



BHALOTIA
ASSOCIATES

Chartered Accountants

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Auditors' Report

To the Board of Directors of
M/s Cambridge Solutions Sdn BHD, Malaysia

1. We have audited the attached Balance Sheet of **Cambridge Solutions Sdn BHD** as at **December 31, 2011** and the Profit and Loss Account and Cash Flow Statement for the year ended on that date, prepared in accordance with accounting principles generally accepted in India. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. 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 significant accounting policies, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the company, as at December 31, 2011;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flow for year ended on that date.
4. This report has been furnished for the purposes of filing of standalone financial statement u/s 212 of the Companies Act, 1956 with the Registrar of Companies w.r.t **M/s Cambridge Solutions Limited**, the ultimate holding company, as at and for the year ended December 31, 2010. It is not to be used for any other purpose or refer to any other document or distributed to any other authority.

For Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

Ajay Kumar Bhalotia

CA. Ajay Kumar Bhalotia
Partner
Membership No. 057931
Place: Kolkata
Date: February 29, 2012



CAMBRIDGE SOLUTIONS SDN BHD

BALANCE SHEET AS AT DECEMBER 31,2011

| | Schedule | (In MYR) <u>2011</u> | (In INR) <u>2011</u> | (In MYR) <u>2010</u> | (In INR) <u>2010</u> |
|---|----------|-------------------------|-------------------------|-------------------------|-------------------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Funds | | | | | |
| Share Capital | A | 2,50,000 | 42,78,975 | 2,50,000 | 36,91,100 |
| Reserves and surplus | B | 40,03,067 | 6,85,16,101 | 33,52,156 | 4,94,92,571 |
| Loan Funds | | | | | |
| Unsecured loans | C | 23,95,781 | 4,10,05,941 | 13,69,941 | 2,02,26,357 |
| | | <u>66,48,848</u> | <u>11,38,01,017</u> | <u>49,72,097</u> | <u>7,34,10,028</u> |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | D | 1,18,110 | 20,21,562 | 1,18,110 | 17,43,826 |
| Less: Accumulated Depreciation | | <u>1,06,308</u> | <u>18,19,565</u> | <u>89,795</u> | <u>13,25,763</u> |
| Net Block | | <u>11,802</u> | <u>2,01,997</u> | <u>28,316</u> | <u>4,18,063</u> |
| Current Assets, Loans & Advances | | | | | |
| Sundry Debtors | E | 71,60,060 | 12,25,50,879 | 34,00,105 | 5,02,00,510 |
| Cash and Bank Balances | F | 90,606 | 15,50,803 | 59,977 | 8,85,528 |
| Loans and Advances | G | <u>86,049</u> | <u>14,72,806</u> | <u>16,95,370</u> | <u>2,50,31,128</u> |
| | | <u>73,36,715</u> | <u>12,55,74,489</u> | <u>51,55,453</u> | <u>7,61,17,166</u> |
| Less: Current Liabilities & Provisions | | | | | |
| Current Liabilities | H | 6,81,288 | 1,16,60,853 | 1,96,359 | 28,99,116 |
| Provisions | I | <u>18,382</u> | <u>3,14,616</u> | <u>15,313</u> | <u>2,26,085</u> |
| Net Current Assets/ (Liabilities) | | <u>66,37,046</u> | <u>11,35,99,020</u> | <u>49,43,781</u> | <u>7,29,91,965</u> |
| TOTAL | | <u>66,48,848</u> | <u>11,38,01,017</u> | <u>49,72,097</u> | <u>7,34,10,028</u> |

Notes to Accounts

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

As per our report of even date

For Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

Abhralata

CA. Ajay Kumar Bhalotia
Partner
Membership No.057931



For and on behalf of the Board of Directors of
Cambridge Solutions Sdn Bhd

Mladen Prpich

Mladen Prpich
Director

Murali Nadarajah

Murali Nadarajah
Director

Place: *Kolko*
Date: *29/02/2012*

Place:
Date:

