

AUDITORS' REPORT

To

The Members,

R Systems (Singapore) Pte Ltd., Singapore

1. We have audited the attached Balance Sheet of R Systems (Singapore) Pte Ltd a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the Statement of Profit and Loss Account, of the **PROFIT** for the year ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

Sd/-

CA. S.K. RELAN
Membership No.12149

PLACE: NEW DELHI
DATED: February 09, 2013

R SYSTEMS (SINGAPORE) PTE. LTD**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	105,930,226	105,930,226
Reserves and surplus	4	44,437,596	27,021,312
Current liabilities			
Trade payables	6	4,552,684	3,952,350
Other current liabilities	6	2,806,569	3,187,596
Short-term provisions	5	882,059	829,265
		158,609,134	140,920,748
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	163,702	62,284
Intangible assets	8	-	-
Current assets			
Trade receivables	10	26,037,263	18,266,438
Cash and bank balances	11	5,097,166	505,840
Short-term loans and advances	9	127,311,003	122,086,185
		158,609,134	140,920,748
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

R SYSTEMS (SINGAPORE) PTE. LTD			
Statement of Profit and Loss for the year ended December 31, 2012			
	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	12	118,371,630	47,589,680
Other income	13	6,798,219	5,898,674
Total revenue		125,169,849	53,488,354
Expenses			
Employee benefits expense	14	105,609,915	42,676,048
Operational and other expense	15	14,886,107	13,980,319
Depreciation and amortisation	16	35,820	21,066
Finance cost	17	58,086	30,780
Total expenses		120,589,928	56,708,213
Profit / (loss) before tax		4,579,921	(3,219,859)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Profit / (loss) for the year		4,579,921	(3,219,859)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

For S.K. Relan & Co
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Chartered Accountants

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

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R SYSTEMS (SINGAPORE) PTE. LTD**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	4,579,921	(3,219,859)
Adjustments for:		
Depreciation and amortisation expense	35,820	21,066
Excess provision written back	-	3,150,349
Unrealised foreign exchange loss / (gain)	272,556	270,723
Interest income	(6,584,356)	(5,898,682)
Interest expense	-	-
Operating profit before working capital changes	(1,696,059)	(5,676,402)
Movements in working capital :		
(Increase) / Decrease in trade receivables	(6,345,372)	(15,661,078)
(Increase) / Decrease in other current assets	-	125,007
Decrease / (Increase) in intra-group balances	5,100,527	9,109,911
Increase / (Decrease) in short-term and long-term provision	(24,498)	719,038
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	1,098,986	2,725,230
Cash generated from operations	(1,866,416)	(8,658,295)
Less: Taxes Paid	-	-
Net cash from operating activities	(1,866,416)	(8,658,295)
B. Cash flows used in investing activities		
Purchase of fixed assets	(126,614)	-
Interest received	6,584,356	5,898,682
Net cash from used in investing activities	6,457,742	5,898,682
C. Cash flows used in financing activities		
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	4,591,326	(2,759,614)
Cash and cash equivalents at the beginning of the year	505,840	3,265,454
Cash and cash equivalents at the end of the year	5,097,166	505,840

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors of
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[Director]

Place : Singapore
Date: February 09, 2013

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Cai Li Ting
[Director]

Place : Singapore
Date: February 09, 2013

1. Company Overview

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

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

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) 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.

(e) 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

(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) 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.

(h) 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.

(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, 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.

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

(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) 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 software development and rendering consultancy services in Singapore.

(o) Cash and cash equivalents

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

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2012**

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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, 2012**

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(20,401,894)	(17,182,034)
Add: Profit / (loss) for the current year	4,579,921	(3,219,859)
Net deficit in the statement of profit and loss	(15,821,973)	(20,401,893)
Foreign currency translation reserve		
Balance as per last account	47,423,205	26,599,360
Add: Current year translation differences	12,836,364	20,823,845
Closing balance	60,259,569	47,423,205
Total	44,437,596	27,021,312

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2012**

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	882,059	829,265
Total	882,059	829,265

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	4,552,684	3,952,350
Sub total (A)	4,552,684	3,952,350
Other liabilities		
Payables to related parties		
R Systems International Limited	446,752	1,881,790
GST/Sales Tax	2,359,817	1,305,806
Sub total (B)	2,806,569	3,187,596
Total (A+B)	7,359,253	7,139,946

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2012**

9. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	1,686,564	960,138
Sub Total (A)	1,686,564	960,138
Loans to related parties		
Unsecured, considered good		
Loan recoverable from Indus Software, Inc., USA	13,146,577	34,848,542
Loan recoverable from ECnet Limited, Singapore	112,477,862	86,277,506
Sub Total (B)	125,624,439	121,126,048
Total (A+B)	127,311,003	122,086,185

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2012**

10. Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	2,836,394	2,379,773
	2,836,394	2,379,773
Provision for doubtful receivables	2,836,394	2,379,773
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	26,037,263	18,266,438
Doubtful	1,208,025	1,314,579
	27,245,288	19,581,017
Provision for doubtful receivables	1,208,025	1,314,579
Sub Total (B)	26,037,263	18,266,438
Total (A+B)	26,037,263	18,266,438

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2012**

11. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Cash on hand	12,670	23,165
Balances with others banks On current accounts	5,084,496	482,675
Total	5,097,166	505,840

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2012**

12. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	118,371,630	47,589,680
Total	118,371,630	47,589,680

13. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	6,584,344	5,898,674
Miscellaneous Income	213,875	-
Total	6,798,219	5,898,674

14. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	102,138,685	40,307,302
Contribution to Employee's benefit funds	2,171,516	972,576
Staff welfare	1,299,714	1,396,170
Total	105,609,915	42,676,048

R SYSTEMS (SINGAPORE) PTE. LTD**Notes to Financial Statements for the year ended December 31, 2012****15. Operational and other expense**

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	535,647	518,469
Travelling and conveyance	577,224	163,196
Insurance	1,056,974	437,678
Repair and maintenance	2,994	-
Provision for doubtful debts and advances	-	3,150,348
Membership & Subscription Fees	17,110	14,833
Communication costs	427,046	175,546
Printing and stationery	31,914	16,168
Advertising and sales promotion	92,611	59,671
Legal and professional expenses	2,536,851	2,606,804
Foreign exchange fluctuation (net)	1,814,858	31,021
Management fees	7,750,830	6,719,440
Miscellaneous expenses	42,048	87,145
Total	14,886,107	13,980,319

16. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	35,820	21,066
Amortisation on intangible assets	-	-
Total	35,820	21,066

17. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	58,086	30,780
Total	58,086	30,780

18. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S, France ECnet Ltd, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) 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
Computairs Romania S.R.L.,Romania
Computaris Polska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia

Key management personnel	Computaris USA Inc, USA Satinder Singh Rekhi, Director Mrs. Harpreet Rekhi, Director Cai Li Ting, Director Chum Kum Ming, Director Tarun Shankar Mathur, Director (Resigned in 2011)
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Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

Particulars	December 31, 2012	December 31, 2011
	Rs.	Rs.
<u>Holding Company - R Systems International Ltd</u>		
-Sub-contracting expenses	299,896	1,999,775
-Amount payable	446,752	1,881,790
<u>Fellow Subsidiary -EC net Ltd</u>		
- Services rendered	22,89,318	1,151,390
- Sub-contracting expenses	-	-
- Interest received	5,710,505	4,289,613
- Management fees paid	7,750,830	6,719,440
- Loan Outstanding	112,477,862	86,277,506
<u>Fellow Subsidiary -Indus Software, Inc.</u>		
-Interest received	862,900	1,606,177
-Loan Outstanding	13,146,577	34,848,542

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. 112,477,862 (equivalent to SGD 2,499,508) and Rs. 85,847,211 (equivalent to SGD 2,098,954), as at December 31, 2012 and 2011, respectively.
- The maximum amount due is Rs, 124,900,200 (equivalent to SGD 2,775,560) during the year 2012.
- The amount due are non-trade, interest is charged at 5% (2011: 5%) per annum and is repayable upon demand and are to be settled in cash.

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

- The outstanding amount due is Rs. 11,016,900 (equivalent to SGD 244,820) and Rs. 32,044,636 (equivalent to SGD 779,580), as at December 31, 2012 and 2011, respectively.
- The maximum amount due is Rs. 35,081,100 (equivalent to SGD 779,580) during the year 2012
- The amount due are non-trade, unsecured, interest is charged at 5.5% (2011: 5.5%) per annum and is repayable upon demand and are to be settled in cash.

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, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	-	-
Non-cancellable operating lease obligation		
Not later than one year	5,940,000	5,425,860
Later than one year but not later than five years	-	-

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

21. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. During the year ended December 31 2012 and 2011, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

R SYSTEM (SINGAPORE) PTE LTD., SINGAPORE
Notes to Financial Statements for the year ended December 31, 2012

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.
Firm registration number: 001720N
Chartered Accountants

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

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CA. S.K. RELAN
Membership No. 12149

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[Director]

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[Director]

Place : New Delhi
Date : February 09, 2013

Place: Singapore
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AUDITORS' REPORT

To
The Members,
R Systems, Inc., USA

1. We have audited the attached Balance Sheet of R Systems, Inc. USA a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the Statement of Profit and Loss, of the **PROFIT** for the year ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

R SYSTEMS, INC. USA**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	27,800,158	27,800,158
Reserves and surplus	4	128,365,842	118,388,836
Current liabilities			
Trade payables	6	76,118,901	71,036,011
Other current liabilities	6	11,193,449	21,492,171
Short-term provisions	5	14,107,068	9,792,877
		257,585,418	248,510,053
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	19,984,888	21,719,300
Intangible assets	9	3,225,886	3,748,912
Long-term loans and advances	7	876,546	47,370
Other non-current assets	10.2	-	265,525
Current assets			
Trade receivables	10.1	122,899,721	120,328,881
Cash and bank balances	11	30,073,086	45,042,506
Short-term loans and advances	7	67,890,245	43,249,336
Other current assets	10.2	12,635,046	14,108,223
		257,585,418	248,510,053
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS, INC. USA**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	12	722,542,567	634,634,773
Other income	13	2,469,482	8,636,074
Total revenue		725,012,049	643,270,847
Expenses			
Employee benefits expense	14	415,474,219	271,959,301
Operational and other expenses	15	287,336,512	341,428,702
Depreciation and amortisation	16	11,020,900	9,223,359
Finance cost	17	998,268	804,517
Total expenses		714,829,899	623,415,879
Profit before tax		10,182,150	19,854,968
Tax expense			
Current tax		5,503,225	2,945,522
Total tax expense		5,503,225	2,945,522
Profit for the year		4,678,925	16,909,446
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS, INC. USA**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	10,182,150	19,854,968
Adjustments for:		
Depreciation and amortisation expense	11,020,900	9,223,373
Loss on Sale of Assets (Net)	-	14,907
Debts and advances provided / written off (Net)	(1,432,876)	13,567,982
Unrealised foreign exchange loss / (gain)	1,120,787	6,963,785
Interest income	(1,951,801)	(795,357)
Excess provision written back	-	(7,823,926)
Operating profit/(loss) before working capital changes	18,939,160	41,005,733
Movements in working capital :		
(Increase) / Decrease in trade receivables	1,108,234	(15,901,065)
(Increase) / Decrease in other current assets	1,915,428	(3,181,892)
(Increase) / Decrease in loans and advances	(4,344,491)	(1,870,104)
Decrease / (Increase) in intra-group balances	(29,187,695)	(4,815,387)
Increase / (Decrease) in short-term and long-term provision	3,855,906	1,126,755
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	3,982,120	1,307,470
Cash generated from operations	(3,731,338)	17,671,508
Less: Taxes Paid	5,503,232	3,038,792
Net cash from operating activities	(9,234,570)	14,632,716
B. Cash flows used in investing activities		
Purchase of fixed assets	(7,953,756)	(8,123,905)
Investment in long term fixed deposits with banks		(233,215)
Proceeds from fixed deposit from banks	267,105	-
Interest received	1,951,801	795,357
Net cash used in investing activities	(5,734,850)	(7,561,763)
C. Cash flows used in financing activities		
Net cash from used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(14,969,420)	7,070,953
Cash and cash equivalents at the beginning of the year	45,042,506	37,971,553
Cash and cash equivalents at the end of the year	30,073,086	45,042,506

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

1. Company Overview

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

2. Statement of significant accounting policies**(a) Basis of preparation**

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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

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

(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) 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.

(h) 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.

(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 (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.

(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 United States Dollar (US \$) but the financial statements have 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, 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.

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

(k) 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.

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

(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) 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	
	December 31, 2012 Rs.	December 31, 2011 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 December 31, 2012		As at December 31, 2011	
	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, 2012**

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	98,723,376	81,813,930
Add: Profit for the current year	4,678,925	16,909,446
Net surplus in the statement of profit and loss	103,402,301	98,723,376
Foreign currency translation reserve		
Balance as per last account	19,665,460	(2,313,564)
Add: Current year translation differences	5,298,081	21,979,024
Closing balance	24,963,541	19,665,460
Total	128,365,842	118,388,836

R SYSTEMS, INC. USA**Notes to Financial Statements for the year ended December 31, 2012****5. Short-term provisions**

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	12,765,454	8,497,016
Sub Total (A)	12,765,454	8,497,016
Other provision		
Income tax	1,341,614	1,295,861
Sub Total (B)	1,341,614	1,295,861
Total (A+B)	14,107,068	9,792,877

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	76,118,901	71,036,011
Sub total (A)	76,118,901	71,036,011
Other liabilities		
Payables to Related parties		
R Systems Internataional Limited	7,295,385	6,265,394
Indus Software, Inc.	127,196	12,573,424
ECnet Limited.	262,207	768,771
R Systems Solutions, Inc., USA	197,249	-
Computaris USA LLC	-	196,864
Payable for purchase of fixed assets	1,536,097	493,661
Advance from customers	461,833	122,761
Book overdraft	1,313,482	1,061,463
Other payables	-	9,833
Sub total (B)	11,193,449	21,492,171
Total (A+B)	87,312,350	92,528,182

R SYSTEMS, INC. USA

Notes to Financial Statements for the year ended December 31, 2012

7. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	849,056	20,817	13,416,274	8,734,309
Doubtful			2,589,118	2,500,821
Provision for doubtful advances	849,056	20,817	16,005,392	11,235,130
			2,589,118	2,500,821
Total (A)	849,056	20,817	13,416,274	8,734,309
Loans & advances to related parties				
Unsecured, considered good				
Advance recoverable from:				
R Systems International limited			16,344,245	2,923,955
R Systems Solutions, Inc., USA			-	20,957,911
Computaris USA, LLC			837,010	-
Systemes R. International Ltee, Canada			302,062	-
Loan recoverable from				
R Systems Solutions, Inc., USA			21,806,168	10,621,000
Indus software, Inc., USA			15,171,896	-
Total (B)	-	-	54,461,381	34,502,866
Security deposit				
Unsecured, considered good	27,490	26,553	12,590	12,161
Total (C)	27,490	26,553	12,590	12,161
Total (A+B+C)	876,546	47,370	67,890,245	43,249,336

R SYSTEMS, INC. USA

Notes to Financial Statements for the year ended December 31, 2012

Schedule 8: Tangible Assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Building- leasehold	6,217,854	-	-	(219,536)	6,437,390	5,103,695	462,327	-	(193,690)	5,759,712	677,678	1,114,159
Computer hardware	50,927,950	5,526,612	-	(1,798,133)	58,252,695	35,785,039	6,398,272	-	(1,450,246)	43,633,557	14,619,138	15,142,911
Furniture & fixtures	5,009,917	1,065,592	-	(176,887)	6,252,396	4,796,918	68,066	-	(171,352)	5,036,336	1,216,060	212,999
Office & electrical equipments	1,321,185	-	-	(46,648)	1,367,833	1,269,745	51,790	-	(46,298)	1,367,833	-	51,440
Vehicles	17,577,343	-	-	(620,611)	18,197,954	12,379,552	1,855,160	-	(491,230)	14,725,942	3,472,012	5,197,791
Total	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
Previous year	63,620,398	5,987,067	-	(11,446,784)	81,054,249	43,522,649	7,049,736	-	(8,762,564)	59,334,949	21,719,300	20,097,749

Schedule 9: Intangible Assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	11,881,481	1,593,668	-	(419,504)	13,894,653	8,132,569	2,185,285	-	(350,913)	10,668,767	3,225,886	3,748,912
Total	11,881,481	1,593,668	-	(419,504)	13,894,653	8,132,569	2,185,285	-	(350,913)	10,668,767	3,225,886	3,748,912
Previous year	7,285,737	3,262,455	-	(1,333,289)	11,881,481	4,782,582	2,173,623	-	(1,176,364)	8,132,569	3,748,912	2,503,155

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

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	36,707
Doubtful	13,658,204	13,213,959
	13,658,204	13,250,666
Provision for doubtful receivables	13,658,204	13,213,959
Sub Total (A)	-	36,707
Other receivables		
Unsecured, considered good	122,899,721	120,292,174
Doubtful	8,063,612	9,191,441
	130,963,333	129,483,616
Provision for doubtful receivables	8,063,612	9,191,441
Sub Total (B)	122,899,721	120,292,174
Total (A+B)	122,899,721	120,328,881

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Dues from companies under the same management -Computaris USA LLC	6,485,176	8,530,416

10.2 Other current assets

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (refer note 11)	-	265,525		
Unbilled revenue			12,635,046	14,108,223
Total	-	265,525	12,635,046	14,108,223

11. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Balances with other banks:				
On current accounts			30,073,086	45,042,506
			30,073,086	45,042,506
Other bank balances				
Deposits with original maturity for more than 12 months	-	265,525	-	-
	-	265,525	-	-
Amount disclosed under non-current assets (refer note 10.2)	-	(265,525)		
Total	-	-	30,073,086	45,042,506

R SYSTEMS, INC. USA**Notes to Financial Statements for the year ended December 31, 2012**

12. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	722,542,567	634,634,773
Total	722,542,567	634,634,773

13. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	1,952,073	795,357
Miscellaneous income	517,409	7,840,717
Total	2,469,482	8,636,074

14. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	388,187,664	254,408,945
Contribution to Employee's benefit funds	27,286,555	17,550,356
Total	415,474,219	271,959,301

R SYSTEMS, INC. USA**Notes to Financial Statements for the year ended December 31, 2012****15. Operational and other expenses**

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	5,099,822	4,342,837
Travelling and conveyance	24,237,118	18,124,057
Insurance	1,779,909	1,184,652
Repair and maintenance	5,754,296	3,718,526
Provision for doubtful debts and advances (net)	(1,432,851)	13,567,986
Commission other	-	7,620,615
Membership & Subscription Fees	1,108,272	580,400
Rent - premises	4,670,486	3,232,726
Rent - equipment	492,531	596,363
Power and fuel	303,042	322,022
Communication costs	1,561,191	1,486,642
Printing and stationery	364,900	321,643
Advertising and sales promotion	417,513	469,966
Legal and professional expenses	241,867,910	285,198,989
Loss on sale of Assets	-	14,907
Foreign exchange fluctuation (net)	86,761	(28,717)
Rates and taxes	787,372	559,969
Miscellaneous expenses	238,240	115,119
Total	287,336,512	341,428,702

16. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	8,847,277	7,049,736
Amortisation on intangible assets	2,173,623	2,173,623
Total	11,020,900	9,223,359

17. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	998,268	804,517
Total	998,268	804,517

R SYSTEMS, INC., USA

Notes to Financial Statements for the year ended December 31, 2012

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 R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) 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
Computairs Romania S.R.L.,Romania
Computaris Błska sp Zoo, Poland
ICS Computairs International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA 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 (appointed in 2012)
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Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

Particulars	For the year ended	
	December 31, 2012	December 31, 2011
Holding Company		
Services received	19,687,775	23,567,471
Marketing commission paid	-	7,620,615
Amount payables	7,295,385	6,265,394
Amount Receivables	16,344,245	2,923,955
Indus Software, Inc.		
Sub-contracting services received	79,466,354	113,275,819
Interest Received	360,535	-
Amount payable	127,196	12,573,424
Loan Outstanding	15,171,896	-
R Systems Solutions, Inc.		
Interest Received	1,591,266	792,558
Amount Payable	197,249	-
Amount receivable	-	20,957,911
Loan Outstanding	21,806,168	10,621,000
ECnet Ltd		
Amount payables	262,207	768,771

R SYSTEMS, INC., USA

Notes to Financial Statements for the year ended December 31, 2012

Computaris USA LLC,		
Services rendered	63,961,080	7,492,405
Amount receivable	7,322,181	8,530,416
Amount Payable	-	196,864
Systemes R. International Ltee, Canada		
Amount Receivables	302,062	-

Remuneration to key management personnel and their relatives		
Sartaj Singh Rekhi	6,971,302	3,828,463
Ramneet Singh Rekhi	1,880,859	-
Vinay Narjit Singh Behl	1,602,630	1,399,290
Rent		
Satinder Singh Rekhi	3,205,260	2,238,864

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

- The outstanding amount due is Rs. 21,806,168 (equivalent to \$ 396,620) and Rs. 10,621,000 (equivalent to \$ 200,000), as at December 31, 2012 and 2011, respectively.
- The maximum amount due is Rs. 39,043,552 (equivalent to \$ 710,141) during the year 2012.
- The amount due are non-trade, interest is charged at 5% (2011: 8.5%) 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. 15,171,896 (equivalent to \$ 275,953) as at December 31, 2012.
- The maximum amount due is Rs. 15,171,896 (equivalent to \$ 275,953) during the year 2012.
- 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 had incurred certain cost for issuing such options / shares. The said cost was insignificant.

19. Operating Lease- Company as lessee

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

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	4,761,991	3,482,413
Non-cancellable operating lease obligation		
Not later than one year	4,194,259	2,739,103
Later than one year but not later than five years	1,063,093	348,581

None of the operating lease arrangements have price escalation clause

R SYSTEMS, INC., USA

Notes to Financial Statements for the year ended December 31, 2012

20. As at December 31, 2012, the Company has net operating losses for federal income tax purposes Rs. 46,906,297 (USD 853,152) and for state income tax purposes Rs. 31,199,995 (USD 567,479) and management believes that it is more likely than not that the Company will not be able to realize its benefit. Hence deferred tax assets have not been recorded in the books of account.
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.
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 09, 2013

Place: NOIDA
Date : February 09, 2013

Place : NOIDA
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Indus Software, Inc., USA

We have audited the attached Balance Sheet of Indus Software, Inc. USA a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

Indus Software, Inc., USA
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	10,785,738	10,785,738
Reserves and surplus	4	(30,989,787)	(30,980,136)
Current liabilities			
Short-term Borrowings	6	28,293,533	34,651,013
Trade payables	7	2,158,606	1,733,433
Other current liabilities	7	185,678	179,346
Short-term provisions	5	54,925	53,052
		10,488,693	16,422,446
ASSETS			
Current assets			
Trade receivables	9.1	127,196	12,573,424
Cash and bank balances	10	9,932,669	2,574,240
Short-term loans and advances	8	211,107	75,459
Other current assets	9.2	217,721	1,199,323
		10,488,693	16,422,446
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Indus Software, Inc., USA
Statement of Profit and Loss for the year ended December 31, 2012

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	11	79,466,354	113,275,819
Total revenue		79,466,354	113,275,819
Expenses			
Employee benefits expense	12	76,279,039	107,396,735
Operational and other expenses	13	1,117,874	1,166,896
Finance cost	14	1,223,925	1,609,184
Total expenses		78,620,838	110,172,815
Profit before tax		845,516	3,103,004
Tax expense			
Current tax		162,101	25,512
Total tax expense		162,101	25,512
Profit for the year		683,415	3,077,492
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Harpreet Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Indus Software, Inc., USA
Cash Flow Statement for the year ended December 31, 2012

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	845,516	3,103,004
Adjustments for:		
Unrealised foreign exchange loss / (gain)	296,991	372,256
Interest expense	1,223,925	1,609,184
Operating profit before working capital changes	2,366,433	5,084,444
Movements in working capital :		
(Increase) / Decrease in other current assets	994,913	624,783
(Increase) / Decrease in loans and advances	(129,199)	-
Increase / (Decrease) in short-term and long-term provision	-	704,869
Decrease / (Increase) in intra-group balances	5,158,680	(3,716,514)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	353,630	-
Cash generated from operations	8,744,456	2,697,581
Less: Taxes Paid	162,101	25,514
Net cash from operating activities	8,582,355	2,672,067
B. Cash flows used in investing activities	-	-
Net cash used in investing activities	-	-
C. Cash flows used in financing activities		
Interest paid	(1,223,925)	(1,609,184)
Net cash used in financing activities	(1,223,925)	(1,609,184)
Net increase in cash and cash equivalents (A + B + C)	7,358,429	1,062,883
Cash and cash equivalents at the beginning of the year	2,574,240	1,511,357
Cash and cash equivalents at the end of the year	9,932,669	2,574,240

As per our report of even date.

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

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 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

1. Company Overview

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

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(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, 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.

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

(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) 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 information technology services in the United States of America.

