ltée, Canada ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

SYSTÈMES R. INTERNATIONAL LTÉE, CANADA**Balance Sheet as at December 31, 2013**

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	11,636	-
Reserves and surplus	4	(1,288,468)	(301,093)
Current liabilities			
Trade payables	5	840,806	-
Other current liabilities	6	2,564,143	301,093
Total		2,128,117	-
Current assets			
Trade receivables	7	2,075,798	-
Short-term loans and advances	8	52,319	-
Total		2,128,117	-
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Systèmes R. International Ltée

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

SYSTÈMES R. INTERNATIONAL LTÉE, CANADA**Statement of Profit and Loss for the period ended December 31, 2013**

	Notes	For the period ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Income			
Revenue from operations	9	7,361,031	-
Total revenue		7,361,031	-
Expenses			
Operational and other expenses	10	8,237,770	303,126
Finance costs	11	71,494	
Total expenses		8,309,264	303,126
Profit/(loss) before tax		(948,233)	(303,126)
Loss for the year		(948,233)	(303,126)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Systèmes R. International Ltée

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

SYSTÈMES R. INTERNATIONAL LTÉE, CANADA
Statement of Profit and Loss for the period ended December 31, 2013

	For the year ended December 31, 2013 Rs.
A. Cash flow from operating activities	
Net profit before taxation	(948,233)
Adjustments for:	
Interest on loans	71,494
Operating profit before working capital changes	(876,739)
Movements in working capital :	
(Increase) / Decrease in trade receivables	(2,032,070)
(Increase) / Decrease in other current assets	(51,204)
Increase / (Decrease) in provisions	328,307
Decrease / (Increase) in intra-group balances	2,197,015
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	494,819
Cash generated from / (used in) operations	60,128
Direct taxes paid, net of refunds	-
Net cash flow from operating activities (A)	60,128
B. Cash flows used in investing activities	-
Net cash used in investing activities (B)	-
C. Cash flows used in financing activities	
Proceeds from issuance of share capital	11,366
Interest paid	(71,494)
Net cash used in financing activities (C)	(60,128)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	-
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	-

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Systèmes R. International Ltée

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

1. Company Overview

Systèmes R. International Ltée, Canada (the “Company”) is limited Company domiciled and incorporated in Canada on October 29, 2012 as a wholly-owned subsidiary of R Systems International Limited, a company incorporated in India. The address of the registered office is 417, Rue Saint-Pierre, Porte 604 Montréal (Québec) H2Y 2M4, Canada.

The main object of the Company is to provide Information Technology Services to the customers primarily situated in Canada.

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. 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 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, intangible 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 statement of Profit and Loss 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.

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 Canadian dollar (CAD) 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 period ended December 31, 2013, the rates used were CAD 1= Rs. 56.83. For translating assets and liabilities at the year-end, the rates used were CAD 1= Rs. 58.05.

For translating income, expense and cash flows items, except cash and cash equivalents, during the period ended December 31, 2012, the rates used were CAD 1= Rs. 55.02. For translating assets and liabilities at the year-end, the rates used were CAD 1= Rs. 54.66.

(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) 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.

(i) 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.

(j) Segment reporting

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

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013 Rs.	December 31, 2012 Rs.
Issued, subscribed and paid up capital		
200 Common Stock of CAD 1 each	11,636	-
Total	11,636	-

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	-	-	-	-
Add: Shares issued during the year	200	11,636	-	-
Shares outstanding at the end of the year	200	11,636	-	-

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statements	(303,126)	-
Add: Loss for the current year	(948,233)	(303,126)
Net deficit in the statement of profit and loss	(1,251,359)	(303,126)
Foreign currency translation reserve		
Balance as per last financial statements	2,033	-
Add: Current year translation differences	(39,142)	2,033
Closing balance	(37,109)	2,033
Total	(1,288,468)	(301,093)

5. Trade Payables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	505,425	-
Sub total (A)	505,425	-
Other liabilities		
Other payables	335,381	-
Sub total (B)	335,381	-
Total (A+B)	840,806	-

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Payable to related parties		
R Systems international Limited	855,817	-
R Systems Inc. USA	1,708,326	301,093
Total	2,564,143	301,093

7. Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	2,075,798	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Sub Total (B)	2,075,798	-
Total (A+B)	2,075,798	-

SYSTÈMES R. INTERNATIONAL LTÉE, CANADA**Notes to Financial Statements for the year ended December 31, 2013**

8. Short term loans and advances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	52,319	-
Total	52,319	-

9. Revenue from operations

Particulars	For the period ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	7,361,031	-
Total	7,361,031	-

10. Operational and other expenses

Particulars	For the period ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Legal and professional expenses	7,454,004	-
Repair and maintenance	776,264	
Foreign exchange fluctuation (net)	7,502	
Miscellaneous expenses	-	303,126
Total	8,237,770	303,126

11. Finance cost

Particulars	For the period ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest expense	71,494	-
Total	71,494	-

12. 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 R Systems N.V., Belgium (Liquidated as on June 24, 2013) ECnet Ltd, Singapore Computaris International Limited, U.K..

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 (Liquidated as on December 24, 2013)
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, Inc., USA

Key management personnel	Satinder Singh Rekhi, Director Sartaj Singh Rekhi, Director Josée Lacroix, Director
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Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

Particulars	For the year ended	
	December 31, 2013	December 31, 2012
Holding Company		
Services received	5,376,914	-
Amount payables	855,817	-
R Systems, Inc.		
Services received	796,870	-
Amount payables	1,708,326	-

13. The Company incurred a net loss of Rs. 948,233 during the financial year ended 31 December, 2013, and as at that date Company's total liabilities exceeded its total assets by Rs. 1,276,832. 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.

14. 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.
ICAI Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Systèmes R.
International Ltée, Canada

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of R Systems NV, Belgium

Report on the Financial Statements

We have audited the accompanying financial statements of R Systems NV, Belgium ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Attention of the members is invited to Note No.2 (a) of notes to financial Statements, which deals the basis of Preparation of financial statement wherein it is stated that the financial statements have not been prepared on a going concern basis;

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

R SYSTEMS NV, BELGIUM
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	-	3,474,734
Reserves and surplus	4	-	(2,911,993)
Current liabilities			
Other current liabilities	5	-	297,428
Total		-	860,169
ASSETS			
Current assets			
Cash and bank balances	6	-	860,169
Total		-	860,169
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
DATE : February 07,
2014

R SYSTEMS NV, BELGIUM
Statement of Profit and Loss for the year ended December 31, 2013

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Expenses			
Other expenses	7	330,136	514,576
Finance cost	8	24,107	-
Total expenses		354,243	514,576
Loss before tax		(354,243)	(514,576)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the period		(354,243)	(514,576)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

R SYSTEMS NV, BELGIUM**Cash Flow Statement for the year ended December 31, 2013**

	For the year ended December 31, 2013	For the year ended December 31, 2012
	Rs.	Rs.
A. Cash flow from operating activities		
Net profit before taxation	(354,243)	(514,576)
Unrealised foreign exchange loss / (gain)	13,493	44,849
Operating profit before working capital changes	(340,750)	(469,727)
Movements in working capital :		
(Increase) / Decrease in loans and advances	-	1,712
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(295,757)	(7,002)
Cash generated from operations	(636,507)	(475,017)
Direct taxes paid, net of refunds	-	-
Net cash flow from operating activities (A)	(636,507)	(475,017)
B. Cash flows used in investing activities		
Net cash used in investing activities (B)	-	-
C. Cash flows used in financing activities		
Paid to Holding company on liquidation	(223,662)	-
Net cash used in financing activities (C)	(223,662)	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	(860,169)	(475,017)
Cash and cash equivalents at the beginning of the year	860,169	1,335,186
Cash and cash equivalents at the end of the year	-	860,169

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

Place : New Delhi
Date: February 07, 2014

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

Sd/-
Satinder Singh Rekhi
[Director]

Place : Singapore
Date: February 07, 2014

Sd/-
Sartaj Singh Rekhi
[Director]

Place : Singapore
Date: February 07, 2014

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.

2. Statement of significant accounting policies

a. Basis of preparation of financial statements

The company has been liquidated on June 24, 2013 and the surplus assets have been transferred to holding company. Accordingly these financial statements have not been prepared on going concern basis. These financials statement has been prepared on liquidation basis.

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.

(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 2013 were € 1= Rs. 72.05. For translating assets and liabilities, the rates used were € 1= Rs. 78.48.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were € 1= Rs. 68.63. For translating assets and liabilities at the year-end, the rates used were € 1= Rs. 72.46.

e. 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.

f. 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. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
200 common shares of Euro 310 each	EUR 0	EUR 62,000
Issued, subscribed and paid up capital		
200 common shares of Euro 310 each	-	3,474,734
Total	-	3,474,734

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	200	3,474,734	200	3,474,734
Add: Shares issued during the year	-	-	-	-
Less: Shares disposed off due to liquidation	(200)	(3,474,734)		
Shares outstanding at the end of the year	-	-	200	3,474,734

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2013****4. Reserves and surplus**

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per financial statement	(3,433,362)	(2,918,786)
Add: Loss for the current year	(354,243)	(514,576)
Less: Transfer to Holding Company on liquidation	(3,787,605)	
Net deficit in the statement of profit and loss	-	(3,433,362)
Foreign currency translation reserve		
Balance as per financial statement	521,369	492,096
Add: Current year translation differences	15,164	29,273
Less: Transfer to Holding Company on liquidation	536,533	-
Closing balance	-	521,369
Total	-	(2,911,993)

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2013**

5. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Other payable	-	297,428
Total	-	297,428

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2013**

6. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Balances with others banks:		
On current accounts	-	860,169
Total	-	860,169

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2013**

7. Other expenses

Particulars	For the period ended December 31, 2013 Rs.	For the year ended December,31 2012 Rs.
Legal and professional expenses	299,795	498,276
Rates and taxes	30,341	16,300
Total	330,136	514,576

8. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December,31 2012 Rs.
Bank charges	24,107	-
Total	24,107	-

9. 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, U.K.
	Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)
	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 (Liquidated as on December 24,2013)
	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, Inc., USA
Key management personnel	Satinder Singh Rekhi, Director
	Sartaj Singh Rekhi, Director

10. 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.
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of R Systems, Europe BV, Netherland.

Report on the Financial Statements

We have audited the accompanying financial statements of R Systems, Europe BV, Netherland ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

R SYSTEMS EUROPE B.V., THE NETHERLAND**Balance Sheet as at December 31, 2013**

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	18,213,869	18,213,869
Reserves and surplus	4	66,896,193	11,206,204
Non-current liabilities			
Long-term borrowings	5	4,403,501	-
Current liabilities			
Trade payables	7	61,584,960	39,001,091
Other current liabilities	7	105,313,846	92,572,265
Short-term provisions	6	6,425,362	5,895,212
TOTAL		262,837,731	166,888,641
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	21,223,565	10,464,945
Intangible assets	9	13,608,301	12,311,001
Long-term loans and advances	10	738,524	280,256
Other non-current assets	11.2	6,117,601	5,138,245
Current assets			
Trade receivables	11.1	37,696,397	29,714,204
Cash and bank balances	12	91,945,982	48,466,252
Short-term loans and advances	10	45,390,251	30,200,857
Other current assets	11.2	46,117,110	30,312,881
TOTAL		262,837,731	166,888,641
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

R SYSTEMS EUROPE B.V., THE NETHERLAND**Statement of Profit and Loss for the year ended December 31, 2013**

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	13	493,304,096	408,042,722
Other income	14	1,731,263	806,299
Total revenue		495,035,359	408,849,021
Expenses			
Employee benefits expense	15	218,925,325	221,983,856
Operational and other expense	16	220,724,281	185,376,955
Depreciation and amortisation expense	17	8,566,119	5,152,329
Finance costs	18	566,741	233,783
Total expenses		448,782,466	412,746,923
Profit / (loss) before tax		46,252,893	(3,897,902)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Profit / (loss) for the year		46,252,893	(3,897,902)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

R SYSTEMS EUROPE B.V., THE NETHERLAND
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	46,252,893	(3,897,902)
Adjustments for:		
Depreciation and amortisation expense	8,566,119	5,152,329
Debts and advances provided / written off (net)	-	1,109,555
Other excess provisions written back	(988,847)	-
Unrealised foreign exchange loss / (gain)	11,440,087	2,532,614
Interest income	(742,416)	(806,300)
Interest on loans	325,805	3,088
Operating profit before working capital changes	64,853,641	4,093,384
Movements in working capital :		
(Increase) / Decrease in trade receivables	(2,557,361)	(10,441,359)
(Increase) / Decrease in other current assets	(9,618,231)	7,917,278
(Increase) / Decrease in loans and advances	(7,098,492)	(2,232,700)
(Increase) / Decrease in other non-current assets	(75,395)	(84,560)
Decrease / (Increase) in intra-group balances	(7,728,209)	3,420,920
Increase / (Decrease) in short-term and long-term provision	(456,486)	150,693
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	14,600,274	(1,461,034)
Cash generated from operations	51,919,741	1,362,622
Direct taxes paid, net of refunds	-	-
Net cash flow from operating activities (A)	51,919,741	1,362,622
B. Cash flows used in investing activities		
Purchase of fixed assets	(15,958,726)	(13,816,921)
Interest received	742,416	806,300
Net cash used in investing activities (B)	(15,216,310)	(13,010,621)
C. Cash flows used in financing activities		
Proceeds from long-term borrowings	9,343,440	-
Repayment of long-term borrowings - current maturities	(2,241,336)	(969,647)
Interest paid	(325,805)	(3,088)
Net cash used in financing activities (C)	6,776,299	(972,735)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	43,479,730	(12,620,734)
Cash and cash equivalents at the beginning of the year	48,466,252	61,086,986
Cash and cash equivalents at the end of the year	91,945,982	48,466,252

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line method over the remaining estimated useful lives of the tangible 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 tangible 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) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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 at 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, tangible fixed assets / intangibles assets are depreciated / amortised on the revised carrying amount over its remaining useful life.

(g) Leases

Where the Company is the lessee

Finance leases, which effectively transfer to the Company 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 Company 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 statement of Profit and Loss 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, 2013, the rates used were € 1= Rs. 77.86. For translating assets and liabilities at the year-end, the rates used were € 1= Rs. 85.10.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were € 1= Rs. 68.63. For translating assets and liabilities at the year-end, the rates used were € 1= Rs. 72.46.

(j) **Retirement benefits**

Retirement benefits in the form of defined contribution schemes are charged to the statement of Profit and Loss 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) **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.

(m) **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.

(n) **Segment reporting**

The Company operates one business segment, providing business process outsourcing services in Europe.

(o) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
15,850 ordinary shares of Euro 100 each	EUR 1,585,000	EUR 1,585,000
Issued, subscribed and paid up capital		
3,170 ordinary shares of Euro 100 each	18,213,869	18,213,869
Total	18,213,869	18,213,869

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	3,170	18,213,869	3,170	18,213,869
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	3,170	18,213,869	3,170	18,213,869

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Securities premium account	44,846,887	44,846,887
Statement of Profit and Loss		
Balance as per last financial statement	(32,723,873)	(28,825,971)
Add: Profit / (loss) for the current year	46,252,893	(3,897,902)
Net surplus/(deficit) in the statement of profit and loss	13,529,020	(32,723,873)
Foreign currency translation reserve		
Balance as per last financial statement	(916,810)	(2,456,223)
Add: Current year translation differences	9,437,096	1,539,413
Closing balance	8,520,286	(916,810)
Total	66,896,193	11,206,204

5. Long-term borrowings

Particulars	Non - current portion		Current maturities	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Term loans for equipment				
From bank (refer note below)	4,403,501	-	3,359,101	-
Total	4,403,501	-	3,359,101	-
The above amount includes				
Secured Borrowings	4,403,501	-	3,359,101	-
Amount disclosed under the head " Other current liabilities". (also refer note 7)			(3,359,101)	-
Total	4,403,501	-	-	-

Note:

Term loans for equipment (computer hardware) from bank are secured by hypothecation of underlying assets and carries interest rate of 4.97 % per annum. The said term loan is repayable in 36 months equated monthly installments from the date of loan.

6. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	6,425,362	5,895,212
Total	6,425,362	5,895,212

7. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	61,584,960	39,001,091
Sub total (A)	61,584,960	39,001,091
Other liabilities		
Current maturities of long-term borrowing (refer note no 5)	3,359,101	-
Payable to Related parties		
R systems International Limited	671,469	461,828
R Systems Europe S.A.S	89,879,851	81,930,681
ECnet Limited	697,836	-
VAT	575,051	2,529,945
Others	10,130,538	7,649,811
Sub total (B)	105,313,846	92,572,265
Total (A+B)	166,898,806	131,573,356

Schedule 8: Tangible assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON	ADDITION	DELETION	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR	31.12.2013	1.1.2013	FOR THE	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Leasehold improvements	43,405,092	-	1,080,808	49,901,229	41,908,353	826,988	1,080,808	(7,392,578)	49,047,111	854,118	1,496,739
Office & electrical equipments	42,516,792	-	-	49,938,673	39,914,773	1,320,058	-	(7,090,426)	48,325,257	1,613,416	2,602,019
Furniture & fixtures	39,626,900	-	-	46,544,311	39,530,671	103,411	-	(6,910,229)	46,544,311	-	96,229
Computer hardware *	33,757,564	14,334,250	-	53,984,653	27,487,607	2,692,304	-	(5,048,711)	35,228,622	18,756,031	6,269,957
Total	159,306,348	14,334,250	1,080,808	200,368,866	148,841,404	4,942,761	1,080,808	(26,441,944)	179,145,301	21,223,565	10,464,944
Previous year	144,859,777	6,439,828	-	159,306,348	137,515,814	3,528,283	-	(7,797,306)	148,841,403	10,464,945	7,343,963

* Computers amounting to Rs. 10,522,986 are hypothecated against term loan from bank.

Schedule 9: Intangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON	ADDITION	DELETION	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR	31.12.2013	1.1.2013	FOR THE	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Computer software	64,042,513	3,108,553	-	78,330,561	51,731,512	3,623,358	-	(9,367,390)	64,722,260	13,608,301	12,311,001
Total	64,042,513	3,108,553	-	78,330,561	51,731,512	3,623,358	-	(9,367,390)	64,722,260	13,608,301	12,311,001
Previous year	52,968,344	8,146,491	-	64,042,513	47,397,270	1,624,046	-	(2,710,197)	51,731,512	12,311,001	5,571,074

10. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	738,524	280,256	20,073,066	11,133,099
	738,524	280,256	20,073,066	11,133,099
Total (A)	738,524	280,256	20,073,066	11,133,099
Loans & advances to related parties				
Advance recoverable from:				
R systems International Limited			-	36,788
R Systems Europe S.A.S			25,317,185	19,030,970
Total (B)	-	-	25,317,185	19,067,758
Total (A+B)	738,524	280,256	45,390,251	30,200,857

11. Trade receivables and other assets

11.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	27,460	-
Unsecured, considered doubtful	4,772,851	2,892,167
	4,800,311	2,892,167
Provision for doubtful receivables	4,772,851	2,892,167
Sub Total (A)	27,460	-
Other receivables		
Unsecured, considered good	37,668,937	29,714,204
Unsecured, considered doubtful	-	1,171,343
	37,668,937	30,885,547
Provision for doubtful receivables	-	1,171,343
Sub Total (B)	37,668,937	29,714,204
Total (A+B)	37,696,397	29,714,204

11.2 Other current assets

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Non-current bank balances (refer note 12)	6,117,601	5,138,245		
Unbilled revenues	-	-	46,117,110	30,312,881
Total	6,117,601	5,138,245	46,117,110	30,312,881

12. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents				
Cash on hand			81,021	51,896
Balance with other banks				
On current accounts			91,864,961	48,414,356
			91,945,982	48,466,252
Other bank balances				
Margin money deposit (refer detail below)	6,117,601	5,138,245		
	6,117,601	5,138,245		
Amount disclosed under non-current assets (refer note 11.2)	(6,117,601)	(5,138,245)		
Total	-	-	91,945,982	48,466,252

Detail of margin money deposit

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Margin money deposits against performance guarantees	6,117,601	5,138,245
Total	6,117,601	5,138,245

13. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	493,304,096	408,042,722
Total	493,304,096	408,042,722

14. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest income	742,416	806,299
Excess provision written back	988,847	-
Total	1,731,263	806,299

15. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	180,153,638	189,882,316
Contribution to Employee's benefit fund	36,071,813	29,847,851
Staff welfare expenses	2,699,874	2,253,689
Total	218,925,325	221,983,856

16. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	850,434	1,646,656
Travelling and conveyance	8,040,545	9,133,847
Insurance	1,278,085	1,237,385
Repair and maintenance	20,963,252	17,893,359
Provision for doubtful debts and advances	-	1,109,555
Membership and Subscription Fees	171,861	280,981
Rent - premises	25,393,841	22,150,857
Rent - equipment	512,609	715,098
Power and fuel	1,962,963	1,795,563
Communication costs	4,641,696	4,375,858
Printing and stationery	504,979	451,381
Advertising and sales promotion	987,333	1,124,889
Legal and professional expenses	154,704,925	122,751,710
Foreign exchange fluctuation (net)	142,146	223,313
Rates and taxes	536,902	465,752
Miscellaneous expenses	32,710	20,751
Total	220,724,281	185,376,955

17. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	4,942,761	3,528,283
Amortisation on intangible assets	3,623,358	1,624,046
Total	8,566,119	5,152,329

18. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest on loans	325,805	3,093
Bank charges	240,936	230,690
Total	566,741	233,783

19. 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 (Liquidated as on June 24, 2013) R Systems S.A.S., France ECnet Ltd, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada(date of incorporation October 29, 2012)

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 (Liquidated as on December 24, 2013)
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, Inc., USA

Key management personnel	Satinder Singh Rekhi, Director Ramneet Singh Rekhi, Director Sartaj Singh Rekhi, Director Siddhartha Dubey, Director Bart V Eunen , Director (Resigned in 2012)
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Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs)

Particulars	December 31,	
	2013	2012
R Systems International Ltd		
Sub-contracting expenses	3,236,568	3,641,118
Amount Receivable	-	36,788
Amount Payable	671,469	461,828
R Systems Europe S.A.S		
Sub-contracting expenses	88,556,346	84,492,165
Amount Receivable	25,317,185	19,030,970
Amount Payable	89,879,851	81,930,681
ECnet Ltd		
Sub-contracting expenses	6,827,133	-
Amount Payable	697,836	-

Payment to key management personnel for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs)

Name of Key Management Personnel	For the year ended December 31,	
	2013	2012
Bart V Eunen	-	25,059,214

20. Operating Lease- Company as lessee

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, 2013	Year ended December 31, 2012
	Rs.	Rs.
Lease payments for the year	24,391,970	21,484,600
Non-cancellable operating lease obligation		
Not later than one year	26,523,106	21,969,950
Later than one year but not later than five years	26,403,121	43,813,176
Later than five years	-	-

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

21. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognized in the books of accounts.
22. 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.
ICAI Firm registration number: 001720N
Chartered Accountants

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Siddharth Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of R Systems, SAS France

Report on the Financial Statements

We have audited the accompanying financial statements of R Systems, SAS France ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

R SYSTEMS, S.A.S. FRANCE
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	8,759,263	8,759,263
Reserves and surplus	4	47,064,136	43,383,078
Non-current liabilities			
Other long term liabilities	5	516,346	977,561
Current liabilities			
Trade payables	7	6,334,402	5,187,485
Other current liabilities	7	33,547,488	25,663,315
Short-term provisions	6	6,020,335	4,940,493
Total		102,241,970	88,911,195
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	2,038,286	1,940,147
Intangible assets	9	-	-
Long-term loans and advances	10	4,136,958	1,427,165
Current assets			
Trade receivables	11	89,879,850	81,930,681
Cash and bank balances	12	2,453,918	489,489
Short-term loans and advances	10	3,119,516	2,683,902
Other current assets	11.2	613,442	439,811
Total		102,241,970	88,911,195
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
R Systems SAS.