Place:
Date:

CAMBRIDGE SOLUTIONS SDN BHD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

| | Schedule | (In MYR) <u>2011</u> | (In INR) <u>2011</u> | (In MYR) <u>2010</u> | (In INR) <u>2010</u> |
|---|----------|-------------------------|-------------------------|-------------------------|-------------------------|
| Income | | | | | |
| Revenues | J | 15,48,000 | 2,64,95,413 | 23,25,385 | 3,43,32,922 |
| | | <u>15,48,000</u> | <u>2,64,95,413</u> | <u>23,25,385</u> | <u>3,43,32,922</u> |
| Expenditure | | | | | |
| Employee Costs | K | 4,97,079 | 85,07,953 | 8,42,668 | 1,24,41,486 |
| Other Operating Costs | L | 3,82,902 | 65,53,708 | 3,96,415 | 58,52,823 |
| Finance Costs | M | 594 | 10,167 | 347 | 5,120 |
| Depreciation | D | 16,514 | 2,82,650 | 20,763 | 3,06,554 |
| | | <u>8,97,089</u> | <u>1,53,54,478</u> | <u>12,60,192</u> | <u>1,86,05,983</u> |
| Profit/(loss) for the year before tax | | 6,50,911 | 1,11,40,935 | 10,65,193 | 1,57,26,939 |
| Provision for tax | | - | - | - | - |
| Deferred Tax Expense / (credit) | | - | - | - | - |
| Total Tax Expense/Income | | - | - | - | - |
| Profit/(loss) for the year after tax | | 6,50,911 | 1,11,40,935 | 10,65,193 | 1,57,26,939 |
| Profit/(Loss), at the beginning of the year | | 33,52,156 | 5,73,75,165 | 22,86,963 | 3,37,65,632 |
| Profit/(Loss), end of the year | | 40,03,067 | 6,85,16,101 | 33,52,156 | 4,94,92,571 |
| Earning per share (Equity shares, per value RM1.00 each) | | | | | |
| Basic and Diluted | | 2.60 | 44.56 | 4.26 | 62.91 |
| Weighted average number of equity shares | | | | | |
| Basic and Diluted | | 2,50,000 | 2,50,000 | 2,50,000 | 2,50,000 |

Notes to Accounts

N

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

As per our report of even date

For Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

Abhrolaks

CA. Ajay Kumar Bhalotia
Partner
Membership No.057931



For and on behalf of the Board of Directors of
Cambridge Solutions Sdn Bhd

Mladen Prpic

Mladen Prpic
Director

Murali Nadarajah

Murali Nadarajah
Director

Place: *Kolkata*
Date: *29/02/2012*

Place:
Date:

Place:
Date:

CAMBRIDGE SOLUTIONS SDN BHD

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

| | (In MYR) | (In INR) | (In MYR) | (In INR) |
|--|-------------------|----------------------|--------------------|----------------------|
| | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> |
| A. Cash flow from operating activities | | | | |
| Net profit / (Loss) after taxation | 6,50,911 | 1,11,40,935 | 10,65,193 | 1,57,26,939 |
| Adjustments for: | | | | |
| Depreciation | 16,514 | 2,82,650 | 20,763 | 3,06,554 |
| Interest | 594 | 10,167 | 347 | 5,120 |
| Operating profit before working capital changes | 6,68,019 | 1,14,33,752 | 10,86,303 | 1,60,38,613 |
| Decrease / (Increase) in sundry debtors | (37,59,955) | (6,43,55,022) | (20,66,406) | (3,05,09,245) |
| Decrease / (Increase) loans and advances | 16,09,321 | 2,75,44,985 | 5,805 | 85,701 |
| Increase / (Decrease) in current liabilities & provisions | 4,87,998 | 83,52,523 | (27,673) | (4,08,581) |
| Net cash (used) Surplus in operating activities (A) | (9,94,617) | (1,70,23,761) | (10,01,972) | (1,47,93,512) |
| Direct taxes paid (net of refunds) | - | - | 68,231 | 10,07,397 |
| Net cash used in operating activities (A) | (9,94,617) | (1,70,23,761) | (9,33,740) | (1,37,86,115) |
| B. Cash flows from investing activities | | | | |
| Purchase of fixed assets | - | - | (12,250) | (1,80,864) |
| Net cash used in investing activities (B) | - | - | (12,250) | (1,80,864) |
| C. Cash flows from financing activities | | | | |
| Proceeds from unsecured loan | 10,25,840 | 1,75,58,168 | 8,84,441 | 1,30,58,241 |
| Interest paid | (594) | (10,167) | (347) | (5,120) |
| Net cash from financing activities (C) | 10,25,246 | 1,75,48,001 | 8,84,094 | 1,30,53,120 |
| Net increase in cash and cash equivalents (A + B + C) | 30,629 | 5,24,239 | (61,896) | (9,13,859) |
| Cash and cash equivalents at the beginning of the year | 59,977 | 10,26,564 | 1,21,873 | 17,99,386 |
| Cash and cash equivalents at the end of the year | 90,606 | 15,50,803 | 59,977 | 8,85,528 |
| Components of cash and cash equivalents | | | | |
| With banks | | | | |
| on current account | 90,606 | 15,50,803 | 59,977 | 8,85,528 |
| | 90,606 | 15,50,803 | 59,977 | 8,85,528 |

As per our report of even date

For Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

Abhjolaha

CA. Ajay Kumar Bhalotia
Partner
Membership No.057931



For and on behalf of the Board of Directors of
Cambridge Solutions Sdn Bhd

Mladen Prpich

Mladen Prpich
Director

Murali Nadarajah

Murali Nadarajah
Director

Place: *Kolkata*
Date: *29/02/2012*

Place:
Date:

Place:
Date:

CAMBRIDGE SOLUTIONS SDN BHD

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

| | <i>(In MYR)</i> | <i>(In INR)</i> | <i>(In MYR)</i> | <i>(In INR)</i> |
|--|------------------|--------------------|------------------|--------------------|
| | 2011 | 2011 | 2010 | 2010 |
| A Share Capital | | | | |
| Authorised Capital | 5,00,000 | 85,57,950 | 5,00,000 | 73,82,200 |
| 500,000 (2009: 5,00,000) Equity Shares of RM1 each | | | | |
| | 5,00,000 | 85,57,950 | 5,00,000 | 73,82,200 |
| Issued, Subscribed and Paid up Capital | | | | |
| 250,000 (2009: 250,000) Equity Shares of RM1 each | 2,50,000 | 42,78,975 | 2,50,000 | 36,91,100 |
| | 2,50,000 | 42,78,975 | 2,50,000 | 36,91,100 |
| B Reserves and Surplus | | | | |
| Profit & Loss account | 40,03,067 | 6,85,16,101 | 33,52,156 | 4,94,92,571 |
| | 40,03,067 | 6,85,16,101 | 33,52,156 | 4,94,92,571 |
| C Unsecured Loan | | | | |
| Loan from related party | 23,95,781 | 4,10,05,941 | 13,69,941 | 2,02,26,357 |
| | 23,95,781 | 4,10,05,941 | 13,69,941 | 2,02,26,357 |
| Loan from related party includes: | | | | |
| Cambridge Solutions Pte Limited, Singapore | 23,95,781 | 4,10,05,941 | 13,69,941 | 2,02,26,357 |
| | 23,95,781 | 4,10,05,941 | 13,69,941 | 2,02,26,357 |