(k) Cash and cash equivalents

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

3. Share capital

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	Rs.	No.	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, 2012		As at December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(29,311,985)	(32,389,477)
Add: Profit for the current year	683,415	3,077,492
Net deficit in the statement of profit and loss	(28,628,570)	(29,311,985)
Foreign currency translation reserve		
Balance as per last account	(1,668,150)	1,571,486
Add: Current year translation differences	(693,067)	(3,239,637)
Closing balance	(2,361,217)	(1,668,151)
Total	(30,989,787)	(30,980,136)

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other provision		
Income tax	54,925	53,052
Total	54,925	53,052

6. Short-term borrowings

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unsecured Loan		
Loans from related parties repayable on demand (Refer note 15)		
R Systems (Singapore) Pte Ltd, Singapore	13,121,637	34,651,013
R Systems Inc.,	15,171,896	-
Total	28,293,533	34,651,013

7. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	2,158,606	1,733,433
Sub total (A)	2,158,606	1,733,433
Other liabilities		
Advance from customers	185,678	179,346
Sub total (B)	185,678	179,346
Total (A+B)	2,344,284	1,912,779

Indus Software, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012**

8. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	211,107	75,459
Total	211,107	75,459

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

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	471,739	455,641
	471,739	455,641
Provision for doubtful receivables	471,739	455,641
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	127,196	12,573,424
	127,196	12,573,424
Sub Total (A)	127,196	12,573,424
Total (A+B)	127,196	12,573,424

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Dues from companies under the same management R Systems Inc., USA	127,196	12,573,424

9.2 Other current assets

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unbilled revenue	217,721	1,199,323
Total	217,721	1,199,323

Indus Software, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012**

10. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balances with other banks:		
On current accounts	9,932,669	2,574,240
Total	9,932,669	2,574,240

Indus Software, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012**

11. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	79,466,354	113,275,819
Total	79,466,354	113,275,819

12. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	69,938,063	98,555,089
Contribution to Employee's benefit funds	6,340,976	8,841,646
Total	76,279,039	107,396,735

13. Operational and other expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Legal and professional expenses	1,117,874	1,166,896
Total	1,117,874	1,166,896

14. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest on loans	1,223,925	1,609,184
Total	1,223,925	1,609,184

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
	R Systems Europe B.V., Netherlands
	R Systems S.A.S., France
	ECnet Ltd, Singapore
	Computaris International Limited, U.K. (date of acquisition January 26, 2011)
	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
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, 2012 and December 31, 2011:

(Amount in Rs.)

Particulars	December 31,	
	2012	2011
R Systems, Inc.		
Services rendered	79,466,354	113,275,819
Interest Paid	360,535	-
Amount Receivable	127,196	12,573,424
Loan Payable	15,171,896	-
R Systems Singapore Pte Ltd		
Interest Paid	863,390	1,609,184
Loan Payable	13,121,637	34,651,013

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

- The outstanding amount due is Rs. 13,121,637 (equivalent to \$ 238,662) and Rs. 34,651,013 (equivalent to \$ 652,500), as at December 31, 2012 and 2011, respectively.
- The maximum amount due is Rs. 35,874,450 (equivalent to \$ 652,500) during the year 2012.
- The amount due are non-trade, interest is charged at 5.5% (2011: 5.5%) per annum and are due on demand.

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

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

16. As at December 31, 2012, the Company has net operating losses for federal income tax purposes Rs. 5,326,902 (USD 96,888) and for state income tax purposes Rs. 1,330,296 (USD 24,196) and management believes that it is more likely than not that the Company will not be able to realize its benefit. Hence deferred tax asset have not been recorded in the books of account.

17. The Company recorded a net profit of Rs. 683,415 during the financial year ended 31 December, 2012, and as at that date Company's total liabilities exceeded its total assets by Rs. 20,204,049. 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.
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 09, 2013

Place : NOIDA
Date : February 09, 2013

Place : NOIDA
Date : February 09, 2013

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of R Systems Solutions, Inc. USA a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet and the Statement of Profit & Loss dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the Statement of Profit and Loss, of the **Profit** for the period ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

R SYSTEMS SOLUTIONS, INC.
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	82,727,400	82,727,400
Reserves and surplus	4	(69,129,874)	(97,875,309)
Current liabilities			
Short-term Borrowings	6	21,806,168	10,621,000
Trade payables	7	19,798,666	16,609,513
Other current liabilities	7	1,269,924	21,878,969
Short-term provisions	5	2,480,312	1,289,472
		58,952,596	35,251,045
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	11,055,325	1,037,602
Intangible assets	9	93,659	249,544
Long-term loans and advances	10	715,963	249,617
Current assets			
Trade receivables	11	37,905,300	25,804,588
Cash and bank balances	12	6,472,678	5,896,778
Short-term loans and advances	10	2,709,671	2,012,916
		58,952,596	35,251,045
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
R Systems 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 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS SOLUTIONS, INC.**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	13	197,480,226	68,380,747
Other income	14	2,083,419	10,451,437
Total revenue		199,563,645	78,832,184
Expenses			
Employee benefits expense	15	138,264,991	56,746,367
Operational and other expenses	16	28,625,631	15,113,441
Depreciation and amortisation	17	2,529,716	1,478,415
Finance cost	18	1,601,149	816,113
Total expenses		171,021,487	74,154,336
Profit before tax		28,542,158	4,677,848
Tax expense			
Current tax		92,151	56,065
Total tax expense		92,151	56,065
Profit for the year		28,450,007	4,621,783
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS SOLUTIONS, INC.**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	28,542,158	4,677,848
Adjustments for:		
Depreciation and amortization	2,529,716	1,478,397
Debts and advances provided / written off (net)	270,471	-
Unrealised foreign exchange loss / (gain)	218,644	1,042,264
Interest Expense/(Income)	1,591,266	792,558
Operating profit/(loss) before working capital changes	33,152,255	7,991,067
Movements in working capital :		
(Increase) / Decrease in trade receivables	(11,266,796)	(18,414,237)
Decrease / (Increase) in loans and advances	(860,839)	(262,507)
Decrease / (Increase) in intra-group balances	(11,246,531)	5,294,507
Increase / (Decrease) in short-term and long-term provision	1,112,812	104,480
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	3,436,148	4,176,787
Cash generated from operations	14,327,049	(1,109,902)
Less: Taxes Paid	92,151	56,065
Net cash from operating activities	14,234,898	(1,165,967)
B. Cash flows used in investing activities		
Purchase of fixed assets	(12,067,731)	(461,019)
Net cash used in investing activities	(12,067,731)	(461,019)
C. Cash flows used in financing activities		
Interest paid	(1,591,266)	(792,558)
Net cash from used in financing activities	(1,591,266)	(792,558)
Net increase in cash and cash equivalents (A + B + C)	575,900	(2,419,544)
Cash and cash equivalents at the beginning of the year	5,896,778	8,316,321
Cash and cash equivalents at the end of the year	6,472,678	5,896,778

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

1. Company Overview

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

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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

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

(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) 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.

(h) 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.

(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 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.

(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 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, 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.

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

(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) 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) 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	
	December 31, 2012 Rs.	December 31, 2011 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
11,335,833 Common Stock No Par Value	46,440,950	46,440,950
Total	82,727,400	82,727,400

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

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	20,002,717	82,727,400	20,002,717	82,727,400
Add: Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	20,002,717	82,727,400	20,002,717	82,727,400

R SYSTEMS SOLUTIONS, INC.

Notes to Financial Statements for the year ended December 31, 2012

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(96,789,975)	(101,411,758)
Add: Profit for the current year	28,450,007	4,621,783
Net deficit in the statement of profit and loss	(68,339,968)	(96,789,975)
Foreign currency translation reserve		
Balance as per last account	(1,085,337)	1,431,604
Add: Current year translation differences	295,431	(2,516,938)
Closing balance	(789,906)	(1,085,334)
Total	(69,129,874)	(97,875,309)

R SYSTEMS SOLUTIONS, INC.**Notes to Financial Statements for the year ended December 31, 2012****5. Short-term provisions**

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	2,436,328	1,246,988
Sub Total (A)	2,436,328	1,246,988
Other provision		
Income tax	43,984	42,484
Sub Total (B)	43,984	42,484
Total (A+B)	2,480,312	1,289,472

6. Short-term borrowings

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unsecured		
Loans from related party repayable on demand (Refer note 19) R Systems Inc.,	21,806,168	10,621,000
Total	21,806,168	10,621,000

7. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	19,798,666	16,609,513
Sub total (A)	19,798,666	16,609,513
Other liabilities		
Payable to Related parties		
R Systems International Limited	58,028	529,106
R Systems, Inc.	-	20,957,954
Advance from customers	127,613	123,229
Others	1,084,283	268,680
Sub total (B)	1,269,924	21,878,969
Total (A+B)	21,068,590	38,488,482

Schedule 8: Tangible Assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer hardware	62,383,672	3,218,647	-	(2,202,606)	67,804,925	62,034,093	499,079	-	(2,204,793)	64,737,965	3,066,960	349,579
Furniture & fixtures	6,120,433	241,534	-	(216,096)	6,578,063	5,603,195	535,973	-	(213,496)	6,352,664	225,399	517,238
Office & electrical equipments	7,104,935	8,959,754	-	(250,856)	16,315,545	6,934,150	1,334,670	-	(283,759)	8,552,579	7,762,966	170,785
Total	75,609,040	12,419,935	-	(2,669,558)	90,698,533	74,571,438	2,369,722	-	(2,702,048)	79,643,208	11,055,325	1,037,602
Previous year	63,469,117	524,913	-	(11,615,010)	75,609,040	61,817,060	1,266,232	-	(11,488,146)	74,571,438	1,037,602	1,652,057

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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	2,329,956	-	-	(82,265)	2,412,221	2,080,412	159,994	-	(78,156)	2,318,562	93,659	249,544
Total	2,329,956	-	-	(82,265)	2,412,221	2,080,412	159,994	-	(78,156)	2,318,562	93,659	249,544
Previous year	1,969,549	-	-	(360,407)	2,329,956	1,554,422	212,183	-	(313,807)	2,080,412	249,544	415,127

10. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	249,617	2,512,422	1,448,821
Doubtful			-	-
Provision for doubtful advances	-	249,617	2,512,422	1,448,821
			-	-
Sub Total (A)	-	249,617	2,512,422	1,448,821
Loans & advances to related parties				
Unsecured, considered good				
Advance recoverable from:				
R Systems Inc.,			197,249	-
Sub Total (B)	-	-	197,249	-
Security deposit				
Unsecured, considered good	715,963	-	-	564,095
Sub Total (C)	715,963	-	-	564,095
Total (A+B+C)	715,963	249,617	2,709,671	2,012,916

R SYSTEMS SOLUTIONS, INC.**Notes to Financial Statements for the year ended December 31, 2012**

11. Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	279,855
Doubtful	7,497,429	6,972,893
	7,497,429	7,252,747
Provision for doubtful receivables	7,497,429	6,972,893
Sub Total (A)	-	279,855
Other receivables		
Unsecured, considered good	37,905,300	25,524,733
Sub Total (B)	37,905,300	25,524,733
Total (A+B)	37,905,300	25,804,588

R SYSTEMS SOLUTIONS, INC.**Notes to Financial Statements for the year ended December 31, 2012**

12. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balances with other banks:		
On current accounts	6,472,678	5,896,778
Total	6,472,678	5,896,778

R SYSTEMS SOLUTIONS, INC.**Notes to Financial Statements for the year ended December 31, 2012**

13. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	197,480,226	68,380,747
Total	197,480,226	68,380,747

14. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Miscellaneous income	2,083,419	10,451,437
Total	2,083,419	10,451,437

15. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	124,336,543	50,801,216
Contribution to Employee's benefit funds	13,928,448	5,945,151
Total	138,264,991	56,746,367

16. Operational and other expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	1,342,995	318,283
Travelling and conveyance	518,270	359,316
Insurance	113,408	-
Repair and maintenance	5,637,708	3,451,485
Provision for doubtful debts and advances (net)	270,471	-
Rent - premises	7,439,231	6,245,917
Power and fuel	859,625	610,017
Communication costs	2,390,710	2,331,713
Printing and stationery	322,057	116,796
Advertising and sales promotion	944,093	502,944
Legal and professional expenses	8,610,260	1,058,806
Rates and taxes	106,978	109,560
Miscellaneous expenses	69,825	8,604
Total	28,625,631	15,113,441

17. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	2,369,722	1,266,232
Amortisation on intangible assets	159,994	212,183
Total	2,529,716	1,478,415

18. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest on loans	1,591,266	792,558
Bank charges	9,883	23,555
Total	1,601,149	816,113

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
	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. (date of acquisition January 26, 2011)
	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	
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

Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

Particulars	(Amount in Rs.)	
	For the year ended	
	December 31, 2012	2011
R Systems International Limited		
Miscellaneous Income	2,083,419	8,332,679
Amount Payables	58,028	529,106
R Systems, Inc.		
Interest Paid	1,591,266	792,558
Amount Payable	-	20,957,954
Amount Receivable	197,249	-
Loan Payable	21,806,168	10,621,000

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

- The outstanding amount due is Rs 21,806,168 (equivalent to \$ 396,620) and Rs. 10,621,000 (equivalent to \$ 200,000), as at December 31, 2012 and 2011, respectively.
- The maximum amount due is Rs. 39,043,552 (equivalent to \$ 710,141) during the year 2012.
- 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% (2011: 8.5%) 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 a year-end are as follows:

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	7,439,231	6,245,917
Non-cancellable operating lease obligation		
Not later than one year	6,899,550	7,395,243
Later than one year but not later than five years	569,043	618,248
Later than five years	-	-

21. As at December 31, 2012, the Company has net operating losses for federal income tax purposes Rs. 181,940,201 (USD 3,309,207) and for state income tax purposes Rs. 44,004,728 (USD 800,377) and management believes that it is more likely than not that the Company will not be able to realize its benefit. Hence deferred tax assets have not been recorded in the books of account.

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.
 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 09, 2013

Place : NOIDA
 Date : February 09, 2013

Place : NOIDA
 Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Systèmes R. International Ltée, Canada

1. We have audited the attached Balance Sheet of Systèmes R. International Ltée, Canada a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and the statement of Profit and Loss of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet and the statement of Profit & Loss dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the year ended on that date;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

SYSTÈMES R. INTERNATIONAL LTÉE, CANADA**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital		-
Reserves and surplus	3	(301,093)
Current liabilities		
Other current liabilities	4	301,093
		-
Summary of significant accounting policies	2	

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
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 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

SYSTEMES R. INTERNATIONAL LTÉE, CANADA		
Statement of Profit and Loss for the period ended December 31, 2012		
	Notes	For the period ended December 31, 2012 Rs.
Expenses		
Operational and other expenses	5	303,126
Total expenses		303,126
Profit before tax		(303,126)
Tax expense		
Current tax		-
Total tax expense		-
Loss for the year		(303,126)
Summary of significant accounting policies	2	

The accompanying notes are an integral part of the Statement of Profit and Loss.

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
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 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

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 604-417 rue Saint-Pierre Montréal (Québec) H2Y2M4, Canada.

The main object of the Company is to provide Information Technology Services to the customers primarily situated in Canada. There is no revenue during the year ended on December 31, 2012.

2. Statement of significant accounting policies

a. Basis of preparation of financial statements

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

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 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, 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.

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. Reserves and surplus

Particulars	As at December 31, 2012 Rs.
Statement of Profit and Loss	
Balance as per last account	-
Add: Profit for the current year	(303,126)
Net deficit in the statement of profit and loss	(303,126)
Foreign currency translation reserve	
Balance as per last account	-
Add: Current year translation differences	2,033
Closing balance	2,033
Total	(301,093)

SYSTÈMES R. INTERNATIONAL LTÉE, CANADA**Notes to Financial Statements for the year ended December 31, 2012**

4. Other current liabilities

Particulars	As at December 31, 2012 Rs.
Payable to R Systems Inc. USA	301,093
Total	301,093

SYSTÈMES R. INTERNATIONAL LTÉE, CANADA**Notes to Financial Statements for the period ended December 31, 2012**

5. Operational and other expenses

Particulars	For the period ended December 31, 2012 Rs.
Miscellaneous expenses	303,126
Total	303,126

6. Notes to account

a. Related Party Disclosures

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore
	R Systems, Inc., USA
	R Systems Solutions, Inc., USA
	Indus Software, Inc., USA
	R Systems S.A.S., France
	R Systems Europe B.V, Netherlands
	R Systems N.V., Belgium
	ECnet Ltd, Singapore
	Computaris International Limited, U.K. (date of acquisition January 26, 2011)

Following are the subsidiaries of ECnet Ltd, Singapore

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

Following are the subsidiaries of Computaris International Limited

Computaris limited,UK
Computairs Romania S.R.L.,Romania
Computaris Blska 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 Josée Lacroix
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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 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 09, 2013

Place: NOIDA
Date : February 09, 2013

Place: NOIDA
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
R Systems NV, Belgium

1. We have audited the attached Balance Sheet of R Systems NV, Belgium a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, the statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the year ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

PLACE: NEW DELHI
DATED: February 09, 2013

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

R SYSTEMS NV, BELGIUM
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	3,474,734	3,474,734
Reserves and surplus	4	(2,911,993)	(2,426,690)
Current liabilities			
Other current liabilities	5	297,428	288,854
		860,169	1,336,898
ASSETS			
Current assets			
Cash and bank balances	7	860,169	1,335,186
Short-term loans and advances	6	-	1,712
		860,169	1,336,898
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS NV, BELGIUM**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Other income	8	-	1,348
Total revenue		-	1,348
Expenses			
Other expenses	9	514,576	847,927
Finance cost	10	-	6,627
Total expenses		514,576	854,554
Loss before tax		(514,576)	(853,206)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the period		(514,576)	(853,206)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Satinder Singh Rekhi
[Director]

Place : NOIDA
Date: February 09, 2013

Sd/-
Sartaj Singh Rekhi
[Director]

Place : NOIDA
Date: February 09, 2013

R SYSTEMS NV, BELGIUM**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(514,576)	(853,206)
Unrealised foreign exchange loss / (gain)	44,849	219,562
Interest income	-	(1,348)
Operating profit before working capital changes	(469,727)	(634,992)
Movements in working capital :		
(Increase) / Decrease in loans and advances	1,712	369,547
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(7,002)	(22,487)
Cash generated from operations	(475,017)	(287,933)
Less: Taxes Paid	-	437
Net cash from operating activities	(475,017)	(287,497)
B. Cash flows used in investing activities		
Interest received	-	1,348
Net cash from used in investing activities	-	1,348
C. Cash flows used in financing activities		
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(475,017)	(286,149)
Cash and cash equivalents at the beginning of the year	1,335,186	1,621,335
Cash and cash equivalents at the end of the year	860,169	1,335,186

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Satinder Singh Rekhi
[Director]

Place : NOIDA
Date: February 09, 2013

Sd/-
Sartaj Singh Rekhi
[Director]

Place : NOIDA
Date: February 09, 2013

1. Company Overview

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

The main object of the Company is to provide Information Technology Services to the customers primarily situated in Belgium. There is no revenue during the year ended on December 31, 2012 and December 31, 2011.

2. Statement of significant accounting policies

a. Basis of preparation of financial statements

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

All figures are in Rupees except where expressly stated.

b. Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

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 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, 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.

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

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.

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2012**

3. Share capital

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	Rs.	No.	Rs.
Authorised shares 200 common shares of Euro 310 each		EUR 62,000		EUR 62,000
Issued, subscribed and paid up capital 200 common shares of Euro 310 each		3,474,734		3,474,734
Total		3,474,734		3,474,734

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

Particulars	As at December 31, 2012		As at December 31, 2011	
	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	-	-	-	-
Shares outstanding at the end of the year	200	3,474,734	200	3,474,734

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2012**

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(2,918,786)	(2,065,580)
Add: Loss for the current year	(514,576)	(853,206)
Net deficit in the statement of profit and loss	(3,433,362)	(2,918,786)
Foreign currency translation reserve		
Balance as per last account	492,096	282,109
Add: Current year translation differences	29,273	209,987
Closing balance	521,369	492,096
Total	(2,911,993)	(2,426,690)

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2012**

5. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other payable	297,428	288,854
Total	297,428	288,854

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2012**

6. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2012 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	-	1,712
Total	-	1,712

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2012**

7. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balances with others banks:		
On current accounts	860,169	1,335,186
Total	860,169	1,335,186

R SYSTEMS NV, BELGIUM**Notes to Financial Statements for the year ended December 31, 2012**

8. Other Income

Particulars	For the year ended December,31 2012 Rs.	For the year ended December,31 2011 Rs.
Interest Income	-	1,348
Total	-	1,348

9. Other expenses

Particulars	For the year ended December,31 2012 Rs.	For the year ended December,31 2011 Rs.
Legal and professional expenses	498,276	482,315
Rates and taxes	16,300	365,612
Total	514,576	847,927

10. Finance cost

Particulars	For the year ended December,31 2012 Rs.	For the year ended December,31 2011 Rs.
Bank charges	-	6,627
Total	-	6,627

11. Notes to account**a. Related Party Disclosures**

Holding Company	R Systems International Limited
Fellow Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore
	R Systems, Inc., USA
	R Systems Solutions, Inc., USA
	Indus Software, Inc., USA
	R Systems S.A.S., France
	R Systems Europe B.V, Netherlands
	ECnet Ltd, Singapore
	Computaris International Limited, U.K. (date of acquisition January 26, 2011)
	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
	Computairs Romania S.R.L.,Romania
	Computaris Błska sp Zoo, Poland
	ICS Computairs International S.R.L., Moldova
	Computaris Malaysian SDN.BHD., Malaysia
	Computaris USA, Inc., USA
Key management personnel	Satinder Singh Rekhi, Director
	Sartaj Singh Rekhi, Director

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

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Sd/-
Sartaj Singh Rekhi
[Director]

Place : New Delhi
Date : February 09, 2013

Place: NOIDA
Date : February 09, 2013

Place: NOIDA
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
R Systems, Europe BV, Netherland

We have audited the attached Balance Sheet of R Systems, Europe BV Netherland a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, the Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the Statement of Profit and Loss, of the **LOSS** for the year ended on that date;
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

PLACE: NEW DELHI
DATED: February 09, 2013

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

R SYSTEMS EUROPE B.V., THE NETHERLAND**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	18,213,869	18,213,869
Reserves and surplus	4	11,206,204	13,564,697
Non-current liabilities			
Long-term borrowings	5	-	-
Current liabilities			
Trade payables	7	39,001,091	38,233,226
Other current liabilities	7	92,572,265	84,201,152
Short-term provisions	6	5,895,212	5,435,684
		166,888,641	159,648,628
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	10,464,945	7,343,963
Intangible assets	9	12,311,001	5,571,074
Long-term loans and advances	10	280,256	-
Other non-current assets	11.2	5,138,245	4,784,524
Current assets			
Trade receivables	11.1	29,714,204	18,822,377
Cash and bank balances	12	48,466,252	61,086,986
Short-term loans and advances	10	30,200,857	25,394,138
Other current assets	11.2	30,312,881	36,645,566
		166,888,641	159,648,628
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
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 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS EUROPE B.V., THE NETHERLAND**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	13	408,042,722	392,436,868
Other income	14	806,299	724,147
Total revenue		408,849,021	393,161,015
Expenses			
Employee benefits expense	15	221,983,856	203,223,537
Operational and other expense	16	185,376,955	161,699,482
Depreciation and amortisation	17	5,152,329	12,281,406
Finance cost	18	233,783	323,722
Total expenses		412,746,923	377,528,147
Profit / (loss) before tax		(3,897,902)	15,632,868
Tax expense			
Current tax		-	-
Total tax expense		-	-
Profit / (loss) for the year		(3,897,902)	15,632,868
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

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
of R Systems Europe B.V., The Netherland

Sd/-
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Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS EUROPE B.V., THE NETHERLAND
Cash Flow Statement for the year ended December 31, 2012

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(3,897,902)	15,632,868
Adjustments for:		
Depreciation and amortisation expense	5,152,329	12,281,406
Debts and advances provided / written off (Net)	1,109,555	
Unrealised foreign exchange loss / (gain)	2,532,614	7,062,818
Interest income	(806,300)	(724,175)
Interest expense	3,088	9,471
Operating profit before working capital changes	4,093,384	34,262,388
Movements in working capital :		
(Increase) / Decrease in trade receivables	(10,441,359)	16,650,106
(Increase) / Decrease in other current assets	7,917,278	(5,105,921)
(Increase) / Decrease in loans and advances	(2,232,700)	(1,303,308)
(Increase) / Decrease in margin money deposits	(84,560)	119,187
Decrease / (Increase) in intra-group balances	3,420,920	3,063,496
Increase / (Decrease) in short-term and long-term provision	150,693	(386,075)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(1,461,034)	(19,073,165)
Cash generated from operations	1,362,622	28,226,709
Less: Taxes Paid	-	-
Net cash used in operating activities	1,362,622	28,226,709
B. Cash flows used in investing activities		
Purchase of fixed assets	(13,816,921)	(6,158,797)
Interest received	806,300	724,175
Net cash used in investing activities	(13,010,621)	(5,434,622)
C. Cash flows used in financing activities		
Repayment of borrowings	(969,647)	(2,708,846)
Interest paid	(3,088)	(9,471)
Net cash used in financing activities	(972,736)	(2,718,317)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(12,620,735)	20,073,769
Cash and cash equivalents at the beginning of the year	61,086,986	41,013,217
Cash and cash equivalents at the end of the year	48,466,252	61,086,986

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
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 09, 2013

Place : NOIDA
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

1. Company Overview

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

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

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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

(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) 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.