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

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

R SYSTEMS, S.A.S. FRANCE**Statement of Profit and Loss for the year ended December 31, 2013**

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	13	93,566,633	88,670,803
Total revenue		93,566,633	88,670,803
Expenses			
Employee benefits expense	14	75,186,083	65,978,497
Operational and other expenses	15	24,045,354	18,372,972
Depreciation and amortisation expense	16	673,300	542,366
Finance costs	17	121,980	107,922
Total expenses		100,026,717	85,001,757
Profit / (loss) before tax		(6,460,084)	3,669,046
Tax expense / (credit)			
Current tax / (credit)		(1,500,245)	1,322,421
Total tax expense / (credit)		(1,500,245)	1,322,421
Profit/(loss) for the year		(4,959,839)	2,346,625
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
R Systems SAS.

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

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

R SYSTEMS, S.A.S. FRANCE
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(6,460,084)	3,669,046
Adjustments for:		
Depreciation and amortisation expense	673,300	542,366
Unrealised foreign exchange loss / (gain)	245,275	25,701
Interest on loans	12,084	21,551
Operating profit before working capital changes	(5,529,425)	4,258,664
Movements in working capital :		
(Increase) / Decrease in trade receivables	(88,607)	410,434
(Increase) / Decrease in other current assets	-	(6,185)
(Increase) / Decrease in loans and advances	179,705	507,335
Decrease / (Increase) in intra-group balances	8,524,332	(3,505,225)
Increase / (Decrease) in short-term and long-term provision	550,382	590,842
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(355,389)	119,372
Cash generated from operations	3,280,998	2,375,237
Direct taxes paid, net of refunds	(851,265)	(1,578,422)
Net cash flow from operating activities (A)	2,429,733	796,815
B. Cash flows used in investing activities		
Purchase of fixed assets	(453,235)	(683,996)
Net cash used in investing activities (B)	(453,235)	(683,996)
C. Cash flows used in financing activities		
Interest paid	(12,069)	(21,551)
Net cash used in financing activities (C)	(12,069)	(21,551)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	1,964,429	91,268
Cash and cash equivalents at the beginning of the year	489,489	398,221
Cash and cash equivalents at the end of the year	2,453,918	489,489

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

For and on behalf of the Board of Directors of
R Systems SAS.

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

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of tangible fixed assets</u>	<u>Estimated useful life</u>
Computer Hardware	1-5 years
Office Furniture & Equipment	5 years

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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 at 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, intangible fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(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 statement of Profit and Loss 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, 2013, the rates used were € 1= Rs. 77.86. For translating assets and liabilities at the year-end, the rates used were € 1= Rs. 85.10.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were € 1= Rs. 68.63. For translating assets and liabilities at the year-end, the rates used were € 1= Rs. 72.46.

(j) Retirement benefits

Retirement benefits in the form of defined contribution schemes are charged to the statement of Profit and Loss 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) 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.

(m) 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.

(n) Segment reporting

The Company operates one business segment, providing business process outsourcing services in Europe.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013 Rs.	December 31, 2012 Rs.
Authorised shares		
10,000 ordinary shares of Euro 15.24 each	EUR 152,400	EUR 152,400
Issued, subscribed and paid up capital		
10,000 ordinary shares of Euro 15.24 each	8,759,263	8,759,263
Total	8,759,263	8,759,263

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	10,000	8,759,263	10,000	8,759,263
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	10,000	8,759,263	10,000	8,759,263

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per financial statement	34,119,459	31,772,834
Add: Profit / (loss) for the current year	(4,959,839)	2,346,625
Net Surplus in the statement of profit and loss	29,159,620	34,119,459
Foreign currency translation reserve		
Balance as per financial statement	9,263,619	6,531,619
Add: Current year translation differences	8,640,897	2,732,000
Closing balance	17,904,516	9,263,619
Total	47,064,136	43,383,078

5. Other long term liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Deffered payable to others	516,346	977,561
Total	516,346	977,561

6. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	6,020,335	4,846,374
Sub total (A)	6,020,335	4,846,374
Other provision		
Income tax	-	94,119
Sub total (B)	-	94,119
Total (A+B)	6,020,335	4,940,493

7. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	6,334,402	5,187,485
Sub total (A)	6,334,402	5,187,485
Other liabilities		
Payable to R Systems Europe BV	25,317,185	19,030,970
VAT	253,862	216,061
Others	7,976,441	6,416,284
Sub total (B)	33,547,488	25,663,315
Total (A+B)	39,881,890	30,850,800

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013	DURING THE YEAR	DURING THE YEAR	31.12.2013	31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR	31.12.2013	31.12.2013	31.12.2013	31.12.2012
Furniture & fixtures	10,235,170	-	-	(1,786,663)	12,021,833	8,388,597	640,437	-	(1,523,898)	10,552,932	1,468,901	1,846,573
Office & electrical equipments	8,750,841	495,376	-	(1,527,602)	10,773,819	8,657,267	32,863	-	(1,514,304)	10,204,434	569,385	93,574
Total	18,986,011	495,376	-	(3,314,265)	22,795,652	17,045,864	673,300	-	(3,038,202)	20,757,366	2,038,286	1,940,147
Previous year	17,307,084	722,160	-	(956,767)	18,986,011	15,610,314	542,366	-	(893,184)	17,045,864	1,940,147	1,696,770

Schedule 9: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013	DURING THE YEAR	DURING THE YEAR	31.12.2013	31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR	31.12.2013	31.12.2013	31.12.2013	31.12.2012
Computer Software	7,567,457	-	-	(1,321,002)	8,888,459	7,567,457	-	-	(1,321,002)	8,888,459	-	-
Total	7,567,457	-	-	(1,321,002)	8,888,459	7,567,457	-	-	(1,321,002)	8,888,459	-	-
Previous year	7,171,093	-	-	(396,364)	7,567,457	7,171,093	-	-	(396,364)	7,567,457	-	-

10. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	3,119,516	2,683,902
Sub total (A)	-	-	3,119,516	2,683,902
Security deposit				
Unsecured, considered good	1,677,311	1,427,165	-	-
Sub total (B)	1,677,311	1,427,165	-	-
Other loans and advances				
Advance income taxes	2,459,647	-	-	-
Sub total (C)	2,459,647	-	-	-
Total (A+B+C)	4,136,958	1,427,165	3,119,516	2,683,902

11. Trade receivables and other assets**11.1 Trade receivables**

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	49,809,423	43,478,216
Unsecured, considered doubtful	-	-
	49,809,423	43,478,216
Provision for doubtful receivables	-	-
Sub total (A)	49,809,423	43,478,216
Other receivables		
Unsecured, considered good	40,070,427	38,452,465
Unsecured, considered doubtful	-	-
	40,070,427	38,452,465
Provision for doubtful receivables	-	-
Sub total (B)	40,070,427	38,452,465
Total (A+B)	89,879,850	81,930,681

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management -R Systems B.V.	89,879,850	81,930,681

11.2 Other current assets

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unbilled revenue	613,442	439,811
Total	613,442	439,811

12. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Cash on hand	6,791	9,836
Balances with others banks:		
On current accounts	2,447,127	479,653
Total	2,453,918	489,489

13. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	93,566,633	88,670,803
Total	93,566,633	88,670,803

14. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	55,004,262	47,515,142
Contribution to Employee's benefits fund	19,737,399	18,086,199
Staff welfare expenses	444,422	377,156
Total	75,186,083	65,978,497

15. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	-	120,559
Travelling and conveyance	147,530	565,940
Insurance	211,812	134,972
Repair and maintenance	1,112,055	745,689
Membership & Subscription Fees	2,822	10,762
Rent - premises	7,038,313	5,824,942
Rent - equipment	1,623,504	1,706,977
Power and fuel	1,463,634	1,160,729
Communication costs	8,019,044	4,894,366
Printing and stationery	89,949	46,074
Advertising and sales promotion	48,918	100,932
Legal and professional expenses	2,974,828	1,924,477
Rates and taxes	1,230,765	1,065,321
Miscellaneous expenses	82,180	71,232
Total	24,045,354	18,372,972

16. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	673,300	542,366
Total	673,300	542,366

17. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest on loans	12,084	21,584
Bank charges	109,896	86,338
Total	121,980	107,922

18. 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 (Liquidated as on June 24, 2013)
	R Systems Europe B.V, Netherlands
	ECnet Ltd, Singapore
	Computaris International Limited, U.K.
	Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

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 (Liquidated as on December 24, 2013)
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	Sidhartha Shankar Dubey, Director.
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Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs)

Particulars	December 31,	
	2013	2012
R Systems Europe B.V.		
Services rendered	88,556,346	84,492,165
Amount receivable	89,879,850	81,930,681
Amount Payable	25,317,185	19,030,970

19. 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, 2013	Year ended December 31, 2012
	Rs.	Rs.
Lease payments for the year	7,603,429	7,114,634
Minimum Lease Payments:		
Not later than one year	4,444,701	7,087,620
Later than one year but not later than five years	-	3,208,162
Later than five years	-	-

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

20. 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.
ICAI 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/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date : February 07, 2014

Place : NOIDA
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ECnet Ltd., Singapore

Report on the Financial Statements

We have audited the accompanying financial statements of ECnet Ltd., Singapore (“the Company”), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ECNET LIMITED, SINGAPORE
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	2,438,892,001	2,285,815,504
Reserves and surplus	4	(2,328,756,380)	(2,341,008,705)
Non-current liabilities			
Other long term liabilities	5	-	46,332
Current liabilities			
Short-term Borrowings	6	-	112,477,862
Trade payables	7	10,060,534	21,391,102
Other current liabilities	7	28,446,223	30,103,131
Short-term provisions			
Total		148,642,378	108,825,226
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	2,878,975	2,351,367
Intangible assets	9	28,378,759	4,805,660
Non-current investments	10	14,529,462	13,385,718
Long-term loans and advances	11	4,520,972	3,068,382
Current assets			
Trade receivables	12.1	23,571,194	23,797,501
Cash and bank balances	13	8,894,491	6,649,153
Short-term loans and advances	11	65,627,363	54,610,357
Other current assets	12.2	241,162	157,088
Total		148,642,378	108,825,226
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET LIMITED, SINGAPORE**Statement of Profit and Loss for the year ended December 31, 2013**

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	14	176,202,052	115,154,573
Other income	15	71,034,278	68,101,523
Total revenue		247,236,330	183,256,096
Expenses			
Employee benefits expense	16	120,507,998	85,543,168
Operational and other expense	17	105,279,899	109,293,133
Depreciation and amortisation expense	18	16,855,239	4,458,482
Finance costs	19	2,451,885	5,904,643
Total expenses		245,095,021	205,199,426
Profit/(Loss) before tax		2,141,309	(21,943,330)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Profit/(Loss) for the year		2,141,309	(21,943,330)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET LIMITED, SINGAPORE

Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net Profit/(loss) before taxation	2,141,309	(21,943,330)
Adjustments for:		
Depreciation and amortisation expense	16,855,239	4,458,482
Provision for doubtful debts written back (Net)	(295,258)	32,518,840
Unrealised foreign exchange gain / (loss)	2,871,648	(6,773,097)
Interest income	(802)	(1,342)
Interest on loans	2,092,817	5,710,498
Operating loss before working capital changes	23,664,953	13,970,051
Movements in working capital :		
(Increase) / Decrease in trade receivables	521,565	(46,040,477)
(Increase) / Decrease in other current assets	(84,074)	72,200
(Increase) / Decrease in loans and advances	(12,469,596)	3,553,549
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(3,151,099)	30,118,160
Cash generated from operations	8,481,749	1,673,483
Direct taxes paid, net of refunds	-	-
Net cash flow from operating activities (A)	8,481,749	1,673,483
B. Cash flows used in investing activities		
Purchase of fixed assets	(34,860,322)	(879,658)
Interest received	802	1,342
Net cash used in investing activities (B)	(34,859,520)	(878,316)
C. Cash flows used in financing activities		
Interest paid	(2,092,817)	(5,710,498)
Proceeds from issuance of share capital	30,715,926	5,525,000
Net cash used in financing activities (C)	28,623,109	(185,498)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	2,245,338	609,668
Cash and cash equivalents at the beginning of the year	6,649,153	6,039,485
Cash and cash equivalents at the end of the year	8,894,491	6,649,153

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

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 #02-01, 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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible Fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of tangible 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) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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 at the weighted average cost of capital.

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

(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) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the Non-current investments.

(i) 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.

(j) 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, 2013, the rates used were SGD 1= Rs. 46.80. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 48.85.

For translating income and expense during the year ended December 31, 2012, the rates used were SGD 1= Rs. 42.78. For translating assets and liabilities at the year-end, the rates used were SGD 1= Rs. 45.00.

(k) Retirement 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.

(l) 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.

(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.

(n) Government grants and subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with. When the grant or subsidy relates to an expense item, it is deducted in reporting the related expenses over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

(o) 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.

(p) Segment reporting

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

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
Issued, subscribed and paid up capital 92,103,530 Ordinary Shares (Previous Year 57,470,869) of No Par Value	2,438,892,001	2,285,815,504
Total	2,438,892,001	2,285,815,504

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	57,470,869	2,285,815,504	56,210,788	2,280,290,504
Add: Shares issued during the year	34,632,661	153,076,497	1,260,081	5,525,000
Shares outstanding at the end of the year	92,103,530	2,438,892,001	57,470,869	2,285,815,504

B. Details of shareholders holding more than 5% shares in the Company

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No. of Shares	%	No. of Shares	%
R Systems International Limited (Holding Company)	63,891,260	69.37	57,218,034	99.56
R Systems (Singapore) Pte Limited, (Fellow Subsidiary)	27,979,435	30.38	-	-

As per secretarial records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2013**

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financials statement	(2,283,549,558)	(2,261,606,228)
Add: Profit/(loss) for the current year	2,141,309	(21,943,330)
Net deficit in the statement of profit and loss	(2,281,408,249)	(2,283,549,558)
Foreign currency translation reserve		
Balance as per last financials statement	(57,459,147)	(52,979,803)
Add: Current year translation differences	10,111,016	(4,479,344)
Closing balance	(47,348,131)	(57,459,147)
Total	(2,328,756,380)	(2,341,008,705)

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2013**

5. Other long-term liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Deferred Grant From Government	-	46,332
Total	-	46,332

ECNET LIMITED, SINGAPORE

Notes to Financial Statements for the year ended December 31, 2013

6. Short Term Borrowing

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unsecured Loan		
Loans from related party repayable on demand (Refer note 19)		
R Systems (Singapore) Pte Ltd, Singapore	-	112,477,862
Total	-	112,477,862

7. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	10,060,534	21,391,102
Sub total (A)	10,060,534	21,391,102
Other liabilities		
Payable to related parties		
R Systems International Limited	12,964,574	16,870,906
R Systems Inc.	110,356	
ECnet (Hong Kong) Ltd.	6,985,215	4,440,311
ECnet Systems (Thailand) Co. Ltd.	607,161	
ECnet, Inc.	726,391	166,675
Deferred Grant From Government	53,199	131,283
Unearned Revenue	4,625,150	6,924,927
GST	2,374,177	1,569,029
Sub total (B)	28,446,223	30,103,131
Total (A+B)	38,506,757	51,494,233

ECNET LIMITED, SINGAPORE
Notes to Financial Statements for the year ended December 31, 2013

Schedule 8: Tangible assets

PARTICULARS	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT	NET BLOCK	
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2013	31.12.2012	31.12.2012
Leasehold Improvements	2,955,600	-	-	252,540	3,208,140	1,780,918	482,186	-	173,229	2,436,333	771,807	1,174,682	1,174,682	1,174,682
Computer Hardware	23,580,438	1,624,699	6,657,215	2,014,817	20,562,739	22,467,809	1,004,848	6,657,215	1,963,636	18,779,078	1,783,661	1,112,629	1,112,629	
Furniture & Fixtures	292,828	-	-	25,020	317,848	233,706	48,430	-	22,083	304,219	13,629	59,122	59,122	
Office & Electrical Equipments	373,317	402,554	146,535	31,898	661,234	368,383	93,930	146,535	35,578	351,356	309,878	4,934	4,934	
Total	27,202,183	2,027,253	6,803,750	2,324,275	24,749,961	24,850,816	1,629,394	6,803,750	2,194,526	21,870,986	2,878,975	2,351,367	2,351,367	
Previous Year	24,084,977	879,658	176,839	2,060,709	27,202,183	21,511,498	1,292,515	176,839	1,869,964	24,850,816	2,351,367	2,573,479	2,573,479	

(Amount in Rs.)

Schedule 9: Intangible assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	ADDITION THROUGH BUSINESS ACQUISITION	DELETION DURING THE YEAR	ADJUSTMENT	TOTAL	UPTO	FOR THE DURING THE YEAR	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013	-				31.12.2013	1.1.2013			31.12.2013	31.12.2013	31.12.2012
Computer Software	17,773,692	-	7,405,408	1,378,717	3,748,602	20,143,577	12,968,032	2,994,872	1,238,846	15,823,033	4,320,544	4,805,660
Customer contract	-	-	7,492,381	-	900,000	8,305,408	-	7,829,105	341,931	8,171,036	134,373	-
Non compete fee	-	-	17,935,280	-	910,571	8,402,952	-	1,297,043	56,647	1,353,690	7,049,262	-
Goodwill on business acquisition	-	-	-	-	2,179,726	20,115,006	-	3,104,825	135,601	3,240,426	16,874,580	-
Total	17,773,692	-	32,833,069	1,378,717	7,738,899	56,966,943	12,968,032	15,225,845	1,773,025	28,588,185	28,378,759	4,805,660
Previous Year	15,847,316	-	-	-	1,926,176	17,773,692	8,759,310	3,165,967	1,042,755	12,968,032	4,805,660	7,088,206

(Amount in Rs.)