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CAMBRIDGE SOLUTIONS SDN BHD

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

D Fixed Assets (In MYR)

| | Gross Block | | | Depreciation | | Net Block | |
|------------------------|-----------------|---------------|----------|---------------|---------------|-----------------|---------------|
| | 2011 | Additions | Deletion | 2011 | Additions | 2011 | 2010 |
| Leasehold Improvements | 42,093 | - | - | 42,093 | - | 42,093,300 | (0) |
| Computers | 35,802 | - | - | 16,931 | 11,534 | 28,465,550 | 7,336 |
| Office Equipment | 15,830 | - | - | 8,383 | 2,982 | 11,364,610 | 18,871 |
| Furniture and fixtures | 24,385 | - | - | 22,387 | 1,998 | 24,385,000 | 7,447 |
| | | | | | | | 1,998 |
| Total | 1,18,110 | - | - | 89,795 | 16,514 | 1,06,308 | 28,316 |
| 2010 | 1,05,860 | 12,250 | - | 69,032 | 20,763 | 89,794.6 | 36,829 |

D Fixed Assets (In INR)

| | Gross Block | | | Depreciation | | Net Block | |
|------------------------|------------------|-----------------|----------|------------------|-----------------|------------------|-----------------|
| | 2011 | Additions | Deletion | 2011 | Additions | 2011 | 2010 |
| Leasehold Improvements | 7,20,463 | - | - | 7,20,465 | - | 7,20,465 | (2) |
| Computers | 6,12,783 | - | - | 2,89,791 | 1,97,422 | 4,87,214 | 1,25,570 |
| Office Equipment | 2,70,945 | - | - | 1,43,478 | 51,037 | 1,94,516 | 76,429 |
| Furniture and fixtures | 4,17,371 | - | - | 3,83,181 | 34,190 | 4,17,371 | - |
| | | | | | | | 34,190 |
| Total | 20,21,562 | - | - | 15,36,915 | 2,82,650 | 18,19,565 | 4,84,647 |
| 2010 | 15,62,962 | 1,80,864 | - | 10,19,209 | 3,06,554 | 13,25,763 | 5,43,753 |



CAMBRIDGE SOLUTIONS SDN BHD

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

| | (In MYR) <u>2011</u> | (In INR) <u>2011</u> | (In MYR) <u>2010</u> | (In INR) <u>2010</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| E Sundry debtors (Unsecured) | | | | |
| Other debts | - | - | - | - |
| Considered good | | | | |
| Intercompany Debtors | 71,60,060 | 12,25,50,879 | 34,00,105 | 5,02,00,510 |
| | <u>71,60,060</u> | <u>12,25,50,879</u> | <u>34,00,105</u> | <u>5,02,00,510</u> |
| (ii) Details of Intercompany Debtors | | | | |
| Cambridge Solutions Pte Limited, Singapore | 65,61,060 | 11,22,98,439 | 34,00,105 | 5,02,00,510 |
| Xchanging Asia Pacific Sdn Bhd | 5,99,001 | 1,02,52,440 | | |
| | <u>71,60,060</u> | <u>12,25,50,879</u> | <u>34,00,105</u> | <u>5,02,00,510</u> |
| F Cash and Bank Balances | | | | |
| Balances with Other Banks | | | | |
| - Current Accounts | | | | |
| UOB, Medan Pasar Branch, Kuala Lumpur | 90,606 | 15,50,803 | 59,977 | 8,85,528 |
| | <u>90,606</u> | <u>15,50,803</u> | <u>59,977</u> | <u>8,85,528</u> |
| Maximum balance held during the year | 1,43,701 | 24,59,572 | 2,49,437 | 36,82,788 |
| G Loans and advances (Unsecured) | | | | |
| Considered good | | | | |
| Dues from related parties | | | | |
| Loans and advances | - | - | 16,25,559 | 2,40,00,409 |
| | - | - | 16,25,559 | 2,40,00,409 |
| Advances recoverable in cash or kind or for value to be received | 38,479 | 6,58,603 | 22,241 | 3,28,376 |
| Other deposits | 47,570 | 8,14,203 | 47,570 | 7,02,343 |
| | <u>86,049</u> | <u>14,72,806</u> | <u>16,95,370</u> | <u>2,50,31,128</u> |
| (i) Dues from related parties | | | | |
| Cambridge Solutions Pte Limited, Singapore | | - | 16,12,955 | 2,38,14,306 |
| Xchanging Asia Pacific Sdn Bhd | | - | 12,605 | 1,86,103 |
| | - | - | <u>16,25,559</u> | <u>2,40,00,409</u> |
| H Current Liabilities | | | | |
| Sundry Creditors | 33,771 | 5,78,017 | 23,056 | 3,40,408 |
| Dues to related parties | | | | |
| Expenses payable | 6,13,343 | 1,04,97,921 | 1,40,681 | 20,77,063 |
| Advance from Customers | | - | - | - |
| Other Liabilities | 34,174 | 5,84,915 | 32,622 | 4,81,645 |
| | <u>6,81,288</u> | <u>1,16,60,853</u> | <u>1,96,359</u> | <u>28,99,116</u> |
| Dues to related parties: | | | | |
| (i) Cambridge Solutions Pte Ltd, Singapore | 6,10,343 | 1,04,46,573 | 1,40,681 | 20,77,063 |
| (ii) Xchanigng Asia Pacific Sdn Bhd | | - | - | - |
| (iii) Cambridge Solutions Ltd, India | 3,000 | 51,348 | | |
| | <u>6,13,343</u> | <u>1,04,97,921</u> | <u>1,40,681</u> | <u>20,77,063</u> |