(h) 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.

(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 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.

(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 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, 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.

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

(k) **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.

(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) **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) **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, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Securities premium account	44,846,887	44,846,887
Statement of Profit and Loss		
Balance as per last account	(28,825,971)	(44,458,839)
Add: Profit / (loss) for the current year	(3,897,902)	15,632,868
Net deficit in the statement of profit and loss	(32,723,873)	(28,825,971)
Foreign currency translation reserve		
Balance as per last account	(2,456,223)	(5,399,065)
Add: Current year translation differences	1,539,413	2,942,846
Closing balance	(916,810)	(2,456,219)
Total	11,206,204	13,564,697

5. Long-term borrowings

Particulars	Non - current portion		Current maturities	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Term loans for equipment				
Finance lease obligation (refer note below)	-	-	-	970,041
Total	-	-	-	970,041
The above amount includes				
Secured Borrowings	-	-	-	970,041
Amount disclosed under the head " Other current liabilities". (refer note 7)			-	(970,041)
Total	-	-	-	-

Note:

Finance lease obligation is secured by hypotication of office and electrical equipment taken on lease.

6. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	5,895,212	5,435,684
Total	5,895,212	5,435,684

7. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	39,001,091	38,233,226
Sub total (A)	39,001,091	38,233,226
Other liabilities		
Current maturities of finance lease obligation (Refer note no 5)	-	970,041
Payable to Related parties		
R systems International Limited	461,828	492,315
R Systems Europe SAS	81,930,681	72,896,887
VAT	2,529,945	1,662,320
Others	7,649,811	8,179,589
Sub total (B)	92,572,265	84,201,152
Total (A+B)	131,573,356	122,434,378

Schedule 8: Tangible assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Leasehold improvements	40,190,594	993,068	-	(2,221,430)	43,405,092	39,070,065	642,985	-	(2,195,303)	41,908,353	1,496,739	1,120,529
Office & electrical equipments*	40,289,875	-	-	(2,226,917)	42,516,792	36,797,730	1,026,010	-	(2,091,033)	39,914,773	2,602,019	3,492,145
Furniture & fixtures	37,551,349	-	-	(2,075,551)	39,626,900	37,285,077	175,014	-	(2,070,580)	39,530,671	96,229	266,272
Computer hardware	26,827,959	5,446,760	-	(1,482,845)	33,757,564	24,362,942	1,684,274	-	(1,440,390)	27,487,606	6,269,958	2,465,017
Total	144,859,777	6,439,828	-	(8,006,743)	159,306,348	137,515,814	3,528,283	-	(7,797,306)	148,841,403	10,464,945	7,343,963
Previous year	121,936,839	4,186,277	-	(18,736,661)	144,859,777	109,138,097	10,966,448	-	(17,411,269)	137,515,814	7,343,963	12,798,742

Notes:

*Office and electrical equipment included office equipment on finance lease : Gross block as at December 31, 2012 Rs. Nil (previous year Rs. 5,820,245), Depreciation charge for the year Rs. Nil (previous year Rs. 1,099,743), Accumulated depreciation as at December 31, 2012 Rs. Nil (previous year Rs. 2,910,122) and Net book value as at December 31, 2012 Rs. Nil (previous year Rs. 2,910,123)

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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer software	52,968,344	8,146,491	-	(2,927,678)	64,042,513	47,397,270	1,624,046	-	(2,710,197)	51,731,512	12,311,001	5,571,074
Total	52,968,344	8,146,491	-	(2,927,678)	64,042,513	47,397,270	1,624,046	-	(2,710,197)	51,731,512	12,311,001	5,571,074
Previous year	43,891,381	2,332,669	-	(6,744,294)	52,968,344	39,877,843	1,314,958	-	(6,204,469)	47,397,270	5,571,074	4,013,538

10. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	280,256	-	11,133,099	8,590,615
Total (A)	280,256	-	11,133,099	8,590,615
Loans & advances to related parties				
Unsecured, considered good				
Advance recoverable from:				
R systems International Limited			36,788	5,224
R Systems Europe SAS			19,030,970	16,798,299
Total (B)	-	-	19,067,758	16,803,523
Total (A+B)	280,256	-	30,200,857	25,394,138

11. Trade receivables and other assets

11.1 Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	2,892,167	2,740,683
	2,892,167	2,740,683
Provision for doubtful receivables	2,892,167	2,740,683
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	29,714,204	18,822,377
Doubtful	1,171,343	-
	30,885,547	18,822,377
Provision for doubtful receivables	1,171,343	-
Sub Total (B)	29,714,204	18,822,377
Total (A+B)	29,714,204	18,822,377

11.2 Other current assets

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (refer note 12)	5,138,245	4,784,524		
Unbilled revenue	-	-	30,312,881	36,645,566
Total	5,138,245	4,784,524	30,312,881	36,645,566

12. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Cash on hand			51,896	32,478
Balance with other banks				
On current accounts			48,414,356	57,617,453
On cash credit / overdraft accounts*			-	3,437,055
	-	-	48,466,252	61,086,986
Other bank balances				
Margin money deposit (refer detail below)	5,138,245	4,784,524		
	5,138,245	4,784,524	-	-
Amount disclosed under non-current assets (refer note 11.2)	(5,138,245)	(4,784,524)	-	-
Total	-	-	48,466,252	61,086,986

*Cash credit facilities with other banks are secured by pledge of account receivables that have been created or will be created in ordinary course of business.

Detail of margin money deposit

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin moneys deposit against performance guarantees	5,138,245	4,784,524
Total	5,138,245	4,784,524

13. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	408,042,722	392,436,868
Total	408,042,722	392,436,868

14. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest income	806,299	724,147
Total	806,299	724,147

15. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	189,882,316	171,283,668
Contribution to Employee's benefit fund	29,847,851	29,615,780
Staff welfare	2,253,689	2,324,089
Total	221,983,856	203,223,537

16. Operational and other expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	1,646,656	1,171,367
Travelling and conveyance	9,133,847	8,394,532
Insurance	1,237,385	1,136,038
Repair and maintenance	17,893,359	15,776,793
Provision for doubtful debts and advances	1,109,555	-
Membership and Subscription Fees	280,981	142,257
Rent - premises	22,150,857	20,355,057
Rent - equipment	715,098	684,161
Power and fuel	1,795,563	1,693,149
Communication costs	4,375,858	2,196,456
Printing and stationery	451,381	450,612
Advertising and sales promotion	1,124,889	1,124,418
Legal and professional expenses	122,751,710	108,084,910
Foreign exchange fluctuation (net)	223,313	28,917
Rates and taxes	465,752	428,773
Miscellaneous expenses	20,751	32,042
Total	185,376,955	161,699,482

17. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	3,528,283	10,966,448
Amortisation on intangible assets	1,624,046	1,314,958
Total	5,152,329	12,281,406

18. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest on loans	3,093	9,460
Bank charges	230,690	314,262
Total	233,783	323,722

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 R Systems S.A.S., France ECnet Ltd, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) 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
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 Sidhartha Shankar Dubey, Director (Appointed in 2012) Bart V Eunen (Resigned in 2012)
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Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

(Amount in Rs)

Particulars	December 31,	
	2012	2011
R Systems International Ltd		
Sub-contracting expenses	3,641,118	1,204,969
Amount Receivable	36,788	5,224
Amount Payable	461,828	492,315
R Systems Europe S.A.S		
Sub-contracting expenses	84,492,165	75,378,762
Amount Receivable	19,030,970	16,798,299
Amount Payable	81,930,681	72,896,887

Payment to key management personnel for year ended December 31, 2012 and December 31, 2011:

Name of Key Management Personnel	(Amount in Rs)	
	For the year ended December 31,	
	2012	2011
Bart V Eunen	25,059,214	9,638,722

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, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	21,484,600	20,510,362
Non-cancellable operating lease obligation		
Not later than one year	21,969,950	21,823,684
Later than one year but not later than five years	43,813,176	62,285,073
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 reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. During the year ended December 31 2012 and 2011, 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.
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/-
 Sidhartha Shankar Dubey
 [Director]

Place : New Delhi
 Date : February 09, 2013

Place: NOIDA
 Date : February 09, 2013

Place: NOIDA
 Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
R Systems, SAS France

We have audited the attached Balance Sheet of R Systems, SAS France a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

R SYSTEMS, S.A.S. FRANCE
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	8,759,263	8,759,263
Reserves and surplus	4	43,383,078	38,304,453
Non-current liabilities			
Other long term liabilities	5	977,561	926,359
Current liabilities			
Trade payables	7	5,187,485	4,749,314
Other current liabilities	7	25,663,315	22,626,248
Short-term provisions	6	4,940,493	4,638,212
		88,911,195	80,003,849
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	1,940,147	1,696,770
Intangible assets	9	-	-
Long-term loans and advances	10	1,427,165	1,335,805
Current assets			
Trade receivables	11	81,930,681	73,307,473
Cash and bank balances	12	489,489	398,221
Short-term loans and advances	10	2,683,902	2,854,993
Other current assets	11.2	439,811	410,587
		88,911,195	80,003,849
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

R SYSTEMS, S.A.S. FRANCE**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	13	88,670,803	79,270,782
Other income	14	-	44,609
Total revenue		88,670,803	79,315,391
Expenses			
Employee benefits expense	15	65,978,497	57,946,454
Operational and other expenses	16	18,372,972	17,310,408
Depreciation and amortisation	17	542,366	612,463
Finance cost	18	107,922	122,287
Total expenses		85,001,757	75,991,612
Profit before tax		3,669,046	3,323,779
Tax expense			
Current tax		1,322,421	1,165,595
Total tax expense		1,322,421	1,165,595
Profit for the year		2,346,625	2,158,184
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : NOIDA
Date: February 09, 2013

R SYSTEMS, S.A.S. FRANCE**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012	For the year ended December 31, 2011
	Rs.	Rs.
A. Cash flow from operating activities		
Net profit before taxation	3,669,046	3,323,779
Adjustments for:		
Depreciation and amortisation expense	542,366	612,463
Unrealised foreign exchange loss / (gain)	25,701	122,242
Interest expense	21,551	33,147
Operating profit before working capital changes	4,258,664	4,091,631
Movements in working capital :		
(Increase) / Decrease in trade receivables	410,434	-
(Increase) / Decrease in other current assets	(6,185)	-
(Increase) / Decrease in loans and advances	507,335	(375,320)
Decrease / (Increase) in intra-group balances	(3,505,225)	(2,561,338)
Increase / (Decrease) in short-term and long-term provision	590,842	538,653
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	119,372	(395,427)
Cash generated from operations	2,375,237	1,298,198
Less: Taxes Paid	1,578,422	416,706
Net cash from operating activities	796,815	881,493
B. Cash flows used in investing activities		
Purchase of fixed assets	(683,996)	(1,564,722)
Net cash from used in investing activities	(683,996)	(1,564,722)
C. Cash flows used in financing activities		
Interest paid	(21,551)	(33,147)
Net cash used in financing activities	(21,551)	(33,147)
Net increase in cash and cash equivalents (A + B + C)	91,268	(716,376)
Cash and cash equivalents at the beginning of the year	398,221	1,114,597
Cash and cash equivalents at the end of the year	489,489	398,221

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Sidhartha Shankar Dubey
[Director]

Place : NOIDA
Date: February 09, 2013

1. Company Overview

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

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

2. Statement of significant accounting policies**(a) Basis of preparation**

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) 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.

(e) 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

(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) 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.

(h) 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.

(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 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.

(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 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, 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.

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

(k) 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.

(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) 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) 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, 2012	December 31, 2011
	Rs.	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, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	31,772,834	29,614,650
Add: Profit for the current year	2,346,625	2,158,184
Net Surplus in the statement of profit and loss	34,119,459	31,772,834
Foreign currency translation reserve		
Balance as per last account	6,531,619	441,148
Add: Current year translation differences	2,732,000	6,090,471
Closing balance	9,263,619	6,531,619
Total	43,383,078	38,304,453

5. Other long term liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Deffered payable to others	977,561	926,359
Total	977,561	926,359

6. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	4,846,374	4,292,921
Sub total (A)	4,846,374	4,292,921
Other provision		
Income tax	94,119	345,291
Sub total (B)	94,119	345,291
Total (A+B)	4,940,493	4,638,212

7. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	5,187,485	4,749,314
Sub total (A)	5,187,485	4,749,314
Other liabilities		
Payables to R Systems Europe BV	19,030,970	16,798,299
VAT	216,061	14,831
Others	6,416,284	5,813,119
Sub total (B)	25,663,315	22,626,249
Total (A+B)	30,850,800	27,375,563

Schedules to the Accounts

Schedule 8: Tangible Assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Furniture & fixtures	9,108,447	623,113	-	(503,610)	10,235,170	7,430,575	518,291	-	(439,731)	8,388,597	1,846,573	1,677,872
Office & electrical equipments	8,198,637	99,047	-	(453,157)	8,750,841	8,179,739	24,075	-	(453,453)	8,657,267	93,574	18,898
Total	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
Previous year	14,977,391	1,656,175	-	(673,518)	17,307,084	14,380,272	612,463	-	(617,579)	15,610,314	1,696,770	597,119

Schedule 9: Intangible Assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	7,171,093	-	-	(396,364)	7,567,457	7,171,093	-	-	(396,364)	7,567,457	-	-
Total	7,171,093	-	-	(396,364)	7,567,457	7,171,093	-	-	(396,364)	7,567,457	-	-
Previous year	6,215,957	-	-	(955,136)	7,171,093	6,215,957	-	-	(955,136)	7,171,093	-	-

10. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	2,683,902	2,854,993
Sub total (A)	-	-	2,683,902	2,854,993
Security deposit				
Unsecured, considered good	1,427,165	1,335,805	-	-
Sub total (B)	1,427,165	1,335,805	-	-
Total (A+B)	1,427,165	1,335,805	2,683,902	2,854,993

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

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	43,478,216	32,521,305
Doubtful	-	-
	43,478,216	32,521,305
Provision for doubtful receivables	-	-
Sub total (A)	43,478,216	32,521,305
Other receivables		
Unsecured, considered good	38,452,465	40,786,168
Doubtful	-	-
	38,452,465	40,786,168
Provision for doubtful receivables	-	-
Sub total (B)	38,452,465	40,786,168
Total (A+B)	81,930,681	73,307,473

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
* Included in Sundry debtors are:		
Dues from companies under the same management		
-R Systems B.V.	81,930,681	72,896,887

11.2 Other current assets

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unbilled revenue	439,811	410,587
Total	439,811	410,587

12. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Cash on hand	9,836	8,475
Balances with others banks:		
On current accounts	479,653	389,746
	489,489	398,221
Total	489,489	398,221

13. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	88,670,803	79,270,782
Total	88,670,803	79,270,782

14. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Miscellaneous income	-	44,609
Total	-	44,609

15. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	47,515,142	41,713,149
Contribution to Employee's benefit funds	18,086,199	16,007,418
Staff welfare	377,156	225,887
Total	65,978,497	57,946,454

16. Operational and other expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	120,559	278,683
Travelling and conveyance	565,940	350,700
Insurance	134,972	-
Repair and maintenance	745,689	749,081
Membership & Subscription Fees	10,762	14,131
Rent - premises	5,824,942	5,174,855
Rent - equipment	1,706,977	1,602,960
Power and fuel	1,160,729	1,223,431
Communication costs	4,894,366	4,999,601
Printing and stationery	46,074	97,997
Advertising and sales promotion	100,932	29,753
Legal and professional expenses	1,924,477	1,781,242
Rates and taxes	1,065,321	956,983
Miscellaneous expenses	71,232	50,991
Total	18,372,972	17,310,408

17. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	542,366	612,463
Amortisation on intangible assets	-	-
Total	542,366	612,463

18. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest on loans	21,584	33,156
Bank charges	86,338	89,131
Total	107,922	122,287

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
	R Systems Europe B.V, Netherlands
	ECnet Ltd, Singapore
	Computaris International Limited, U.K. (date of acquisition January 26, 2011)
	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
Computaris Romania S.R.L., Romania
Computaris Błska sp Zoo, Poland
ICS Computaris International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris USA LLC, USA

Key management personnel Sidhartha Shankar Dubey ,Director, (Appointed in 2012)

Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:
(Amount in Rs)

Particulars	December 31,	
	2012	2011
R Systems Europe B.V.		
Services rendered	84,492,165	75,378,762
Amount receivable	81,930,681	72,896,887
Amount Payable	19,030,970	16,798,299

20. 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, 2012	Year ended December 31, 2011
	Rs.	Rs.
Lease payments for the year	7,114,634	5,949,990
Minimum Lease Payments:		
Not later than one year	7,087,620	6,690,705
Later than one year but not later than five years	3,208,162	10,040,079
Later than five years	-	-

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

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.
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 09, 2013

Place: NOIDA
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
ECNET Ltd., Singapore

1. We have audited the attached Balance Sheet of ECNET LIMITED, Singapore, a subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

ECNET LIMITED, SINGAPORE
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	2,285,815,504	2,280,290,504
Reserves and surplus	4	(2,341,008,705)	(2,314,586,031)
Non-current liabilities			
Other long term liabilities	5	46,332	-
Current liabilities			
Short-term Borrowings	6	112,477,862	85,847,221
Trade payables	7	21,391,102	12,497,352
Other current liabilities	7	30,103,131	35,555,694
		108,825,226	99,604,740
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	2,351,367	2,573,479
Intangible assets	9	4,805,660	7,088,206
Non-current investments	10	13,385,718	12,166,130
Long-term loans and advances	11	3,068,382	2,788,818
Current assets			
Trade receivables	12.1	23,797,501	10,275,864
Cash and bank balances	13	6,649,153	6,039,485
Short-term loans and advances	11	54,610,357	58,443,470
Other current assets	12.2	157,088	229,288
		108,825,226	99,604,740
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

ECNET LIMITED, SINGAPORE**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	13	115,154,573	101,532,088
Other income	14	68,101,523	62,980,642
Total revenue		183,256,096	164,512,730
Expenses			
Employee benefits expense	15	85,543,168	95,637,277
Operational and other expense	16	109,293,133	69,619,828
Depreciation and amortisation	17	4,458,482	3,922,902
Finance cost	18	5,904,643	12,450,739
Total expenses		205,199,426	181,630,746
Loss before tax		(21,943,330)	(17,118,016)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the year		(21,943,330)	(17,118,016)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

ECNET LIMITED, SINGAPORE**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net loss before taxation	(21,943,330)	(17,118,016)
Adjustments for:		
Depreciation and amortization	4,458,482	3,922,902
Provision for doubtful debts written back (Net)	32,518,840	(2,460,062)
Unrealised foreign exchange gain / (loss)	(6,773,097)	(26,846,896)
Loss on sale / discard of fixed assets	-	13,083
Interest income	(1,342)	(1,028)
Interest expense	5,710,498	12,227,836
Operating loss before working capital changes	13,970,051	(30,262,181)
Movements in working capital :		
(Increase) / Decrease in trade receivables	(46,040,477)	(119,428)
(Increase) / Decrease in other current assets	72,200	2,505,206
(Increase) / Decrease in loans and advances	3,553,549	(10,234,450)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	30,118,160	53,294,694
Cash generated from operations	1,673,483	15,183,841
Less: Taxes Paid	-	-
Net cash from operating activities	1,673,483	15,183,841
B. Cash flows used in investing activities		
Investment in subsidiary	-	(4,959,600)
Purchase of fixed assets	(879,658)	(818,543)
Interest received	1,342	1,028
Net cash used in investing activities	(878,316)	(5,777,115)
C. Cash flows used in financing activities		
Interest paid	(5,710,498)	(12,227,836)
Proceeds from issue of common stock	5,525,000	-
Net cash used in financing activities	(185,498)	(12,227,836)
Net increase in cash and cash equivalents (A + B + C)	609,669	(2,821,110)
Cash and cash equivalents at the beginning of the year	6,039,485	8,860,595
Cash and cash equivalents at the end of the year	6,649,154	6,039,485

As per our report of even date

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

1. Company Overview

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

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

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) Intangible 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.

(e) Depreciation on intangible 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

(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) 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.

(h) 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.

(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 financial 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, 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.

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

(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) 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) 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, 2012	December 31, 2011
	Rs.	Rs.
Authorised shares		
Issued, subscribed and paid up capital		
57,470,869 Ordinary Shares (Previous Year 56,210,788) of No Par Value	2,285,815,504	2,280,290,504
Total	2,285,815,504	2,280,290,504

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

Particulars	As at		As at	
	December 31, 2012		December 31, 2011	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	56,210,788	2,280,290,504	17,904,335	2,128,290,504
Add: Shares issued during the year	1,260,081	5,525,000	38,306,453	152,000,000
Shares outstanding at the end of the year	57,470,869	2,285,815,504	56,210,788	2,280,290,504

ECNET LIMITED, SINGAPORE

Notes to Financial Statements for the year ended December 31, 2012

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(2,261,606,228)	(2,244,488,212)
Add: loss for the current year	(21,943,330)	(17,118,016)
Net deficit in the statement of profit and loss	(2,283,549,558)	(2,261,606,228)
Foreign currency translation reserve		
Balance as per last account	(52,979,803)	(28,866,297)
Add: Current year translation differences	(4,479,344)	(24,113,506)
Closing balance	(57,459,147)	(52,979,803)
Total	(2,341,008,705)	(2,314,586,031)

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2012**

5. Other long-term liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Deferred Grant From Government	46,332	-
Total	46,332	-

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2012****6. Short Term Borrowing**

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unsecured Loan		
Loans from related party repayable on demand (Refer note 19)		
R Systems (Singapore) Pte Ltd, Singapore	112,477,862	85,847,221
Total	112,477,862	85,847,221

7. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	21,391,102	12,497,352
Sub total (A)	21,391,102	12,497,352
Other liabilities		
Payable to related parties		
R Systems International Limited	16,870,906	29,707,292
ECnet (Hong Kong) Ltd.	4,440,311	3,259,696
ECnet, Inc.	166,675	455,929
Advance from customers	543,751	461,067
Deferred Grant From Government	131,283	-
Deffered Revenue	6,381,176	109,459
GST	1,569,029	1,562,251
Sub total (B)	30,103,131	35,555,694
Total (A+B)	51,494,233	48,053,046

Schedule 8: Tangible assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Leasehold Improvements	2,686,312	-	-	269,288	2,955,600	1,081,392	561,894	-	137,632	1,780,918	1,174,682	1,604,920
Computer Hardware	20,799,673	872,551	176,839	1,731,375	23,580,438	19,978,573	630,535	176,839	1,681,862	22,467,809	1,112,629	821,100
Furniture & Fixtures	266,148	-	-	26,680	292,828	123,691	92,789	-	17,226	233,706	59,122	142,457
Office & Electrical Equipments	332,844	7,107	-	33,366	373,317	327,842	7,297	-	33,244	368,383	4,934	5,002
Total	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
Previous Year	21,090,760	818,543	1,571,230	2,175,674	24,084,977	18,437,838	1,228,422	1,556,800	1,845,238	21,511,498	2,573,479	2,652,922

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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	15,847,516	-	-	1,926,176	17,773,692	8,759,310	3,165,967	-	1,042,755	12,968,032	4,805,660	7,088,206
Total	15,847,516	-	-	1,926,176	17,773,692	8,759,310	3,165,967	-	1,042,755	12,968,032	4,805,660	7,088,206
Previous Year	13,456,827	-	-	2,390,689	15,847,516	4,914,409	2,694,480	-	1,150,421	8,759,310	7,088,206	8,542,418

10. Non current Investment

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
In subsidiary companies (companies under the same management):		
Other than Trade, unquoted		
(i) ECnet (M) Sdn BHD (500,000 ordinary shares of RM 1 each)	9,335,673	8,485,089
(ii) ECnet Systems (Thailand) Co Ltd (400,000 ordinary shares of 5 THB each)	4,050,000	3,681,000
(iii) ECnet (Shanghai) Co. Ltd (Shares of no par value)	16,128,666	14,659,166
Less: Provision for diminution in the value of investment	16,128,666	14,659,166
	-	-
(iv) ECnet (Hong Kong) (2 ordinary shares of HK \$1 each)	45	41
(v) ECnet Inc (1,000 shares of US\$ 2 each)	153,900	139,878
Less: Provision for diminution in the value of investment	153,900	139,878
	-	-
(vi) ECnet Kabushi Kaisha (200 shares of 50,000 Yen each)	7,227,000	6,568,540
Less: Provision for diminution in the value of investment	7,227,000	6,568,540
	-	-
	13,385,718	12,166,130
Aggregate amount of unquoted investments (net of provision)	13,385,718	12,166,130
Aggregate amount of quoted investments	-	-
Aggregate provision for diminution in the value of investments	23,509,566	21,367,584

11. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	4,282,177	2,757,229
Sub Total (A)	-	-	4,282,177	2,757,229
Loans & advances to related parties				
Unsecured, considered good				
Advance receivables from R Systems, Inc.			262,706	769,298
Advance receivables from R Systems International Limited			842,137	422,564
Advance receivables from ECnet (M) Sdn Bhd.			39,662,211	25,815,291
Advance receivables from ECnet Systems (Thailand) Co. Ltd.			344,691	282,882
Advance receivables from ECnet Kabushiki Kaisha.			1,736,022	4,417,355
Advance receivables from ECnet (Shanghai) Co. Ltd.			7,480,413	23,978,851
Sub Total (B)	-	-	50,328,180	55,686,241
Security deposit				
Unsecured, considered good	3,068,382	2,788,818	-	-
Sub Total (C)	3,068,382	2,788,818	-	-
Total (A+B+C)	3,068,382	2,788,818	54,610,357	58,443,470

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2012****12. Trade receivables and other assets****12.1 Trade receivables**

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	6,627,706	3,050,032
	6,627,706	3,050,032
Provision for doubtful receivables	6,627,706	3,050,032
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	23,797,501	10,275,864
Doubtful	11,055,404	5,275,709
	34,852,905	15,551,573
Provision for doubtful receivables	11,055,404	5,275,709
Sub Total (B)	23,797,501	10,275,864
Total (A+B)	23,797,501	10,275,864

12.2 Other current assets

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unbilled revenue	157,088	229,288
Total	157,088	229,288

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2012**

13. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Cash in hand	56,374	12,980
Balances with other banks On current accounts	6,592,779	6,026,505
Total	6,649,153	6,039,485

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2012****14. Revenue from operations**

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	115,154,573	101,532,088
Total	115,154,573	101,532,088

15. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	1,342	1,028
Miscellaneous income	4,158,179	2,460,062
Management Fees	63,942,002	60,519,552
Total	68,101,523	62,980,642

16. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	75,770,713	86,682,657
Contribution to Employee's benefits fund	6,597,189	5,426,514
Staff welfare expenses	3,175,266	3,528,106
Total	85,543,168	95,637,277

ECNET LIMITED, SINGAPORE**Notes to Financial Statements for the year ended December 31, 2012****17. Operational and other expense**

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	705,103	8,833
Travelling and conveyance	7,437,142	7,420,822
Insurance	87,389	110,165
Repair and maintenance	4,732,625	3,638,371
Provision for doubtful debts and advances	32,518,840	-
Rent - premises	11,136,250	9,596,357
Rent - equipment	585,162	507,295
Power and fuel	297,765	422,553
Communication costs	6,700,649	7,130,609
Printing and stationery	806,495	707,712
Advertising and sales promotion	269,015	10,967
Legal and professional expenses	43,550,455	36,441,936
Foreign exchange fluctuation (net)	(1,464,713)	762,145
Loss on sale/discard of fixed assets	-	13,083
Membership and subscription	298,641	1,006,679
Rates & taxes	1,538,682	1,348,115
Seminar expenses	34,945	433,963
Miscellaneous expenses	58,688	60,223
Total	109,293,133	69,619,828

18. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	1,292,515	1,228,422
Amortisation on intangible assets	3,165,967	2,694,480
Total	4,458,482	3,922,902

19. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest on loans	5,710,498	12,227,836
Bank charges	194,145	222,903
Total	5,904,643	12,450,739

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 R Systems Europe B.V., Netherlands R Systems S.A.S, France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA, 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
Key management personnel	ECnet Kabushiki Kaisha, Japan Cai Li Ting, Director Chan Kum Ming, Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

Transaction	(Amount in Rs.)	
	For the year ended December, 31 2012	2011
<u>R System International Limited</u>		
a). Services Rendered	300,837	2,441,545
b). Consultancy fees paid	20,900,904	24,081,144
c). Interest Paid	-	7,938,209
<u>R Systems (Singapore) Pte Ltd</u>		
a). Services Rendered	7,750,830	6,719,440
b). Management Fees Received	-	-
c). Interest Paid	5,710,498	4,289,613
d). Sub – Contracting Expenses	2,289,318	1,151,390
<u>ECnet (M) Sdn Bhd., Malaysia</u>		
a). Services rendered	20,493,837	14,644,491
b). Management fee received	10,153,837	7,073,550
<u>ECnet (Shanghai) Co. Ltd.</u>		
a). Services rendered	3,911,538	6,259,199
b). Management fee received	7,487,276	5,498,677
c). Sub – Contracting Expenses	-	682,401
<u>ECnet (Hong Kong) Ltd.</u>		
a). Services rendered	64,718	85,553
b). Management fee received	1,727,191	1,257,464
<u>ECnet Kabushiki Kaisha.</u>		

ECNET LIMITED, SINGAPORE
Notes to Financial Statements for the year ended December 31, 2012

a). Services rendered	26,233	36,596
b). Management fee received	1,633,339	1,145,839
<u>ECnet Systems (Thailand) Co. Ltd.,</u>		
a). Services rendered	4,447,332	14,259,409
b). Management fee received	3,859,048	2,677,043

(b) Inter-companies balances as at December 31, 2012 and December 31, 2011:

Outstanding balances	(Amount in Rs.)	
	As at December, 31 2012	2011
<u>R System International Limited</u>		
- Amount Receivable	842,137	422,564
Amount Payables	16,870,906	29,707,292
<u>R Systems, Inc.</u>		
- Amount Receivables	262,706	769,298
<u>ECnet (M) Sdn Bhd.</u>		
- Amount Receivables	39,662,211	25,815,291
<u>ECnet Systems (Thailand) Co. Ltd.,</u>		
- Amount Receivables	344,691	282,882
<u>ECnet Kabushiki Kaisha</u>		
- Amount Receivables (Net of Provision Rs. 25,595,899 and Rs. 19,636,122 in 2012 and 2011, respectively)	1,736,022	4,417,355
<u>ECnet (Shanghai) Co. Ltd.</u>		
- Amount Receivables (Net of Provision Rs. 25,115,604 and Rs. 5,008,000 in 2012 and 2011, respectively)	7,480,413	23,978,851
<u>ECnet (Hong Kong) Ltd.</u>		
- Amount Payables	4,440,311	3,259,696
<u>ECnet, Inc.</u>		
- Amount Payables	166,675	455,929
Amount Receivables (Net of Provision Rs. 178,278,626 in 2012 and Rs. 169,144,400 in 2011, respectively)	-	-
<u>R Systems (Singapore) Pte Ltd</u>		
- Loan Outstanding	112,477,862	85,847,221

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

- The outstanding amount due is Rs. 112,477,862 (equivalent to SGD 2,499,508) and Rs. 85,847,211 (equivalent to SGD 2,098,954), as at December 31, 2012 and 2011, respectively.
- The maximum amount due is Rs. 124,900,200 (equivalent to SGD 2,775,560) during the year 2012.
- The amount due are non-trade, interest is charged at 5% (2011: 5%) per annum and is repayable upon demand and are to be settled in cash.

ECNET LIMITED, SINGAPORE
Notes to Financial Statements for the year ended December 31, 2012

Payment to key management personnel for year ended December 31, 2012 and December 31, 2011:

(Amount in Rs)

Name of Key Management Personnel	For the year ended December 31,	
	2012	2011
Chan Kum Ming	7,432,627	985,872
Esther Cai	5,594,115	4,370,862
Tarun Shankar Mathur	-	8,852,966
Total	13,026,742	14,209,700

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.

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, 2012	Year ended December 31, 2011
	Rs.	Rs.
Lease payments for the year	14,756,816	10,113,930
Non-cancellable operating lease obligation		
Not later than one year	4,090,635	11,153,798
Later than one year but not later than five years	-	3,717,933
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 reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

During the year ended December 31 2012 and 2011, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

24. During the year ended December 31, 2012 one of the subsidiary of the Company has signed a definitive agreement to acquire the ERP business of a Singapore based Company. This is subject to relevant corporate and regulatory approvals.

ECNET LIMITED, SINGAPORE

Notes to Financial Statements for the year ended December 31, 2012

25. The Company incurred a net loss of Rs 21,943,330 during the financial year ended 31 December, 2012, and as at that date Company's total liabilities exceeded its total assets by Rs 55,193,199. 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.

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

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 09, 2013

Place : Singapore.
Date : February 09, 2013

Place : Singapore.
Date : February 09, 2013

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of ECNET (M) SDN. BHD., Malaysia, a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the period ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

ECNET (M) SDN. BHD., MALAYSIA
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	7,353,080	7,353,080
Reserves and surplus	4	(2,534,998)	(2,652,090)
Current liabilities			
Trade payables	6	1,714,411	1,123,430
Other current liabilities	6	37,768,797	25,952,404
Short-term provisions	5	986,485	635,037
		45,287,775	32,411,861
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	1,354,357	643,097
Intangible assets	8	529	157,423
Long-term loans and advances	9	936,259	732,862
Other non-current assets	10.2	2,235,812	-
Current assets			
Trade receivables	10.1	32,961,959	21,731,584
Cash and bank balances	11	7,468,668	8,877,073
Short-term loans and advances	9	330,191	269,814
Other current assets	10.2	-	8
		45,287,775	32,411,861
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Vincent Tey Chyng Siang
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date : February 09, 2013

Place : Malaysia
Date : February 09, 2013

ECNET (M) SDN. BHD., MALAYSIA			
Statement of Profit and Loss for the year ended December 31, 2012			
	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	12	92,883,975	56,033,953
Other income	13	-	406,567
Total revenue		92,883,975	56,440,520
Expenses			
Employee benefits expense	14	25,194,038	15,167,133
Operational and other expenses	15	63,788,141	35,013,640
Depreciation and amortisation	16	963,801	674,002
Finance cost	17	68,030	31,756
Total expenses		90,014,010	50,886,531
Profit before tax		2,869,965	5,553,989
Tax expense			
Current tax		3,083,114	2,353,094
Total tax expense		3,083,114	2,353,094
Profit / (loss) for the year		(213,149)	3,200,895
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Vincent Tey Chyng Sian
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date : February 09, 2013

Place : Malaysia
Date : February 09, 2013

ECNET (M) SDN. BHD., MALAYSIA

Cash Flow Statement for the year ended December 31, 2012

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	2,869,965	5,553,989
Adjustments for:		
Depreciation and amortisation	963,801	674,002
Loss / (profit) on Sale of Assets	-	1,880
Provision for doubtful debts/written off (Net)	2,539,146	2,203,358
Excess provision written back	-	(406,567)
Unrealised foreign exchange (loss) / gain	308,942	(196,648)
Operating profit before working capital changes	6,681,854	7,830,014
Movements in working capital :		
(Increase) / Decrease in trade receivables	(13,769,521)	(19,036,169)
(Increase) / Decrease in Margin Money	(2,235,812)	-
(Increase) / Decrease in other current assets	8	1,422,011
(Increase) / Decrease in loans and advances	(263,774)	479,229
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	12,407,374	8,642,406
Cash generated from / (used in) operations	2,820,129	(662,509)
Less: Taxes Paid	2,731,666	1,718,057
Net cash from / (used in) operating activities	88,463	(2,380,566)
B. Cash flows used in investing activities		
Purchase of fixed assets	(1,496,868)	(386,046)
Net cash used in investing activities	(1,496,868)	(386,046)
C. Cash flows from / (used in) financing activities		
Proceeds from issue of shares capital	-	5,019,600
Net cash from / (used in) financing activities	-	5,019,600
Net increase in cash and cash equivalents (A + B + C)	(1,408,405)	2,252,988
Cash and cash equivalents at the beginning of the year	8,877,073	6,624,085
Cash and cash equivalents at the end of the year	7,468,668	8,877,073

As per our report of even date

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

For and on behalf of the Board of Directors of
 ECnet (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 09, 2013

Place : Singapore
 Date : February 09, 2013

Place : Malaysia
 Date : February 09, 2013

1. Company Overview

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

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

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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

(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) 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 3 to 5 years or below in specific cases.

(h) 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.

(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.

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.

(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 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, 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.

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

(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) 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.

(n) Cash and cash equivalents

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

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	Rs.	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 200,000) 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, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(704,640)	(3,905,535)
Add: Profit / (loss) for the current year	(213,149)	3,200,895
Net deficit in the statement of profit and loss	(917,789)	(704,640)
Foreign currency translation reserve		
Balance as per last account	(1,947,450)	(1,878,349)
Add: Current year translation differences	330,242	(69,101)
Closing balance	(1,617,208)	(1,947,450)
Total	(2,534,998)	(2,652,090)

ECNET (M) SDN. BHD., MALAYSIA**Notes to Financial Statements for the year ended December 31, 2012**

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other provision		
Income tax	986,485	635,037
Total	986,485	635,037

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	1,714,411	1,123,430
Sub total (A)	1,714,411	1,123,430
Other liabilities		
Payable to related parties ECnet Limited, Singapore	37,247,117	25,800,155
Advance from customers	521,680	152,249
Sub total (B)	37,768,797	25,952,404
Total (A+B)	39,483,208	27,075,834

Schedule 7: Tangible Assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE YEAR	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Leasehold Improvements	185,307	698,643	-	(13,334)	897,284	113,631	156,111	-	(14,056)	283,798	613,486	71,676
Computer Hardware	1,626,807	445,692	-	(117,062)	2,189,561	1,270,323	404,511	-	(106,642)	1,781,476	408,085	356,484
Furniture & Fixtures	951,248	287,658	-	(68,449)	1,307,355	862,995	90,817	-	(65,524)	1,019,336	288,019	88,253
Office & Electrical Equipments	934,643	64,875	-	(67,254)	1,066,772	807,961	150,247	-	(63,797)	1,022,005	44,767	126,684
Total	3,698,005	1,496,868	-	(266,099)	5,460,972	3,054,910	801,686	-	(250,019)	4,106,615	1,354,357	643,097
Previous Year	3,777,475	386,046	960,305	(494,790)	3,698,005	3,070,672	492,098	958,554	(450,694)	3,054,910	643,095	706,803

Schedule 8: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE YEAR	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	2,707,513	-	-	(194,826)	2,902,339	2,550,090	162,115	-	(189,605)	2,901,810	529	157,423
Total	2,707,513	-	-	(194,826)	2,902,339	2,550,090	162,115	-	(189,605)	2,901,810	529	157,423
Previous Year	2,596,507	-	229,095	(340,101)	2,707,513	2,280,502	181,905	228,927	(316,610)	2,550,090	157,423	316,005

9. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	330,191	269,814
Sub Total (A)	-	-	330,191	269,814
Security deposit				
Unsecured, considered good	936,259	732,862	-	-
Sub Total (B)	936,259	732,862	-	-
Total (A+B)	936,259	732,862	330,191	269,814

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

Particulars	Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	4,536,063	1,986,608
Doubtful	14,872,991	11,978,887
	19,409,053	13,965,495
Provision for doubtful receivables	14,872,991	11,978,887
Sub Total (A)	4,536,063	1,986,608
Other receivables		
Unsecured, considered good	28,425,896	19,744,976
Doubtful	-	-
	28,425,896	19,744,976
Sub Total (B)	28,425,896	19,744,976
Total (A+B)	32,961,959	21,731,584

10.2 Other current assets

Particulars	Non Current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (refer note 11)	2,235,812	-	-	-
Unbilled revenue	-	-	-	8
Total	2,235,812	-	-	8

11. Cash and bank balances

Particulars	Non Current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Cash on hand			24,572	25,098
Balances with other banks On current accounts			7,444,096	8,851,975
	-	-	7,468,668	8,877,073
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	-	-	7,468,668	8,877,073

Detail of margin money deposit

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin moneys deposit against performance guarantees given to customers	2,235,812	-
Total	2,235,812	-

12. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	92,883,975	56,033,953
Total	92,883,975	56,033,953

13. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Miscellaneous income	-	406,567
Total	-	406,567

14. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	22,450,205	13,292,834
Contribution to Employee's benefit plan	2,425,759	1,484,151
Staff welfare expenses	318,074	390,148
Total	25,194,038	15,167,133

15. Operational and other expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	844,673	526,802
Travelling and conveyance	12,829,743	6,240,199
Provision for doubtful debts and advances	1,958,370	2,203,358
Communication costs	1,526,302	787,409
Printing and stationery	796,652	337,210
Foreign exchange fluctuation (net)	(1,444,196)	553,503
Loss on sale/discard of fixed assets	-	1,880
Bad debts	580,776	-
Membership and subscription	-	17,061
Rates & taxes	-	9,536
Seminar expenses	976,471	20,595
Management fees	9,883,583	7,071,848
Miscellaneous expenses	56,441	22,359
Total	63,788,141	35,013,640

16. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	801,686	492,097
Amortisation on intangible assets	162,115	181,905
Total	963,801	674,002

17. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	68,030	31,756
Total	68,030	31,756

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 R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. (date of acquisition January 2011) Systèmes R. International Ltée, Canada (date of incorporation October 2012) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA Inc., USA
Key Management Personnel	Chan kum Ming, Director Vincent Tey Chyng Siang , Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

		(Amount in Rs.)	
TRANSACTIONS		For the year ended December, 31	
		2012	2011
<u>ECnet Limited, Singapore</u>			
a).	Sub-Contracting Expenses	23,101,748	14,197,415
b).	Management Fees Paid	10,115,459	7,071,848

(b). Inter-companies balances as at December 31, 2012 and December 31, 2011:

		(Amount in Rs.)	
OUTSTANDING BALANCES		As at December, 31	
		2012	2011
<u>ECnet Limited, Singapore</u>			
-	Amount Payables	37,247,117	25,800,155

ECNET (M) SDN. BHD, MALAYSIA
Notes to Financial Statements for the year ended December 31, 2012

Payment to key management personnel for year ended December 31, 2012 and December 31, 2011:

(Amount in Rs)

Name of Key Management Personnel	For the year ended December 31,	
	2012	2011
Vincent Tey Chyng Siang	6,470,831	2,015,340

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, 2012	Year ended December 31, 2011
	Rs.	Rs.
Lease payments for the year	1,909,128	1,188,174
Non-cancellable operating lease obligation	2,118,242	-
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-

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

During the year ended December 31 2012 and 2011, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

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.

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 09, 2013

Place: Singapore
Date : February 09, 2013

Place: Malaysia
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
ECnet Inc., USA

1. We have audited the attached Balance Sheet of ECnet Inc., USA, a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India as at 31st December, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

ECNET, INC., USA**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	91,110	91,110
Reserves and surplus	4	(174,395,266)	(168,301,114)
Current liabilities			
Trade payables	5	268,438	259,089
Other current liabilities	5	175,278,626	169,173,521
		1,242,908	1,222,606
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	6	3	4
Current assets			
Trade receivables	8	-	-
Cash and bank balances	9	728,734	431,630
Short-term loans and advances	7	514,171	790,972
		1,242,908	1,222,606
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Satinder Singh Rekhi
[Director]

Place : New Delhi
Date: February 09, 2013

Place : NOIDA
Date: February 09, 2013

ECNET, INC., USA**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Other income	10	133	153
Total revenue		133	153
Expenses			
Finance cost	11	23,277	20,270
Total expenses		23,277	20,270
Loss before tax		(23,144)	(20,117)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the year		(23,144)	(20,117)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Satinder Singh Rekhi
[Director]

Place : NOIDA
Date: February 09, 2013

ECNET, INC., USA**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net loss before taxation	(23,144)	(20,117)
Adjustments for:		
Unrealised foreign exchange loss / (gain)	(6,071,009)	(25,913,025)
Interest income	133	153
Operating profit before working capital changes	(6,094,020)	(25,932,989)
Movements in working capital :		
(Increase) / Decrease in loans and advances	276,803	(279,586)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	6,114,454	26,566,754
Cash generated from / (used in) operations	297,237	354,179
Less: Taxes Paid	-	-
Net cash from / (used in) operating activities	297,237	354,179
B. Cash flows used in investing activities		
Interest received	(133)	(153)
Net cash from used in investing activities	(133)	(153)
C. Cash flows used in financing activities		
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	297,104	354,026
Cash and cash equivalents at the beginning of the year	431,630	77,604
Cash and cash equivalents at the end of the year	728,734	431,630

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Satinder Singh Rekhi
[Director]

Place : NOIDA
Date: February 09, 2013

1. Company Overview

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

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

2. Statement of significant accounting policies**(a) Basis of preparation**

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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

(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) 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.

(h) Foreign currency translation

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

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

(iv) Foreign currency translation

The functional currency of the Company is United States Dollar (US \$) but the financial statements 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, 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.

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

(i) Income taxes

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

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

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

(j) 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, 2012	December 31, 2011
	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		As at	
	December 31, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(138,699,843)	(138,679,726)
Add: Loss for the current year	(23,144)	(20,117)
Net deficit in the statement of profit and loss	(138,722,987)	(138,699,843)
Foreign currency translation reserve		
Balance as per last account	(29,601,271)	(3,688,246)
Add: Current year translation differences	(6,071,008)	(25,913,025)
Closing balance	(35,672,279)	(29,601,271)
Total	(174,395,266)	(168,301,114)

ECNET, INC., USA**Notes to Financial Statements for the year ended December 31, 2012**

5. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	268,438	259,089
Sub total (A)	268,438	259,089
Other liabilities		
Payables to Related Parties ECnet Limited, Singapore	175,278,626	169,173,521
Sub total (B)	175,278,626	169,173,521
Total (A+B)	175,547,064	169,432,610

Schedule 6: Fixed assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Office & Electrical Equipments	40,861	-	-	1,474	42,335	40,857	-	-	1,475	42,332	3	4
Total	40,861	-	-	1,474	42,335	40,857	-	-	1,475	42,332	3	4
Previous Year	34,566	-	-	6,295	40,861	34,563	-	-	6,294	40,857	4	3

7. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	65,789	63,497
Sub Total (A)	65,789	63,497
Loans & advances to related parties		
Unsecured, considered good		
Advance recoverable from:		-
ECnet (Hong Kong) Limited	282,024	272,201
ECnet Limited, Singapore	166,358	455,274
Sub Total (B)	448,382	727,475
Total (A+B)	514,171	790,972

ECNET, INC., USA**Notes to Financial Statements for the year ended December 31, 2012**

8 Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	948,680	915,637
	948,680	915,637
Provision for doubtful receivables	948,680	915,637
Total	-	-

ECNET, INC., USA**Notes to Financial Statements for the year ended December 31, 2012**

9. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balances with other banks:		
On current accounts	728,734	431,630
Total	728,734	431,630

ECNET, INC., USA**Notes to Financial Statements for the year ended December 31, 2012**

10. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	133	153
Total	133	153

11. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	23,277	20,270
Total	23,277	20,270

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, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

Following are the subsidiaries of Computaris International Limited

	Computaris limited,UK
	Computairs Romania S.R.L.,Romania
	Computaris Polska sp Zoo, Poland
	ICS Computairs International S.R.L., Moldova
	Computaris Malaysian SDN.BHD., Malaysia
	Computaris USA Inc., USA
Key Management Personnel	Satinder Singh Rekhi, Director

Inter-companies balances as at December 31, 2012 and December 31, 2011:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2012	2011
<u>ECnet Limited, Singapore</u>		
Amount Receivables	166,358	455,274
Amount Payables	178,278,626	169,173,121
<u>ECnet Hong Kong</u>		
Amount Receivables	282,024	272,201

- 13.** The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
During the year ended December 31 2012 and 2011, 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. 23,144 during the financial year ended 31 December, 2012, and as at that date Company's total liabilities exceeded its total assets by Rs 174,304,156. 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.
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 09, 2013

Place: NOIDA
Date : February 09, 2013

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of ECNET (HONG KONG) LTD., Hong Kong a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **PROFIT** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

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

PLACE:NEW DELHI
DATED: February 09, 2013

ECNET (HONG KONG) LIMITED, HONG KONG**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	12	12
Reserves and surplus	4	4,248,475	3,301,198
Current liabilities			
Trade payables	6	282,816	274,067
Other current liabilities	6	313,696	288,156
Short-term provisions	5	14,062	-
		4,859,061	3,863,433
ASSETS			
Current assets			
Trade receivables	8.1	64,590	80,947
Cash and bank balances	9	234,015	297,918
Short-term loans and advances	7	4,560,456	3,484,568
		4,859,061	3,863,433
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

ECNET (HONG KONG) LIMITED, HONG KONG**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	10	3,228,240	2,960,622
Other income	11	2	5
Total revenue		3,228,242	2,960,627
Expenses			
Operational and other expenses	12	2,343,356	1,830,984
Finance cost	13	19,932	13,477
Total expenses		2,363,288	1,844,461
Profit before tax		864,954	1,116,166
Tax expense			
Current tax		60,085	184,167
Total tax expense		60,085	184,167
Profit for the year		804,869	931,999
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

ECNET (HONG KONG) LIMITED, HONG KONG
Cash Flow Statement for the year ended December 31, 2012

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	864,954	1,116,166
Adjustments for:		
Unrealised foreign exchange loss / (gain)	142,408	467,619
Interest income	2	(5)
Operating profit before working capital changes	1,007,364	1,583,780
Movements in working capital :		
(Increase) / Decrease in trade receivables	16,357	12,035
(Increase) / Decrease in loans and advances	(1,075,888)	(1,992,813)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	34,289	323,605
Cash generated from operations	(17,878)	(73,393)
Less: Taxes Paid	46,023	217,661
Net cash from operating activities	(63,901)	(291,054)
B. Cash flows used in investing activities		
Interest received	(2)	5
Net cash used in investing activities	(2)	5
C. Cash flows used in financing activities		
Net cash from used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(63,903)	(291,049)
Cash and cash equivalents at the beginning of the year	297,918	588,967
Cash and cash equivalents at the end of the year	234,015	297,918

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Chan Kum Ming
[Director]

Place : Singapore
Date: February 09, 2013

Sd/-
Cai Li Ting
[Director]

Place : Singapore
Date: February 09, 2013

1. Company Overview

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

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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.