ECNET LIMITED, SINGAPORE
Notes Forming Part of the Financial Statements

10. Non current Investment

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
In subsidiary companies (companies under the same management):		
Other than Trade, unquoted		
(i) ECnet (M) Sdn BHD (500,000 (Previous year 500,000) ordinary shares of RM 1 each)	10,133,363	9,335,673
(ii) ECnet Systems (Thailand) Co Ltd (400,000 (Previous year 400,000) ordinary shares of 5 THB each)	4,396,050	4,050,000
(iii) ECnet (Shanghai) Co. Ltd (Shares of no par value)	17,506,781	16,128,666
Less: Provision for diminution in the value of investment	17,506,781	16,128,666
	-	-
(iv) ECnet (Hong Kong) (2 (Previous year 2) ordinary shares of HK \$1 each)	49	45
(v) ECnet Inc (1,000 (Previous year 1,000) shares of US\$ 2 each)	167,050	153,900
Less: Provision for diminution in the value of investment	167,050	153,900
	-	-
(vi) ECnet Kabushi Kaisha (200 (Previous year 200) shares of 50,000 Yen each)	7,844,507	7,227,000
Less: Provision for diminution in the value of investment	7,844,507	7,227,000
	-	-
	14,529,462	13,385,718
Aggregate amount of unquoted investments (net of provision)	14,529,462	13,385,718
Aggregate amount of quoted investments	-	-
Aggregate provision for diminution in the value of investments	25,518,338	23,509,566

ECNET LIMITED, SINGAPORE

Notes to Financial Statements for the year ended December 31, 2013

11. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	2,936,226	4,282,177
Sub Total (A)	-	-	2,936,226	4,282,177
Loans & advances to related parties				
Unsecured, considered good				
Advance receivables from				
R Systems Europe BV			-	262,706
R Systems International Limited			263,376	842,137
R Systems Singapore Ltd			10,790,657	-
ECnet (M) Sdn Bhd.			35,950,471	39,662,211
ECnet Systems (Thailand) Co. Ltd.			-	344,691
ECnet Kabushiki Kaisha.			2,018,270	1,736,022
ECnet (Shanghai) Co. Ltd.			13,668,363	7,480,413
Sub Total (B)	-	-	62,691,137	50,328,180
Security deposit				
Unsecured, considered good	4,520,972	3,068,382	-	-
Sub Total (C)	4,520,972	3,068,382	-	-
Total (A+B+C)	4,520,972	3,068,382	65,627,363	54,610,357

ECNET LIMITED, SINGAPORE

Notes to Financial Statements for the year ended December 31, 2013

12. Trade receivables and other assets

12.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	6,117,443	6,627,706
	6,117,443	6,627,706
Provision for doubtful receivables	6,117,443	6,627,706
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	23,571,194	23,797,501
Unsecured, considered doubtful	13,816,739	11,055,404
	37,387,933	34,852,905
Provision for doubtful receivables	13,816,739	11,055,404
Sub Total (B)	23,571,194	23,797,501
Total (A+B)	23,571,194	23,797,501

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
R Systems Europe B.V., Netherlands	688,096	-

12.2 Other current assets

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unbilled revenue	241,162	157,088
Total	241,162	157,088

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2013**

13. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Cash in hand	26,879	56,374
Balances with other banks		
On current accounts	8,867,612	6,592,779
Total	8,894,491	6,649,153

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2013**

14. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	176,202,052	115,154,573
Total	176,202,052	115,154,573

15. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest income	802	1,342
Miscellaneous income	475,094	4,158,179
Management Fees	70,558,382	63,942,002
Total	71,034,278	68,101,523

16. Employee benefit expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	109,172,539	75,770,713
Contribution to employee's benefits fund	7,926,171	6,597,189
Staff welfare expenses	3,409,288	3,175,266
Total	120,507,998	85,543,168

ECNET LIMITED, SINGAPORE

Notes to Financial Statements for the year ended December 31, 2013

17. Operational and other expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	-	705,103
Travelling and conveyance	12,840,373	7,437,142
Insurance	81,481	87,389
Repair and maintenance	5,877,200	4,732,625
Provision for doubtful debts and advances (net)	(295,258)	32,518,840
Rent - premises	13,012,175	11,136,250
Rent - equipment	640,238	585,162
Power and fuel	465,888	297,765
Communication costs	6,629,220	6,700,649
Printing and stationery	444,433	806,495
Advertising and sales promotion	418,985	269,015
Legal and professional expenses	62,225,481	43,550,455
Foreign exchange fluctuation (net)	(327,245)	(1,464,713)
Bad debts	632,076	-
Membership and subscription	518,424	298,641
Rates & taxes	1,738,935	1,538,682
Seminar expenses	78,063	34,945
Miscellaneous expenses	299,430	58,688
Total	105,279,899	109,293,133

18. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	1,629,394	1,292,515
Amortisation on intangible assets	15,225,845	3,165,967
Total	16,855,239	4,458,482

19. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest on loans	2,092,817	5,710,498
Bank charges	359,068	194,145
Total	2,451,885	5,904,643

20. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)
	Following are the subsidiaries of Computaris International Limited Computaris limited,UK (Liquidated as on December 24, 2013) 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, Inc. 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 ECnet Kabushiki Kaisha, Japan
Key management personnel	Cai Li Ting, Director (Resigned in 2013) Chan Kum Ming, Director Teo Lye Choon, Director

(a) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

Transaction	(Amount in Rs.)	
	For the year ended December, 31 2013	2012
<u>R System International Limited</u>		
a). Services Rendered	-	300,837
b). Consultancy fees paid	30,774,372	20,900,904
<u>R Systems (Singapore) Pte Ltd</u>		
a). Management fee received	8,480,341	7,750,830
b). Services rendered	976,854	-
c). Interest Paid	2,092,800	5,710,498
d). Sub – Contracting Expenses	5,099,203	2,289,318
<u>R Systems Europe B.V.,Netherlands</u>		
a). Services Rendered	7,538,471	-
<u>ECnet (M) Sdn Bhd.,Malaysia</u>		
a). Services rendered	24,595,911	20,493,837
b). Management fee received	9,892,780	10,153,837
<u>ECnet (Shanghai) Co. Ltd.</u>		
a). Services rendered	6,047,766	3,911,538

ECNET LIMITED, SINGAPORE
Notes to Financial Statements for the year ended December 31, 2013

b).	Management fee received	7,901,701	7,487,276
<u>ECnet (Hong Kong) Ltd.</u>			
a).	Services rendered	55,974	64,718
b).	Management fee received	2,958,680	1,727,191
<u>ECnet Kabushiki Kaisha.</u>			
a).	Services rendered	8,986	26,233
b).	Management fee received	1,672,212	1,633,339
<u>ECnet Systems (Thailand) Co. Ltd.,</u>			
a).	Services rendered	4,550,742	4,447,332
b).	Management fee received	4,393,290	3,859,048

(b) Inter-companies balances as at December 31, 2013 and December 31, 2012:

Outstanding balances	(Amount in Rs.)	
	As at December, 31 2013	2012
<u>R System International Limited</u>		
Amount Receivable	263,377	842,137
Amount Payables	12,964,574	16,870,906
<u>R Systems Europe B.V., Netherlands</u>		
Amount Receivable	688,096	-
<u>R Systems, Inc.</u>		
Amount Receivables	-	262,706
Amount Payable	110,356	-
<u>ECnet (M) Sdn Bhd.</u>		
Amount Receivables	35,950,471	39,662,211
<u>ECnet Systems (Thailand) Co. Ltd.,</u>		
Amount Receivables	-	344,691
Amount Payable	607,161	-
<u>ECnet Kabushiki Kaisha</u>		
Amount Receivables (Net of Provision Rs. 27,563,695 and Rs. 25,595,899 in 2013 and 2012, respectively)	2,018,270	1,736,022
<u>ECnet (Shanghai) Co. Ltd.</u>		
Amount Receivables (Net of Provision Rs. 27,170,659 and Rs. 25,115,604 in 2013 and 2012, respectively)	13,668,363	7,480,413
<u>ECnet (Hong Kong) Ltd.</u>		
Amount Payables	6,985,215	4,440,311
<u>ECnet, Inc.</u>		
Amount Payables	726,391	166,675
Amount Receivables (Net of Provision Rs. 197,577,509 in 2013 and Rs. 178,278,626 in 2012, respectively)	-	-
<u>R Systems (Singapore) Pte Ltd</u>		
Loan Outstanding	-	112,477,862
Non Trade Receivable	10,790,657	-

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

- The outstanding amount due is Rs. Nil (equivalent to SGD Nil) and Rs. 112,477,862 (equivalent to SGD 2,499,508), as at December 31, 2013 and 2012, respectively.
- The maximum amount due is Rs. 112,477,862 (equivalent to SGD 2,499,508) during the year 2013.
- The amount due are non-trade, interest is charged at 5.75 % (2012: 5%) per annum.

Payment to key management personnel for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs)

Name of Key Management Personnel	For the year ended December 31,	
	2013	2012
Chan Kum Ming	8,255,151	7,432,627
Cai Li Ting	6,222,549	5,594,115
Total	14,477,700	13,026,742

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.

21. During the year ended December 31, 2010, the Board of Directors of R Systems International Limited had approved 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, 2013, the Board of Directors has further reassessed the synergies arising out of proposed amalgamation and approved modification of the scheme of corporate restructuring to convert the loans given by R Systems (Singapore) Pte Limited to ECnet Limited into equity instead of merging both companies. The outstanding loan amounting to SGD 2,775,560 given by R Systems (Singapore) Pte Limited to ECnet Limited has been converted into investment in ECnet Limited.

22. Operating Lease- Company as lessee

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, 2013	Year ended December 31, 2012
	Rs.	Rs.
Lease payments for the year	20,660,161	14,756,816
Non-cancellable operating lease obligation		
Not later than one year	17,936,861	4,090,635
Later than one year but not later than five years	24,111,846	-
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

23. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
24. During March, 2013, the Company has acquired an ERP business from another company in Singapore. The management has settled the purchase consideration at SGD 753,882 after considering the conditions fulfilled by the seller as specified under Asset Purchase Agreement. The consideration paid has been allocated on the basis of the independent valuation to following assets:-

	Amount in SGD	Amount in Rs.
Customer contracts	170,036	7,405,408
Non-compete fee	172,033	7,492,381
Goodwill on business acquisition	411,813	17,935,280
Total consideration paid	753,882	32,833,069

The assets acquired through business acquisition are amortised on following basis:-

Intangible assets	Amortisation period
Customer contracts	Over the period of contract
Non-compete fee	Non-compete period of 5 years
Goodwill on business acquisition	5 years

25. 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.
ICAI 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/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ECnet (M) SDN. BHD, Malaysia

Report on the Financial Statements

We have audited the accompanying financial statements of ECnet (M) SDN. BHD, Malaysia ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ECNET (M) SDN. BHD., MALAYSIA
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	7,353,080	7,353,080
Reserves and surplus	4	(1,839,860)	(2,534,998)
Current liabilities			
Trade payables	6	1,351,463	1,714,411
Other current liabilities	6	36,191,019	37,768,797
Short-term provisions	5	566,010	986,485
Total		43,621,712	45,287,775
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	1,005,090	1,354,357
Intangible assets	8	36,790	529
Long-term loans and advances	9	988,631	936,259
Other non-current assets	10.2	-	2,235,812
Current assets			
Trade receivables	10.1	26,482,136	32,961,959
Cash and bank balances	11	14,677,372	7,468,668
Short-term loans and advances	9	431,693	330,191
Other current assets	10.2	-	-
Total		43,621,712	45,287,775
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

ECNET (M) SDN. BHD., MALAYSIA			
Statement of Profit and Loss for the year ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	12	114,269,222	92,883,975
Other income	13	107,661	-
Total revenue		114,376,883	92,883,975
Expenses			
Employee benefits expense	14	38,163,435	25,194,038
Operational and other expenses	15	74,317,523	63,788,141
Depreciation and amortisation expense	16	622,915	963,801
Finance costs	17	64,429	68,030
Total expenses		113,168,302	90,014,010
Profit before tax		1,208,581	2,869,965
Tax expense			
Current tax		770,473	3,083,114
Total tax expense		770,473	3,083,114
Profit / (loss) for the year		438,108	(213,149)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI Firm Registration No. 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

ECNET (M) SDN. BHD., MALAYSIA

Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	1,208,581	2,869,965
Adjustments for:		
Depreciation and amortisation expense	622,915	963,801
Provision for doubtful debts/written off (net)	(1,222,412)	2,539,146
Unrealised foreign exchange (loss) / gain	196,563	308,942
Interest income	(107,661)	-
Operating profit before working capital changes	697,986	6,681,854
Movements in working capital :		
(Increase) / Decrease in trade receivables	7,702,235	(13,769,521)
(Increase) / Decrease in other non-current assets	2,235,812	(2,235,812)
(Increase) / Decrease in other current assets	-	8
(Increase) / Decrease in loans and advances	(153,874)	(263,774)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(1,940,727)	12,407,374
Cash generated from operations	8,541,432	2,820,129
Direct taxes paid, net of refunds	(1,190,948)	(2,731,666)
Net cash flow from operating activities (A)	7,350,484	88,463
B. Cash flows used in investing activities		
Purchase of fixed assets	(249,441)	(1,496,868)
Interest received	107,661	-
Net cash used in investing activities (B)	(141,780)	(1,496,868)
C. Cash flows from / (used in) financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	7,208,704	(1,408,405)
Cash and cash equivalents at the beginning of the year	7,468,668	8,877,073
Cash and cash equivalents at the end of the year	14,677,372	7,468,668

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.K. Relan & Co
ICAI Firm Registration No. 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of tangible 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) Intangible assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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 at the weighted average cost of capital.

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

(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, 2013, the rates used were MYR 1= Rs. 18.57. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 18.87.

For translating income and expense during the year ended December 31, 2012, the rates used were MYR 1= Rs. 17.29. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 17.94.

(j) **Retirement 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) **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.

(m) **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.

(n) **Segment reporting**

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

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013 Rs.	December 31, 2012 Rs.
Authorised Share Capital 500,000 Ordinary Shares of RM 1 Each	RM 500,000	RM 500,000
Issued, subscribed and paid up capital 500,000 (Previous year 500,000) Ordinary Shares of RM 1 Each	7,353,080	7,353,080
Total	7,353,080	7,353,080

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	500,000	7,353,080	500,000	7,353,080
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	500,000	7,353,080	500,000	7,353,080

4. Reserves & surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	(917,789)	(704,640)
Add: Profit / (loss) for the current year	438,108	(213,149)
Net deficit in the statement of profit and loss	(479,681)	(917,789)
Foreign currency translation reserve		
Balance as per last financial statement	(1,617,208)	(1,947,450)
Add: Current year translation differences	257,030	330,242
Closing balance	(1,360,179)	(1,617,208)
Total	(1,839,860)	(2,534,998)

ECNET (M) SDN. BHD., MALAYSIA

Notes to Financial Statements for the year ended December 31, 2013

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Other provision		
Income tax	566,010	986,485
Total	566,010	986,485

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	1,351,463	1,714,411
Sub total (A)	1,351,463	1,714,411
Other liabilities		
Payable to related parties		
ECnet Limited, Singapore	36,024,386	37,247,117
Advance from customers	166,633	521,680
Sub total (B)	36,191,019	37,768,797
Total (A+B)	37,542,482	39,483,208

Schedule 7: Tangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON	ADDITION	DELETION	TOTAL	UPTO	FOR THE YEAR	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR	31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Leasehold Improvements	897,284	-	-	943,859	283,798	167,844	-	(17,388)	469,030	474,829	613,486
Computer Hardware	2,189,561	195,104	-	2,498,317	1,781,476	316,397	-	(97,477)	2,193,350	302,967	408,085
Furniture & Fixtures	1,307,355	-	-	1,375,216	1,019,336	97,590	-	(54,456)	1,171,382	203,834	288,019
Office & Electrical Equipments	1,066,772	-	-	1,122,145	1,022,005	23,262	-	(53,418)	1,098,685	23,460	44,767
Total	5,460,972	195,104	-	5,939,537	4,106,615	605,093	-	(222,739)	4,934,447	1,005,090	1,354,337
Previous Year	3,698,005	1,496,868	-	5,460,972	3,054,910	801,686	-	(250,019)	4,106,615	1,354,337	643,097

Schedule 8: Intangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON	ADDITION	DELETION	TOTAL	UPTO	FOR THE YEAR	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR	31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Computer Software	2,902,339	54,337	-	3,107,328	2,901,810	17,822	-	(150,906)	3,070,538	36,790	529
Total	2,902,339	54,337	-	3,107,328	2,901,810	17,822	-	(150,906)	3,070,538	36,790	529
Previous Year	2,707,513	-	-	2,902,339	2,530,090	162,115	-	(189,605)	2,901,810	529	157,423

9. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	389,074	330,191
Sub Total (A)	-	-	389,074	330,191
Loans & advances to related parties				
Unsecured, considered good				
Advance from ECnet Thailand			42,619	
Sub Total (B)	-	-	42,619	-
Security deposit				
Unsecured, considered good	988,631	936,259	-	-
Sub Total (C)	988,631	936,259	-	-
Total (A+B+C)	988,631	936,259	431,693	330,191

10. Trade receivables and other assets**10.1 Trade receivables**

Particulars	Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	9,466,225	4,536,063
Unsecured, considered doubtful	14,403,237	14,872,991
	23,869,462	19,409,053
Provision for doubtful receivables	14,403,237	14,872,991
Sub Total (A)	9,466,225	4,536,063
Other receivables		
Unsecured, considered good	17,015,911	28,425,896
Unsecured, considered doubtful	-	-
	17,015,911	28,425,896
Provision for doubtful receivables	-	-
Sub Total (B)	17,015,911	28,425,896
Total (A+B)	26,482,136	32,961,959

10.2 Other current assets

Particulars	Non Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Non-current bank balances (refer note 11)	-	2,235,812
Total	-	2,235,812

11. Cash and bank balances

Particulars	Non Current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents				
Cash on hand			51,769	24,572
Balances with other banks On current accounts			14,625,603	7,444,096
	-	-	14,677,372	7,468,668
Other bank balances				
Margin money deposits (refer detail below)	-	2,235,812	-	-
	-	2,235,812	-	-
Amount disclosed under non-current assets (refer note 10.2)	-	(2,235,812)	-	-
Total	-	-	14,677,372	7,468,668

Detail of margin money deposit

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Margin moneys deposit against performance guarantees	-	2,235,812
Total	-	2,235,812

12. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	114,269,222	92,883,975
Total	114,269,222	92,883,975

13. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest Income	107,661	-
Total	107,661	-

14. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	34,412,041	22,450,205
Contribution to employee's benefit plan	3,437,955	2,425,759
Staff welfare expenses	313,439	318,074
Total	38,163,435	25,194,038

15. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	378,564	844,673
Travelling and conveyance	11,073,243	12,829,743
Repair and maintenance	173,154	204,492
Provision for doubtful debts and advances (net)	(1,222,412)	1,958,370
Rent - premises	2,416,348	1,909,129
Power and fuel	135,441	114,062
Communication costs	1,766,824	1,526,302
Printing and stationery	306,816	796,652
Legal and professional expenses	44,309,813	33,016,456
Foreign exchange fluctuation (net)	4,328,379	(1,444,196)
Bad debts	-	580,776
Advertising and sales promotion	698,622	535,187
Seminar expenses	31,574	976,471
Management fees	9,908,445	9,883,583
Miscellaneous expenses	12,712	56,441
Total	74,317,523	63,788,141

16. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	605,093	801,686
Amortisation on intangible assets	17,822	162,115
Total	622,915	963,801

17. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	64,429	68,030
Total	64,429	68,030

18. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 2012) Following are the subsidiaries of Computaris International Limited Computaris limited,UK (Liquidated as on December 24, 2013) Computaris Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computaris International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA Inc., USA
Key Management Personnel	Chan kum Ming, Director Vincent Tey Chyng Siang , Director

(a) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

		(Amount in Rs.)	
TRANSACTIONS		For the year ended December, 31	
		2013	2012
<u>ECnet Limited, Singapore</u>			
a).	Sub-Contracting Expenses	24,366,216	23,101,748
b).	Management Fees Paid	9,908,435	10,115,459

(b). Inter-companies balances as at December 31, 2013 and December 31, 2012:

		(Amount in Rs.)	
OUTSTANDING BALANCES		As at December, 31	
		2013	2012
<u>ECnet Limited, Singapore</u>			
	Amount Payables	36,024,386	37,247,117
<u>ECnetSystems,Thailand</u>			
	Advance Recoverable	42,621	-

Payment to key management personnel for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs)

Name of Key Management Personnel	For the year ended December 31,	
	2013	2012
Vincent Tey Chyng Siang	2,960,202	2,628,193

19. **Operating Lease- Company as lessee**

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, 2013	Year ended December 31, 2012
	Rs.	Rs.
Lease payments for the year	1,849,871	1,909,128
Non-cancellable operating lease obligation		
Not later than one year	1,969,715	2,118,242
Later than one year but not later than five years	-	-
Later than five years	-	-

20. 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.
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ECnet Inc., USA

Report on the Financial Statements

We have audited the accompanying financial statements of ECnet Inc., USA ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ECNET, INC., USA			
Balance Sheet as at December 31, 2013			
	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	91,110	91,110
Reserves and surplus	4	(196,057,446)	(174,395,266)
Current liabilities			
Trade payables	5	301,761	268,438
Other current liabilities	5	197,037,022	175,278,626
Total		1,372,447	1,242,908
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	6	3	3
Current assets			
Trade receivables	8	-	-
Cash and bank balances	9	173,615	728,734
Short-term loans and advances	7	1,198,829	514,171
Total		1,372,447	1,242,908
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI Firm Registration No. 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 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET, INC., USA**Statement of Profit and Loss for the year ended December 31, 2013**

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Other income	10	73	133
Total revenue		73	133
Expenses			
Finance costs	11	23,530	23,277
Total expenses		23,530	23,277
Loss before tax		(23,457)	(23,144)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss after tax for the year		(23,457)	(23,144)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI Firm Registration No. 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 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET, INC., USA

Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013	For the year ended December 31, 2012
	Rs.	Rs.
A. Cash flow from operating activities		
Net loss before taxation	(23,457)	(23,144)
Adjustments for:		
Unrealised foreign exchange loss / (gain)	(21,638,725)	(6,071,009)
Interest income	(73)	(133)
Operating profit before working capital changes	(21,662,255)	(6,094,286)
Movements in working capital :		
(Increase) / Decrease in loans and advances	(684,656)	276,803
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	21,791,719	6,114,454
Cash generated from / (used in) operations	(555,192)	296,971
Direct taxes paid, net of refunds	-	-
Net cash flow from operating activities (A)	(555,192)	296,971
B. Cash flows used in investing activities		
Interest received	73	133
Net cash used in investing activities (B)	73	133
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	(555,119)	297,104
Cash and cash equivalents at the beginning of the year	728,734	431,630
Cash and cash equivalents at the end of the year	173,615	728,734

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

Place : New Delhi
Date : February 07, 2014

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

Sd/-
Satinder Singh Rekhi
[Director]

Place : Singapore
Date : February 07, 2014

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 5000, Windplay Drive, Suite # 5, El Dorado Hills, CA 95762, 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, 2013.