CAMBRIDGE SOLUTIONS SDN BHD

SCHEDULES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

| | <i>(In MYR)</i> | <i>(In INR)</i> | <i>(In MYR)</i> | <i>(In INR)</i> |
|---|------------------------|-------------------------------|-----------------------------|------------------------|
| | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> |
| 1 Provisions | | | | |
| Provision for Compensated absences | 18,382 | 3,14,616 | 15,313 | 2,26,085 |
| | <u>18,382</u> | <u>3,14,616</u> | <u>15,313</u> | <u>2,26,085</u> |
| (i) Movement in Provisions: | | | | |
| Particulars of provisions | Opening Balance | Charge during the year | Used during the year | Closing Balance |
| Provision for Compensated absences (In RM) | 15,313 | 33,858 | 30,789 | 18,381.52 |
| Provision for Compensated absences (In INR) | 2,62,093 | 5,79,513 | 5,26,990 | 3,14,616 |

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CAMBRIDGE SOLUTIONS SDN BHD

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

| | <i>(In MYR)</i> | <i>(In INR)</i> | <i>(In MYR)</i> | <i>(In INR)</i> |
|--|------------------|--------------------|------------------|--------------------|
| | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> |
| J Revenues | | | | |
| Revenue from Software Development and related services | | | | |
| - Time and material contracts | - | - | 1,35,200 | 19,96,147 |
| - Fixed price contracts | 15,48,000 | 2,64,95,413 | 21,48,000 | 3,17,13,931 |
| - Annual maintenance contracts | - | - | 42,185 | 6,22,843 |
| | <u>15,48,000</u> | <u>2,64,95,413</u> | <u>23,25,385</u> | <u>3,43,32,922</u> |
| K Employee Costs | | | | |
| Salaries, Allowances and Bonus | 3,45,936 | 59,21,003 | 7,54,067 | 1,11,33,342 |
| Contribution to Provident Fund & other Fund | 64,963 | 11,11,898 | 44,526 | 6,57,404 |
| Provision for Gratuity and Leave Encashment | 38,760 | 6,63,410 | 7,475 | 1,10,365 |
| Staff Welfare | 46,852 | 8,01,921 | 20,453 | 3,01,977 |
| Recruitment and Relocation | 568 | 9,721 | 16,147 | 2,38,398 |
| | <u>4,97,079</u> | <u>85,07,953</u> | <u>8,42,668</u> | <u>1,24,41,486</u> |
| L Other Operating Costs | | | | |
| Claims work expenses | 2,800 | 47,925 | 2,700 | 39,864 |
| Rent | 1,67,225 | 28,62,212 | 1,57,685 | 23,28,124 |
| Communication | 75,166 | 12,86,530 | 34,400 | 5,07,892 |
| Travel | 43,476 | 7,44,138 | 93,217 | 13,76,286 |
| Power and Fuel | 11,295 | 1,93,319 | 11,975 | 1,76,801 |
| Insurance | 6,050 | 1,03,548 | 7,791 | 1,15,035 |
| Rates and Taxes | 982 | 16,799 | 485 | 7,161 |
| Repairs and Maintenance | | | | |
| - Computer Equipment | 160 | 2,739 | 1,380 | 20,375 |
| - Others | 8,720 | 1,49,251 | 8,816 | 1,30,166 |
| Legal & Professional | 11,782 | 2,01,664 | 19,027 | 2,80,923 |
| Auditors remuneration & Expenses | 25,501 | 4,36,473 | 13,495 | 1,99,246 |
| Printing & Stationery | 284 | 4,852 | 3,090 | 45,617 |
| Exchange loss/(gain) account | 2,542 | 43,511 | (3) | (50) |
| Miscellaneous Expenses | 26,919 | 4,60,748 | 42,358 | 6,25,383 |
| | <u>3,82,902</u> | <u>65,53,708</u> | <u>3,96,415</u> | <u>58,52,823</u> |
| M Finance Costs | | | | |
| Bank charges | 594 | 10,167 | 347 | 5,120 |
| | <u>594</u> | <u>10,167</u> | <u>347</u> | <u>5,120</u> |