(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 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, 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.

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

(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) 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 Singapore.

(k) Cash and cash equivalents

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

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	2,955,401	2,023,402
Add: Profit for the current year	804,869	931,999
Net surplus in the statement of profit and loss	3,760,270	2,955,401
Foreign currency translation reserve		
Balance as per last account	345,797	(121,822)
Add: Current year translation differences	142,408	467,619
Closing balance	488,205	345,797
Total	4,248,475	3,301,198

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2012****5. Short-term provisions**

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other provision		
Income tax	14,062	-
Total	14,062	-

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	282,816	274,067
Sub total (A)	282,816	274,067
Other liabilities		
Payables to Related Parties		
ECnet, Inc.	283,238	273,315
Advance from customers	15,078	-
Deffered Revenue	15,380	14,841
Sub total (B)	313,696	288,156
Total (A+B)	596,512	562,223

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2012**

7. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	136,698	228,433
Sub Total (A)	136,698	228,433
Loans & advances to related parties		
Unsecured, considered good		
Advance recoverable from:	-	-
Ecnet Singapore Limited	4,423,758	3,256,135
Sub Total (B)	4,423,758	3,256,135
Total (A+B)	4,560,456	3,484,568

8. Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Secured , considered good	5,657	11,476
Doubtful	25,484	24,592
	31,141	36,068
Provision for doubtful receivables	25,484	24,592
Sub Total (A)	5,657	11,476
Other receivables		
Unsecured, considered good	58,933	69,471
Doubtful	-	
	58,933	69,471
Provision for doubtful receivables	-	-
Sub Total (B)	58,933	69,471
Total (A+B)	64,590	80,947

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2012**

9. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balances with other banks		
On current accounts	234,015	297,918
Total	234,015	297,918

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2012**

10. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	3,228,240	2,960,622
Total	3,228,240	2,960,622

11. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	2	5
Total	2	5

ECNET (HONG KONG) LIMITED, HONG KONG**Notes to Financial Statements for the year ended December 31, 2012**

12. Operational and other expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Travelling and conveyance	250,609	-
Communication costs	26,720	21,047
Printing and stationery	-	8,091
Legal and professional expenses	513,995	481,506
Foreign exchange fluctuation (net)	(170,341)	56,036
Management fees	1,722,373	1,264,304
Total	2,343,356	1,830,984

13. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	19,932	13,477
Total	19,932	13,477

14. Related Party Disclosures

Holding Company	ECnet Limited, Singapore
Fellow Subsidiaries	ECnet Systems (Thailand) Co. Ltd., Thailand ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (M) SDN. BHD, Malaysia ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

Following are the subsidiaries of Computaris International Limited

	Computaris limited,UK
	Computairs Romania S.R.L.,Romania
	Computaris Rbska sp Zoo, Poland
	ICS Computairs International S.R.L., Moldova
	Computaris Malaysian SDN.BHD., Malaysia
	Computaris USA , Inc, USA
Key Management Personnel	Chan Kum Ming, Director Cai Li Ting, Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

TRANSACTIONS	For the year ended December, 31	
	2012	2011
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	64,450	85,833
b). Management Fees Paid	1,722,373	1,264,304

(b). Inter-companies balances as at December 31, 2012 and December 31, 2011:

OUTSTANDING BALANCES	As at December, 31	
	2012	2011
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
- Amount Receivables	4,423,758	3,256,133

OUTSTANDING BALANCES	As at December, 31	
	2012	2011
(Amount in Rs.)		
<u>ECnet Inc</u>		
- Amount Payable	283,238	273,315

ECNET (HONG KONG) LIMITED, HONG KONG
Notes to Financial Statements for the year ended December 31, 2012

15. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
During the year ended December 31 2012 and 2011 based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.
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.
Firm registration number: 001720N
Chartered Accountants

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li ting
[Director]

Place : New Delhi
Date : February 09, 2013

Place: Singapore
Date : February 09, 2013

Place: Singapore
Date : February 09, 2013

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of ECNET SYSTEMS (THAILAND) COMPANY LTD., Thailand a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	2,339,600	2,339,600
Reserves and surplus	4	8,761,135	10,070,007
Current liabilities			
Trade payables	6	887,935	764,003
Other current liabilities	6	14,099,795	13,268,554
Short-term provisions	5	-	198,540
		26,088,465	26,640,704
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	238,815	367,616
Long-term loans and advances	8	2,089,782	299,930
Other non current assets	9.2	-	172,467
Current assets			
Trade receivables	9.1	6,549,092	8,094,429
Cash and bank balances	10	2,993,849	2,021,005
Short-term loans and advances	8	13,904,329	15,684,464
Other current assets	9.2	312,598	793
		26,088,465	26,640,704
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the condensed 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
ECnet Systems (Thailand) Company Limited, Thailand

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	11	19,372,725	27,214,709
Other income	12	2,213	-
Total revenue		19,374,938	27,214,709
Expenses			
Employee benefits expense	13	7,125,489	5,709,663
Operational and other expenses	14	14,102,813	24,523,167
Depreciation and amortisation	15	199,583	144,476
Finance cost	16	21,569	34,082
Total expenses		21,449,454	30,411,388
Loss before tax		(2,074,516)	(3,196,679)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the year		(2,074,516)	(3,196,679)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit / (loss) before taxation	(2,074,516)	(3,196,679)
Adjustments for:		
Depreciation and amortisation expense	199,583	144,476
Debts and advances provided / written off (net)	97,945	-
Interest Income	(2,213)	-
Unrealised foreign exchange loss / (gain)	749,071	1,411,778
Operating profit / (loss) before working capital changes	(1,030,130)	(1,640,425)
Movements in working capital :		
(Increase) / Decrease in trade receivables	1,447,392	(1,943,358)
(Increase) / Decrease in Margin Money	172,467	(172,467)
(Increase) / Decrease in other current assets	(311,805)	4,530,073
(Increase) / Decrease in loans and advances	(9,717)	(2,549,901)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	955,173	(6,312,465)
Cash generated from operations	1,223,380	(8,088,543)
Less: Taxes Paid	198,540	(198,540)
Net cash from / (used in) operating activities	1,024,840	(7,890,003)
B. Cash flows used in investing activities		
Purchase of fixed assets	(54,209)	(230,331)
Interest Income	2,213	-
Net cash used in investing activities	(51,996)	(230,331)
C. Cash flows used in financing activities		
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	972,844	(8,120,334)
Cash and cash equivalents at the beginning of the year	2,021,005	10,141,339
Cash and cash equivalents at the end of the year	2,993,849	2,021,005

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Chan Kum Ming
[Director]

Place : Singapore
Date: February 09, 2013

Sd/-
Cai Li Ting
[Director]

Place : Singapore
Date: February 09, 2013

1. Company Overview

ECnet Systems (Thailand) Company Limited (The "Company") is a wholly owned subsidiary of ECnet Limited, a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The Company provides services of Supply Chain Management through Internet. The registered office of the Company is located at 2/3 Moo 14, Bangan Tower A, 2nd floor, Room no. 205, Bangna-Trad K.M. 6.5, Bangkaew, Bangplee, Samutprakarn.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) 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.

(e) 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

(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 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, 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.

For translating income and expense during the year ended December 31, 2011, the rates used were THB 1= Rs. 1.53. For translating assets and liabilities at the year-end, the rates used were THB 1= Rs. 1.68.

(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) Provision

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

(m) Cash and cash equivalents

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

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2012

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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, 2012**

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	5,814,664	9,011,343
Add: Loss for the current year	(2,074,516)	(3,196,679)
Net surplus in the statement of profit and loss	3,740,148	5,814,664
Foreign currency translation reserve		
Balance as per last account	4,255,343	2,825,383
Add: Current year translation differences	765,644	1,429,960
Closing balance	5,020,987	4,255,343
Total	8,761,135	10,070,007

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND

Notes to Financial Statements for the year ended December 31, 2012

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other provision		
Income tax	-	198,540
Total	-	198,540

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	887,935	764,003
Sub total (A)	887,935	764,003
Other liabilities		
Payables to related parties		
ECnet, Limited Singapore	13,440,674	12,671,567
Other liabilities	44,685	-
Deffered Revenue	614,436	596,987
Sub total (B)	14,099,795	13,268,554
Total (A+B)	14,987,730	14,032,557

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2012

Schedule 7: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Leasehold Improvements	75,135	-	-	5,191	80,326	68,874	6,407	-	5,042	80,323	3	6,261
Computer Hardware	1,439,796	54,209	-	99,473	1,593,478	1,100,930	185,259	-	84,251	1,370,440	223,038	338,866
Furniture & Fixtures	538,098	-	-	37,177	575,275	523,257	3,146	-	36,291	562,694	12,581	14,841
Office & Electrical Equipments	686,187	-	-	47,407	733,594	678,539	4,771	-	47,091	730,401	3,193	7,648
Total	2,739,216	54,209	-	189,248	2,982,673	2,371,600	199,583	-	172,675	2,743,858	238,815	367,616
Previous year	2,233,790	230,331	-	275,095	2,739,216	1,970,211	144,476	-	256,913	2,371,600	367,616	263,579

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2012

8. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	820,748	1,786,689
Sub Total (A)	-	-	820,748	1,786,689
Loans & advances to related parties				
Unsecured, considered good				
Recoverable from				
R Systems International Limited			-	1,659,707
ECnet Limited Singapore			13,083,581	12,238,068
Sub Total (B)	-	-	13,083,581	13,897,775
Security deposit				
Unsecured, considered good	320,652	299,930	-	-
Sub Total (C)	320,652	299,930	-	-
Other loans and advances				
Income tax receivable	1,769,130			
Sub Total (D)	1,769,130	-	-	-
Total (A+B+C+D)	2,089,782	299,930	13,904,329	15,684,464

9. Trade receivables and other assets

9.1 Trade receivables

Particulars	Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	737,721	712,863
Doubtful	102,276	-
	839,997	712,863
Provision for doubtful receivables	102,276	-
Sub Total (A)	737,721	712,863
Other receivables		
Unsecured, considered good	5,811,371	7,381,566
Doubtful	-	-
	5,811,371	7,381,566
Provision for doubtful receivables	-	-
Sub Total (B)	5,811,371	7,381,566
Total (A+B)	6,549,092	8,094,429

9.2 Other current assets

Particulars	Non Current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (refer note 10)	-	172,467	-	-
Unbilled revenue	-	-	312,598	793
Total	-	172,467	312,598	793

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
Notes to Financial Statements for the year ended December 31, 2012

10. Cash and bank balances

Particulars	Non Current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Cash on hand			26,925	25,185
Balances with other banks				
On current accounts			2,966,924	1,995,820
	-	-	2,993,849	2,021,005
Other bank balances				
Margin money deposits (refer detail below)	-	172,467	-	-
	-	172,467	-	-
Amount disclosed under non-current assets (refer note 9.2)	-	(172,467)	-	-
Total	-	-	2,993,849	2,021,005

Detail of margin money deposit

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin moneys deposit against performance guarantees given to customers	-	172,467
Total	-	172,467

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND**Notes to Financial Statements for the year ended December 31, 2012**

11. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	19,372,725	27,214,709
Total	19,372,725	27,214,709

12. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	2,213	-
Total	2,213	-

13. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	7,064,209	5,627,026
Contribution to Employee's benefit funds	61,280	82,637
Total	7,125,489	5,709,663

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND

Notes to Financial Statements for the year ended December 31, 2012

14. Operational and other expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	10,142	-
Travelling and conveyance	1,924,159	2,474,848
Provision for doubtful debts and advances	97,945	-
Rent - premises	525,156	448,876
Rent - equipment	15,837	13,752
Communication costs	389,676	397,739
Printing and stationery	64,946	64,393
Advertising and sales promotion	266,056	155,700
Legal and professional expenses	6,924,387	17,034,748
Foreign exchange fluctuation (net)	13,096	1,072,926
Rates & taxes	2	166,197
Management fees	3,846,863	2,677,180
Miscellaneous expenses	24,548	16,808
Total	14,102,813	24,523,167

15. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	199,583	144,476
Amortisation on intangible assets	-	-
Total	199,583	144,476

16. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	21,569	34,082
Total	21,569	34,082

17. Related Party Disclosures

Holding Company	ECnet Limited, Singapore
Fellow Subsidiaries	ECnet (M) Sdn Bhd, Malaysia ECnet (Shanghai) Co. Ltd., People's Republic of China ECnet (Hong Kong) Ltd., Hong Kong ECnet, Inc., USA ECnet Kabushiki Kaisha, Japan
Other Related Companies	R Systems International Limited, India R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. (date of acquisition January 2011) Systèmes R. International Ltée, Canada (date of incorporation October 2012)

Following are the subsidiaries of Computaris International Limited

	Computaris limited,UK
	Computairs Romania S.R.L.,Romania
	Computaris Polska sp Zoo, Poland
	ICS Computairs International S.R.L., Moldova
	Computaris Malaysian SDN.BHD., Malaysia
	Computaris USA Inc., USA
Key Management Personnel	Satinder Singh Rekhi, Director Cai Li ting, Director Chan Kum Ming, Director Tarun Shankar Mathur, Director (Resigned in 2011)

(a) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

Particulars	(Amount in Rs.)	
	For the year ended December, 31 2012	2011
<u>R System International Limited</u>		
a. Services Rendered	672,468	2,221,257
<u>ECnet Limited, Singapore</u>		
a. Sub-Contracting Expenses	5,341,861	19,739,925
b. Administrative Expenses	4,269,367	2,759,655

(b). Inter-companies balances as at December 31, 2012 and December 31, 2011:

ECNET SYSTEMS (THAILAND) COMPANY LIMITED, THAILAND
 Notes to Financial Statements for the year ended December 31, 2012

(Amount in Rs.)

OUTSTANDING BALANCES	As at December, 31	
	2012	2011
R Systems International Limited		
- Amount Receivables	-	1,659,707
<u>ECnet Limited, Singapore</u>		
- Amount Receivables	13,083,581	12,238,068
Amount Payables	13,440,674	12,671,567

18. **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, 2012	31, 2011
	Rs.	Rs.
Lease payments for the year	466,805	405,913
Non-cancellable operating lease obligation		
Not later than one year	128,234	64,474
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 reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

During the year ended December 31 2012 and 2011, based on the management estimate of future taxable income no deferred tax has been recognised in the books of accounts.

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.
 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/-
 Cai Li Ting
 [Director]

Place : New Delhi
 Date : February 09, 2013

Place: Singapore.
 Date : February 09, 2013

Place: Singapore
 Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
ECnet Kabushiki Kaisha, Japan

We have audited the attached Balance Sheet of ECnet Kabushiki Kaisha, Japan, subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that
 - a) In our opinion the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

PLACE : NEW DELHI
DATED: February 09, 2013

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

ECNET KABUSHIKI KAISHA, JAPAN
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,288,000	4,288,000
Reserves and surplus	4	(30,724,386)	(28,031,015)
Current liabilities			
Trade payables	5	-	93,526
Other current liabilities	5	27,381,818	24,184,580
		945,431	535,091
ASSETS			
Current assets			
Trade receivables	6	73,530	68,558
Cash and bank balances	7	871,901	466,533
		945,431	535,091
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
ECnet Kabushiki Kaisha, Japan

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

Place : Singapore
Date: February 09, 2013

ECNET KABUSHIKI KAISHA, JAPAN**Statement of Profit and Loss for the year ended December 31, 2012**

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	8	3,810,727	3,301,671
Other income	9	109	141
Total revenue		3,810,836	3,301,812
Expenses			
Operational and other expenses	10	8,381,804	(708,273)
Finance cost	11	96,132	83,283
Total expenses		8,477,936	(624,990)
Profit/ (loss) before tax		(4,667,100)	3,926,802
Tax expense			
Current tax		-	-
Total tax expense		-	-
Profit / (loss) for the year		(4,667,100)	3,926,802
Summary of significant accounting policies	2		

The accompanying notes are an integral part of statement of Profit and Loss.

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors of
ECnet Kabushiki Kaisha, Japan

Sd/-
Chan Kum Ming
[Director]

Place : Singapore
Date: February 09, 2013

Sd/-
Cai Li Ting
[Director]

Place : Singapore
Date: February 09, 2013

ECNET KABUSHIKI KAISHA, JAPAN**Cash Flow Statement for the year ended December 31, 2012**

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(4,667,100)	3,926,802
Adjustments for:		
Debts and advances provided / written off (net)	25,288	-
Unrealised foreign exchange loss / (gain)	1,973,729	(4,845,968)
Interest income	109	141
Operating profit/(loss) before working capital changes	(2,667,974)	(919,025)
Movements in working capital :		
(Increase) / Decrease in trade receivables	(30,260)	47,973
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	3,103,711	683,392
Cash generated from operations	405,477	(187,660)
Less: Taxes Paid	-	-
Net cash from operating activities	405,477	(187,660)
B. Cash flows used in investing activities		
Interest received	(109)	(141)
Net cash used in investing activities	(109)	(141)
C. Cash flows used in financing activities		
Net cash from used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	405,368	(187,801)
Cash and cash equivalents at the beginning of the year	466,533	654,334
Cash and cash equivalents at the end of the year	871,901	466,533

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors of
ECnet Kabushiki Kaisha, Japan

Sd/-
Chan Kum Ming
[Director]

Place : Singapore
Date: February 09, 2013

Sd/-
Cai Li Ting
[Director]

Place : Singapore
Date: February 09, 2013

1. Company Overview

ECnet Kabushiki Kaisha (the "Company") is a wholly owned subsidiary of ECnet Ltd. a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The address of the registered office is 1-6-17 Godo Build. 6 F Kaji-cho, Chiyoda-ku Tokyo Japan 101-0044.

The main object of the Company is to provide services of Supply Chain Management through Internet.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) Use of estimates

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

(d) 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.

(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 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, 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.

For translating income and expense during the year ended December 31, 2011, the rates used were JPY 1= Rs. 0.59. For translating assets and liabilities at the year-end, the rates used were JPY 1= Rs. 0.69.

(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.

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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, 2012

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(16,866,847)	(20,793,649)
Add: Profit / (loss) for the current year	(4,667,100)	3,926,802
Net deficit in the statement of profit and loss	(21,533,947)	(16,866,847)
Foreign currency translation reserve		
Balance as per last account	(11,164,168)	(6,318,200)
Add: Current year translation differences	1,973,729	(4,845,968)
Closing balance	(9,190,439)	(11,164,168)
Total	(30,724,386)	(28,031,015)

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2012**

5. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	-	93,526
Sub total (A)	-	93,526
Other liabilities		
Payables to related parties		
ECnet Limited, Singapore	27,331,921	24,133,654
Advance from customers	27,572	26,811
Other payables	22,325	24,115
Sub total (B)	27,381,818	24,184,580
Total (A+B)	27,381,818	24,278,106

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2012**

6. Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Sub Total (A)	-	-
Other receivables		
Unsecured, considered good	73,530	68,558
Sub Total (B)	73,530	68,558
Total (A+B)	73,530	68,558

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2012**

7. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Cash on hand	3,104	3,352
Balances with other banks On current accounts	868,797	463,181
Total	871,901	466,533

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2012**

8. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	3,810,727	3,301,671
Total	3,810,727	3,301,671

9. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	109	141
Total	109	141

ECNET KABUSHIKI KAISHA, JAPAN**Notes to Financial Statements for the year ended December 31, 2012**

10. Operational and other expense

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Communication costs	174,446	166,139
Legal and professional expense	418,810	340,582
Foreign exchange fluctuation (net)	6,082,537	(2,402,208)
Bad debts	25,288	-
Rates & taxes	46,790	40,952
Management fees	1,633,933	1,146,262
Total	8,381,804	(708,273)

11. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	96,132	83,283
Total	96,132	83,283

12. Related Party Disclosures

The Company is wholly owned subsidiary of ECnet Limited (subsidiary of R Systems International limited), Singapore and having five fellow subsidiary companies under the holding of same management:

- (a) ECnet Systems (Thailand) Co. Ltd., Thailand
- (b) ECnet (M) Sdn Bhd, Malaysia
- (c) ECnet (Shanghai) Co. Ltd., People's Republic of China
- (d) ECnet (Hong Kong) Ltd., Hong Kong
- (e) ECnet, Inc., USA

Other fellow subsidiary companies

- (a) R Systems (Singapore) Pte Ltd, Singapore
- (b) R Systems, Inc., USA
- (c) Indus Software, Inc., USA
- (d) R Systems Solutions, Inc., USA
- (e) R Systems N.V., Belgium
- (f) R Systems Europe B.V., Netherlands
- (g) R Systems S.A.S., France
- (h) Computaris International Limited, U.K. (date of acquisition January 26, 2011)
- (i) Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)

Following are the subsidiaries of Computaris International Limited

- (a) Computaris limited, UI
- (b) Computairs Romania S.R.L., Romania
- (c) Computaris Polska sp Zoo, Poland
- (d) ICS Computairs International S.R.L., Moldova
- (e) Computaris Malaysian SDN.BHD., Malaysia
- (f) Computaris USA Inc., USA

Key management personnel

- (a) Vijay Ganpati Kale, Director
- (b) Cai Li Ting, Director
- (c) Chan Kum Ming, Director
- (d) Tarun Shankar Mathur, Director (Resigned in 2011)

ECNET KABUSHIKI KAISHA, JAPAN
Notes to Financial Statements for the year ended December 31, 2012

- (a) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

TRANSACTIONS	(Amount in Rs.)	
	For the year ended December, 31	
	2012	2011
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	26,114	36,624
b). Management Fees Paid	1,633,933	1,146,262

- (b) Inter-companies balances as at December 31, 2012 and December 31, 2011:

OUTSTANDING BALANCES	(Amount in Rs.)	
	As at December, 31	
	2012	2011
<u>ECnet Limited, Singapore</u>		
- Amount Payables	27,331,921	24,133,654

13. The Company has a policy of recognizing deferred tax assets only to the extent that there is reasonable certainty or virtual certainty supported by convincing evidence as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. During the year ended December 31 2012 and 2011, 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 4,667,100 during the financial year ended 31 December, 2012, and as at that date Company's total liabilities exceeded its current and total assets by Rs.26, 436,386. These factors indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as going concern. The ability of the company to continue as a going concern depends on the holding company undertaking to provide continuing financial support to enable the company to continue as a going concern.

If the Company is unable to continue in operational existence for the foreseeable future, the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

ECNET KABUSHIKI KAISHA, JAPAN
Notes to Financial Statements for the year ended December 31, 2012

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.
Firm registration number: 001720N
Chartered Accountants

For and on behalf of the Board of Directors of ECnet Kabushiki
Kaisha, Japan

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

Sd/-
Chan Kum Ming
[Director]

Sd/-
Cai Li Ting
[Director]

Place : New Delhi
Date : February 09, 2013

Place: Singapore
Date : February 09, 2013

Place: Singapore
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
EC Net (Shanghai) Co. Ltd., Shanghai

We have audited the attached Balance Sheet of EC Net (Shanghai) Co. Ltd., China a subsidiary of ECnet Ltd., Singapore, which is again a subsidiary of R Systems International Limited, India, as at 31st December, 2012 also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit and subject to the Notes on accounts, we report that-
 - a) In our opinion the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;
 - ii) in the case of the statement of Profit and Loss, of the **LOSS** for the year ended on that date.
 - iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date;

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

PLACE : NEW DELHI
DATED: February 09, 2013

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

ECNET (SHANGHAI) CO. LTD., SHANGHAI**Balance Sheet as at December 31, 2012**

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	9,122,099	9,122,099
Reserves and surplus	4	(25,422,036)	(22,061,911)
Current liabilities			
Trade payables	6	186,133	92,851
Other current liabilities	6	32,596,070	29,253,532
Short-term provisions	5	74,447	95,353
		16,556,713	16,501,924
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	172,851	233,110
Long-term loans and advances	8	264,150	253,230
Current assets			
Trade receivables	9.1	830,748	1,539,071
Cash and bank balances	10	13,877,778	14,401,003
Short-term loans and advances	8	216,493	75,510
Other current assets	9.2	1,194,693	-
		16,556,713	16,501,924
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

For and behalf of the Board of Directors of
ECnet (Shanghai) Co. Ltd., Shanghai

Sd/-
Chan Kum Ming
[Director]

Place : Singapore
Date: February 09, 2013

ECNET (SHANGHAI) CO. LTD., SHANGHAI
Statement of Profit and Loss for the year ended December 31, 2012

	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	11	25,813,030	22,140,107
Other income	12	68,249	63,366
Total revenue		25,881,279	22,203,473
Expenses			
Employee benefits expense	13	12,886,233	8,853,377
Operational and other expense	14	15,456,767	14,894,931
Depreciation and amortisation	15	189,115	147,040
Finance cost	16	42,765	33,224
Total expenses		28,574,880	23,928,572
Loss before tax		(2,693,601)	(1,725,099)
Tax expense			
Current tax		-	-
Total tax expense		-	-
Loss for the year		(2,693,601)	(1,725,099)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors of
ECnet (Shanghai) Co. Ltd., Shanghai

Sd/-
Chan Kum Ming
[Director]

Place : Singapore
Date: February 09, 2013

ECNET (SHANGHAI) CO. LTD., SHANGHAI
Cash Flow Statement for the year ended December 31, 2012

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit before taxation	(2,693,601)	(1,725,099)
Adjustments for:		
Depreciation and amortisation expense	189,115	147,040
Debts and advances provided / written off (net)	120,020	53,733
Unrealised foreign exchange loss / (gain)	(668,957)	(2,395,125)
Interest income	(68,249)	(63,366)
Operating profit before working capital changes	(3,121,672)	(3,982,817)
Movements in working capital :		
(Increase) / Decrease in trade receivables	588,303	(654,189)
(Increase) / Decrease in loans and advances	(151,903)	(62,146)
(Increase) / Decrease in other current assets	(1,194,693)	118,826
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	3,435,820	7,192,698
Cash generated from operations	(444,145)	2,612,372
Less: Taxes Paid	20,906	58,741
Net cash from operating activities	(465,051)	2,553,631
B. Cash flows used in investing activities		
Purchase of fixed assets	(126,423)	(63,308)
Interest received	68,249	63,366
Net cash used in investing activities	(58,174)	58
C. Cash flows used in financing activities		
Net cash flow used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(523,225)	2,553,689
Cash and cash equivalents at the beginning of the year	14,401,003	11,847,314
Cash and cash equivalents at the end of the year	13,877,778	14,401,003

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors of
ECnet (Shanghai) Co. Ltd., Shanghai

Sd/-
Chan Kum Ming
[Director]

Place : Singapore
Date: February 09, 2013

1. Company Overview

ECnet (Shanghai) Co. Ltd. (the "Company") is a wholly owned subsidiary of ECnet Ltd. a company incorporated in the Republic of Singapore, which is again a subsidiary of R Systems International Limited, a company incorporated in India. The address of the registered office is Rm H, 20th Floor, Foresight Mansion, No. 768, Xie Tu Rd, Shanghai 200023, People's Republic of China.