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of tangible 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, tangible fixed assets / intangibles assets 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, 2013, the rates used were US \$ 1= Rs. 58.58. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 61.81.

For translating income and expense during the year ended December 31, 2012, the rates used were US \$ 1= Rs. 53.42. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 54.98.

(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.

(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) Segment reporting

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

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at December 31, 2013	As at December 31, 2012
	Rs.	Rs.
Authorised Share Capital 10,000 Shares of USD 2 Each	USD 20,000	USD 20,000
Issued, subscribed and paid up capital 1000 Shares of USD 2 Each	91,110	91,110
Total	91,110	91,110

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	10,000	91,110	10,000	91,110
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	10,000	91,110	10,000	91,110

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	(138,722,987)	(138,699,843)
Add: Loss for the current year	(23,457)	(23,144)
Net deficit in the statement of profit and loss	(138,746,444)	(138,722,987)
Foreign currency translation reserve		
Balance as per last financial statement	(35,672,279)	(29,601,271)
Add: Current year translation differences	(21,638,723)	(6,071,008)
Closing balance	(57,311,002)	(35,672,279)
Total	(196,057,446)	(174,395,266)

5. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	301,761	268,438
Sub total (A)	301,761	268,438
Other liabilities		
Payables to Related Parties ECnet Limited, Singapore	197,037,022	175,278,626
Sub total (B)	197,037,022	175,278,626
Total (A+B)	197,338,783	175,547,064

ECNET, INC., USA
Notes to Financial Statements for the year ended December 31, 2013

Schedule 6: Fixed assets

PARTICULARS	GROSS BLOCK						DEPRECIATION				NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR	DURING THE YEAR	31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR	31.12.2013	31.12.2013	31.12.2013	31.12.2012
Office & Electrical Equipments	42,335	-	-	5,255	47,590	42,332	-	-	5,255	47,587	3	3
Total	42,335	-	-	5,255	47,590	42,332	-	-	5,255	47,587	3	3
Previous Year	40,861	-	-	1,474	42,335	40,857	-	-	1,475	42,332	3	4

(Amount in Rs.)

7. Short term loans and advances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	157,392	65,789
Sub Total (A)	157,392	65,789
Loans & advances to related parties		
Unsecured, considered good		
Advance recoverable from:		
ECnet (Hong Kong) Limited	317,033	282,024
ECnet Limited, Singapore	724,404	166,358
Sub Total (B)	1,041,437	448,382
Total (A+B)	1,198,829	514,171

8 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	1,066,445	948,680
	1,066,445	948,680
Provision for doubtful receivables	1,066,445	948,680
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
	-	-
Provision for doubtful receivables	-	-
Sub Total (B)	-	-
Total (A+B)	-	-

ECNET, INC., USA**Notes to Financial Statements for the year ended December 31, 2013**

9. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Balances with other banks:		
On current accounts	173,615	728,734
Total	173,615	728,734

ECNET, INC., USA**Notes to Financial Statements for the year ended December 31, 2013**

10. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest income	73	133
Total	73	133

11. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	23,530	23,277
Total	23,530	23,277

12. 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 (M) Sdn Bhd, Malaysia 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K.. Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012))
	Following are the subsidiaries of Computaris International Limited
	Computaris limited, UK (Liquidated as on December 24, 2013) 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 Inc., USA
Key Management Personnel	Satinder Singh Rekhi, Director

Inter-companies balances as at December 31, 2013 and December 31, 2012:

(Amount in Rs.)

OUTSTANDING BALANCES	As at December, 31	
	2013	2012
<u>ECnet Limited, Singapore</u>		
Amount Receivables	724,404	166,358
Amount Payables	197,037,020	178,278,626
<u>ECnet Hong Kong</u>		
Amount Receivables	317,033	282,024

13. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

14. 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.

15. The Company incurred a net loss of Rs. 23,457 during the financial year ended 31 December, 2013, and as at that date Company's total liabilities exceeded its total assets by Rs. 195,966,339. 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.

16. 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.
ICAI 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 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ECnet (Hong Kong) Ltd., Hong Kong

Report on the Financial Statements

We have audited the accompanying financial statements of ECnet (Hong Kong) Ltd., Hong Kong ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ECNET (HONG KONG) LIMITED, HONG KONG**Balance Sheet as at December 31, 2013**

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	12	12
Reserves and surplus	4	6,717,863	4,248,475
Current liabilities			
Trade payables	6	263,560	282,816
Other current liabilities	6	456,181	313,696
Short-term provisions	5	200,391	14,062
Total		7,638,007	4,859,061
ASSETS			
Current assets			
Trade receivables	8	247,201	64,590
Cash and bank balances	9	358,300	234,015
Short-term loans and advances	7	7,032,505	4,560,456
Total		7,638,006	4,859,061
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial Statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET (HONG KONG) LIMITED, HONG KONG**Statement of Profit and Loss for the year ended December 31, 2013**

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	10	5,872,742	3,228,240
Total revenue		5,872,742	3,228,240
Expenses			
Operational and other expenses	11	3,764,277	2,343,354
Finance costs	12	10,170	19,932
Total expenses		3,774,447	2,363,286
Profit before tax		2,098,295	864,954
Tax expense			
Current tax		270,699	60,085
Total tax expense		270,699	60,085
Profit for the year		1,827,596	804,869
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial Statements.

As per our report of even date.

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

For and on 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/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET (HONG KONG) LIMITED, HONG KONG
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	2,098,295	864,954
Adjustments for:		
Unrealised foreign exchange loss / (gain)	641,792	142,408
Operating profit before working capital changes	2,740,087	1,007,362
Movements in working capital :		
(Increase) / Decrease in trade receivables	(182,611)	16,357
(Increase) / Decrease in loans and advances	(2,472,050)	(1,075,888)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	123,229	34,289
Cash generated from operations	208,655	(17,880)
Direct taxes paid, net of refunds	(84,370)	(46,023)
Net cash flow from operating activities (A)	124,285	(63,903)
B. Cash flows used in investing activities		
Net cash used in investing activities (B)	-	
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	124,285	(63,903)
Cash and cash equivalents at the beginning of the year	234,015	297,918
Cash and cash equivalents at the end of the year	358,300	234,015

The accompanying notes are an integral part of the financial Statements.

As per our report of even date

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

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

Place : New Delhi
Date : February 07, 2014

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Teo Lye Choon
[Director]

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. 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, tangible fixed assets / intangibles assets 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.

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, 2013, the rates used were HKD 1= Rs. 7.55. For translating assets and liabilities at the year-end, the rates used were HKD 1= Rs. 7.98

For translating income and expense during the year ended December 31, 2012, the rates used were HKD 1= Rs. 6.89. For translating assets and liabilities at the year-end, the rates used were HKD 1= Rs. 7.08.

(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) 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.

(i) 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.

(j) Segment reporting

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

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised Capital		
10,000 Ordinary Shares of HKD 1 Each	HKD 10,000	HKD 10,000
Issued, subscribed and paid up capital		
2 Ordinary Shares of HKD 1 Each	12	12
Total	12	12

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	2	12	2	12
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	2	12	2	12

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	3,760,270	2,955,401
Add: Profit for the current year	1,827,596	804,869
Net surplus in the statement of profit and loss	5,587,866	3,760,270
Foreign currency translation reserve		
Balance as per last financial statement	488,205	345,797
Add: Current year translation differences	641,792	142,408
Closing balance	1,129,997	488,205
Total	6,717,863	4,248,475

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Other provision		
Income tax	200,391	14,062
Total	200,391	14,062

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	263,560	282,816
Sub total (A)	263,560	282,816
Other liabilities		
Payables to Related Parties		
ECnet, Inc. USA	319,168	283,238
Unearned Revenue	137,013	30,458
Sub total (B)	456,181	313,696
Total (A+B)	719,741	596,512

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2013**

7. Short term loans and advances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	59,562	136,698
Sub Total (A)	59,562	136,698
Loans & advances to related parties		
Advance recoverable from:		
Ecnet Singapore Limited	6,972,943	4,423,758
Sub Total (B)	6,972,943	4,423,758
Total (A+B)	7,032,505	4,560,456

8. Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	30,712	5,657
Unsecured, considered doubtful	28,717	25,484
	59,429	31,141
Provision for doubtful receivables	28,717	25,484
Sub Total (A)	30,712	5,657
Other receivables		
Unsecured, considered good	216,489	58,933
Unsecured, considered doubtful	-	
	216,489	58,933
Provision for doubtful receivables	-	-
Sub Total (B)	216,489	58,933
Total (A+B)	247,201	64,590

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2013**

9. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Balances with other banks		
On current accounts	358,300	234,015
Total	358,300	234,015

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2013**

10. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	5,872,742	3,228,240
Total	5,872,742	3,228,240

11. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Travelling and conveyance	-	250,609
Communication costs	22,429	26,720
Legal and professional expenses	610,485	513,993
Foreign exchange fluctuation (net)	191,502	(170,341)
Management fees	2,939,861	1,722,373
Total	3,764,277	2,343,354

12. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	10,170	19,932
Total	10,170	19,932

13. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

Following are the subsidiaries of Computaris International Limited

Computaris limited, UK (Liquidated as on December 24, 2013)
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, Inc, USA

Key Management Personnel	Chan Kum Ming, Director Teo Lye Choon, Director
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(a) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

TRANSACTIONS	(Amount in Rs.)	
	For the year ended December, 31	
	2013	2012
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	55,704	64,450
b). Management Fees Paid	2,939,858	1,722,373

(b). Inter-companies balances as at December 31, 2013 and December 31, 2012:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2013	2012
<u>ECnet Limited, Singapore</u>		
- Amount Receivables	6,972,935	4,423,758

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2013	2012
<u>ECnet Inc.</u>		
- Amount Payable	319,168	283,238

14. 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.
ICAI 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/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place: Singapore
Date : February 07, 2014

Place: Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ECnet Systems (Thailand) Co. Ltd., Thailand

Report on the Financial Statements

We have audited the accompanying financial statements of ECnet Systems (Thailand) Co. Ltd., Thailand ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Balance Sheet as at December 31, 2013**

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	2,339,600	2,339,600
Reserves and surplus	4	4,400,964	8,761,135
Current liabilities			
Trade payables	5	570,139	887,935
Other current liabilities	5	13,478,337	14,099,795
Total		20,789,040	26,088,465
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	6	95,760	238,815
Long-term loans and advances	7	1,088,901	2,089,782
Current assets			
Trade receivables	8.1	2,442,081	6,549,092
Cash and bank balances	9	1,839,600	2,993,849
Short-term loans and advances	7	15,111,746	13,904,329
Other current assets	8.2	210,952	312,598
Total		20,789,040	26,088,465
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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/-
Satinder Singh Rekhi
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND			
Statement of Profit and Loss for the year ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	10	19,451,655	19,372,725
Other income	11	-	2,213
Total revenue		19,451,655	19,374,938
Expenses			
Employee benefits expense	12	7,820,012	7,125,489
Operational and other expenses	13	16,405,003	14,102,813
Depreciation and amortisation expense	14	161,541	199,583
Finance costs	15	26,785	21,569
Total expenses		24,413,341	21,449,454
Loss before tax		(4,961,686)	(2,074,516)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the year		(4,961,686)	(2,074,516)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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/-
Satinder Singh Rekhi
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit / (loss) before taxation	(4,961,686)	(2,074,516)
Adjustments for:		
Depreciation and amortisation expense	161,541	199,583
Debts and advances provided / written off (net)	-	97,945
Interest Income	-	(2,213)
Unrealised foreign exchange loss / (gain)	587,939	749,071
Operating profit / (loss) before working capital changes	(4,212,206)	(1,030,130)
Movements in working capital :		
(Increase) / Decrease in trade receivables	4,107,011	1,447,392
(Increase) / Decrease in other current and non-current assets	101,646	(139,338)
(Increase) / Decrease in short and long term loans and advances	(206,536)	(9,717)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(939,254)	955,173
Cash generated from operations	(1,149,339)	1,223,380
Direct taxes paid, net of refunds	-	(198,540)
Net cash flow from operating activities (A)	(1,149,339)	1,024,840
B. Cash flows used in investing activities		
Purchase of fixed assets	(4,910)	(54,209)
Interest Income	-	2,213
Net cash used in investing activities (B)	(4,910)	(51,996)
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	(1,154,249)	972,844
Cash and cash equivalents at the beginning of the year	2,993,849	2,021,005
Cash and cash equivalents at the end of the year	1,839,600	2,993,849

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.K. Relan & Co
ICAI 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

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Chan Kum Ming
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[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

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 Rd. K.M. 6.5, Bangkaew, Bangplee, Samutprakarn, Thailand - 10540.

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgment, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of tangible 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, tangible fixed assets / intangibles assets 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 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.

(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 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, 2013, the rates used were THB 1= Rs. 1.91. For translating assets and liabilities at the year-end, the rates used were THB 1= Rs. 1.88.

For translating income and expense during the year ended December 31, 2012, the rates used were THB 1= Rs. 1.72. For translating assets and liabilities at the year-end, the rates used were THB 1= Rs. 1.80.

(i) **Retirement 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) **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) **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**

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

(n) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2013

3. Share capital

Particulars	As at	
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised Share Capital		
4,00,000 Ordinary Shares of 5 THB Each	THB 2,000,000	THB 2,000,000
Issued, subscribed and paid up capital		
4,00,000 Ordinary Shares of 5 THB Each	2,339,600	2,339,600
Total	2,339,600	2,339,600

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	400,000	2,339,600	400,000	2,339,600
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	400,000	2,339,600	400,000	2,339,600

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND

Notes to Financial Statements for the year ended December 31, 2013

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	3,740,148	5,814,664
Add: Loss for the current year	(4,961,686)	(2,074,516)
Net surplus/(deficit) in the statement of profit and loss	(1,221,538)	3,740,148
Foreign currency translation reserve		
Balance as per last financial statement	5,020,987	4,255,343
Add: Current year translation differences	601,515	765,644
Closing balance	5,622,502	5,020,987
Total	4,400,964	8,761,135

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Notes to Financial Statements for the year ended December 31, 2013**

5. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	570,139	887,935
Sub total (A)	570,139	887,935
Other liabilities		
Payables to related parties		
ECnet, Limited, Singapore	13,250,054	13,440,674
ECnet (Malaysia) Sdn. Bhd., Malaysia	43,020	-
Other liabilities	-	44,685
Unearned Revenue	185,263	614,436
Sub total (B)	13,478,337	14,099,795
Total (A+B)	14,048,476	14,987,730

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2013

Schedule 6: Fixed assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Leasehold Improvements	80,326	-	-	3,938	84,264	80,323	-	-	3,937	84,260	4	3
Computer Hardware	1,593,478	4,910	-	78,121	1,676,509	1,370,440	155,686	-	65,387	1,591,513	84,996	223,038
Furniture & Fixtures	575,275	-	-	28,203	603,478	562,694	3,487	-	27,546	593,727	9,751	12,581
Office & Electrical Equipments	733,594	-	-	35,965	769,559	730,401	2,368	-	35,781	768,550	1,009	3,193
Total	2,982,673	4,910	-	146,227	3,133,810	2,743,858	161,541	-	132,651	3,038,050	95,760	238,815
Previous year	2,739,216	54,209	-	189,248	2,982,673	2,371,600	199,583	-	172,675	2,743,858	238,815	367,616

(Amount in Rs.)

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2013

7. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	1,386,743	820,748
Sub Total (A)	-	-	1,386,743	820,748
Loans & advances to related parties				
Unsecured, considered good				
Recoverable from ECnet Limited Singapore			13,725,003	13,083,581
Sub Total (B)	-	-	13,725,003	13,083,581
Security deposit				
Unsecured, considered good	337,879	320,652	-	-
Sub Total (C)	337,879	320,652	-	-
Other loans and advances				
Income tax receivable	751,022	1,769,130		
Sub Total (D)	751,022	1,769,130	-	-
Total (A+B+C+D)	1,088,901	2,089,782	15,111,746	13,904,329

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND

Notes to Financial Statements for the year ended December 31, 2013

8. Trade receivables and other assets

8.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	737,721
Unsecured, considered doubtful	-	102,276
	-	839,997
Provision for doubtful receivables	-	102,276
Sub Total (A)	-	737,721
Other receivables		
Unsecured, considered good	2,442,081	5,811,371
Unsecured, considered doubtful	-	-
	2,442,081	5,811,371
Provision for doubtful receivables	-	-
Sub Total (B)	2,442,081	5,811,371
Total (A+B)	2,442,081	6,549,092

8.2 Other current assets

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unbilled revenue	210,952	312,598
Total	210,952	312,598

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Notes to Financial Statements for the year ended December 31, 2013**

9. Cash and bank balances

Particulars	Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Cash on hand	28,245	26,925
Balances with other banks		
On current accounts	1,811,355	2,966,924
Total	1,839,600	2,993,849

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Notes to Financial Statements for the year ended December 31, 2013**

10. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	19,451,655	19,372,725
Total	19,451,655	19,372,725

11. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest Income	-	2,213
Total	-	2,213

12. Employee benefit expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	7,747,657	7,064,209
Contribution to employee's benefit funds	72,355	61,280
Total	7,820,012	7,125,489

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND

Notes to Financial Statements for the year ended December 31, 2013

13. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	432,054	10,142
Travelling and conveyance	1,871,208	1,924,159
Provision for doubtful debts and advances (net)	-	97,945
Rent - premises	603,083	525,156
Rent - equipment	18,574	15,837
Communication costs	429,804	389,676
Printing and stationery	75,806	64,946
Advertising and sales promotion	234,120	266,056
Legal and professional expenses	6,513,752	6,924,387
Foreign exchange fluctuation (net)	859,199	13,096
Rates & taxes	937,161	2
Management fees	4,407,191	3,846,863
Miscellaneous expenses	23,051	24,548
Total	16,405,003	14,102,813

14. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	161,541	199,583
Total	161,541	199,583

15. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	26,785	21,569
Total	26,785	21,569

16. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 2012)

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK (Liquidated as on December 24, 2013)
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 Inc., USA

Key Management Personnel	Satinder Singh Rekhi, Director Cai Li ting, Director (Resigned in 2013) Chan Kum Ming, Director
--------------------------	---

(a) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

Particulars	(Amount in Rs.)	
	For the year ended December, 31 2013	2012
<u>R System International Limited</u>		
a). Services Rendered	-	672,468
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	4,690,693	5,341,861
b). Administrative Expenses	4,277,651	4,269,367
<u>ECnet (M) Sdn Bhd, Malaysia</u>		
a). Administrative Expenses	129,539	-

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2013

(b). Inter-companies balances as at December 31, 2013 and December 31, 2012:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2013	2012
<u>ECnet (M) Sdn Bhd, Malaysia</u>		
- Amount Payable	43,021	-
<u>ECnet Limited, Singapore</u>		
- Amount Receivables	13,725,004	13,083,581
Amount Payables	13,250,054	13,440,674

17. **Operating Lease- Company as lessee**

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, 2013	31, 2012
	Rs.	Rs.
Lease payments for the year	603,082	466,805
Non-cancellable operating lease obligation		
Not later than one year	615,314	128,234
Later than one year but not later than five years	780,187	-
Later than five years	-	-

18. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

19. 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.
ICAI Firm registration number: 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/-
Satinder Singh Rekhi
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ECnet Kabushiki Kaisha, Japan

Report on the Financial Statements

We have audited the accompanying financial statements of ECnet Kabushiki Kaisha, Japan ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ECNET KABUSHIKI KAISHA, JAPAN**Balance Sheet as at December 31, 2013**

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,288,000	4,288,000
Reserves and surplus	4	(36,350,482)	(30,724,386)
Current liabilities			
Trade payables	5	22,610	-
Other current liabilities	5	32,291,970	27,381,818
Total		252,098	945,431
ASSETS			
Current assets			
Trade receivables	6	20,038	73,530
Cash and bank balances	7	232,060	871,901
Total		252,098	945,431
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET KABUSHIKI KAISHA, JAPAN**Statement of Profit and Loss for the year ended December 31, 2013**

	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	8	2,662,043	3,810,727
Other income	9	128	109
Total revenue		2,662,171	3,810,836
Expenses			
Operational and other expenses	10	10,371,053	8,381,804
Finance costs	11	90,585	96,132
Total expenses		10,461,638	8,477,936
Profit/ (loss) before tax		(7,799,467)	(4,667,100)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Profit / (loss) for the year		(7,799,467)	(4,667,100)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET KABUSHIKI KAISHA, JAPAN
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(7,799,467)	(4,667,100)
Adjustments for:		
Debts and advances provided / written off (net)	-	25,288
Unrealised foreign exchange loss / (gain)	2,173,371	1,973,729
Interest income	(128)	(109)
Operating profit/(loss) before working capital changes	(5,626,224)	(2,668,192)
Movements in working capital :		
(Increase) / Decrease in trade receivables	53,492	(30,260)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	4,932,763	3,103,711
Cash generated from operations	(639,969)	405,259
Direct taxes paid, net of refunds	-	-
Net cash flow from operating activities (A)	(639,969)	405,259
B. Cash flows used in investing activities		
Interest received	128	109
Net cash used in investing activities (B)	128	109
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	(639,841)	405,368
Cash and cash equivalents at the beginning of the year	871,901	466,533
Cash and cash equivalents at the end of the year	232,060	871,901

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.K. Relan & Co
ICAI 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]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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. 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, tangible fixed assets / intangible assets 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, 2013, the rates used were JPY 1 = Rs. 0.60. For translating assets and liabilities at the year-end, the rates used were JPY 1 = Rs. 0.59.