CAMBRIDGE SOLUTIONS SDN BHD

SCHEDULE: N NOTES ON ACCOUNTS

1. BACKGROUND

Cambridge Solutions Sdn Bhd, ('Cambridge Malaysia' or 'the Company') is a private limited Liability company, incorporated and domiciled in Malaysia. The Company is engaged in the business of Contract Programming, Services, Information Technology ("IT"), Professional Contracting Services, System Integration and total IT Solution.

The Company is a subsidiary of Cambridge Solution Pte Ltd., a company incorporated in Singapore. The ultimate holding company is Cambridge Solutions Limited (Formerly, Scandent Solutions Corporation Limited), a company incorporated in India.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

- (a) The financial statements have been prepared to comply in all material respects with the mandatory respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements have been prepared under the historical cost convention on an accrual basis. Further, the financial statements are presented in the general format specified by Schedule VI of the Act. However, as these financial statements are not statutory financial statements, full compliance with the above Act, is not required and so they do not reflect all the disclosure requirements of the Act. These financial statements are presented pursuant to requirements of Section 212 of the Act. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year
- (b) The functional currency of the Company is Malaysian Ringget ('MYR') also known as "RM" and the reporting currency of the financial statements is Indian Rupee ('INR or Rs')
- (c) For the convenience of readers, the balance sheet as at December 31, 2011 and the Profit and Loss account and the cash flows for the year then ended have been translated into INR at the exchange rate 1 MYR=17.1159 and the balance sheet as at December 31, 2010 and the Profit and Loss account and the cash flows for the year then ended have been translated into INR at the exchange rate 1 RM=14.7644. The convenient translation should not be construed as a representation that the MYR amounts or the INR amounts referred to in these financial statements have been, could have been or could in the future be converted into INR or MYR, as the case may be, at this or any other rate of exchange, or at all.

2.2 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, 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. Any revision in accounting estimates is recognised prospectively in current and future periods.

2.3 Fixed assets and depreciation

- (i) Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly attributable costs of bringing the assets to their working condition for its intended use.
- (ii) Depreciation is provided on a straight line method (SLM) based on estimated useful life of fixed assets determined by management as follows:



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| | Years |
|------------------------|-------|
| Computers | 3 |
| Vehicles | 2-5 |
| Office equipment | 5 |
| Furniture and fixtures | 5 |

The above rates are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.

- (iii) Leasehold improvements are amortised over the period of lease or five years, whichever is lower. Assets acquired on finance lease are depreciated at the lower of lease term and estimated useful life as stated above.