The main object of the Company is to provide services of Supply Chain Management through Internet

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) Use of estimates

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

(d) 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.

(e) 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

(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 financial year end. Usage fees are recognized on an accrual basis.

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

Other services

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

Interest

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

(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 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, 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.

For translating income and expense during the year ended December 31, 2011, the rates used were CNY 1= Rs. 7.23. For translating assets and liabilities at the year-end, the rates used were CNY 1= Rs. 8.44.

(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) 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) 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 December 31, 2012 Rs.	As at December 31, 2011 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

ECNET (SHANGHAI) CO. LTD., SHANGHAI

Notes to Financial Statements for the year ended December 31, 2012

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(15,470,897)	(13,745,798)
Add: loss for the current year	(2,693,601)	(1,725,099)
Net deficit in the statement of profit and loss	(18,164,498)	(15,470,897)
Foreign currency translation reserve		
Balance as per last account	(6,591,014)	(4,235,736)
Add: Current year translation differences	(666,524)	(2,355,278)
Closing balance	(7,257,538)	(6,591,014)
Total	(25,422,036)	(22,061,911)

ECNET (SHANGHAI) CO. LTD., SHANGHAI

Notes to Financial Statements for the year ended December 31, 2012

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other provision		
Income tax	74,447	95,353
Total	74,447	95,353

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	186,133	92,851
Sub total (A)	186,133	92,851
Other liabilities		
Payables to related parties		
ECnet, Limited, Singapore	32,596,017	29,253,532
Advance from customers	53	-
Sub total (B)	32,596,070	29,253,532
Total (A+B)	32,782,203	29,346,383

Schedule 7: Tangible Assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE YEAR	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Hardware	859,415	126,423	-	37,061	1,022,899	651,567	164,270	-	34,716	850,553	172,346	207,848
Furniture & Fixtures	566,374	-	-	24,423	590,797	566,374	-	-	24,423	590,797	-	-
Office & Electrical Equipments	623,084	-	-	26,869	649,953	597,822	24,845	-	26,781	649,448	505	25,262
Total	2,048,873	126,423	-	88,353	2,263,649	1,815,763	189,115	-	85,920	2,090,798	172,851	233,110
Previous Year	1,610,210	63,308		375,356	2,048,873	1,333,215	147,040	-	335,508	1,815,763	233,110	276,995

8. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	216,493	75,510
Sub Total (A)	-	-	216,493	75,510
Security deposit				
Unsecured, considered good	264,150	253,230	-	-
Sub Total (B)	264,150	253,230	-	-
Total (A+B)	264,150	253,230	216,493	75,510

ECNET (SHANGHAI) CO. LTD., SHANGHAI

Notes to Financial Statements for the year ended December 31, 2012

9. Trade receivables and other assets

9.1 Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	34,758	202,377
Doubtful	-	-
	34,758	202,377
Provision for doubtful receivables	-	-
Sub Total (A)	34,758	202,377
Other receivables		
Unsecured, considered good	795,990	1,336,694
Doubtful	-	-
	795,990	1,336,694
Provision for doubtful receivables	-	-
Sub Total (B)	795,990	1,336,694
Total (A+B)	830,748	1,539,071

9.2 Other current assets

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 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, 2012**

10. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Cash on hand	151,900	130,951
Balances with other banks On current accounts	13,725,878	14,270,052
Total	13,877,778	14,401,003

ECNET (SHANGHAI) CO. LTD., SHANGHAI**Notes to Financial Statements for the year ended December 31, 2012**

11. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	25,813,030	22,140,107
Total	25,813,030	22,140,107

12. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest Income	68,249	63,366
Total	68,249	63,366

13. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	8,710,834	5,899,056
Contribution to Employee's benefit funds	4,175,399	2,954,321
Total	12,886,233	8,853,377

ECNET (SHANGHAI) CO. LTD., SHANGHAI**Notes to Financial Statements for the year ended December 31, 2012****14. Operational and other expenses**

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Recruitment and training expenses	7,448	5,781
Travelling and conveyance	1,296,839	550,050
Repair and maintenance	45,706	39,020
Rent - premises	1,015,680	867,120
Power and fuel	52,677	41,409
Communication costs	405,722	301,693
Printing and stationery	322,587	144,692
Legal and professional expenses	4,222,617	7,172,552
Foreign exchange fluctuation (net)	298,140	(1,055,203)
Bad debts	120,020	53,733
Rates & taxes	206,694	1,257,686
Management fees	7,462,637	5,516,398
Total	15,456,767	14,894,931

15. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	189,115	147,040
Total	189,115	147,040

16. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bank charges	42,765	33,224
Total	42,765	33,224

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 R Systems Europe B.V., Netherlands R Systems S.A.S., France R Systems (Singapore) Pte Limited, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012) Following are the subsidiaries of Computaris International Limited Computaris limited,UK Computairs Romania S.R.L.,Romania Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris USA Inc., USA
Key Management Personnel	Chan Kum Ming, Director Tarun Shankar Mathur, Director (Resigned in 2011)

- (a) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

TRANSACTIONS	For the year ended December, 31	
	2012	2011
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
a). Sub-Contracting Expenses	3,894,214	6,988,289
b). Management Fees Paid	7,462,637	5,516,398
c). Services Rendered	-	682,472

- (b) Inter-companies balances as at December 31, 2012 and December 31, 2011:

OUTSTANDING BALANCES	As at December, 31	
	2012	2011
(Amount in Rs.)		
<u>ECnet Limited, Singapore</u>		
- Amount Payables	32,596,017	29,253,532

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, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	1,015,620	867,120
Non-cancellable operating lease obligation		
Not later than one year	396,225	379,845
Later than one year but not later than five years	-	-
Later than five years	-	-

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

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

During the year ended December 31 2012 and 2011, 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. 2,693,601 during the financial year ended 31 December, 2012, and as at that date Company's total liabilities exceeded its total assets by Rs16,299,937. 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.
 Firm registration number: 001720N
 Chartered Accountants

For and behalf of the Board of Directors of ECnet (Shanghai) Co. Ltd.,
 Shanghai

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

Sd/-
 Chan Kum Ming
 [Director]

Place : New Delhi
 Date : February 09, 2013

Place : Singapore
 Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Computaris International Limited, UK

We have audited the attached Balance Sheet of Computaris International Limited, a wholly-owned subsidiary of R Systems International Limited, India, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

Computaris International Limited, U.K.
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	58,100	58,100
Reserves and surplus	4	205,403,475	232,259,614
Current liabilities			
Trade payables	6	6,155,849	4,172,383
Other current liabilities	6	78,624,445	12,261,037
Short-term provisions	5	-	43,983,588
		290,241,869	292,734,722
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	312,556	293,158
Investments	8	1,068,307	967,692
Long-term loans and advances	9	9,528,323	-
Current assets			
Trade receivables	10.1	143,084,701	123,870,979
Cash and bank balances	11	75,124,566	104,516,415
Short-term loans and advances	9	4,023,908	21,778,354
Other current assets	10.2	57,099,508	41,308,124
		290,241,869	292,734,722
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris International Limited, U.K.

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

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date: February 09, 2013

Place : United Kingdom
Date: February 09, 2013

Place: Romania
Date: February 09, 2013

Computaris International Limited, U.K.
Statement of Profit and Loss for the year ended December 31, 2012

	Notes	For the Year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Income			
Revenue from operations	12	709,522,908	711,852,639
Other income	13	596,098	8,588,272
Total revenue		710,119,006	720,440,911
Expenses			
Employee benefits expense	14	17,149,431	12,045,548
Operational and other expenses	15	759,389,615	658,964,181
Depreciation expense	16	179,337	127,456
Finance cost	17	569,257	498,352
Total expenses		777,287,640	671,635,537
Profit / (loss) before tax		(67,168,634)	48,805,374
Tax expense/(credit)			
Current tax / (credit)		(23,445,191)	12,017,507
Total tax expense / (credit)		(23,445,191)	12,017,507
Profit / (loss) for the year		(43,723,443)	36,787,867
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris International Limited, U.K.

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

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date: February 09, 2013

Place : United Kingdom
Date: February 09, 2013

Place: Romania
Date: February 09, 2013

Computaris International Limited, U.K.
Cash Flow Statement for the period ended December 31, 2012

	For the Period ended December 31, 2012 Rs.	For the Period ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	(67,168,634)	48,805,374
Adjustments for:		
Depreciation and amortisation expense	179,337	127,456
Debts and advances provided / written off (Net)	-	(8,587,672)
Unrealised foreign exchange (loss) / gain	16,751,648	25,621,644
Interest income	596,098	(600)
Operating profit/(loss) before working capital changes	(49,641,551)	65,966,202
Movements in working capital :		
(Increase) / Decrease in trade receivables	(19,213,722)	28,015,643
(Increase) / Decrease in other current assets	(15,791,384)	(13,078,133)
Decrease / (Increase) in loans and advances	8,226,123	(11,025,226)
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	68,346,874	(8,546,896)
Cash generated from operations	(8,073,660)	61,331,590
Less: Taxes Paid	20,538,397	5,900,667
Net cash from operating activities	(28,612,057)	55,430,923
B. Cash flows used in investing activities		
Purchase of fixed assets	(183,694)	(111,218)
Interest received	(596,098)	600
Net cash used in investing activities	(779,792)	(110,618)
C. Cash flows used in financing activities		
Net cash from used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(29,391,849)	55,320,305
Cash and cash equivalents at the beginning of the year	104,516,415	49,196,110
Cash and cash equivalents at the end of the year	75,124,566	104,516,415

As per our report of even date

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

For and on behalf of the Board of Directors
of Computaris International Limited, U.K.

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

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date: February 09, 2013

Place : United Kingdom
Date: February 09, 2013

Place: Romania
Date: February 09, 2013

1. Company Overview

Computaris International Limited, Inc., (The "Company") is a wholly owned subsidiary of R Systems International Limited a company incorporated in India. The Company provides real time communication software solutions and associated services. The company is heavily committed to research and development activities in the field of real time communication software solutions. Computaris is having subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA. Computaris international limited is a limited company incorporated and domiciled in England and wales on November 16, 2006 having its registered office at 11 Queens Road, Brentwood Essex CMI4 4HE, UK.

As at January 26, 2011, R Systems International Limited has acquired all the share capital of Computaris International Limited. Since then it became the wholly owned subsidiary of R Systems International Limited and accordingly previous accounts are being prepared from January 26, 2011 to December 31, 2011.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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

(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 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, 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

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were GBP 1= Rs. 74.97. For translating assets and liabilities at the year-end, the rates used were GBP 1=Rs. 82.14.

(j) Income taxes

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

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

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

(k) Provision

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

(l) Cash and cash equivalents

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

(m) 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.

3. Share capital

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	Rs.	No.	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 December 31, 2012		As at December 31, 2011	
	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, 2012**

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	206,500,799	169,712,932
Add: Profit / (loss) for the current year	(43,723,443)	36,787,867
Net surplus in the statement of profit and loss	162,777,356	206,500,799
Foreign currency translation reserve		
Balance as per last account	25,758,815	-
Add: Current year translation differences	16,867,304	25,758,815
Closing balance	42,626,119	25,758,815
Total	205,403,475	232,259,614

Computaris International Limited, U.K.

Notes to Financial Statements for the year ended December 31, 2012

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other provision		
Income tax	-	43,983,588
Total	-	43,983,588

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	6,155,849	4,172,383
Sub total (A)	6,155,849	4,172,383
Other liabilities		
Payables to Related Parties		
R Systems International Limited	3,700,191	-
Computaris Romania srl, Romania	34,116,482	11,784,379
Computaris Malaysia Sdn. Bhd.	727,579	-
Computaris USA, LLC	6,593,532	-
Computaris Polska sp zoo, Poland	23,207,512	-
ICS Computaris International SRL, Moldova	10,279,149	-
Other	-	476,658
Sub total (B)	78,624,445	12,261,037
Total (A+B)	84,780,294	16,433,420

Schedule 7: Fixed assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	ADDITION	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	01.1.2012	DURING THE YEAR			31.12.2012	01.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer hardware	608,740	183,694	-	(49,787)	842,221	315,582	179,337	-	(34,746)	529,665	312,556	293,158
Total	608,740	183,694	-	(49,787)	842,221	315,582	179,337	-	(34,746)	529,665	312,556	293,158
Previous year	439,817	111,218	-	(57,705)	608,740	155,563	127,456	-	(32,563)	315,582	293,158	-

Computaris International Limited, U.K.
Notes to Financial Statements for the year ended December 31, 2012

8. Non-current investments

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
In subsidiary companies (companies under the same management):		
Other than Trade, unquoted		
Computaris Limited (80,000 shares of GBP 0.01 each)	71,096	65,712
Computaris Polska sp zoo, Poland (100 shares of PLN 500 each)	912,678	843,562
ICS Computaris International SRL, Moldova (Shares of no par value)	21,329	-
Computaris Romania srl, Romania (100 shares of RON 16 each)	39,387	36,404
Computaris Malaysia Sdn. Bhd. (1,000 ordinary shares of RM 1 each)	18,307	16,921
Computaris USA, LLC (100 shares of USD 1 each)	5,510	5,093
Total	1,068,307	967,692

9. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	298,196	-	3,285,843	1,999,863
Sub total (A)	298,196	-	3,285,843	1,999,863
Loans and advances to related parties				
Unsecured, considered good				
Loans to related parties				
Advances receivables from Computaris Polska sp zoo, Poland	-	-	-	12,996,766
Advances to related parties				
Advances receivables from Computaris USA, LLC	-	-	-	5,219,504
Sub total (B)	-	-	-	18,216,270
Other loans & advances				
VAT receivables	-	-	738,065	1,562,221
Advance income tax	9,230,127	-	-	-
Sub total (C)	9,230,127	-	738,065	1,562,221
Total (A+B+C)	9,528,323	-	4,023,908	21,778,354

10. Trade receivables and other assets

10.1 Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	234,799	-
Doubtful	29,911,963	27,767,152
	30,146,762	27,767,152
Provision for doubtful receivables	29,911,963	27,767,152
Sub total (A)	234,799	-
Other receivables		
Unsecured, considered good	142,849,902	123,870,979
Doubtful	-	1,164,620
	142,849,902	125,035,599
Provision for doubtful receivables	-	1,164,620
Sub total (B)	142,849,902	123,870,979
Total (A+B)	143,084,701	123,870,979

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
* Included in Sundry debtors are:		
Dues from companies under the same management		
R Systems International limited	-	1,816,444

10.2 Other current assets

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unbilled revenue	57,099,508	41,308,124
Total	57,099,508	41,308,124

Computaris International Limited, U.K.**Notes to Financial Statements for the year ended December 31, 2012**

11. Cash & bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balance with other banks:		
On current accounts	75,124,566	104,516,415
	75,124,566	104,516,415
Total	75,124,566	104,516,415

Computaris International Limited, U.K.**Notes to Financial Statements for the year ended December 31, 2012**

12. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Sale of services	709,522,908	711,852,639
Total	709,522,908	711,852,639

13. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Interest Income	596,098	600
Miscellaneous income	-	8,587,672
Total	596,098	8,588,272

14. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Salaries, wages and bonus	15,446,657	11,836,745
Contribution to Employee's benefit funds	1,702,774	208,803
Total	17,149,431	12,045,548

Computaris International Limited, U.K.**Notes to Financial Statements for the year ended December 31, 2012****15. 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	-	2,084,202
Travelling and conveyance	23,049,168	3,318,424
Insurance	3,092,597	1,846,010
Repair and maintenance	170,447	-
Rent - premises	835,214	470,762
Communication costs	1,412,938	1,945,425
Printing and stationery	195,595	77,973
Advertising and sales promotion	4,852,186	4,873,610
Legal and professional expenses	718,758,946	637,913,056
Foreign exchange fluctuation (net)	6,282,313	6,095,311
Rates and taxes	120,659	145,075
Miscellaneous expenses	619,552	194,333
Total	759,389,615	658,964,181

16. Depreciation expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Depreciation on tangible assets	179,337	127,456
Total	179,337	127,456

17. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Bank charges	569,257	498,352
Total	569,257	498,352

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

Key management personnel	Satinder Singh Rekhi, Director Ian Adrian Tidder, Director Irina Arsene, Director (Resigned in June 2012) Bogdan Mihai Danila, Director Raluca Marina Rusu, Director
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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, 2012

(ii) Details of transactions with related parties for period ended December 31, 2012 and December 31, 2011 are as follows:

(Amount in Rs.)

Particulars	December 31,	
	2012	2011
R Systems International Limited		
Services rendered	290,344	7,917,329
Services received	4,959,467	-
Amount receivable	-	1,816,444
Amount payable	3,700,191	-
Computaris Romania S.R.L.		
Computer consultancy services received	410,946,413	457,372,214
Amount Payable	34,116,482	11,784,379
Computaris USA LLC		
Computer consultancy services received	77,090,279	13,568,045
Amount receivable	-	5,219,504
Amount payable	6,593,532	-
Computaris Polska sp Zoo, Poland		
Computer consultancy services received	102,930,870	68,872,541
Amount receivable	-	12,996,766
Amount payable	23,207,512	-
ICS Computairs International S.R.L., Moldova		
Computer consultancy services received	73,951,281	68,791,344
Amount payable	10,279,149	-
Computaris Malaysian SDN.BHD., Malaysia		
Computer consultancy services received	15,034,477	10,659,503
Amount payable	727,579	-

Particulars	December 31,	
	2012	2011
Support services received from relative parties		
Euro IT Limited	13,992,552	11,388,026

Payment to key management personnel for year ended December 31, 2012 and December 31, 2011:

Particulars	December 31,	
	2012	2011
Name of key management personnel		
Ian Adrian Tidder	2,328,508	1,949,324
Arsene Irina	8,991,479	701,007
Raluca Marina Rusu	6,250,052	701,007
Bogdan Mihai Danila	6,196,473	701,007
Michal Misiaszek	9,827,824	701,007
Total	33,594,336	4,753,478

Details of Loan given to Computaris Polska sp Zoo, Poland, a fellow subsidiary:

- The outstanding amount due is Nil (equivalent to GBP Nil) and Rs.12, 996,766 (equivalent to GBP 158,227) as at December 31, 2012 and December 31, 2011 respectively.
- The maximum amount due is Rs. 14,061,633. (Equivalent to GBP 158,227) during the year 2012.
- Interest is charged at 10% per annum and interest of Rs. 596,098 (equivalent to GBP 7,040) was paid with final payment.

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:

	Period ended December 31, 2012 Rs.	Period ended December 31, 2011
Lease payments for the year	484,076	470,762
Non-cancellable operating lease obligation	1,555,225	-
Not later than one year	2,592,071	-
Later than one year but not later than five years	-	-
Later than five years	-	-

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

20. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

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

For and on behalf of the Board of Directors of Computaris
International Limited, UK

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

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 09, 2013

Place : United Kingdom
Date : February 09, 2013

Place : Romania
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Computaris Limited, UK

We have audited the attached Balance Sheet of Computaris Limited, a wholly-owned subsidiary of Computaris International Limited, as at 31st December, 2012 on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

COMPUTARIS LIMITED, U.K.			
Balance Sheet as at December 31, 2012			
	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	58,096	58,096
Reserves and surplus	4	(58,096)	(58,096)
		-	-
ASSETS			
		-	-
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the condensed 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 Computaris Limited

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

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date: February 09, 2013

Place: United Kingdom
Date : February 09, 2013

Place : Romania
Date : February 09, 2013

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 CM14 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, 2012 and December 31, 2011.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(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.

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 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, 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.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were GBP 1= Rs. 74.97. For translating assets and liabilities at the year-end, the rates used were GBP 1= Rs. 82.14.

(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) **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.

(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.

COMPUTARIS LIMITED, U.K.

Notes to Financial Statements for the year ended December 31, 2012

3. Share capital

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	Rs.	No.	Rs.
Authorised Share Capital 80,000 Ordinary shares of 0.01 GBP each		GBP 800		GBP 800
Issued, subscribed and paid up capital 80,000 Ordinary shares of 0.01 GBP each		58,096		58,096
Total		58,096		58,096

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

Particulars	As at December 31, 2012		As at December 31, 2011	
	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	-	-	-	-
Shares outstanding at the end of the year	80,000	58,096	80,000	58,096

COMPUTARIS LIMITED, U.K.Notes to Financial Statements for the year ended December 31, 2012

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(58,096)	(58,096)
Add: Profit / (loss) for the current year	-	-
Net deficit in the statement of profit and loss	(58,096)	(58,096)
Total	(58,096)	(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 Bogdan Mihai Danila, Director
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6. The Company has no material deferred tax component as at December 31, 2012 and December 31, 2011. Hence no deferred tax has been recorded in the books.

As per our report of even date.

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

For and on behalf of the Board of Directors of Computaris Limited.

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

Sd/-
Ian Adrian Tidder
[Director]

Sd/-
Bogdan Mihai Danila
[Director]

Place : New Delhi
Date : February 09, 2013

Place: United Kingdom
Date : February 09, 2013

Place: Romania
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Computaris Romania SRL, Romania

We have audited the attached Balance Sheet of Computaris Romania SRL, Romania, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

Computaris Romania Srl, Romania
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	23,429	23,429
Reserves and surplus	4	49,972,095	38,023,465
Current liabilities			
Trade payables	6	2,170,580	1,768,237
Other current liabilities	6	12,401,669	18,835,198
Short-term provisions	5	449,322	310,939
		65,017,095	58,961,268
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	2,866,008	9,663,858
Intangible assets	8	3,194,272	4,394,872
Other non-current assets	10.2	3,109,663	3,043,904
Current assets			
Trade receivables	10.1	37,379,425	18,853,838
Cash and bank balances	11	9,266,977	15,192,756
Short-term loans and advances	9	9,200,750	7,812,040
		65,017,095	58,961,268
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris Romania Srl, Romania

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

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 09, 2013

Place : United Kingdom
Date: February 09, 2013

Computaris Romania Srl, Romania			
Statement of Profit & Loss for the year ended December 31, 2012			
	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	12	423,334,620	429,699,288
Other income	13	2,420,048	2,313,692
Total revenue		425,754,668	432,012,980
Expenses			
Employee benefits expense	14	339,362,823	337,721,952
Operating and other expense	15	62,422,730	62,975,283
Depreciation and amortisation	16	10,508,236	12,250,787
Finance cost	17	1,003,033	1,448,511
Total expense		413,296,822	414,396,533
Profit before tax		12,457,846	17,616,447
Tax expense			
Current tax		1,894,262	4,157,403
Total tax expense		1,894,262	4,157,403
Profit for the year		10,563,584	13,459,044
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors of
Computaris Romania Srl, Romania

Sd/-
Ian Adrian Tidder
[Director]

Place : United Kingdom
Date: February 09, 2013

Computaris Romania Srl, Romania
Cash Flow Statement for the period ended December 31, 2012

	For the period ended December 31, 2012	For the period ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	12,457,846	17,616,447
Adjustments for:		
Depreciation and amortisation	10,508,236	12,250,787
Unrealised foreign exchange (loss) / gain	1,173,142	1,238,386
Interest income	(921,551)	(199,130)
Operating profit/(loss) before working capital changes	23,217,673	30,906,490
Movements in working capital :		
(Increase) / Decrease in trade receivables	(18,525,587)	(3,712,356)
(Increase) / Decrease in other current assets	-	35,685
(Increase) / Decrease in loans and advances	(1,388,710)	(9,654,853)
(Increase) / Decrease in margin money deposits	(65,759)	(3,043,904)
Increase / (Decrease) in short-term and long-term provision	-	2,314,665
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(6,031,186)	1,261,612
Cash generated from operations	(2,793,569)	18,107,339
Less: Taxes Paid	1,755,879	5,033,572
Net cash from operating activities	(4,549,448)	13,073,767
B. Cash flows used in investing activities		
Investment in Private company		-
Purchase of fixed assets	(2,766,297)	(7,538,801)
Proceeds from sale of fixed assets	468,415	-
Interest received	921,551	199,130
Net cash used in investing activities	(1,376,331)	(7,339,671)
C. Cash flows used in financing activities		
Net cash from used in financing activities		-
Net increase in cash and cash equivalents (A + B + C)	(5,925,779)	5,734,096
Cash and cash equivalents at the beginning of the year	15,192,756	9,458,660
Cash and cash equivalents at the end of the year	9,266,977	15,192,756

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors of
Computairs Romania Srl.,Romania

Sd/-
Ian Adrian Tidder
[Director]

Place : United Kingdom
Date: February 09, 2013

1. Company Overview

Computaris Romania SRL, Romania, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris Romania SRL is a limited company incorporated and domiciled in Romania on November 06, 2001 having its registered office is Str. Gheorghe Manu, Nr. 5, Parter, Camera 2, Sector1, Bucuresti, and Cod. 010442, Romania.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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:

Category of tangible fixed assets

Estimated useful life

Leasehold Improvement	Lease Period or useful life, whichever is lower
Office and electrical equipment's	3-20 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years

(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, 2012, the rates used were RON 1= Rs. 5.40. For translating assets and liabilities at the year-end, the rates used were RON 1= Rs. 16.22.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were RON 1= Rs. 15.38. For translating assets and liabilities at the year-end, the rates used were RON 1= Rs. 15.88.