For translating income and expense during the year ended December 31, 2012, the rates used were JPY 1 = Rs. 0.67. For translating assets and liabilities at the year-end, the rates used were JPY 1 = Rs. 0.64.

(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.

(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

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

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
800 Shares of Yen 50,000 each	YEN 40,000,000	YEN 40,000,000
Issued, subscribed and paid up capital		
200 Shares of Yen 50,000 each	4,288,000	4,288,000
Total	4,288,000	4,288,000

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	200	4,288,000	200	4,288,000
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	200	4,288,000	200	4,288,000

ECNET KABUSHIKI KAISHA, JAPAN

Notes to Financial Statements for the year ended December 31, 2013

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	(21,533,947)	(16,866,847)
Add: Profit / (loss) for the current year	(7,799,467)	(4,667,100)
Net deficit in the statement of profit and loss	(29,333,414)	(21,533,947)
Foreign currency translation reserve		
Balance as per last financial statement	(9,190,439)	(11,164,168)
Add: Current year translation differences	2,173,371	1,973,729
Closing balance	(7,017,068)	(9,190,439)
Total	(36,350,482)	(30,724,386)

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2013**

5. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	22,610	-
Sub total (A)	22,610	-
Other liabilities		
Payables to related parties		
ECnet Limited, Singapore	32,257,620	27,331,921
Advance from customers	-	27,572
Other payables	34,350	22,325
Sub total (B)	32,291,970	27,381,818
Total (A+B)	32,314,580	27,381,818

ECNET KABUSHIKI KAISHA, JAPAN

Notes to Financial Statements for the year ended December 31, 2013

6. Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	20,038	73,530
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	20,038	73,530
Provision for doubtful receivables	-	-
Sub Total (B)	20,038	73,530
Total (A+B)	20,038	73,530

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2013**

7. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Cash on hand	2,865	3,104
Balances with other banks On current accounts	229,195	868,797
Total	232,060	871,901

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2013**

8. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	2,662,043	3,810,727
Total	2,662,043	3,810,727

9. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest Income	128	109
Total	128	109

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2013**

10. Operational and other expense

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Communication costs	171,730	174,446
Legal and professional expense	301,241	418,810
Foreign exchange fluctuation (net)	8,181,910	6,082,537
Bad debts	-	25,288
Rates & taxes	41,975	46,790
Management fees	1,674,197	1,633,933
Total	10,371,053	8,381,804

11. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	90,585	96,132
Total	90,585	96,132

12. 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 (M) Sdn Bhd, Malaysia ECnet INC.,USA
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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K.. Systèmes R. International Ltée,Canada(date of incorporation October 29,2012))

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK (Liquidated as on December 24, 2013)
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 Inc., USA

Key Management Personnel Vijay Ganpati Kale, Director
Chan Kum Ming, Director

(a) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

TRANSACTIONS	(Amount in Rs.)	
	For the year ended December, 31	
	2013	2012
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	8,921	26,114
b). Management Fees Paid	1,674,197	1,633,933

(b) Inter-companies balances as at December 31, 2013 and December 31, 2012:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2013	2012
<u>ECnet Limited, Singapore</u>		
- Amount Payables	32,257,620	27,331,921

13. The Company has a policy of recognizing deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

14. 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.
15. The Company recorded a net loss of Rs 7,799,467 during the financial year ended 31 December, 2013, and as at that date Company's total liabilities exceeded its current and total assets by Rs.32,062,482. 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.

16. 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.
ICAI 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]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ECnet (Shanghai) Co. Ltd., Shanghai

Report on the Financial Statements

We have audited the accompanying financial statements of ECnet (Shanghai) Co. Ltd., Shanghai ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ECNET (SHANGHAI) CO. LTD., SHANGHAI**Balance Sheet as at December 31, 2013**

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	9,122,099	9,122,099
Reserves and surplus	4	(30,764,659)	(25,422,036)
Current liabilities			
Trade payables	6	186,800	186,133
Other current liabilities	6	41,855,733	32,596,070
Short-term provisions	5	96,858	74,447
Total		20,496,831	16,556,713
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	117,623	172,851
Long-term loans and advances	8	342,303	264,150
Current assets			
Trade receivables	9.1	918,117	830,748
Cash and bank balances	10	18,914,158	13,877,778
Short-term loans and advances	8	204,630	216,493
Other current assets	9.2	-	1,194,693
Total		20,496,831	16,556,713
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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]

Sd/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

ECNET (SHANGHAI) CO. LTD., SHANGHAI			
Statement of Profit and Loss for the year ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the Year ended December 31, 2012 Rs.
Income			
Revenue from operations	11	30,133,382	25,813,030
Other income	12	139,845	68,249
Total revenue		30,273,227	25,881,279
Expenses			
Employee benefits expense	13	15,067,586	12,886,233
Operational and other expense	14	17,578,429	15,456,767
Depreciation and amortisation expense	15	122,167	189,115
Finance costs	16	48,035	42,765
Total expenses		32,816,217	28,574,880
Loss before tax		(2,542,990)	(2,693,601)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the year		(2,542,990)	(2,693,601)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
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Sd/-
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Place : New Delhi
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ECNET (SHANGHAI) CO. LTD., SHANGHAI
Cash Flow Statement for the year ended December 31, 2013

	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(2,542,990)	(2,693,601)
Adjustments for:		
Depreciation and amortisation expense	122,167	189,115
Bad debts	20,110	120,020
Unrealised foreign exchange loss / (gain)	(2,818,539)	(668,957)
Interest income	(139,845)	(68,249)
Operating profit before working capital changes	(5,359,097)	(3,121,672)
Movements in working capital :		
(Increase) / Decrease in trade receivables	(107,479)	588,303
(Increase) / Decrease in loans and advances	(66,290)	(151,903)
Increase / (Decrease) in short-term and long-term provision	22,411	
(Increase) / Decrease in other current assets	1,194,693	(1,194,693)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	9,260,330	3,435,820
Cash generated from operations	4,944,568	(444,145)
Direct taxes paid, net of refunds	-	(20,906)
Net cash flow from operating activities (A)	4,944,568	(465,051)
B. Cash flows used in investing activities		
Purchase of fixed assets	(48,033)	(126,423)
Interest received	139,845	68,249
Net cash used in investing activities (B)	91,812	(58,174)
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	5,036,380	(523,225)
Cash and cash equivalents at the beginning of the year	13,877,778	14,401,003
Cash and cash equivalents at the end of the year	18,914,158	13,877,778

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.K. Relan & Co
ICAI 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
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Sd/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

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 200 023, 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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line Method over the remaining estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:-

<u>Category of tangible 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, tangible fixed assets / intangibles assets 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 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.

(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 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, 2013, the rates used were CNY 1= Rs. 9.53. For translating assets and liabilities at the year-end, the rates used were CNY 1= Rs. 10.22.

For translating income and expense during the year ended December 31, 2012, the rates used were CNY 1= Rs. 8.46. For translating assets and liabilities at the year-end, the rates used were CNY 1= Rs. 8.81.

(i) Retirement 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) 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) 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

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

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013 Rs.	December 31, 2012 Rs.
Authorised shares		
Issued, subscribed and paid up capital		
Shares of No Par Value	9,122,099	9,122,099
Total	9,122,099	9,122,099

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	97,220	9,122,099	97,220	9,122,099
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	97,220	9,122,099	97,220	9,122,099

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	(18,164,498)	(15,470,897)
Add: loss for the current year	(2,542,990)	(2,693,601)
Net deficit in the statement of profit and loss	(20,707,488)	(18,164,498)
Foreign currency translation reserve		
Balance as per last financial statement	(7,257,538)	(6,591,014)
Add: Current year translation differences	(2,799,633)	(666,524)
Closing balance	(10,057,171)	(7,257,538)
Total	(30,764,659)	(25,422,036)

ECNET (SHANGHAI) CO. LTD., SHANGHAI

Notes to Financial Statements for the year ended December 31, 2013

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Other provision		
Other taxes	96,858	74,447
Total	96,858	74,447

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	186,800	186,133
Sub total (A)	186,800	186,133
Other liabilities		
Payables to related parties		
ECnet, Limited, Singapore	41,853,890	32,596,017
Advance from customers	1,843	53
Sub total (B)	41,855,733	32,596,070
Total (A+B)	42,042,533	32,782,203

ECNET (SHANGHAI) CO. LTD., SHANGHAI
Notes to Financial Statements for the year ended December 31, 2013

Schedule 7: Tangible Assets

PARTICULARS	(Amount in R.s.)											
	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON 1.1.2013	ADDITION	DELETION DURING THE YEAR	ADJUSTMENT	TOTAL 31.12.2013	UPTO 1.1.2013	FOR THE YEAR DURING THE YEAR	DELETION DURING THE YEAR	ADJUSTMENT	TOTAL 31.12.2013	AS AT 31.12.2013	AS AT 31.12.2012
Computer Hardware	1,022,899	-	-	164,151	1,187,050	850,553	106,689	-	144,208	1,101,450	85,600	172,346
Furniture & Fixtures	590,797	-	-	94,810	685,607	590,797	-	-	94,810	685,607	-	-
Office & Electrical Equipments	649,953	48,033	-	104,303	802,289	649,448	15,478	-	105,340	770,266	32,023	505
Total	2,263,649	48,033	-	363,264	2,674,946	2,090,798	122,167	-	344,358	2,557,323	117,623	172,851
Previous Year	2,048,873	126,423	-	88,353	2,263,649	1,815,763	189,115	-	85,920	2,090,798	172,851	233,110

8. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	204,630	216,493
Sub Total (A)	-	-	204,630	216,493
Security deposit				
Unsecured, considered good	342,303	264,150	-	-
Sub Total (B)	342,303	264,150	-	-
Total (A+B)	342,303	264,150	204,630	216,493

9. Trade receivables and other assets**9.1 Trade receivables**

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	34,758
Unsecured, considered doubtful	-	-
	-	34,758
Provision for doubtful receivables	-	-
Sub Total (A)	-	34,758
Other receivables		
Unsecured, considered good	918,117	795,990
Unsecured, considered doubtful	-	-
	918,117	795,990
Provision for doubtful receivables	-	-
Sub Total (B)	918,117	795,990
Total (A+B)	918,117	830,748

9.2 Other current assets

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unbilled revenue	-	1,194,693
Total	-	1,194,693

ECNET (SHANGHAI) CO. LTD., SHANGHAI**Notes to Financial Statements for the year ended December 31, 2013**

10. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Cash on hand	193,239	151,900
Balances with other banks		
On current accounts	18,720,919	13,725,878
Total	18,914,158	13,877,778

ECNET (SHANGHAI) CO. LTD., SHANGHAI**Notes to Financial Statements for the year ended December 31, 2013**

11. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Sale of services	30,133,382	25,813,030
Total	30,133,382	25,813,030

12. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Interest Income	139,845	68,249
Total	139,845	68,249

13. Employee benefit expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Salaries, wages and bonus	10,701,476	8,710,834
Contribution to employee's benefit funds	4,366,110	4,175,399
Total	15,067,586	12,886,233

14. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Recruitment and training expenses	27,253	7,448
Travelling and conveyance	1,662,851	1,296,839
Repair and maintenance	51,457	45,706
Rent - premises	1,580,165	1,015,680
Power and fuel	55,622	52,677
Communication costs	418,173	405,722
Printing and stationery	239,191	322,587
Legal and professional expenses	6,315,025	4,222,617
Foreign exchange fluctuation (net)	(1,533,124)	298,140
Bad debts	20,110	120,020
Advertising and sales promotion	142,624	-
Relocation Expenses	444,403	-
Rates & taxes	242,162	206,694
Management fees	7,912,517	7,462,637
Total	17,578,429	15,456,767

15. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Depreciation on tangible assets	122,167	189,115
Total	122,167	189,115

16. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the year ended December 31, 2012 Rs.
Bank charges	48,035	42,765
Total	48,035	42,765

17. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK (Liquidated as on December 24, 2013)
Computaris Romania S.R.L.,Romania
Computaris Polska sp Zoo, Poland
ICS Computaris International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA Inc., USA

Key Management Personnel	Chan Kum Ming, Director Teo Lye Choon, Director
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- (a) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

TRANSACTIONS	For the year ended December, 31	
	2013	2012
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	6,003,427	3,894,214
b). Management Fees Paid	7,912,517	7,462,637

- (b) Inter-companies balances as at December 31, 2013 and December 31, 2012:

OUTSTANDING BALANCES	As at December, 31	
	2013	2012
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
- Amount Payables	41,853,890	32,596,017

18. Operating Lease- Company as lessee

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, 2013	Year ended December 31, 2012
	Rs.	Rs.
Lease payments for the year	1,549,130	1,015,620
Non-cancellable operating lease obligation		
Not later than one year	397,174	396,225
Later than one year but not later than five years	-	-
Later than five years	-	-

19. The Company has a policy of recognising deferred tax assets only to the extent that there is virtual certainty or reasonable 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 2013 and 2012, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

20. The Company incurred a net loss of Rs. 2,542,990 during the financial year ended 31 December, 2013, and as at that date Company's total liabilities exceeded its total assets by Rs.21,642,560. 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.

21. 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.
ICAI 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]

Sd/-
Teo Lye Choon
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

Place : Singapore
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Computaris International Limited, UK

Report on the Financial Statements

We have audited the accompanying financial statements of Computaris International Limited, UK ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

Computaris International Limited, U.K.			
Balance Sheet as at December 31, 2013			
	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	58,100	58,100
Reserves and surplus	4	239,980,819	205,403,475
Current liabilities			
Trade payables	6	8,353,319	6,155,849
Other current liabilities	6	60,300,596	78,624,445
Short-term provisions	5	2,705,076	-
Total		311,397,910	290,241,869
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	-	312,556
Investments	8	1,146,113	1,068,307
Long-term loans and advances	9	-	9,528,323
Other non current assets	9	3,083,937	-
Current assets			
Trade receivables	10.1	139,237,647	143,084,701
Cash and bank balances	11	117,627,795	75,124,566
Short-term loans and advances	9	4,369,243	4,023,908
Other current assets	10.2	45,933,175	57,099,508
Total		311,397,910	290,241,869
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris International Limited, U.K.

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

Sd/-
Raluca Marina Rusu
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

Place: Romania
Date: February 07, 2014

Computaris International Limited, U.K.			
Statement of Profit and Loss for the year ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Income			
Revenue from operations	12	883,771,512	709,522,908
Other income	13	-	596,098
Total revenue		883,771,512	710,119,006
Expenses			
Employee benefits expense	14	1,913,209	17,149,431
Operational and other expenses	15	874,491,155	759,389,615
Depreciation and amortisation expense	16	163,670	179,337
Finance costs	17	629,816	569,257
Total expenses		877,197,850	777,287,640
Profit / (loss) before tax		6,573,662	(67,168,634)
Tax expense/(credit)			
Current tax / (credit)		3,072,469	(23,445,191)
Total tax expense / (credit)		3,072,469	(23,445,191)
Profit / (loss) for the year		3,501,193	(43,723,443)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris International Limited, U.K.

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

Sd/-
Raluca Marina Rusu
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

Place: Romania
Date: February 07, 2014

Computaris International Limited, U.K.
Cash Flow Statement for the period ended December 31, 2013

	For the Period ended December 31, 2013 Rs.	For the Period ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	6,573,662	(67,168,634)
Adjustments for:		
Depreciation and amortisation expense	163,670	179,337
Provision for doubtful debts and advances (net)	7,250,266	-
Loss on sale / discard of fixed assets (net)	73,394	-
Unrealised foreign exchange (loss) / gain	30,970,120	16,751,648
Interest income	-	596,098
Operating profit/(loss) before working capital changes	45,031,112	(49,641,551)
Movements in working capital :		
(Increase) / Decrease in trade receivables	(3,403,212)	(19,213,722)
(Increase) / Decrease in other non-current assets	(3,083,937)	-
(Increase) / Decrease in other current assets	11,166,333	(15,791,384)
Decrease / (Increase) in loans and advances	(47,139)	8,226,123
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(16,126,379)	68,346,874
Cash generated from operations	33,536,778	(8,073,660)
Direct taxes paid, net of refunds	(8,862,734)	(20,538,397)
Net cash flow from operating activities (A)	42,399,512	(28,612,057)
B. Cash flows used in investing activities		
Purchase of fixed assets	-	(183,694)
Proceeds from sale of fixed assets	103,717	-
Interest received	-	(596,098)
Net cash used in investing activities (B)	103,717	(779,792)
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	42,503,229	(29,391,849)
Cash and cash equivalents at the beginning of the year	75,124,566	104,516,415
Cash and cash equivalents at the end of the year	117,627,795	75,124,566

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

Place : New Delhi
Date : February 07, 2014

For and on behalf of the Board of Directors
of Computaris International Limited, U.K.

Sd/-
Raluca Marina Rusu
[Director]
Sd/-
Bogdan Mihai Danila
[Director]

Place: Romania
Date : February 07, 2014
Place: Romania
Date : February 07, 2014

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 4th Floor, Rex House 4-12 Regent Street London, SW1Y4PE, United Kingdom.

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.

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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which are measured at fair value. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible 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 tangible fixed assets</u>	<u>Estimated useful life</u>
Computer hardware	4 years

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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, tangible fixed assets / intangibles assets 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) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the Non-current investments.

(i) 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.

(j) 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 Great Britain Pound (GBP) 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, 2013, the rates used were GBP 1= Rs. 91.74. For translating assets and liabilities at the year-end, the rates used were GBP 1= Rs. 102.14

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were GBP 1= Rs. 84.67. For translating assets and liabilities at the year-end, the rates used were GBP 1= Rs. 88.87

(k) Retirement 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.

(l) 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.

(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.

(n) 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.