2.4 Intangible assets

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets comprise of goodwill, computer software, computer software license rights, license to use intellectual property and software development costs.

- (i) Goodwill arising on acquisition is the difference between the cost of an acquired business and the aggregate of the fair value of that entity's identifiable assets and liabilities and the same is amortised on a straight line basis over its economic life or the period defined in the Court scheme.
- (ii) Costs incurred towards development of computer software meant for internal use are capitalised subsequent to establishing technological feasibility. Computer software is amortised over an estimated useful life of two to six years.
- (iii) Computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software, and are amortised on straight line basis over an estimated useful life of four years.
- (iv) License to use intellectual property rights are amortised on straight line basis over an estimated useful life of six years.
- (v) The amortisation period and method used for intangible assets are reviewed at each financial year end.

2.5 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

2.6 Lease accounting

Finance lease

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such lease is capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each period. Lease management fees, legal charges and other initial direct costs are capitalised.



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Operating lease

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals on assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term. Operating leases, which are renewed, after the primary lease period and have not been opted for transfer of ownership, are reclassified to finance lease prospectively.

2.7 Investments

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

2.8 Inventories

Inventories comprise licenses purchased by the Company for resale to a customer and are stated at the lower of cost and net realisable value. Cost of licenses is determined using the first-in-first-out method.

2.9 Impairment of assets

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. The recoverable amount is the greater of the asset's 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. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount.

2.10 Revenue recognition

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

- (i) Revenue from software services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognised as related services are performed. Revenue from fixed price contracts for delivering services is recognised under the proportionate-completion method wherein revenue is recognised based on services performed to date as a percentage of total services to be performed
- (ii) Revenue from maintenance contracts are recognised rateably over the term of the maintenance contract on a straight-line basis.
- (iii) Revenue from Information Technology enabled Services (ITeS) is recognised as services are rendered, on the basis of an agreed amount in accordance with the agreement entered into by the Company.
- (iv) Revenue from sale of user licenses for software application is recognised on transfer of the title in the user license.
- (v) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (vi) Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.



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(vii) Deferred and unearned revenues represent the estimated unearned portion of fees derived from certain fixed-rate claim service agreements. Deferred revenues are recognised based on the estimated rate at which the services are provided. These rates are primarily based on a historical evaluation of actual claim closing rates. Unearned revenues for fixed fee contracts are recognised on a pro-rata basis over the terms of the underlying service contracts, which are generally one year.

(viii) Unbilled revenue represents costs and earnings in excess of billings as at the balance sheet date.

2.11 Foreign currency transactions

(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; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting the 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.

Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expense.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

2.12 Employee benefits

(a) Short term employee benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits, which include benefits like salaries, short term compensated absences, performance incentives, etc. and are recognised as expense in the period in which the employee renders the related service.



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(b) Defined-contribution plans:

The Company has defined contribution plans (where Company pays pre-defined amounts and does not have any legal or informal obligation to pay additional sums) for post employment benefits, and the Company's contributions thereto are charged to Profit and Loss Account every year. The Company's contributions to State plans are also charged to Profit and Loss Account as expense during the period in which the employees perform the service.

(c) Defined-benefit plan:

The Company has a defined benefit plan (viz., Gratuity in India) for employees, the liability for which is determined on the basis of valuation carried out by an independent actuary (under projected unit credit method) at the balance sheet date.

(d) Other long term employee benefits:

Compensated absences that are not expected to occur within twelve months after the end of the period in which the employee renders related services are recognised as a liability at the present value of the defined benefit obligation based on actuarial valuation (under projected unit credit method) carried out at the balance sheet date.

(e) Actuarial gains and losses:

Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions, and are recognised immediately in the Profit and Loss Account as income or expense.