(j) **Income taxes**

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

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

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

(k) **Provision**

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

(l) **Cash and cash equivalents**

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

(m) **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.

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	32,327,633	18,868,589
Add: Profit for the current year	10,563,584	13,459,044
Net surplus in the statement of profit and loss	42,891,217	32,327,633
Foreign currency translation reserve		
Balance as per last account	2,311,029	-
Add: Current year translation differences	1,385,046	2,311,029
Closing balance	3,696,075	2,311,029
Capital Reserve	3,384,803	3,384,803
Total	49,972,095	38,023,465

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other provision		
Income tax	449,322	310,939
Total	449,322	310,939

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	2,170,580	1,768,237
Sub total (A)	2,170,580	1,768,237
Other liabilities		
Deffered Revenue	525,674	1,201,457
Other payables	11,875,995	17,633,741
Sub total (B)	12,401,669	18,835,198
Total (A+B)	14,572,249	20,603,435

Schedule 7: Tangible Assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETIONS	ADJUSTMENT	AS AT	AS AT	AS AT
	1-Jan-12	DURING THE YEAR			31-Dec-12	1-Jan-12	DURING THE YEAR			31-Dec-12	31-Dec-12	31-Dec-11
Leasehold Improvement	1,759,584	-	-	(38,011)	1,797,595	1,546,581	206,576	-	(44,422)	1,797,579	16	213,003
Computer hardware	36,581,943	1,357,941	9,194,387	(838,639)	29,584,136	27,852,251	7,387,951	8,729,028	(561,075)	27,072,249	2,511,887	8,729,692
Furniture & fixtures	1,234,769	-	-	(26,673)	1,261,442	851,188	84,808	-	(22,908)	958,904	302,538	383,581
Office & electrical equipments	1,146,947	-	60,034	23,610	1,063,303	809,365	261,860	56,978	2,511	1,011,736	51,567	337,582
SUB TOTAL	40,723,243	1,357,941	9,254,421	(879,713)	33,706,476	31,059,385	7,941,195	8,786,006	(625,894)	30,840,468	2,866,008	9,663,858
Others-WIP	-	-	-	-	-	-	-	-	-	-	-	-
Total	40,723,243	1,357,941	9,254,421	(879,713)	33,706,476	31,059,385	7,941,195	8,786,006	(625,894)	30,840,468	2,866,008	9,663,858
Previous year	32,548,403	5,429,688	-	(2,745,152)	40,723,243	18,630,581	10,519,687	-	(1,909,117)	31,059,385	9,663,858	13,917,822

Schedule 8: Intangible Assets

Computer Software	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
Total	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
Previous year	7,375,196	2,424,904	-	(622,029)	10,422,129	3,910,735	1,731,100	-	(385,422)	6,027,257	4,394,872	-

9. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Secured , considered good	-	-
Unsecured, considered good	6,116,229	3,723,820
Doubtful	114,472	112,369
	6,230,701	3,836,189
Provision for doubtful advances	114,472	112,369
Sub total (A)	6,116,229	3,723,820
Other loans and advances		
VAT receivable	3,084,521	4,088,220
Sub total (B)	3,084,521	4,088,220
Total (A+B)	9,200,750	7,812,040

10. Trade receivables

10.1 Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	-	-
Provision for doubtful receivables	-	-
Total (A)	-	-
Other receivables		
Unsecured, considered good	37,379,425	18,853,838
Doubtful	-	-
Provision for doubtful receivables	-	-
Total	37,379,425	18,853,838
Total (A+B)	37,379,425	18,853,838

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
* Included in Sundry debtors are:		
Dues from companies under the same management		
Computaris International Limited	33,976,129	15,141,483

10.2 Other current assets

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (refer note 11)	3,109,663	3,043,904	-	-
Total	3,109,663	3,043,904	-	-

11. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Cash on hand			296,504	193,124
Balance with other banks				
On current accounts			8,970,473	4,842,472
On deposit accounts with original maturity of less than 3 months			-	10,157,160
			9,266,977	15,192,756
Other bank balances				
Margin money deposit (refer detail below)	3,109,663	3,043,904	-	-
	3,109,663	3,043,904	-	-
Amount disclosed under non-current assets (refer note 10.2)	(3,109,663)	(3,043,904)	-	-
Total	-	-	9,266,977	15,192,756

Detail of margin money deposit

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin moneys deposit against performance guarantees	3,109,663	3,043,904
Total	3,109,663	3,043,904

12. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Sale of services	423,334,620	429,699,288
Total	423,334,620	429,699,288

13. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Interest income	921,551	199,130
Miscellaneous income	1,498,497	2,114,562
Total	2,420,048	2,313,692

14. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Salaries, wages and bonus	267,399,147	266,843,172
Contribution to Employee's benefits plan	71,963,676	70,878,780
Total	339,362,823	337,721,952

15. Operational and other expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Recruitment and training expenses	3,008,714	2,735,737
Travelling and conveyance	8,586,024	10,923,948
Insurance	201,771	162,194
Repair and maintenance	2,708,059	2,522,638
Commission other	85,639	-
Rent - premises	20,070,497	20,456,228
Power and fuel	949,703	856,197
Communication costs	3,595,916	3,711,497
Printing and stationery	1,615,968	1,074,280
Advertising and sales promotion	5,212,500	4,341,380
Legal and professional expenses	9,015,329	13,229,671
Foreign exchange fluctuation (net)	1,733,716	1,287,287
Bad Debts	-	385
Watch & Ward Expenses	77,939	-
Miscellaneous expenses	5,560,955	1,673,841
Total	62,422,730	62,975,283

16. 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	7,941,195	10,519,687
Amortisation on intangible assets	2,567,041	1,731,100
Total	10,508,236	12,250,787

17. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Bank charges	1,003,033	1,448,511
Total	1,003,033	1,448,511

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 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 USA, LLC Computaris Polska sp Zoo, Poland ICS Computairs International S.R.L., Moldova Computaris Malaysian SDN.BHD., Malaysia Computaris Limited, UK
Key Management Personnel	Ian Adrian Tidder, Director

(ii) Details of transactions with related parties for period ended December 31, 2012 and December 31, 2011:

(Amount in Rs.)

Particulars	December 31,	
	2012	2011
Computaris International Limited		
Services rendered	410,946,413	422,351,551
Account Receivables	33,976,129	15,141,483

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:

	Period ended December 31, 2012 Rs.	Period ended December 31, 2011
Lease payments for the year	20,071,396	20,456,228
Non-cancellable operating lease obligation		
Not later than one year	18,673,986	2,292,897
Later than one year but not later than five years	5,404,718	-
Later than five years	-	-

20. The Company has no material deferred tax component as at December 31, 2012 and December 31, 2011. Hence no deferred tax has been recorded in the books.

As per our report of even date.

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

For and on behalf of the Board of Directors of Computaris Romania Srl,
Romania

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

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date : February 09, 2013

Place : United Kingdom
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Computaris Polska sp zo.o., Poland

We have audited the attached Balance Sheet of Computaris Polska sp z o.o., Poland, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

Computaris Polska sp z o.o., Poland
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	804,450	804,450
Reserves and surplus	4	8,371,702	42,529,920
Non-current liabilities			
Current liabilities			
Short-term Borrowings	6	-	13,337,099
Trade payables	7	94,616,694	126,103,909
Other current liabilities	7	47,300,814	103,366,765
Short-term provisions	5	53,044,623	2,189,800
		204,138,283	288,331,943
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	4,218,685	2,097,576
Intangible assets	9	-	-
Deferred tax assets (net)	11	6,208,905	8,088,277
Other non-current assets	12.2	-	3,075,800
Current assets			
Trade receivables	12.1	144,847,741	230,409,177
Cash and bank balances	13	30,564,224	23,321,008
Short-term loans and advances	10	11,074,563	15,803,388
Other current assets	12.2	7,224,165	5,536,717
		204,138,283	288,331,943
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris polska, sp z.o.o., poland

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

Sd/-
Dariusz Górczynski
[Director]

Sd/-
Monika Borkowska
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Poland
Date: February 09, 2013

Place : Poland
Date: February 09, 2013

Computaris Polska sp z o.o., Poland			
Statement of Profit and Loss for the period ended December 31, 2012			
	Notes	For the Year ended December 31, 2012 Rs.	For the Period ended December 31, 2011 Rs.
Income			
Revenue from operations	14	146,018,245	235,020,096
Other income	15	2,452,744	896,859
Total revenue		148,470,989	235,916,955
Expenses			
Employee benefits expense	16	64,433,750	56,197,829
Operational and other expenses	17	111,817,388	144,977,628
Depreciation and amortisation	18	1,250,458	863,622
Finance cost	19	493,065	405,164
Total expenses		177,994,661	202,444,243
Profit / (loss) before tax		(29,523,672)	33,472,712
Tax expense			
Current tax		5,359,217	13,420,744
Deferred tax charge / (credit)		2,866,464	(8,352,679)
Total tax expense		8,225,681	5,068,065
Profit / (loss) for the year		(37,749,353)	28,404,647
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris polska, sp z.o.o., poland

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

Sd/-
Dariusz Górczynski
[Director]

Sd/-
Monika Borkowska
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Poland
Date: February 09, 2013

Place : Poland
Date: February 09, 2013

Computaris Polska sp z o.o., Poland
Cash Flow Statement for the period ended December 31, 2012

	For the period ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	(29,523,672)	33,472,712
Adjustments for:		
Depreciation and amortisation	1,250,458	863,622
Loss on Sale of Assets	-	17,233
Debts and advances provided / written off (net)	-	1,522,020
Unrealised foreign exchange (loss) / gain	2,447,032	(1,080,720)
Interest income	393,404	(79,923)
Interest expense	344,411	302,805
Excess provision written back	-	(617,578)
Operating profit/(loss) before working capital changes	(25,088,367)	34,400,171
Movements in working capital :		
(Increase) / Decrease in trade receivables	85,561,436	(228,478,766)
(Increase) / Decrease in other current assets	(1,687,448)	(5,536,717)
(Increase) / Decrease in Margin money Deposit	3,075,800	(3,075,800)
(Increase) / Decrease in loans and advances	4,728,825	(4,592,564)
Increase / (Decrease) in short-term and long-term provision	47,896,577	184,298
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(100,890,265)	234,130,597
Cash generated from operations	13,596,558	27,031,219
Less: Taxes Paid	2,400,971	12,877,189
Net cash from operating activities	11,195,587	14,154,030
B. Cash flows used in investing activities		
Purchase of fixed assets	(3,214,556)	(854,903)
Proceeds from sale of fixed assets	-	2,665
Interest received	(393,404)	79,923
Net cash used in investing activities	(3,607,960)	(772,315)
C. Cash flows used in financing activities		
Interest paid	(344,411)	(302,805)
Net cash from used in financing activities	(344,411)	(302,805)
Net increase in cash and cash equivalents (A + B + C)	7,243,216	13,078,910
Cash and cash equivalents at the beginning of the year	23,321,008	10,242,098
Cash and cash equivalents at the end of the year	30,564,224	23,321,008

As per our report of even date

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

For and on behalf of the Board of Directors
of Computaris polska, sp z.o.o., poland

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

Sd/-
Dariusz Górczynski
[Director]

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1. Company Overview

Computaris Polska, sp z o.o., Poland, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris Polska, sp z o.o., Poland is a company incorporated and domiciled in Poland on September 20, 2001 having its registered office is Okolona 47, 01-059 Warszawa, Poland.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) Depreciation

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

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

<u>Category of Fixed Assets</u>	<u>Estimated Useful Life</u>
Office and electrical equipment	3-20 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years

(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, 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.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were Polish zolty 1= Rs. 15.77. For translating assets and liabilities at the year-end, the rates used were Polish zolty 1= Rs. 15.38.

(j) Income taxes

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

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

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

(k) Provision

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

(l) Cash and cash equivalents

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

(m) Intangibles

Computer software

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

(n) 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.

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	Rs.	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		As at	
	December 31, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	27,681,060	(723,587)
Add: Profit / (loss) for the current year	(37,749,353)	28,404,647
Net Surplus/ (deficit) in the statement of profit and loss	(10,068,293)	27,681,060
Foreign currency translation reserve		
Balance as per last account	(1,420,514)	-
Add: Current year translation differences	3,591,135	(1,420,514)
Closing balance	2,170,621	(1,420,514)
Capital Reserve	16,269,374	16,269,374
Total	8,371,702	42,529,920

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	1,857,171	1,646,245
Sub total (A)	1,857,171	1,646,245
Other provision		
Income tax	3,501,801	543,555
Provision for claim	47,685,651	-
Sub total (B)	51,187,452	543,555
Total (A+B)	53,044,623	2,189,800

6. Short-term borrowings

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Unsecured Loan		
Loans from related party repayable on demand (Refer note 15)		
Computaris International Limited	-	13,337,099
Total	-	13,337,099

7. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	94,616,694	126,103,909
Sub total (A)	94,616,694	126,103,909
Other liabilities		
Deffered Revneue	39,729,824	42,184,843
VAT	-	42,938,245
Withholding tax	314,756	-
Others	7,256,234	18,243,677
Sub total (B)	47,300,814	103,366,765
Total (A+B)	141,917,508	229,470,674

Schedule 8: Tangible Assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Building- leasehold	-	205,190.10	-	-	205,190	-	35,525.11	-	(2,693)	38,218.05	166,972	-
Computer hardware	5,304,188	2,878,863	-	(178,432)	8,361,483	3,387,516	1,149,911	-	(40,752)	4,578,179	3,783,304	1,916,672
Furniture & fixtures	196,436	-	-	(29,250)	225,686	190,361	6,487	-	(28,838)	225,686	-	6,075
Office & electrical equipments	838,833	130,503	-	(125,100)	1,094,436	664,004	58,535	-	(103,488)	826,027	268,409	174,829
Total	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
Previous year	5,914,863	854,903	-	430,309	6,339,457	3,713,277	863,622	-	335,018	4,241,881	2,097,576	2,201,586

Schedule9: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	820,547	-	-	(122,182)	942,729	820,547	-	-	(122,182)	942,729	-	-
Total	820,547	-	-	(122,182)	942,729	820,547	-	-	(122,182)	942,729	-	-
Previous year	858,429	-	-	37,882	820,547	858,429	-	-	37,882	820,547	-	-

10. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	9,172,667	14,851,823
Doubtful	-	769,319
	9,172,667	15,621,142
Provision for doubtful advances	-	769,319
Sub total (A)	9,172,667	14,851,823
Security deposit		
Unsecured, considered good	594,531	517,477
Sub total (B)	594,531	517,477
Other loans & advances		
Mark-to-market on forward contracts	-	434,088
VAT receivable	1,307,365	-
Sub total (C)	1,307,365	434,088
Total (A+B+C)	11,074,563	15,803,388

11. Deferred tax assets (net)

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Deferred tax assets		
Timing differences for deferred tax assets component	8,044,113	8,550,939
Gross deferred tax assets	8,044,113	8,550,939
Deferred tax liability		
Timing differences for deferred tax liability component	1,835,208	462,662
Gross deferred tax liability	1,835,208	462,662
Deferred tax assets (net)	6,208,905	8,088,277

12. Trade receivables and other assets

12.1 Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	-	817,390
	-	817,390
Provision for doubtful receivables	-	817,390
Sub total (A)	-	-
Other receivables		
Secured, considered good	-	-
Unsecured, considered good	144,847,741	230,409,177
Doubtful	-	-
	144,847,741	230,409,177
Provision for doubtful receivables	-	-
Sub total (B)	144,847,741	230,409,177
Total (A+B)	144,847,741	230,409,177

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
* Included in Sundry debtors are:		
Dues from companies under the same management		
Computaris International Limited	23,239,576	-

12.2 Other current assets

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (refer note 13)	-	3,075,800		
Unbilled revenue	-	-	7,224,165	5,536,717
Total	-	3,075,800	7,224,165	5,536,717

13. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Cash on hand			13,870	-
Balances with others banks:				
On current accounts			1,565,579	20,469,049
On deposit accounts with original maturity of less than 3 months			28,984,775	-
	-	-	30,564,224	20,469,049
Other bank balances				
Deposits with original maturity for more than 3 months but less than 12 months			-	2,851,959
Margin money deposit (refer detail below)	-	3,075,800	-	-
	-	3,075,800	-	2,851,959
Amount disclosed under non-current assets (refer note 12.2)	-	(3,075,800)	-	-
Total	-	-	30,564,224	23,321,008

Detail of margin money deposit

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin moneys deposit against credit / derivative facilities	-	3,075,800
Total	-	3,075,800

14. Revenue from operation

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Sale of services	146,018,245	235,020,096
Total	146,018,245	235,020,096

15. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Interest income	393,404	79,923
Miscellaneous income	2,059,340	816,936
Total	2,452,744	896,859

16. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Salaries, wages and bonus	54,748,633	50,092,043
Contribution to Employee's benefits plan	8,827,604	5,781,475
Staff Welfare Expenses	857,513	324,311
Total	64,433,750	56,197,829

17. Operational and other expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Recruitment and training expenses	2,606,850	-
Travelling and conveyance	8,474,373	2,786,517
Insurance	255,689	355,593
Repair and maintenance	2,315,686	405,070
Provision for doubtful debts and advances	-	1,522,020
Provision for claim	44,325,606	-
Membership & Subscription Fees	140,869	684,714
Rent - premises	4,903,323	3,879,975
Rent - equipment	9,986	-
Power and fuel	533,369	358,542
Communication costs	1,333,137	2,335,991
Printing and stationery	-	93,230
Advertising and sales promotion	946,991	607,266
Legal and professional expenses	35,496,764	132,389,334
Loss on sale of Assets	-	17,233
Foreign exchange fluctuation (net)	7,513,537	(1,225,253)
Rates and taxes	473,537	-
Miscellaneous expenses	2,487,671	767,396
Total	111,817,388	144,977,628

18. Depreciation and amortisation expenses

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Depreciation on tangible assets	1,250,458	863,622
Total	1,250,458	863,622

19. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Interest on loans	344,411	302,805
Bank charges	148,654	102,359
Total	493,065	405,164

20. 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

Subsidiaries of Computaris International Limited

Computaris Romania S.R.L.,Romania
Computaris USA, LLC
ICS Computaris International S.R.L., Moldova
Computaris Malaysian SDN.BHD., Malaysia
Computaris Limited, UK

Key management personnel	Dariusz Górczynski, Director Monika Borkowska, Director Ian Adrian Tidder, Director
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(ii) Details of transactions with related parties for the period ended December 31, 2012 and December 31, 2011:

(Amount in Rs.)

Particulars	December 31,	
	2012	2011
Computaris International Limited		
Services rendered	102,559,175	68,870,524
Amount Receivables	23,239,576	-
Amount Payable	-	12,996,766

Remuneration to key management personnel	2012	2011
Gorczyński Dariusz	4,361,262	4,697,501
Borkowska Monika	2,532,458	1,969,758
Michał Misiaszek	9,827,824	4,969,639
Total	16,723,556	11,638,909
Rent Paid		
Borkowska Monika	93,305	132,135
Total	93,305	132,135

Particulars	December 31,	
	2012	2011
Computaris International Limited		
Loan Outstanding	-	13,337,099

Details of Loan taken from Computaris International Limited, Holding Company:

- The outstanding amount due is Rs. Nil (equivalent to PLN Nil) and Rs. 15,323,052 (equivalent to PLN 867,228) as at December 31 2012 and December 31 2011
- The maximum amount due is Rs. 15,323,052 (equivalent to PLN 867,228) during the year 2012.
- The amount due are non-trade, interest is charged at 10 % per annum.

21. 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

	Period ended December 31, 2012 Rs.	Period ended December 31, 2011 Rs.
Lease payments for the year	4,515,950	3,879,975
Minimum Lease Payments:	-	-
Not later than one year	1,777,400	279,590
Later than one year but not later than five years	-	
Later than five years	-	

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

22. Contingent liabilities:

	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Claims not acknowledged as debts	24,775,870	-
TOTAL	24,775,870	-

23. During the year ended December 31, 2012, the Company received a claim for penalty from one of its customer and has recorded provision of Rs 44,312,260 towards such claim. The company had subcontracted certain part of its scope of services to one of its vendors and basis the contractual terms has claimed an equivalent amount from such vendor. However, pending acceptance of the claim, the recoverable for the amount claimed from the vendor has not been recorded in the financial statement.

Computaris Polska sp z o.o., Poland
Notes to Financial Statement for the year ended December 31, 2012

As per our report of even date.

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

For and on behalf of the Board of Directors of Computaris Polska, Sp
zo.o., Poland

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

Sd/-
Dariusz Górczynski
[Director]

Sd/-
MonikaBorkowska
[Director]

Place : New Delhi
Date : February 09, 2013

Place : Poland
Date : February 09, 2013

Place : Poland
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
ICS Computaris International S.R.L, Moldova, Moldova

We have audited the attached Balance Sheet of ICS Computaris International Srl, Moldova, Moldova, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

ICS Computaris International Srl, Moldova
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	20,693	20,693
Reserves and surplus	4	28,299,830	19,875,807
Current liabilities			
Trade payables	6	252,841	15,480
Other current liabilities	6	-	2,591,373
Short-term provisions	5	3,521,347	-
		32,094,711	22,503,353
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	2,617,672	2,627,064
Intangible assets	8	480,146	549,534
Intangible assets under development		-	47,902
Other non-current assets	10.2	718,044	859,750
Current assets			
Trade receivables	10.1	10,309,667	-
Cash and bank balances	11	10,774,259	10,451,492
Short-term loans and advances	9	7,194,923	7,967,611
		32,094,711	22,503,353
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
ICS Computaris International Srl, Moldova

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

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 09, 2013

Place : United Kingdom
Date: February 09, 2013

ICS Computaris International Srl, Moldova			
Profit and Loss Account for the year ended December 31, 2012			
	Notes	For the Year ended December 31, 2012 Rs.	For the Year ended December 31, 2011 Rs.
Income			
Revenue from operations	12	73,810,767	68,921,848
Total revenue		73,810,767	68,921,848
Expenses			
Employee benefits expense	13	41,695,405	39,174,620
Operational and other expense	14	20,546,226	21,424,432
Depreciation and amortisation	15	1,340,265	1,189,936
Finance cost	16	231,727	-
Total expenses		63,813,623	61,788,988
Profit before tax		9,997,144	7,132,860
Tax expense			
Current tax		1,730,334	-
Total tax expense		1,730,334	-
Profit for the year		8,266,810	7,132,860
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Profit and loss Account.

As per our report of even date.