(o) Segment reporting

The Company primarily operates one business segment, providing information technology services and rendering consultancy services.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
80,000 Shares of .01 GBP each	GBP 800	GBP 800
Issued, subscribed and paid up capital		
80,000 Shares Stock of .01 GBP each	58,100	58,100
Total	58,100	58,100

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	80,000	58,100	80,000	58,100
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	80,000	58,100	80,000	58,100

Computaris International Limited, U.K.Notes to Financial Statements for the year ended December 31, 2013

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	162,777,356	206,500,799
Add: Profit / (loss) for the current year	3,501,193	(43,723,443)
Net surplus in the statement of profit and loss	166,278,549	162,777,356
Foreign currency translation reserve		
Balance as per last financial statement	42,626,119	25,758,815
Add: Current year translation differences	31,076,151	16,867,304
Closing balance	73,702,270	42,626,119
Total	239,980,819	205,403,475

Computaris International Limited, U.K.**Notes to Financial Statements for the year ended December 31, 2013****5. Short-term provisions**

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Other provision		
Provision for Income tax	2,705,076	-
Total	2,705,076	-

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	8,353,319	6,155,849
Sub total (A)	8,353,319	6,155,849
Other liabilities		
Payable to Related Parties		
R Systems International Limited, India	5,363,780	3,700,191
Computaris Romania srl, Romania	3,133,451	34,116,482
Computaris Malaysia Sdn. Bhd. Malaysia	31,970	727,579
Computaris USA, Inc. USA	4,794,349	6,593,532
Computaris Polska sp zoo, Poland	28,471,321	23,207,512
ICS Computaris International SRL, Moldova	11,664,694	10,279,149
Unearned revenue	6,841,031	-
Sub total (B)	60,300,596	78,624,445
Total (A+B)	68,653,915	84,780,294

Computaris International Limited, U.K.
Notes to Financial Statements for the year ended December 31, 2013

PARTICULARS	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT	(Amount in Rs.)	
	01.1.2013	-	DURING THE YEAR	(125,760)	31.12.2013	01.1.2013		DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012	31.12.2012	
Computer hardware	842,221	-	177,111	(125,760)	790,870	529,665	163,670	-	(97,535)	790,870	-	-	312,556	
Total	842,221	-	177,111	(125,760)	790,870	529,665	163,670	-	(97,535)	790,870	-	-	312,556	
Previous year	608,740	183,694	-	(49,787)	842,221	315,582	179,337	-	(34,740)	529,665	312,556	293,158	293,158	

Computaris International Limited, U.K.**Notes to Financial Statements for the year ended December 31, 2013****8. Non-current investments**

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
In subsidiary companies (companies under the same management):		
Other than Trade, unquoted		
Computaris Limited (80,000 (Previous year 80,000) shares of GBP 0.01 each)	-	71,096
Computaris Polska sp zoo, Poland (100 (Previous year 100) shares of PLN 500 each)	1,048,958	912,678
ICS Computaris International SRL, Moldova (Shares of no par value)	24,514	21,329
Computaris Romania srl, Romania (100 (Previous year 100) shares of RON 16 each)	45,267	39,387
Computaris Malaysia Sdn. Bhd. (1,000 (Previous year 1,000) ordinary shares of RM 1 each)	21,041	18,307
Computaris USA, LLC (100 (Previous year 100) shares of USD 1 each)	6,333	5,510
Total	1,146,113	1,068,307

9. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	298,196	2,272,002	3,285,843
Unsecured, considered doubtful	-	298,196	-	-
Provision for doubtful advances	-	-	2,272,002	3,285,843
Sub total (A)	-	298,196	-	-
Other loans & advances				
Other recoverable	-	-	2,097,241	738,065
Advance income tax	-	9,230,127	-	-
Sub total (B)	-	9,230,127	2,097,241	738,065
Total (A+B)	-	9,528,323	4,369,243	4,023,908

10. Trade receivables and other assets

10.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	3,181,356	234,799
Unsecured, considered doubtful	712,588	29,911,963
	3,893,943	30,146,762
Provision for doubtful receivables	712,588	29,911,963
Sub total (A)	3,181,356	234,799
Other receivables		
Unsecured, considered good	136,056,292	142,849,902
Unsecured, considered doubtful	5,238,472	-
	141,294,763	142,849,902
Provision for doubtful receivables	5,238,472	-
Sub total (B)	136,056,292	142,849,902
Total (A+B)	139,237,647	143,084,701

10.2 Other current assets

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Non-current bank balances (refer note 11)	3,083,937	-	-	-
Unbilled revenue			45,933,175	57,099,508
Total	3,083,937	-	45,933,175	57,099,508

11. Cash & bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents				
Balance with other banks:				
On current accounts	-	-	117,627,795	75,124,566
	-	-	117,627,795	75,124,566
Other bank balances				
Margin money deposit (refer detail below)	3,083,937	-		
	3,083,937	-	-	-
Amount disclosed under non-current assets (refer note 11.2)	(3,083,937)	-	-	-
Total	-	-	117,627,795	75,124,566
Detail of margin money deposit				
Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.		
Margin moneys deposit against performance guarantees	3,083,937	-		
Total	3,083,937	-		

Computaris International Limited, U.K.**Notes to Financial Statements for the year ended December 31, 2013**

12. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Sale of services	883,771,512	709,522,908
Total	883,771,512	709,522,908

13. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Interest income	-	596,098
Total	-	596,098

14. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Salaries, wages and bonus including contribution to employee's benefits fund	1,913,209	17,149,431
Total	1,913,209	17,149,431

15. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Travelling and conveyance	34,675,777	23,049,168
Insurance	2,841,923	3,092,597
Repair and maintenance	296,330	170,447
Provision for doubtful debts and advances (net)	7,250,266	-
Rent - premises	1,132,567	835,214
Communication costs	1,295,502	1,412,938
Printing and stationery	11,376	195,595
Advertising and sales promotion	2,379,171	4,852,186
Legal and professional expenses	825,903,838	718,758,946
Loss on sale of assets	73,394	-
Foreign exchange fluctuation (net)	(1,524,035)	6,282,313
Rates and taxes	-	120,659
Miscellaneous expenses	155,046	619,552
Total	874,491,155	759,389,615

16. Depreciation expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Depreciation on tangible assets	163,670	179,337
Total	163,670	179,337

17. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Bank charges	629,816	569,257
Total	629,816	569,257

18. 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 (Liquidated as on June 24, 2013)
	R Systems Europe B.V., Netherlands
	R Systems S.A.S., France
	ECnet Ltd, Singapore
	Systèmes R. International Ltée, Canada

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

Subsidiaries of Computaris International Limited

Computaris limited, UK (Liquidated as on December 24, 2013)
 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
	Ian Adrian Tidder, Director (Resigned in 2013)
	Bogdan Mihai Danila, Director
	Raluca Marina Rusu, Director
	Michal Misiaszek, Director
	Arsene Irina, Director (Resigned in 2012)

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

Computaris International Limited, U.K.
Notes to Financial Statements for the year ended December 31, 2013

(ii) Details of transactions with related parties for period ended December 31, 2013 and December 31, 2012 are as follows:

(Amount in Rs.)

Particulars	December 31,	
	2013	2012
R Systems International Limited		
Services rendered	-	290,344
Services received	93,71,873	4,959,467
Amount payable	5,363,780	3,700,191
Computaris Romania S.R.L.		
Computer consultancy services received	410,705,062	410,946,413
Amount Payable	3,133,451	34,116,482
Computaris USA LLC		
Computer consultancy services received	85,534,292	77,090,279
Amount payable	4,794,349	6,593,532
Computaris Polska sp Zoo, Poland		
Computer consultancy services received	127,693,320	102,930,870
Amount payable	28,471,321	23,207,512
ICS Computairs International S.R.L., Moldova		
Computer consultancy services received	69,080,736	73,951,281
Amount payable	11,664,694	10,279,149
Computaris Malaysian Sdn. Bhd., Malaysia		
Computer consultancy services received	23,068,869	15,034,477
Amount payable	31,970	727,579

Particulars	December 31,	
	2013	2012
Support services received from relative parties		
Euro IT Limited	15,405,301	13,992,552

Payment to key management personnel for year ended December 31, 2013 and December 31, 2012:

Particulars	December 31,	
	2013	2012
Name of key management personnel		
Ian Adrian Tidder	-	2,328,508
Arsene Irina	-	1,223,525
Raluca Marina Rusu	-	791,693
Bogdan Mihai Danila	-	791,693
Total	-	5,135,419

19. Operating Lease- Company as lessee

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, 2013 Rs.	Year ended December 31, 2012 Rs.
Lease payments for the year	1,132,567	484,076
Non-cancellable operating lease obligation		
Not later than one year	-	1,555,225
Later than one year but not later than five years	-	2,592,071
Later than five years	-	-

20. The Company has no material deferred tax component as at December 31, 2013. Hence no deferred tax has been recorded in the books.

21. 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.
ICAI 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/-
Raluca Marina Rusu
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Computaris Limited, UK

Report on the Financial Statements

We have audited the accompanying financial statements of Computaris Limited, UK ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Attention of the members is invited to Note No.2 (a) of notes to financial Statements, which deals the basis of Preparation of financial statement wherein it is stated that the financial statements have not been prepared on a going concern basis;

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE: February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

COMPUTARIS LIMITED, U.K.			
Balance Sheet as at December 31, 2013			
	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	-	58,096
Reserves and surplus	4	-	(58,096)
Total		-	-
ASSETS			
Total		-	-
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

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. The company is dormant having no revenue during the year ended on December 31, 2013 and December 31, 2012.

2. Statement of significant accounting policies

(a) Basis of preparation

The company has been liquidated on December 24, 2013 and the surplus assets have been transferred to holding company. Accordingly these financial statements have not been prepared on going concern basis. These financials statement has been prepared on liquidation basis.

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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year 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.

(d) 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, 2013, the rates used were GBP 1= Rs. 91.74. For translating assets and liabilities at the year-end, the rates used were GBP 1= Rs. 102.14.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were GBP 1= Rs. 84.67. For translating assets and liabilities at the year-end, the rates used were GBP 1= Rs. 88.87.

(e) 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.

(f) 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.

(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.

COMPUTARIS LIMITED, U.K.**Notes to Financial Statements for the year ended December 31, 2013****3. Share capital**

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
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
Total	-	58,096

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 24, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	80,000	58,096	80,000	58,096
Add: Shares issued during the year	-	-	-	-
Less: Shares disposed off due to liquidation	(80,000)	(58,096)		
Shares outstanding at the end of the year	-	-	80,000	58,096

COMPUTARIS LIMITED, U.K.**Notes to Financial Statements for the year ended December 31, 2013**

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statements	(58,096)	(58,096)
Add: Profit / (loss) for the current year	-	-
Less: Transfer to Holding Company on liquidation	(58,096)	
Net deficit in the statement of profit and loss	-	(58,096)
Total	-	(58,096)

5. 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 Systemes R. International Ltee, Canada (date of incorporation October 29, 2012)

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, Inc., USA
Key management personnel	Ian Adrian Tidder, Director (Resigned in 2013) Bogdan Mihai Danila, Director

6. The Company has no material deferred tax component as at December 31, 2013 and December 31, 2012. Hence no deferred tax has been recorded in the books.

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 Computaris Limited.

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

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 07, 2014

Place: Romania
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Computaris Romania SRL, Romania

Report on the Financial Statements

We have audited the accompanying financial statements of Computaris Romania SRL, Romania ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

Computaris Romania Srl, Romania
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	23,429	23,429
Reserves and surplus	4	76,911,733	49,972,095
Deferred tax liability	5	1,365,669	-
Current liabilities			
Trade payables	7	2,113,199	2,170,580
Other current liabilities	7	6,557,986	10,735,853
Short-term provisions	6	2,604,714	2,115,138
Total		89,576,730	65,017,095
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	3,256,326	2,866,008
Intangible assets	9	1,996,118	3,194,272
Other non-current assets	11.2	3,636,662	3,109,663
Current assets			
Trade receivables	11.1	5,499,516	37,379,425
Cash and bank balances	12	66,100,074	9,266,977
Short-term loans and advances	10	8,307,760	9,200,750
Other current assets	11.2	780,274	-
Total		89,576,730	65,017,095
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI Firm Registration No. 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/-
Iavorschi Cristiana
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

Computaris Romania Srl, Romania			
Statement of Profit & Loss for the year ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the Period ended December 31, 2012 Rs.
Income			
Revenue from operations	13	413,383,363	423,334,620
Other income	14	656,180	2,420,048
Total revenue		414,039,543	425,754,668
Expenses			
Employee benefits expense	15	336,275,851	339,448,462
Operating and other expense	16	49,173,470	62,337,091
Depreciation and amortisation expense	17	6,080,245	10,508,236
Finance costs	18	754,219	1,003,033
Total expense		392,283,785	413,296,822
Profit before tax		21,755,758	12,457,846
Tax expense			
Current tax		4,701,167	1,894,262
Deferred tax charge / (credit)		(95,114)	-
Total tax expense		4,606,053	1,894,262
Profit for the year		17,149,705	10,563,584
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI Firm Registration No. 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/-
Iavorschi Cristiana
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

Computaris Romania Srl, Romania
Cash Flow Statement for the period ended December 31, 2013

	For the period ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	21,755,758	12,457,846
Adjustments for:		
Depreciation and amortisation expense	6,080,245	10,508,236
Unrealised foreign exchange (loss) / gain	8,998,216	1,173,142
Interest income	(615,432)	(921,551)
Operating profit/(loss) before working capital changes	36,218,787	23,217,673
Movements in working capital :		
(Increase) / Decrease in trade receivables	31,879,908	(18,525,587)
(Increase) / Decrease in other current assets	(780,274)	-
(Increase) / Decrease in loans and advances	892,990	(1,388,710)
(Increase) / Decrease in other non-current assets		
Increase / (Decrease) in short-term and long-term provision	938,898	-
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(4,235,248)	(6,031,186)
Cash generated from operations	64,915,061	(2,727,810)
Direct taxes paid, net of refunds	(3,689,706)	(1,755,879)
Net cash flow from operating activities (A)	61,225,355	(4,483,689)
B. Cash flows used in investing activities		
Investment in Private company		-
Purchase of fixed assets	(4,830,577)	(2,766,297)
Proceeds from sale of fixed assets	349,886	468,415
Interest received	615,432	921,551
Net cash used in investing activities (B)	(3,865,259)	(1,376,331)
C. Cash flows used in financing activities		
(Increase) / Decrease in other non-current assets	(526,999)	(65,759)
Net cash used in financing activities (C)	(526,999)	(65,759)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	56,833,097	(5,925,779)
Cash and cash equivalents at the beginning of the year	9,266,977	15,192,756
Cash and cash equivalents at the end of the year	66,100,074	9,266,977

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

Place : New Delhi
Date : February 07, 2014

For and on behalf of the Board of Directors of
Computaris Romania Srl.,Romania

Sd/-
Iavorschi Cristiana
[Director]

Place : Romania
Date : February 07, 2014

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, Sector 1, Bucuresti, 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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible 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 tangible fixed assets followed by the Company in preparing the financial statements are described as below:

<u>Category of tangible fixed assets</u>	<u>Estimated useful life</u>
Leasehold Improvement	1-6 years
Office and electrical equipment's	2-5 years
Computer hardware and network installations	2-5 years
Furniture and fittings	2-15 years

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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, tangible fixed assets / intangibles asset are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Company 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 Company is the lessee

Finance leases, which effectively transfer to the Company 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 Company 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 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.

(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 Romanian New Lei (RON) 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, 2013, the rates used were RON 1= Rs. 17.62. For translating assets and liabilities at the year-end, the rates used were RON 1= Rs. 18.97.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were RON 1= Rs. 15.40. For translating assets and liabilities at the year-end, the rates used were RON 1= Rs. 16.22.

(j) Retirement 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) 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.

(m) 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.

(n) Segment reporting

The Company primarily operates one business segment, providing information technology services and rendering consultancy services.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised Share Capital 100 Shares of RON 16 each	1,600 RON	1,600 RON
Issued, subscribed and paid up capital 100 Shares of RON 16 each	23,429	23,429
Total	23,429	23,429

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	100	23,429	100	23,429
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	100	23,429	100	23,429

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	42,891,217	32,327,633
Add: Profit for the current year	17,149,705	10,563,584
Net surplus in the statement of profit and loss	60,040,922	42,891,217
Foreign currency translation reserve		
Balance as per last financial statement	3,696,075	2,311,029
Add: Current year translation differences	9,789,933	1,385,046
Closing balance	13,486,008	3,696,075
Capital Reserve	3,384,803	3,384,803
Total	76,911,733	49,972,095

5. Deferred tax assets (net)

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Deferred tax assets		
Timing differences for deferred tax assets component	-	-
Gross deferred tax assets	-	-
Deferred tax liability		
Timing differences for deferred tax liability component	1,365,669	-
Gross deferred tax liability	1,365,669	-
Deferred tax liability	(1,365,669)	-

6. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	2,604,714	1,665,816
Sub total (A)	2,604,714	1,665,816
Other provision		
Income tax	-	449,322
Sub total (B)	-	449,322
Total (A+B)	2,604,714	2,115,138

7. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	2,113,199	2,170,580
Sub total (A)	2,113,199	2,170,580
Other liabilities		
Unearned revenue	110,861	525,674
Other payables	6,447,125	10,210,179
Sub total (B)	6,557,986	10,735,853
Total (A+B)	8,671,185	12,906,433

Computaris Romania Srl, Romania
Notes to Financial Statements for the year ended December 31, 2013

Schedule 8: Tangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	FOR THE	DELETIONS	ADJUSTMENT	AS AT	AS AT	
	1-Jan-13		DURING THE YEAR		31-Dec-13	1-Jan-13	DURING THE YEAR		31-Dec-13	31-Dec-12	
Leasehold Improvement	1,797,595	-	-	(304,641)	2,102,236	1,797,579	-	(304,657)	2,102,236	-	16
Computer hardware	29,584,136	3,238,729	3,324,720	(5,013,672)	34,511,817	27,072,249	2,923,560	(4,583,765)	31,601,808	2,910,009	2,511,887
Furniture & fixtures	1,261,442	72,427	-	(174,872)	1,508,741	958,904	89,036	(130,438)	1,178,378	330,363	302,538
Office & electrical equipments	1,063,303	-	40,880	(180,199)	1,202,622	1,011,736	41,172	(171,708)	1,186,668	15,954	51,567
Total	33,706,476	3,311,156	3,365,600	(5,673,384)	39,525,416	30,840,468	3,053,768	(5,190,568)	36,069,090	3,256,326	2,866,008
Previous year	40,723,243	1,357,941	9,254,421	(879,713)	33,706,476	31,059,385	7,941,195	(625,894)	30,840,468	2,866,008	9,663,858

Schedule 9: Intangible Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	FOR THE	DELETIONS	ADJUSTMENT	AS AT	AS AT	
	1-Jan-13		DURING THE YEAR		31-Dec-13	1-Jan-13	DURING THE YEAR		31-Dec-13	31-Dec-12	
Computer Software	12,055,626	1,519,421	-	(1,626,164)	15,201,211	8,861,354	3,026,477	(1,317,262)	13,205,093	1,996,118	3,194,272
Total	12,055,626	1,519,421	-	(1,626,164)	15,201,211	8,861,354	3,026,477	(1,317,262)	13,205,093	1,996,118	3,194,272
Previous year	10,422,129	1,408,356	-	(225,141)	12,055,626	6,027,257	2,567,041	(267,056)	8,861,354	3,194,272	4,394,872

10. Short term loans and advances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	1,635,632	6,116,229
Unsecured, considered doubtful	117,367	114,472
	1,752,999	6,230,701
Provision for doubtful advances	117,367	114,472
Sub total (A)	1,635,632	6,116,229
Other loans and advances		
VAT receivable	6,672,128	3,084,521
Sub total (B)	6,672,128	3,084,521
Total (A+B)	8,307,760	9,200,750

11. Trade receivables

11.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Total (A)	-	-
Other receivables		
Unsecured, considered good	5,499,516	37,379,425
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Total (B)	5,499,516	37,379,425
Total (A+B)	5,499,516	37,379,425

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management		
Computaris International Limited	3,204,412	33,976,129

11.2 Other current assets

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Non-current bank balances (refer note 12)	3,636,662	3,109,663	-	-
Unbilled revenue			780,274	-
Total	3,636,662	3,109,663	780,274	-

12. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents				
Cash on hand			143,641	296,504
Balance with other banks				
On current accounts			9,651,898	8,970,473
On deposit accounts with original maturity of less than 3 months			56,304,535	-
			66,100,074	9,266,977
Other bank balances				
Margin money deposit (refer detail below)	3,636,662	3,109,663	-	-
	3,636,662	3,109,663	-	-
Amount disclosed under non-current assets (refer note 11.2)	(3,636,662)	(3,109,663)	-	-
Total	-	-	66,100,074	9,266,977

Detail of margin money deposit

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Margin moneys deposit against performance guarantees	3,636,662	3,109,663
Total	3,636,662	3,109,663

13. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Sale of services	413,383,363	423,334,620
Total	413,383,363	423,334,620

14. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Interest income	615,432	921,551
Creditors written back	15,327	-
Miscellaneous income	25,421	1,498,497
Total	656,180	2,420,048

15. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Salaries, wages and bonus including contribution to employee's benefits plan	333,519,724	339,448,462
Staff welfare expenses	2,756,127	-
Total	336,275,851	339,448,462

16. Operational and other expenses

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Recruitment and training expenses	964,725	3,008,714
Travelling and conveyance	11,090,447	8,586,024
Insurance	222,238	201,771
Repair and maintenance	2,850,783	2,708,059
Membership & Subscription Fees	20,788	-
Rent - premises	18,274,784	20,070,497
Power and fuel	1,062,781	949,703
Communication costs	3,566,826	3,595,916
Printing and stationery	1,053,039	1,615,968
Advertising and sales promotion	3,743,384	5,212,500
Legal and professional expenses	4,482,875	9,015,329
Foreign exchange fluctuation (net)	908,245	1,733,716
Security expenses	65,341	77,939
Miscellaneous expenses	867,214	5,560,955
Total	49,173,470	62,337,091

17. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Depreciation on tangible assets	3,053,768	7,941,195
Amortisation on intangible assets	3,026,477	2,567,041
Total	6,080,245	10,508,236

18. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Bank charges	754,219	1,003,033
Total	754,219	1,003,033

19. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Systèmes R. International Ltée, Canada

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

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 (Liquidated as on December 24, 2013)

Key Management Personnel Iavorschi Cristiana

(ii) Details of transactions with related parties for period ended December 31, 2013 and December 31, 2012

(Amount in Rs.)

Particulars	December 31,	
	2013	2012
Computaris International Limited		
Services rendered	409,343,133	410,946,413
Account Receivables	3,204,412	33,976,129

20. Operating Lease- Company as lessee

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

	Period ended December 31, 2013 Rs.	Period ended December 31, 2012
Lease payments for the year	18,286,993	20,071,396
Non-cancellable operating lease obligation		
Not later than one year	6,110,628	18,673,986
Later than one year but not later than five years	4,700,176	5,404,718
Later than five years		-

Computaris Romania Srl, Romania
Notes to Financial Statement for the year ended December 31, 2013

The operating lease arrangements extend for a maximum of 5 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

21. 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.
ICAI 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/-
Iavorschi Cristiana
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Romania
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Computaris Polska sp z.o.o., Poland

Report on the Financial Statements

We have audited the accompanying financial statements of Computaris Polska sp z.o.o., Poland ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

Computaris Polska sp z o.o., Poland
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	804,450	804,450
Reserves and surplus	4	39,873,100	8,371,702
Current liabilities			
Trade payables	5	114,858,656	94,616,694
Other current liabilities	6	30,078,570	47,300,814
Short-term provisions	5	5,836,501	53,044,623
Total		191,451,277	204,138,283
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	5,077,524	4,218,685
Intangible assets	8	-	-
Deferred tax assets (net)	10	3,506,364	6,208,905
Long-term loans and advances	9	687,198	594,531
Current assets			
Trade receivables	11.1	52,880,637	144,847,741
Cash and bank balances	12	71,765,571	30,564,224
Short-term loans and advances	9	9,089,571	10,480,032
Other current assets	11.2	48,444,412	7,224,165
Total		191,451,277	204,138,283
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 Górczyński
[Director]

Sd/-
Monika Borkowska
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Poland
Date : February 07, 2014

Place : Poland
Date : February 07, 2014

Computaris Polska sp z o.o., Poland			
Statement of Profit and Loss for the period ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the Period ended December 31, 2012 Rs.
Income			
Revenue from operations	13	257,427,195	146,018,245
Other income	14	917,229	2,452,744
Total revenue		258,344,424	148,470,989
Expenses			
Employee benefits expense	15	122,889,928	64,433,750
Operational and other expenses	16	97,680,321	111,817,388
Depreciation and amortisation expense	17	1,804,902	1,250,458
Finance costs	18	223,670	493,065
Total expenses		222,598,821	177,994,661
Profit / (loss) before tax		35,745,603	(29,523,672)
Tax expense			
Current tax		5,188,031	5,359,217
Deferred tax charge		3,357,634	2,866,464
Total tax expense		8,545,665	8,225,681
Profit / (loss) for the year		27,199,938	(37,749,353)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.K. Relan & Co
ICAI 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 Górczyński
[Director]

Sd/-
Monika Borkowska
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Poland
Date : February 07, 2014

Place : Poland
Date : February 07, 2014

Computaris Polska sp z o.o., Poland
Cash Flow Statement for the period ended December 31, 2013

	For the period ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	35,745,603	(29,523,672)
Adjustments for:		
Depreciation and amortisation expense	1,804,902	1,250,458
Profit on sale / discard of fixed assets (net)	6,617	-
Unrealised foreign exchange (loss) / gain	3,179,366	2,447,032
Interest income	(223,134)	(393,404)
Interest on loans	-	344,411
Operating profit/(loss) before working capital changes	40,513,354	(25,875,175)
Movements in working capital :		
(Increase) / Decrease in trade receivables	91,967,104	85,561,436
(Increase) / Decrease in other current assets and non-current assets	(41,220,247)	1,388,352
(Increase) / Decrease in loans and advances	1,297,794	4,728,825
Increase / (Decrease) in short-term and long-term provision	(46,255,928)	47,896,577
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	3,019,718	(100,890,265)
Cash generated from operations	49,321,795	12,809,750
Direct taxes paid, net of refunds	(6,140,225)	(2,400,971)
Net cash flow from operating activities (A)	43,181,570	10,408,779
B. Cash flows used in investing activities		
Purchase of fixed assets	(2,218,837)	(3,214,556)
Proceeds from sale of fixed assets	15,481	
Interest received	223,134	393,404
Net cash used in investing activities (B)	(1,980,222)	(2,821,152)
C. Cash flows used in financing activities		
Interest paid	-	(344,411)
Net cash used in financing activities (C)	-	(344,411)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	41,201,348	7,243,216
Cash and cash equivalents at the beginning of the year	30,564,224	23,321,008
Cash and cash equivalents at the end of the year	71,765,572	30,564,224

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

Place : New Delhi
Date : February 07, 2014

For and on behalf of the Board of Directors
of Computaris polska, sp z.o.o., poland

Sd/-
Dariusz Górczyński
[Director]

Sd/-
Monika Borkowska
[Director]

Place : Poland
Date : February 07, 2014

Place : Poland
Date : February 07, 2014

1. Company Overview

Computaris Polska, sp zo.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 zo.o., Poland is a company incorporated and domiciled in Poland on September 20, 2001 having its registered office is Okopowa 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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which are measured at fair value. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible 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 on tangible fixed assets

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) 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 5 years or below in specific cases.

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

The Company 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 Company is the lessee

Finance leases, which effectively transfer to the Company 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 Company 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 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.

(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 Polish zloty (PLN) 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, 2013, the rates used were Polish zolty 1= Rs. 18.47. For translating assets and liabilities at the year-end, the rates used were Polish zolty 1= Rs. 20.42.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were Polish zolty 1= Rs. 16.42. For translating assets and liabilities at the year-end, the rates used were Polish zolty 1= Rs. 17.67.

(j) Retirement 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) 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.

(m) 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.

(n) Segment reporting

The Company primarily operates one business segment, providing information technology services and rendering consultancy services.

(o) 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.

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.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	Rs.	No.	Rs.
Authorised Share Capital 100 Shares of 500 PLN each		50,000 PLN		50,000 PLN
Issued, subscribed and paid up capital 100 Shares of 500 PLN each		804,450		804,450
Total		804,450		804,450

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	100	804,450	100	804,450
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	100	804,450	100	804,450

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	(10,068,293)	27,681,060
Add: Profit / (loss) for the current year	27,199,938	(37,749,353)
Net Surplus/ (deficit) in the statement of profit and loss	17,131,645	(10,068,293)
Foreign currency translation reserve		
Balance as per last financial statement	2,170,621	(1,420,514)
Add: Current year translation differences	4,301,460	3,591,135
Closing balance	6,472,081	2,170,621
Capital Reserve	16,269,374	16,269,374
Total	39,873,100	8,371,702

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	3,286,894	1,857,171
Sub total (A)	3,286,894	1,857,171
Other provision		
Provision for Income tax	2,549,607	3,501,801
Provision for claim (refer note below)	-	47,685,651
Sub total (B)	2,549,607	51,187,452
Total (A+B)	5,836,501	53,044,623

Note:

During the year ended December 31, 2012, one of the subsidiaries of the Company had received a claim for penalty from one of its customer and recorded provision of Rs. 47,685,651 towards such claim. The subsidiary had subcontracted certain part of its scope of services to one of its vendors and basis the contractual terms claimed an equivalent amount from such vendor. However, pending acceptance of the claim by the vendor, the recoverable from the vendor was not recorded in the consolidated financial statement.

During the year ended December 31, 2013, the subsidiary has settled the claim with the customer and adjusted against the provision of claims recorded during year ended December 31, 2012. However, the subsidiary is still in negotiation with the vendor, therefore recoverable from the vendor has not been recorded in the consolidated financial statement.

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	114,858,656	94,616,694
Sub total (A)	114,858,656	94,616,694
Other liabilities		
Unearned revenue	19,511,807	39,729,824
Withholding tax payable	967,540	314,756
Others payables	9,599,223	7,256,234
Sub total (B)	30,078,570	47,300,814
Total (A+B)	144,937,226	141,917,508

Schedule 7: Tangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013	FOR THE	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Building- leasehold	205,190	-	-	(31,982)	237,172	38,218	53,627	-	(11,618)	103,463	133,709	166,972
Computer hardware	8,361,483	2,134,653	793,495	(1,303,273)	11,005,914	4,578,179	1,667,130	771,397	(889,568)	6,363,480	4,642,434	3,783,304
Furniture & fixtures	225,686	-	-	(35,177)	260,863	225,686	-	-	(35,177)	260,863	-	-
Office & electrical equipments	1,094,436	84,184	-	(170,560)	1,349,180	826,027	84,145	-	(137,627)	1,047,799	301,381	268,409
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Total	9,886,795	2,218,837	793,495	(1,540,992)	12,853,129	5,668,110	1,804,902	771,397	(1,073,990)	7,775,605	5,077,524	4,218,685
Previous year	6,339,457	3,214,556	-	(332,782)	9,886,795	4,241,881	1,250,458	-	(175,771)	5,668,110	4,218,685	2,097,576

Schedule 8: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013	FOR THE	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Computer Software	942,729	-	-	(146,940)	1,089,669	942,729	-	-	(146,940)	1,089,669	-	-
Total	942,729	-	-	(146,940)	1,089,669	942,729	-	-	(146,940)	1,089,669	-	-
Previous year	820,547	-	-	(122,182)	942,729	820,547	-	-	(122,182)	942,729	-	-

9. Loans and advances

Particulars	Non-Current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	8,037,991	9,172,667
Sub total (A)	-	-	8,037,991	9,172,667
Security deposit				
Unsecured, considered good	687,198	594,531	-	-
Sub total (B)	687,198	594,531	-	-
Other loans & advances				
VAT receivable			1,051,580	1,307,365
Sub total (C)	-	-	1,051,580	1,307,365
Total (A+B+C)	687,198	594,531	9,089,571	10,480,032

10. Deferred tax assets (net)

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Deferred tax assets		
Timing differences for deferred tax assets component	6,014,451	8,044,113
Gross deferred tax assets	6,014,451	8,044,113
Deferred tax liability		
Timing differences for deferred tax liability component	2,508,087	1,835,208
Gross deferred tax liability	2,508,087	1,835,208
Deferred tax assets (net)	3,506,364	6,208,905

11. Trade receivables and other assets

11.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Sub total (A)	-	-
Other receivables		
Unsecured, considered good	52,880,637	144,847,741
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Sub total (B)	52,880,637	144,847,741
Total (A+B)	52,880,637	144,847,741

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management Computaris International Limited	28,425,774	23,239,576

11.2 Other current assets

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Unbilled revenue	48,444,412	7,224,165
Total	48,444,412	7,224,165

12. Cash and bank balances

Particulars	Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Cash on hand	22,201	13,870
Balances with others banks:		
On current accounts	28,205,137	1,565,579
On deposit accounts with original maturity of less than 3 months	43,538,233	28,984,775
Total	71,765,571	30,564,224

13. Revenue from operation

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Sale of services	257,427,195	146,018,245
Total	257,427,195	146,018,245

14. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Interest income	223,134	393,404
Profit on sale of assets	6,617	
Miscellaneous income	687,478	2,059,340
Total	917,229	2,452,744

15. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Salaries, wages and bonus including contribution to employee's benefits plan	122,147,878	63,576,237
Staff welfare expenses	742,050	857,513
Total	122,889,928	64,433,750

16. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Contract Cost	36,253,011	14,869,521
Recruitment and training expenses	3,223,509	2,606,850
Travelling and conveyance	7,890,266	8,474,373
Insurance	440,699	255,689
Repair and maintenance	4,039,145	2,315,686
Provision for claim	-	44,325,606
Membership & subscription fees	149,109	140,869
Rent - premises	4,931,324	4,903,323
Rent - equipment	2,217	9,986
Power and fuel	1,046,268	533,369
Communication costs	1,425,284	1,333,137
Printing and stationery	769,123	-
Advertising and sales promotion	1,603,225	946,991
Legal and professional expenses	28,193,022	20,627,243
Foreign exchange fluctuation (net)	6,969,195	7,513,537
Rates and taxes	344,499	473,537
Security expenses	208,483	-
Miscellaneous expenses	191,942	2,487,671
Total	97,680,321	111,817,388

17. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Depreciation on tangible assets	1,804,902	1,250,458
Total	1,804,902	1,250,458

18. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Bank charges	223,670	493,065
Total	223,670	493,065

19. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Systemes R. International Ltee, Canada (date of incorporation October 29, 2012)

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

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 (Liquidated as on December 24, 2013)

Key management personnel	Dariusz Górczyński, Director Monika Borkowska , Director
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(ii) Details of transactions with related parties for the period ended December 31, 2013 and December 31, 2012:

(Amount in Rs.)

Particulars	December 31,	
	2013	2012
Computaris International Limited		
Services rendered	126,887,357	102,559,175
Amount receivable	28,425,774	23,239,576

Remuneration to key management personnel	2013	2012
Gorczynski Dariusz	6,019,673	4,361,262
Borkowska Monika	2,902,255	2,532,458
Total	8,921,928	6,893,720
Other Payments		
Borkowska Monika	6,780	93,305
Total	6,780	93,305

20. 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, 2013 Rs.	Year ended December 31, 2012 Rs.
Lease payments for the year	4,491,040	4,515,950
Minimum Lease Payments:	-	-
Not later than one year	2,106,638	1,777,400
Later than one year but not later than five years	-	-
Later than five years	-	-

The operating lease arrangements extend for a maximum of 1 year from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

21. 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.
ICAI 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 Górczyński
[Director]

Sd/-
Monika Borkowska
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Poland
Date : February 07, 2014

Place : Poland
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of ICS Computaris International S.R.L, Moldova, Moldova

Report on the Financial Statements

We have audited the accompanying financial statements of ICS Computaris International S.R.L, Moldova, Moldova ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

ICS Computaris International Srl, Moldova
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	20,693	20,693
Reserves and surplus	4	40,202,968	28,299,830
Current liabilities			
Trade payables	6	213,026	252,841
Short-term provisions	5	3,060,658	3,521,347
Total		43,497,345	32,094,711
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	2,312,980	2,617,672
Intangible assets	8	181,467	480,146
Long-term loans and advances	9	41,180	-
Other non-current assets	10.2	753,978	718,044
Current assets			
Trade receivables	10.1	11,716,695	10,309,667
Cash and bank balances	11	17,027,455	10,774,259
Short-term loans and advances	9	11,463,590	7,194,923
Total		43,497,345	32,094,711
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial Statements.

As per our report of even date.

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

For and on behalf of the Board of Directors of
ICS Computaris International Srl, Moldova

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

Sd/-
Gurghis Calin
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Moldova
Date : February 07, 2014

ICS Computaris International Srl, Moldova
Profit and Loss Account for the year ended December 31, 2013

	Notes	For the Year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Income			
Revenue from operations	12	68,922,800	73,810,767
Total revenue		68,922,800	73,810,767
Expenses			
Employee benefits expense	13	36,646,352	41,695,405
Operational and other expense	14	18,330,338	20,546,226
Depreciation and amortisation expense	15	2,060,998	1,340,265
Finance costs	16	201,178	231,727
Total expenses		57,238,866	63,813,623
Profit before tax		11,683,934	9,997,144
Tax expense			
Current tax		1,368,342	1,730,334
Total tax expense		1,368,342	1,730,334
Profit for the year		10,315,592	8,266,810
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial Statements.

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 Srl, Moldova

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

Sd/-
Gurghis Calin
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Moldova
Date : February 07, 2014

ICS Computaris International Srl, Moldova
Cash Flow Statement for the period ended December 31, 2013

	For the period ended December 31, 2013	For the period ended December 31, 2012
	Rs.	Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	11,683,934	9,997,144
Adjustments for:		
Depreciation and amortisation expense	2,060,998	1,340,265
Unrealised foreign exchange (loss) / gain	1,466,536	595,702
Operating profit/(loss) before working capital changes	15,211,468	11,933,111
Movements in working capital :		
(Increase) / Decrease in Trade Receivables	(1,407,028)	(10,309,667)
(Increase) / Decrease in loans and advances	(4,268,667)	772,688
Increase / (Decrease) in short-term and long-term provision	(360,086)	3,420,744
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(39,815)	(2,354,012)
Cash generated from operations	9,135,872	3,462,864
Direct taxes paid, net of refunds	(1,510,125)	(1,629,731)
Net cash flow from operating activities (A)	7,625,747	1,833,133
B. Cash flows used in investing activities		
Purchase of fixed assets	(1,714,470)	(1,652,072)
Proceeds from sale of fixed assets	377,853	
Net cash used in investing activities (B)	(1,336,617)	(1,652,072)
C. Cash flows used in financing activities		
(Increase) / Decrease in other non-current assets	(35,934)	141,706
Net cash used in financing activities (C)	(35,934)	141,706
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	6,253,196	322,767
Cash and cash equivalents at the beginning of the year	10,774,259	10,451,492
Cash and cash equivalents at the end of the year	17,027,455	10,774,259

The accompanying notes are an integral part of the financial Statements.

As per our report of even date

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

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

Place : New Delhi
Date : February 07, 2014

For and on behalf of the Board of Directors
of ICS Computaris International Srl, Moldova

Sd/-
Gurghis Calin
[Director]

Place : Moldova
Date : February 07, 2014

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.8, oficiu B, C, 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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible 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 tangible fixed assets</u>	<u>Estimated Useful Life</u>
Office and electrical equipment's	2-15 years
Computer hardware and network installations	3 years
Furniture and fittings	5-10 years

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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, tangible fixed assets / intangibles assets 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) 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.

(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 Moldovan Leu (MDL) 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, 2013, the rates used were MDL 1= Rs. 4.67. For translating assets and liabilities at the year-end, the rates used were MDL 1= Rs. 4.74.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were MDL 1= Rs. 4.41. For translating assets and liabilities at the year-end, the rates used were MDL 1= Rs. 4.52.

(j) Retirement 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) 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.

(m) 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.

(n) Segment reporting

The Company primarily operates one business segment, providing information technology services and rendering consultancy services.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
Shares of no par value	-	-
Issued, subscribed and paid up capital		
Shares of no par value	20,693	20,693
Total	20,693	20,693

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	1	20,693	1	20,693
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	1	20,693	1	20,693

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	22,123,014	13,856,204
Add: Profit for the current year	10,315,592	8,266,810
Net surplus in the statement of profit and loss	32,438,606	22,123,014
Foreign currency translation reserve		
Balance as per last financial statement	2,904,763	2,747,550
Add: Current year translation differences	1,587,546	157,213
Closing balance	4,492,309	2,904,763
Capital Reserve	3,272,053	3,272,053
Total	40,202,968	28,299,830

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	3,060,658	3,420,744
Sub total (A)	3,060,658	3,420,744
Other provision		
Income tax		100,603
Sub total (A)	-	100,603
Total (A+B)	3,060,658	3,521,347

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	213,026	252,841
Total	213,026	252,841

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013	DURING THE YEAR	DURING THE YEAR	31.12.2013	1.1.2013	DURING THE YEAR	31.12.2013	DURING THE YEAR	31.12.2013	31.12.2013	31.12.2013	31.12.2012
Building- leasehold	-	-	-	-	-	-	-	-	-	-	-	-
Plant and Machinery	-	-	-	-	-	-	-	-	-	-	-	-
Computer hardware	4,796,998	1,140,935	2,128,115	240,062	4,049,880	3,426,628	926,125	2,058,962	186,768	2,480,559	1,569,321	1,370,370
Furniture & fixtures	1,019,510	284,212	-	51,020	1,354,742	223,420	488,635	-	19,247	731,302	623,440	796,090
Office & electrical equipments	599,382	93,640	394,098	29,995	328,919	148,170	136,265	85,399	9,664	208,700	120,219	451,212
Total	6,415,890	1,518,787	2,522,213	321,077	5,733,541	3,798,218	1,551,025	2,144,361	215,679	3,420,561	2,312,980	2,617,672
CWIP	260,808	-	-	13,052	273,860	260,808	-	-	13,052	273,860	-	-
Total	6,676,698	1,518,787	2,522,213	334,129	6,007,401	4,059,026	1,551,025	2,144,361	228,731	3,694,421	2,312,980	2,617,672
Previous year	5,617,931	1,069,940	-	11,173	6,676,698	2,942,965	1,095,834	-	(20,227)	4,059,026	2,617,672	2,674,966

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013	DURING THE YEAR	DURING THE YEAR	31.12.2013	1.1.2013	DURING THE YEAR	31.12.2013	DURING THE YEAR	31.12.2013	31.12.2013	31.12.2013	31.12.2012
Computer Software	1,489,824	195,683	-	348,418	2,033,924	1,009,678	509,973	-	332,806	1,852,458	181,467	480,146
Total	1,489,824	195,683	-	348,418	2,033,924	1,009,678	509,973	-	332,806	1,852,458	181,467	480,146
Previous year	1,310,472	582,132	-	402,780	1,489,824	760,938	244,431	-	(4,309)	1,009,678	480,146	549,534

ICS Computaris International Srl, Moldova
Notes to Financial Statements for the year ended December 31, 2013

9. Loans and advances

Particulars	Non-Current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	3,303,732	793,868
Sub total (A)	-	-	3,303,732	793,868
Other loans and advances				
VAT receivable	-	-	4,460,719	6,401,055
Other recoverables	-	-	3,699,139	-
Advance income taxes	41,180	-	-	-
Sub total (B)	41,180	-	8,159,858	6,401,055
Total (A+B)	41,180	-	11,463,590	7,194,923

10. Trade receivables and other current assets

10.1 Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	11,716,695	10,309,667
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Sub Total (B)	11,716,695	10,309,667
Total (A+B)	11,716,695	10,309,667

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management Computaris International Limited	11,716,695	10,309,667

10.2 Other non-current assets

Particulars	Non-Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Non-current bank balances (refer note 11)	753,978	718,044
Total	753,978	718,044

11. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalent				
Balance with other banks:				
On current accounts			17,027,455	10,774,259
			17,027,455	10,774,259
Other bank balances				
Margin money deposit (refer detail below)	753,978	718,044		
	753,978	718,044	-	-
Amount disclosed under non-current assets (refer note 10)	(753,978)	(718,044)	-	-
Total	-	-	17,027,455	10,774,259

Detail of margin money deposit

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Margin moneys deposit against performance guarantee	753,978	718,044
Total	753,978	718,044

12. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Sale of services	68,922,800	73,810,767
Total	68,922,800	73,810,767

13. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Salaries, wages and bonus	32,117,248	35,937,118
Contribution to employee's benefits fund	4,529,104	5,758,287
Total	36,646,352	41,695,405

14. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Recruitment and training expenses	-	422,040
Travelling and conveyance	10,919,986	10,594,203
Rent - premises	6,908,235	7,252,297
Communication costs	999,546	947,946
Legal and professional expenses	404,148	1,215,473
Foreign exchange fluctuation (net)	(2,821,280)	(277,787)
Rates and taxes	29,641	-
Miscellaneous expenses	1,890,062	392,054
Total	18,330,338	20,546,226

15. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Depreciation on tangible assets	1,551,025	1,095,834
Amortisation on intangible assets	509,973	244,431
Total	2,060,998	1,340,265

16. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Bank charges	201,178	231,727
Total	201,178	231,727

17. 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 (Liquated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Systèmes R. International Ltée, Canada

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

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 (Liquated as on December 24, 2013)

Key Management Personnel Gurghis Calin, Director

(ii) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

Particulars	(Amount in Rs.)	
	December 31,	
Computaris International Limited	2013	2012
Services rendered	68,922,800	73,810,767
Amount Receivables	11,716,695	10,309,667

18. Operating Lease- Company as lessee

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:

	December 31,	
	2013	2012
Lease payments for the year	6,916,554	7,253,004
Non-cancellable operating lease obligation	-	-
Not later than one year	6,992,504	1,666,935
Later than one year but not later than five years	1,748,126	-
Later than five years	-	-

The operating lease arrangements extend for a maximum of 2 year from their respective dates of inception.