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

For and on behalf of the Board of Directors of
ICS Computaris International Srl, Moldova

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

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date: February 09, 2013

Place : United Kingdom
Date: February 09, 2013

ICS Computaris International Srl, Moldova
Cash Flow Statement for the period ended December 31, 2012

	For the period ended December 31, 2012	For the period ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	9,997,144	7,132,860
Adjustments for:		
Depreciation and amortization	1,340,265	1,189,936
Unrealised foreign exchange (loss) / gain	595,702	2,349,446
Operating profit/(loss) before working capital changes	11,933,111	10,672,242
Movements in working capital :		
(Increase) / Decrease in Trade Receivables	(10,309,667)	-
(Increase) / Decrease in other current assets	-	242,117
(Increase) / Decrease in loans and advances	772,688	(7,349,410)
(Increase) / Decrease in margin money deposits	141,706	(859,750)
Increase / (Decrease) in short-term and long-term provision	3,420,744	-
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(2,354,012)	5,117,273
Cash generated from operations	3,604,570	7,822,472
Less: Taxes Paid	1,629,731	745,067
Net cash from operating activities	1,974,839	7,077,405
B. Cash flows used in investing activities		
Purchase of fixed assets	(1,652,072)	(951,367)
Net cash used in investing activities	(1,652,072)	(951,367)
C. Cash flows used in financing activities		
Net cash from used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	322,767	6,126,038
Cash and cash equivalents at the beginning of the year	10,451,492	4,325,454
Cash and cash equivalents at the end of the year	10,774,259	10,451,492

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

For and on behalf of the Board of Directors
of ICS Computaris International Srl, Moldova

Sd/-
Ian Adrian Tidder
[Director]

Place : United Kingdom
Date: February 09, 2013

1. Company Overview

ICS Computaris International S.R.L, Moldova, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. ICS Computaris International S.R.L, Moldova is a limited company incorporated and domiciled in Republic of Moldova on February 28, 2008 having its registered office is Vlaicu Pircalab Street, No 63, Et.9, oficio B, MD-2012, Chisinau, republica Moldova.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) Use of estimates

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

(d) 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.

(e) 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
Furniture and fittings	5-15 years

(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.

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.

(g) 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.

(h) 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.

(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, 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.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were MDL 1= Rs. 4.00. For translating assets and liabilities at the year-end, the rates used were MDL 1= Rs. 4.53.

(j) Income taxes

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

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

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

(k) Provision

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

(l) Cash and cash equivalents

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

(m) 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.

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	13,856,204	6,723,344
Add: Profit for the current year	8,266,810	7,132,860
Net surplus in the statement of profit and loss	22,123,014	13,856,204
Foreign currency translation reserve		
Balance as per last account	2,747,550	-
Add: Current year translation differences	157,213	2,747,550
Closing balance	2,904,763	2,747,550
Capital Reserve	3,272,053	3,272,053
Total	28,299,830	19,875,807

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	3,420,744	-
Sub total (A)	3,420,744	-
Other provision		
Income tax	100,603	-
Sub total (A)	100,603	-
Total (A+B)	3,521,347	-

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	252,841	15,480
Sub total (A)	252,841	15,480
Other liabilities		
Other	-	2,591,373
Sub total (B)	-	2,591,373
Total (A+B)	252,841	2,606,853

Schedule 7: Tangible Assets

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE		ADJUSTMENT/ DELETION	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer hardware	3,734,486	1,069,940	-	7,428	4,796,998	2,462,501	946,500	-	(17,627)	3,426,628	1,370,370	1,271,985
Furniture & fixtures	1,021,541	-	-	2,031	1,019,510	160,556	61,714	-	(1,150)	223,420	796,090	860,985
Office & electrical equipments	600,576	-	-	1,194	599,382	106,482	40,925	-	(763)	148,170	451,212	494,094
Total	5,356,603	1,069,940	-	10,653	6,415,890	2,729,539	1,049,139	-	(19,540)	3,798,218	2,617,672	2,627,064
CWIP	261,328	-	-	520	260,808	213,426	46,695	-	(687)	260,808	-	47,902
Total	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
Previous year	4,444,863	369,235	-	(803,833)	5,617,931	1,605,842	925,272	-	(411,851)	2,942,965	2,674,966	2,839,021

Schedule 8: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION		ADJUSTMENT/ DELETION	TOTAL	UPTO	FOR THE		ADJUSTMENT/ DELETION	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	1,310,472	582,132	-	402,780	1,489,824	760,938	244,431	-	(4,309)	1,009,678	480,146	549,534
Total	1,310,472	582,132	-	402,780	1,489,824	760,938	244,431	-	(4,309)	1,009,678	480,146	549,534
Previous year	616,795	582,132	-	(111,545)	1,310,472	390,853	264,664	-	(105,421)	760,938	549,534	225,942

9. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	793,868	1,345,418
Sub total (A)	793,868	1,345,418
Other loans and advances		
VAT receivable	6,401,055	6,622,193
Sub total (B)	6,401,055	6,622,193
Total (A+B)	7,194,923	7,967,611

10. Trade receivables and other current assets

10.1 Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	-	-
Provision for doubtful receivables	-	-
Sub Total (A)	-	-
Other receivables		
Secured , considered good	-	-
Unsecured, considered good	10,309,667	-
Doubtful	-	-
Provision for doubtful receivables	-	-
Sub Total (B)	10,309,667	-
Total (A+B)	10,309,667	-

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
* Included in Sundry debtors are:		
Dues from companies under the same management Computaris International Limited	10,309,667	-

10.2 Other non-current assets

Particulars	Non-Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (refer note 11)	718,044	859,750
Total	718,044	859,750

11. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalent				
Balance with other banks:				
On current accounts			10,774,259	10,451,492
On deposit accounts			-	-
			10,774,259	10,451,492
Other bank balances				
Margin money deposit (refer detail below)	718,044	859,750		
	718,044	859,750	-	-
Amount disclosed under non-current assets (refer note 10)	(718,044)	(859,750)	-	-
Total	-	-	10,774,259	10,451,492

Detail of margin money deposit

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin moneys deposit against performance guarantee	718,044	859,750
Total	718,044	859,750

12. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Sale of services	73,810,767	68,921,848
Total	73,810,767	68,921,848

13. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Salaries, wages and bonus	35,937,118	35,256,788
Contribution to Employee's benefits funds	5,758,287	3,917,832
Total	41,695,405	39,174,620

14. Operational and other expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Recruitment and training expenses	422,040	375,932
Travelling and conveyance	10,594,203	12,731,280
Rent - premises	7,252,297	6,088,980
Communication costs	947,946	734,872
Printing and stationery	392,054	142,892
Legal and professional expenses	1,215,473	734,916
Foreign exchange fluctuation (net)	(277,787)	615,560
Total	20,546,226	21,424,432

15. 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	1,095,834	925,272
Amortisation on intangible assets	244,431	264,664
Total	1,340,265	1,189,936

16. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Bank charges	231,727	-
Total	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 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
Computaris USA, LLC
Computaris Malaysian SDN.BHD., Malaysia
Computaris Limited, UK

Key Management Personnel Ian Adrian Tidder, Director

(ii) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

(Amount in Rs.)

Particulars	December 31,	
	2012	2011
Computaris International Limited		
Services rendered	73,810,767	68,921,848
Amount Receivables	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,	
	2012	2011
Lease payments for the year	7,253,004	6,088,980
Non-cancellable operating lease obligation	-	-
Not later than one year	1,666,935	465,034
Later than one year but not later than five years	-	77,504
Later than five years	-	-

ICS Computaris International Srl, Moldova
Notes to Financial Statement for the year ended December 31, 2012

19. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

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

For and on behalf of the Board of Directors of ICS Computaris
International S.R.L, Moldova

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

Sd/-
Ian Adrian Tidder
[Director]

Place : New Delhi
Date : February 09, 2013

Place: United Kingdom
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Computaris Malaysia Sdn. Bhd., Malaysia

We have audited the attached Balance Sheet of Computaris Malaysia Sdn. Bhd., Malaysia, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2012 and also the Statement of Profit and Loss and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

Computaris Malaysia Sdn. Bhd., Malaysia
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	14,930	14,930
Reserves and surplus	4	963,443	536,740
Current liabilities			
Trade payables	6	157,837	46,850
Other current liabilities	6	305,450	-
Short-term provisions	5	297,217	221,967
		1,738,877	820,487
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	73,341	69,823
Intangible assets	8	45,772	55,449
Current assets			
Trade receivables	10	706,463	167,320
Cash and bank balances	11	719,772	318,828
Short-term loans and advances	9	193,529	209,067
		1,738,877	820,487
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris Malaysia Sdn. Bhd., Malaysia

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

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Romania
Date: February 09, 2013

Place : Romania
Date: February 09, 2013

Computaris Malaysia Sdn. Bhd., Malaysia			
Profit and Loss Account for the period ended December 31, 2012			
	Notes	For the Year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Income			
Revenue from operations	12	15,343,653	10,523,108
Other income	13	138,194	-
Total revenue		15,481,847	10,523,108
Expenses			
Employee benefits expense	14	12,413,811	8,078,577
Operational and other expense	15	2,633,854	2,194,173
Depreciation and amortisation	16	35,192	21,083
Finance cost	17	778	7,434
Total expenses		15,083,635	10,301,267
Profit before tax		398,212	221,841
Tax expense			
Current tax		25,323	108,400
Total tax expense		25,323	108,400
Profit for the year		372,889	113,441
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Profit and Loss Account.

As per our report of even date.

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

For and on behalf of the Board of Directors of
Computaris Malaysia Sdn. Bhd., Malaysia

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

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Romania
Date: February 09, 2013

Place : Romania
Date: February 09, 2013

Computaris Malaysia Sdn. Bhd., Malaysia
Cash Flow Statement for the period ended December 31, 2012

	For the period ended December 31, 2012	For the period ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	398,212	221,841
Adjustments for:		
Depreciation and amortisation	35,192	21,083
Unrealised foreign exchange (loss) / gain	46,125	53,363
Operating profit/(loss) before working capital changes	479,529	296,287
Movements in working capital :		
(Increase) / Decrease in trade receivables	(539,143)	(167,320)
(Increase) / Decrease in loans and advances	15,538	(90,000)
Increase / (Decrease) in short-term and long-term provision	194,982	51,078
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	416,437	(122,710)
Cash generated from operations	567,343	(32,665)
Less: Taxes Paid	145,055	108,400
Net cash from operating activities	422,288	(141,065)
B. Cash flows used in investing activities		
Purchase of fixed assets	(21,344)	(93,950)
Net cash used in investing activities	(21,344)	(93,950)
C. Cash flows used in financing activities		
Net cash from used in financing activities		-
Net increase in cash and cash equivalents (A + B + C)	400,944	(235,015)
Cash and cash equivalents at the beginning of the year	318,828	553,843
Cash and cash equivalents at the end of the year	719,772	318,828

As per our report of even date

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

For and on behalf of the Board of Directors a
of Computaris Malaysia Sdn. Bhd., Malaysia

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

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date: February 09, 2013

Place : Romania
Date: February 09, 2013

Place : Romania
Date: February 09, 2013

1. Company Overview

Computaris Malaysia Sdn. Bhd., Malaysia, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris Malaysia Sdn. Bhd., Malaysia is a limited company incorporated and domiciled in Malaysia on November 19, 2009 having its registered office is Suite 21.02 & 03, 21st floor, Menara Haw Par, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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.

(d) 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.

(e) 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

(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, 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.

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

(j) Income taxes

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

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

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

(k) Provision

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

(l) Cash and cash equivalents

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

(m) 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.

3. Share capital

Particulars	As at December 31, 2012		As at December 31, 2011	
	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, 2012		As at December 31, 2011	
	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

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	479,584	366,143
Add: Profit for the current year	372,889	113,441
Net surplus in the statement of profit and loss	852,473	479,584
Foreign currency translation reserve		
Balance as per last account	57,156	-
Add: Current year translation differences	53,814	57,156
Closing balance	110,970	57,156
Total	963,443	536,740

Computaris Malaysia Sdn. Bhd., Malaysia
Notes to Financial Statements for the year ended December 31, 2012

5. Short-term provisions

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits		
Compensated absences	194,982	-
Sub total (A)	194,982	-
Other provision		
Income tax	102,235	221,967
Sub total (B)	102,235	221,967
Total (A+B)	297,217	221,967

6. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	157,837	46,850
Sub total (A)	157,837	46,850
Other liabilities		
Other	305,450	-
Sub total (B)	305,450	-
Total (A+B)	463,287	46,850

Schedule 7: Tangible Assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer hardware	49,527	-	-	(3,564)	53,091.00	19,794.00	10,233	-	(1,809)	31,836	21,255	29,733
Office & electrical equipments	48,807	21,344	-	(3,512)	73,663.00	8,717.00	11,788	-	(1,072)	21,577	52,086	40,090
Total	98,334	21,344	-	(7,076)	126,754	28,511	22,021	-	(2,881)	53,413	73,341	69,823
Previous year	53,546	42,616	-	(2,171)	98,334	10,758	15,766	-	(1,987)	28,511	69,823	42,789

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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	63,715	-	-	(4,585)	68,300	8,266	13,171	-	(1,091)	22,528	45,772	55,449
Total	63,715	-	-	(4,585)	68,300	8,266	13,171	-	(1,091)	22,528	45,772	55,449
Previous Year	11,899	51,334	-	(482)	63,715	2,332	5,316	-	(618)	8,266	55,449	9,568

Computaris Malaysia Sdn. Bhd., Malaysia

Notes to Financial Statements for the year ended December 31, 2012

9. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	193,529	209,067
Total	193,529	209,067

10. Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	-	-
Provision for doubtful receivables	-	-
Total (A)	-	-
Other receivables		
Unsecured, considered good	706,463	167,320
Doubtful	-	-
	706,463	167,320
Provision for doubtful receivables	-	-
Total (B)	706,463	167,320
Total	706,463	167,320

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
* Included in Sundry debtors are:		
Dues from companies under the same management		
Computaris International Limited	706,463	-

Computaris Malaysia Sdn. Bhd., Malaysia

Notes to Financial Statements for the year ended December 31, 2012

11. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balance with other banks	-	-
On current accounts	719,772	318,828
Total	719,772	318,828

12. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Sale of services	15,343,653	10,523,108
Total	15,343,653	10,523,108

13. Other income

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Miscellaneous Income	138,194	-
Total	138,194	-

14. Employee benefit expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Salaries, wages and bonus	11,048,192	7,085,107
Contribution to Employee's benefit funds	1,277,742	956,544
Staff Welfare Expenses	87,877	36,926
Total	12,413,811	8,078,577

15. Operational and other expense

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Recruitment and training expenses	-	225,696
Travelling and conveyance	451,450	399,037
Insurance	189,098	106,740
Repair and maintenance	20,915	1,295
Rent - premises	760,540	682,299
Communication costs	239,933	165,266
Printing and stationery	49,988	29,842
Advertising and sales promotion	112,733	92,253
Legal and professional expenses	676,985	373,002
Foreign exchange fluctuation (net)	62,001	69,936
Miscellaneous expenses	70,211	48,807
Total	2,633,854	2,194,173

16. 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	22,021	15,766
Amortisation on intangible assets	13,171	5,317
Total	35,192	21,083

17. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Bank charges	778	7,434
Total	778	7,434

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 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 USA, LLC
 Computaris Limited, UK

Key management Personnel
 Bogdan Mihai Danila, Director
 Razvan Rusu, Director

(ii) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

(Amount in Rs.)

Particulars	December 31,	
	2012	2011
Computaris International Limited		
Services rendered	14,825,103	10,066,109
Accounts receivable	706,463	-

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, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	760,956	682,299
Non-cancellable operating lease obligation		
Not later than one year	322,243	44,150
Later than one year but not later than five years	-	-
Later than five years	-	-

The operating lease arrangements extend for a maximum of 1 year from their respective dates of inception.

Computaris Malaysia Sdn. Bhd., Malaysia
Notes to Financial Statement for the year ended December 31, 2012

20. The Company has no material deferred tax component as at December 31, 2012. Hence no deferred tax has been recorded in the books.

As per our report of even date.

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

For and on behalf of the Board of Directors of Computaris Malaysia Sdn.
Bhd., Malaysia

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

Sd/-
Bogdan Mihai Danila
[Director]

Sd/-
Razvan Rusu
[Director]

Place : New Delhi
Date : February 09, 2013

Place : Romania
Date : February 09, 2013

Place : Romania
Date : February 09, 2013

AUDITORS' REPORT

To
The Members,
Computaris USA, Inc., USA

We have audited the attached Balance Sheet of Computaris USA, Inc., USA, a wholly-owned subsidiary of Computaris International Limited, UK, as at 31st December, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared in accordance with accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

 - b) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2012;

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

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

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

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

PLACE: NEW DELHI
DATED: February 09, 2013

Computaris USA, Inc., USA
Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,558	4,558
Reserves and surplus	4	1,602,012	(2,772,321)
Deferred tax Liability		172,197	-
Current liabilities			
Trade payables	5	8,899,393	8,497,351
Other current liabilities	5	-	5,243,459
		10,678,160	10,973,047
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	6	432,252	206,158
Intangible assets	7	-	-
Current assets			
Trade receivables	9	6,628,554	-
Cash and bank balances	10	3,310,016	10,766,889
Short-term loans and advances	8	307,338	-
		10,678,160	10,973,047
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Balance Sheet.

As per our report of even date.

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

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

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

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date: February 09, 2013

Place : USA
Date: February 09, 2013

Computaris USA, Inc., USA			
Statement of Profit and Loss for the period ended December 31, 2012			
	Notes	For the Year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Income			
Revenue from operations	11	77,026,404	13,115,452
Total revenue		77,026,404	13,115,452
Expenses			
Employee benefits expense	12	-	3,426,954
Operational and other expenses	13	71,537,771	11,237,791
Depreciation and amortisation	14	81,093	98,137
Finance cost	15	30,290	9,142
Total expenses		71,649,154	14,772,024
Profit / (loss) before tax		5,377,250	(1,656,572)
Tax expense			
Current tax		547,512	44,031
Deferred tax charge		482,392	-
Total tax expense		1,029,904	44,031
Profit / (loss) for the year		4,347,346	(1,700,603)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the Statement of Profit and Loss.

As per our report of even date.

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

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

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

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date: February 09, 2013

Place : USA
Date: February 09, 2013

Computaris USA, Inc., USA
Cash Flow Statement for the period ended December 31, 2012

	For the period ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
A. Cash flow from operating activities		
Net profit/(loss) before taxation	5,377,250	(1,656,572)
Adjustments for:		
Depreciation and amortisation	81,093	98,137
Unrealised foreign exchange (loss) / gain	(288,225)	(352,980)
Operating profit/(loss) before working capital changes	5,170,118	(1,911,415)
Movements in working capital :		
(Increase) / Decrease in Trade Receivables	(6,628,554)	
(Increase) / Decrease in loans and advances	(307,338)	-
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(4,841,417)	11,283,272
Cash generated from operations	(6,607,191)	9,371,857
Less: Taxes Paid	547,512	44,031
Net cash from operating activities	(7,154,703)	9,327,826
B. Cash flows used in investing activities		
Purchase of fixed assets	(302,170)	(216,771)
Net cash used in investing activities	(302,170)	(216,771)
C. Cash flows used in financing activities		
Net cash from used in financing activities	-	-
Net increase in cash and cash equivalents (A + B + C)	(7,456,873)	9,111,055
Cash and cash equivalents at the beginning of the year	10,766,889	1,655,834
Cash and cash equivalents at the end of the year	3,310,016	10,766,889

As per our report of even date

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

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

Place : New Delhi
Date: February 09, 2013

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

Sd/-
Michal Misiaszek
[Director]

Place : USA
Date: February 09, 2013

1. Company Overview

Computaris USA, LLC, USA, is a wholly owned subsidiary of Computaris International Limited, UK which is again a subsidiary of R Systems International Limited w.e.f January 26, 2011, a company incorporated in India. Computaris USA, LLC, USA is a limited company incorporated and domiciled in United States of America on April 02, 2010 having its registered office is 14004 Roosevelt Boulevard, Suite 601H Clearwater, Florida 33762, U.S.A.

The main object of Company is to provide services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

2. Statement of significant accounting policies

(a) Basis of preparation

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

All figures are in Rupees except where expressly stated.

(b) Change in accounting policy

During the year ended December 31, 2012, the Company adopted the revised Schedule VI notified under the Companies Act 1956, for preparation and presentation of the Financial Statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The previous year figures have been reclassified in accordance with the requirements applicable in the current period.

(c) 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) 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.

(e) 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

(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, 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.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were USD \$ 1= Rs. 46.64. For translating assets and liabilities at the year-end, the rates used were USD \$ 1= Rs. 53.10

(j) Income taxes

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

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

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

(k) Provision

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

(l) Cash and cash equivalents

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

(m) 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.

3. Share capital

Particulars	As at	As at
	December 31, 2012	December 31, 2011
	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, 2012		December 31, 2011	
	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

Computaris USA, Inc., USA

Notes to Financial Statements for the year ended December 31, 2012

4. Reserves and surplus

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Statement of Profit and Loss		
Balance as per last account	(2,420,597)	(719,994)
Add: Profit / (loss) for the current year	4,347,346	(1,700,603)
Net Surplus/ (Deficit) in the statement of profit and loss	1,926,749	(2,420,597)
Foreign currency translation reserve		
Balance as per last account	(351,724)	-
Add: Current year translation differences	26,987	(351,724)
Closing balance	(324,737)	(351,724)
Total	1,602,012	(2,772,321)

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012**

5. Other current liabilities

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	8,899,393	8,497,351
Sub total (A)	8,899,393	8,497,351
Other liabilities		
Payables to Related Parties		
Computaris International Limited	-	5,243,459
Sub total (B)	-	5,243,459
Total (A+B)	8,899,393	13,740,810

Schedule 6: Tangible Assets

(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
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer hardware	216,771	257,966	-	(7,822)	482,559	10,613	68,592		(2,385)	81,590	400,969	206,158
Office & electrical equipments	-	44,204	-	-	44,204	-	12,501		(420.81)	12,921.32	31,283	-
Total	216,771	302,170	-	(7,822)	526,763	10,613	81,093		(2,806)	94,511	432,252	206,158
Previous year	-	216,771	-	91,287	216,771	-	9,329		(1,284)	10,613	206,158	-

Schedule 7: Intangible Assets

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON	ADDITION	DELETION	ADJUSTMENT	TOTAL	UPTO	FOR THE	DELETION	ADJUSTMENT	TOTAL	AS AT	AS AT
	1.1.2012	DURING THE YEAR			31.12.2012	1.1.2012	DURING THE YEAR			31.12.2012	31.12.2012	31.12.2011
Computer Software	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Previous Year	91,287	-	-	91,287	-	5,059	88,249		93,308	-	-	-

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012**

8. Short term loans and advances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	307,338	-
Total	307,338	-

Computaris USA, Inc., USA

Notes to Financial Statements for the year ended December 31, 2012

9. Trade receivables

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-
Doubtful	-	-
Provision for doubtful receivables	-	-
Total (A)	-	-
Other receivables		
Secured , considered good	-	-
Unsecured, considered good	6,628,554	-
Doubtful	-	-
Provision for doubtful receivables	-	-
Total (B)	6,628,554	-
Total (A+B)	6,628,554	-

Trade receivable include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
* Included in Sundry debtors are:		
Dues from companies under the same management		
Computaris International Limited	6,628,554	-

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012**

10. Cash and bank balances

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents		
Balance with other banks:		
On current accounts	3,310,016	10,766,889
Total	3,310,016	10,766,889

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012**

11. Revenue from operations

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Sale of services	77,026,404	13,115,452
Total	77,026,404	13,115,452

12. Employee benefit expenses

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Salaries, wages and bonus	-	3,119,157
Staff Welfare Expenses	-	307,797
Total	-	3,426,954

Computaris USA, Inc., USA**Notes to Financial Statements for the year ended December 31, 2012****13. Operational and other expense**

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Recruitment and training expenses	-	36,148
Travelling and conveyance	3,364,885	2,750,211
Repair and maintenance	29,924	-
Commission other	-	559,716
Rent - premises	1,673,146	-
Power and fuel	-	3,731
Communication costs	383,398	3,731
Printing and stationery	10,150	-
Advertising and sales promotion	5,022	-
Legal and professional expenses	65,872,627	7,785,977
Miscellaneous expenses	198,619	98,277
Total	71,537,771	11,237,791

14. 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	81,093	9,329
Amortisation on intangible assets	-	88,808
Total	81,093	98,137

15. Finance cost

Particulars	For the year ended December 31, 2012 Rs.	For the period ended December 31, 2011 Rs.
Bank charges	30,290	9,142
Total	30,290	9,142

Computaris USA, Inc., USA

Notes to Financial Statement for the year ended December 31, 2012

16. 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 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

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

Key Management Personnel	Raluca Marina Rusu, Director Michal Misiaszek, Director
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(ii) Details of transactions with related parties for period ended December 31, 2012 and December 31, 2011:

Particulars	December 31,2012	December 31,2011
Computaris International Limited		
Services rendered	77,026,404	13,115,452
Account Payable	-	5,243,459
Account Receivable	6,628,554	-
R System Inc.		
Amount Payable	7,322,181	8,327,225
Services received	63,961,080	7,492,405

17. The Company has no material deferred tax component as at December 31, 2012 and 2011. Hence no deferred tax has been recorded in the books.

Computaris USA, Inc., USA

Notes to Financial Statement for the year ended December 31, 2012

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 Inc USA,
LLC, USA

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

Sd/-
Michal Misiaszek
[Director]

Place : New Delhi
Date : February 09, 2013

Place : USA
Date : February 09, 2013