ICS Computaris International Srl, Moldova
Notes to Financial Statement for the year ended December 31, 2013

19. The Company has no material deferred tax component as at December 31, 2013. Hence no deferred tax has been recorded in the books.

20. 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.
ICAI 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/-
Gurghis Calin
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Moldova
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Computaris Malaysia Sdn. Bhd., Malaysia

Report on the Financial Statements

We have audited the accompanying financial statements of Computaris Malaysia Sdn. Bhd., Malaysia ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

Computaris Malaysia Sdn. Bhd., Malaysia
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	14,930	14,930
Reserves and surplus	4	740,127	963,443
Current liabilities			
Trade payables	6	184,897	157,837
Other current liabilities	6	-	305,450
Short-term provisions	5	322,079	297,217
Total		1,262,033	1,738,877
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	62,920	73,341
Intangible assets	8	33,867	45,772
Long-term loans and advances	9	412,999	193,529
Current assets			
Trade receivables	10	30,848	706,463
Cash and bank balances	11	721,399	719,772
Total		1,262,033	1,738,877
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial Statements.

As per our report of even date.

For S.K. Relan & Co
ICAI Firm Registration No. 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/-
Tham Kok Kee
[Director]

Sd/-
Yeo Chun Lan
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

Computaris Malaysia Sdn. Bhd., Malaysia
Profit and Loss Account for the period ended December 31, 2013

	Notes	For the Year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Income			
Revenue from operations	12	23,102,416	15,343,653
Other income	13	-	138,194
Total revenue		23,102,416	15,481,847
Expenses			
Employee benefits expense	14	18,169,131	12,413,811
Operational and other expense	15	5,065,287	2,633,854
Depreciation and amortisation expense	16	41,047	35,192
Finance costs	17	1,672	778
Total expenses		23,277,137	15,083,635
Profit/(Loss) before tax		(174,721)	398,212
Tax expense			
Current tax		95,112	25,323
Total tax expense		95,112	25,323
Profit/(Loss) for the year		(269,833)	372,889
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial Statements.

As per our report of even date.

For S.K. Relan & Co
ICAI Firm Registration No. 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/-
Tham Kok Kee
[Director]

Sd/-
Yeo Chun Lan
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

Computaris Malaysia Sdn. Bhd., Malaysia
Cash Flow Statement for the period ended December 31, 2013

	For the period ended December 31, 2013	For the period ended December 31, 2012
	Rs.	Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	(174,721)	398,212
Adjustments for:		
Depreciation and amortisation expense	41,047	35,192
Unrealised foreign exchange (loss) / gain	40,984	46,125
Operating profit/(loss) before working capital changes	(92,690)	479,529
Movements in working capital :		
(Increase) / Decrease in trade receivables	675,615	(539,143)
(Increase) / Decrease in loans and advances	(11,933)	15,538
Increase / (Decrease) in short-term and long-term provision	127,097	194,982
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(278,390)	416,437
Cash generated from operations	419,699	567,343
Direct taxes paid, net of refunds	(404,884)	(145,055)
Net cash flow from operating activities (A)	14,815	422,288
B. Cash flows used in investing activities		
Purchase of fixed assets	(13,188)	(21,344)
Net cash used in investing activities (B)	(13,188)	(21,344)
C. Cash flows used in financing activities		-
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	1,627	400,944
Cash and cash equivalents at the beginning of the year	719,772	318,828
Cash and cash equivalents at the end of the year	721,399	719,772

The accompanying notes are an integral part of the financial Statements.

As per our report of even date

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

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

Place : New Delhi
Date : February 07, 2014

For and on behalf of the Board of Directors a
of Computaris Malaysia Sdn. Bhd., Malaysia

Sd/-
Tham Kok Kee
[Director]
Sd/-
Yeo Chun Lan
[Director]

Place : Malaysia
Date : February 07, 2014
Place : Malaysia
Date : February 07, 2014

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 No. 52, 1st Floor, Jalan SS21/58 Damansara Utama, 47400 Petaling Jaya, Selangor, 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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible 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 on Tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible 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 tangible 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) Intangibles

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

(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, tangible fixed assets / intangibles assets 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) 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.

(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 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, 2013, the rates used were MYR 1= Rs.18.57. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 18.87.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were MYR 1= Rs.17.29. For translating assets and liabilities at the year-end, the rates used were MYR 1= Rs. 17.94.

(j) Retirement 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) 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.

(m) 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.

(n) Segment reporting

The Company primarily operates one business segment, providing information technology services and rendering consultancy services.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	Rs.	No.	Rs.
Authorised Share Capital 100,000 ordinary shares of RM 1 each		MYR 100,000		MYR 100,000
Issued, subscribed and paid up capital 1,000 ordinary shares of RM 1 each		14,930		14,930
Total		14,930		14,930

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	1,000	14,930	1,000	14,930
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	1,000	14,930	1,000	14,930

Computaris Malaysia Sdn. Bhd., Malaysia
Notes to Financial Statements for the year ended December 31, 2013

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	852,473	479,584
Add: Profit for the current year	(269,833)	372,889
Net surplus in the statement of profit and loss	582,640	852,473
Foreign currency translation reserve		
Balance as per last financial statement	110,970	57,156
Add: Current year translation differences	46,517	53,814
Closing balance	157,487	110,970
Total	740,127	963,443

Computaris Malaysia Sdn. Bhd., Malaysia
Notes to Financial Statements for the year ended December 31, 2013

5. Short-term provisions

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Provision for employee benefits		
Compensated absences	322,079	194,982
Sub total (A)	322,079	194,982
Other provision		
Income tax	-	102,235
Sub total (B)	-	102,235
Total (A+B)	322,079	297,217

6. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	184,897	157,837
Sub total (A)	184,897	157,837
Other liabilities		
Other payables	-	305,450
Sub total (B)	-	305,450
Total (A+B)	184,897	463,287

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Computer hardware	53,091	-	-	(2,755)	55,846	31,836	11,051	-	(1,829)	44,716	11,130	21,255
Office & electrical equipments	73,663	13,188	-	(3,824)	90,675	21,577	15,936	-	(1,372)	38,885	51,790	52,086
Total	126,754	13,188	-	(6,579)	146,521	53,413	26,987	-	(3,201)	83,601	62,920	73,341
Previous year	98,334	21,344	-	(7,070)	126,754	28,511	22,021	-	(2,881)	53,413	73,341	69,823

Schedule 8: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2013		DURING THE YEAR		31.12.2013	1.1.2013	DURING THE YEAR	DURING THE YEAR		31.12.2013	31.12.2013	31.12.2012
Computer Software	68,300	-	-	(3,546)	71,846	22,528	14,060	-	(1,391)	37,979	33,867	45,772
Total	68,300	-	-	(3,546)	71,846	22,528	14,060	-	(1,391)	37,979	33,867	45,772
Previous Year	63,715	-	-	(4,585)	68,300	8,266	13,171	-	(1,091)	22,528	45,772	55,449

9. Loans and advances

Particulars	Non-Current	
	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Security deposit		
Unsecured, considered good	205,462	193,529
Total (A)	205,462	193,529
Other loans and advances		
Advance income taxes	207,537	-
Sub total (B)	207,537	-
Total (A+B)	412,999	193,529

10. Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Total (A)	-	-
Other receivables		
Unsecured, considered good	30,848	706,463
Unsecured, considered doubtful	-	-
	30,848	706,463
Provision for doubtful receivables	-	-
Total (B)	30,848	706,463
Total (A+B)	30,848	706,463

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management		
Computaris International Limited	30,848	706,463

11. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
On current accounts	721,399	719,772
Total	721,399	719,772

Comptaris Malaysia Sdn. Bhd., Malaysia
Notes to Financial Statements for the year ended December 31, 2013

12. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Sale of services	23,102,416	15,343,653
Total	23,102,416	15,343,653

13. Other income

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Miscellaneous Income	-	138,194
Total	-	138,194

14. Employee benefits expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Salaries, wages and bonus	16,107,806	11,048,192
Contribution to employee's benefits fund	1,955,477	1,277,742
Staff welfare expenses	105,848	87,877
Total	18,169,131	12,413,811

Computaris Malaysia Sdn. Bhd., Malaysia
Notes to Financial Statements for the year ended December 31, 2013

15. Operational and other expenses

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Recruitment and training expenses	2,953	-
Travelling and conveyance	2,488,578	451,450
Insurance	360,706	189,098
Repair and maintenance	2,656	20,915
Rent - premises	1,002,942	760,540
Communication costs	345,848	239,933
Printing and stationery	38,595	49,988
Advertising and sales promotion	125,368	112,733
Legal and professional expenses	636,386	676,985
Foreign exchange fluctuation (net)	(20,393)	62,001
Miscellaneous expenses	81,648	70,211
Total	5,065,287	2,633,854

16. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Depreciation on tangible assets	26,987	22,021
Amortisation on intangible assets	14,060	13,171
Total	41,047	35,192

17. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Bank charges	1,672	778
Total	1,672	778

18. 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 (Liquated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Systèmes R. International Ltée, Canada

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

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 (Liquated as on December 24, 2013)

Key management Personnel	Bogdan Mihai Danila, Director Tham Kok Kee, Director (Appointed in 2013) Yeo Chun Lan, Director (Appointed in 2013)
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(ii) Details of transactions with related parties for year ended December 31, 2013 and December 31, 2012:

(Amount in Rs.)

Particulars	December 31,	
	2013	2012
Computaris International Limited		
Services rendered	23,102,416	14,825,103
Accounts receivable	30,848	706,463

Remuneration to key management personnel	2013	2012
Tham Kok Kee	1,709,712	-
Yeo Chun Lan	754,246	-
Total	2,463,958	-

19. Operating Lease- Company as lessee

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

	Year ended December 31, 2013 Rs.	Year ended December 31, 2012 Rs.
Lease payments for the year	1,004,461	760,956
Non-cancellable operating lease obligation		
Not later than one year	169,246	322,243
Later than one year but not later than five years	-	-
Later than five years	-	-

The operating lease arrangements extend for a maximum of 1 year from their respective dates of inception.

20. The Company has no material deferred tax component as at December 31, 2013. Hence no deferred tax has been recorded in the books.

21. 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.
ICAI 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/-
Tham Kok Kee
[Director]

Sd/-
Yeo Chun Lan
[Director]

Place : New Delhi
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

Place : Malaysia
Date : February 07, 2014

INDEPENDENT AUDITOR'S REPORT

To,
The Members of Computaris USA, Inc., USA

Report on the Financial Statements

We have audited the accompanying financial statements of Computaris USA, Inc., USA ("the Company"), which comprise the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

- b) in the case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet and Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

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

PLACE : New Delhi
DATE : February 07, 2014

Sd/-
CA. S. K.RELAN
Membership No.012149

Computaris USA, Inc., USA
Balance Sheet as at December 31, 2013

	Notes	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,558	4,558
Reserves and surplus	4	(1,380,461)	1,602,012
Current liabilities			
Trade payables	5	1,338,078	1,577,212
Other current liabilities	5	23,991,836	7,322,181
Total		23,954,011	10,505,963
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	6	662,055	432,252
Deferred tax assets (net)		1,833,013	(172,197)
Current assets			
Trade receivables	8	4,804,226	6,628,554
Cash and bank balances	9	16,654,717	3,310,016
Short-term loans and advances	7	-	307,338
Total		23,954,011	10,505,963
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

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

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

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date : February 07, 2014

Place : USA
Date : February 07, 2014

Computaris USA, Inc., USA			
Statement of Profit and Loss for the period ended December 31, 2013			
	Notes	For the Year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Income			
Revenue from operations	10	85,103,910	77,026,404
Total revenue		85,103,910	77,026,404
Expenses			
Operational and other expenses	11	89,964,813	71,537,771
Depreciation and amortisation expense	12	123,359	81,093
Finance costs	13	16,987	30,290
Total expenses		90,105,159	71,649,154
Profit / (loss) before tax		(5,001,249)	5,377,250
Tax expense			
Current tax		(62,558)	547,512
Deferred tax charge		(1,920,674)	482,392
Total tax expense		(1,983,232)	1,029,904
Profit / (loss) for the year		(3,018,017)	4,347,346
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

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

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

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

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date : February 07, 2014

Place : USA
Date : February 07, 2014

Computaris USA, Inc., USA

Cash Flow Statement for the period ended December 31, 2013

	For the period ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	(5,001,249)	5,377,250
Adjustments for:		
Depreciation and amortisation expense	123,359	81,093
Unrealised foreign exchange (loss) / gain	(95,848)	(288,225)
Operating profit/(loss) before working capital changes	(4,973,738)	5,170,118
Movements in working capital :		
(Increase) / Decrease in trade receivables	1,824,328	(6,628,554)
(Increase) / Decrease in loans and advances	307,338	(307,338)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	16,430,521	(4,841,417)
Cash generated from operations	13,588,449	(6,607,191)
Direct taxes paid, net of refunds	62,558	(547,512)
Net cash flow from operating activities (A)	13,651,007	(7,154,703)
B. Cash flows used in investing activities		
Purchase of fixed assets	(306,306)	(302,170)
Net cash used in investing activities (B)	(306,306)	(302,170)
C. Cash flows used in financing activities		
Net cash used in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	13,344,701	(7,456,873)
Cash and cash equivalents at the beginning of the year	3,310,016	10,766,889
Cash and cash equivalents at the end of the year	16,654,717	3,310,016

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

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

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

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date : February 07, 2014

Place : USA
Date : February 07, 2014

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 5000, Windplay Drive, Suite 5, EI Dorado Hills, CA 95762, 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 under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied and are consistent with those used in 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 judgments, estimates and assumptions that affect the reported amounts of revenue, expense, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible 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 on tangible assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible 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 tangible fixed assets	Estimated useful life
Computer hardware and network installations	3-6 years

(e) Intangibles assets

Computer software

Computer software's are stated at cost less accumulated amortisation 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.

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.

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

The Company 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 Company is the lessee

Finance leases, which effectively transfer to the Company 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 Company 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 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.

(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 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, 2013, the rates used were USD \$ 1= Rs. 58.58. For translating assets and liabilities at the year-end, the rates used were USD \$ 1= Rs. 61.81.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2012, the rates used were USD \$ 1= Rs. 53.42. For translating assets and liabilities at the year-end, the rates used were USD \$ 1= Rs. 54.98.

(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) 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) 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

The Company primarily operates one business segment, providing information technology services and rendering consultancy services.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. Share capital

Particulars	As at	As at
	December 31, 2013	December 31, 2012
	Rs.	Rs.
Authorised shares		
100 shares of USD 1 each	USD 100	USD 100
Issued, subscribed and paid up capital		
100 shares of USD 1 each	4,558	4,558
Total	4,558	4,558

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at		As at	
	December 31, 2013		December 31, 2012	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	100	4,558	100	4,558
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	100	4,558	100	4,558

4. Reserves and surplus

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Statement of Profit and Loss		
Balance as per last financial statement	1,926,749	(2,420,597)
Add: Profit / (loss) for the current year	(3,018,017)	4,347,346
Net surplus/ (deficit) in the statement of profit and loss	(1,091,268)	1,926,749
Foreign currency translation reserve		
Balance as per last financial statement	(324,737)	(351,724)
Add: Current year translation differences	35,544	26,987
Closing balance	(289,193)	(324,737)
Total	(1,380,461)	1,602,012

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2013**

5. Other current liabilities

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Trade payables	1,338,078	1,577,212
Sub total (A)	1,338,078	1,577,212
Other liabilities		
Payable to Related Parties		
R System International Limited	23,991,836	7,322,181
Sub total (B)	23,991,836	7,322,181
Total (A+B)	25,329,914	8,899,393

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON 1.1.2013	ADDITION	DELETION DURING THE YEAR	ADJUSTMENT	TOTAL 31.12.2013	UPTO 1.1.2013	FOR THE DURING THE YEAR	ADJUSTMENT	TOTAL 31.12.2013	AS AT 31.12.2013	AS AT 31.12.2012
Computer hardware	482,559	306,306	-	(59,903)	848,768	81,590	107,661	(16,127)	205,378	643,390	400,969
Office & electrical equipments	44,204	-	-	(5,487)	49,691	12,921	15,698	(2,407)	31,026	18,665	31,283
Total	526,763	306,306	-	(65,390)	898,459	94,511	123,359	(18,534)	236,404	662,055	432,252
Previous year	216,771	302,170	-	(7,822)	526,763	10,613	81,093	(2,806)	94,511	432,252	206,158

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2013**

7. Short term loans and advances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	-	307,338
Total	-	307,338

8. Trade receivables

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Provision for doubtful receivables	-	-
Total (A)	-	-
Other receivables		
Unsecured, considered good	4,804,226	6,628,554
Unsecured, considered doubtful	-	-
	4,804,226	6,628,554
Provision for doubtful receivables	-	-
Total (B)	4,804,226	6,628,554

Trade receivable include:

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Dues from companies under the same management		
Computaris International Limited	4,804,226	6,628,554

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2013**

9. Cash and bank balances

Particulars	As at December 31, 2013 Rs.	As at December 31, 2012 Rs.
Cash and cash equivalents		
Balance with other banks:		
On current accounts	16,654,717	3,310,016
Total	16,654,717	3,310,016

Computaris USA, Inc., USA

Notes to Financial Statements for the year ended December 31, 2013

10. Revenue from operations

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Sale of services	85,103,910	77,026,404
Total	85,103,910	77,026,404

11. Operational and other expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Travelling and conveyance	3,660,644	3,364,885
Repair and maintenance	7,439	29,924
Membership & Subscription Fees	288,658	-
Rent - premises	491,151	1,673,146
Communication costs	473,988	383,398
Printing and stationery	-	10,150
Advertising and sales promotion	198,394	5,022
Legal and professional expenses	84,607,369	65,872,627
Miscellaneous expenses	237,170	198,619
Total	89,964,813	71,537,771

12. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Depreciation on tangible assets	123,359	81,093
Total	123,359	81,093

13. Finance cost

Particulars	For the year ended December 31, 2013 Rs.	For the period ended December 31, 2012 Rs.
Bank charges	16,987	30,290
Total	16,987	30,290

14. 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 (Liquidated as on June 24, 2013) R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

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

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 (Liquidated as on December 24, 2013)

Key Management Personnel Michal Misiaszek, Director

(ii) Details of transactions with related parties for period ended December 31, 2013 and December 31, 2012:

Particulars	December 31,2013	December 31,2012
Computaris International Limited		
Services rendered	85,103,910	77,026,404
Account Receivable	4,804,226	6,628,554
R System Inc.		
Amount Payable	23,991,836	7,322,181
Services received	82,830,497	63,961,080

Payment to key management personnel for year ended December 31, 2013 and December 31, 2012:

Particulars	December 31,2013	December 31,2012
Name of key management personnel		
Michal Misiaszek	8,106,505	9,827,824
Total	8,106,505	9,827,824

Computaris USA, Inc., USA

Notes to Financial Statement for the year ended December 31, 2013

15. The Company incurred a net loss of Rs. 3,018,017 during the financial year ended 31 December, 2013, and as at that date Company's total liabilities exceeded its total assets by Rs. 1,375,903. 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.

16. 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.
ICAI Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of Computaris Inc
USA, LLC, USA

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

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date : February 07, 2014

Place : USA
Date : February 07, 2014