(f) Deferred employee stock compensation costs

Stock options granted to the employees under employee stock option plans (ESOP's) are recognised in accordance with the accounting treatment prescribed by "Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999". Accordingly, the excess of market value of the stock options, as on the date of grant, over the exercise price of the options, is recognised as deferred employee stock compensation expenses, and is charged to profit and loss account on 'graded vesting' basis over the vesting period of the options. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

2.13 Taxes on Income

Tax expense comprises current, deferred and fringe benefit taxes. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with local tax laws applicable in the respective countries. 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 and deferred tax liabilities across various countries of operation are not set-off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognised 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 realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain,



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as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note on Accounting in respect of Minimum Alternative Tax issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and disclosed as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

2.14 Earnings per share

Basic earnings/ (loss) per share is calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during all the years presented is adjusted for capital reduction.

For the purpose of calculating diluted earnings/ (loss) per share, the net profit/ (loss) for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

2.15 Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

Provisions for onerous contracts (i.e., contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), are recognised when it is probable that cash outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

Contingent liabilities are disclosed when there is a possible obligation or a present obligation that may (but probably will not) require an outflow of resources.

2.16 Segment reporting

Identification of segments: The Company's operating businesses are organised and managed separately according to the nature of services rendered. The analysis of geographical segments is based on the geographical location of the Company's customer.

Inter segment transfers: The Company generally accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.



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Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items: The unallocated items include general corporate income and expense items which are not allocated to any business segment.

2.17 Exceptional items

Exceptional items are generally non-recurring items of income and expense within profit or loss from ordinary activities, which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year.

2.18 Project work expenses

Project work expenses represents amounts charged by sub-contractors and cost of hardware and software incurred for execution of projects. These expenses are recognised on an accrual basis.

2.19 Cash and cash equivalents

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

2.20 Derivative instruments

As per The Institute of Chartered Accountants of India ('ICAI') Announcement, accounting for derivative contracts, derivative contract other than those covered under AS - 11, 'The effects of changes in the foreign exchange rates', are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

3.1 Contingent Liabilities:

The company does not have any contingent liabilities as on December 31, 2011 (2010: Nil).

3.2 Employee benefits

As required by law, Companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognized as an expense in the profit and loss account on an accrual basis.

Liability towards leave encashment benefits is provided based on Actual Leave balance as at the balance sheet date.

3.3 Segment reporting

The primary reporting of the Company has been performed on the basis of business segments. The Company has only one business segment, which is providing of software development and related services. Accordingly, the amounts appearing in these financial statements are related to this primary business segment.

Secondary segment reporting is performed on the basis of the geographical location of customers. The management views the USA, Europe (comprising France and UK), Australia and Rest of the World as distinct geographical segments.

Geographical segments

| Revenues: | 2011 (MYR) | 2011 (INR) | 2010 (MYR) | 2010 (INR) |
|-------------------|------------------|-------------------|------------------|-------------------|
| USA | | | | |
| Europe | | | | |
| Rest of the World | 1,548,000 | 26,495,413 | 2,325,385 | 34,332,922 |
| Total | 1,548,000 | 26,495,413 | 2,325,385 | 34,332,922 |



CAMBRIDGE SOLUTIONS SDN BHD

NOTES TO ACCOUNTS FOR THE YEAR 2011

3.4 Related Party Disclosures

| Sl. No. | Name of the related party | Relationship | Nature of transaction | Transactions | Receivable/(Payable) | Transactions | Receivable/(Payable) | Transactions | Receivable/(Payable) |
|---------|--------------------------------|----------------------------------|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| | | | | 2011 (In MYR) | 2011 (In MYR) | 2010 (In MYR) | 2010 (In MYR) | 2011 (In INR) | 2010 (In INR) |
| (i) | Cambridge Solutions Pte Ltd | Fellow | Unsecured Loan taken | | | (8,87,400) | | - | (1,31,01,929) |
| | | | Unsecured Loan repaid | | | 2,959 | | - | 43,688 |
| | | | Remittance to related party | | | 8,146 | | - | 1,20,271 |
| | | | Expenses incurred by related party | (25,338) | - | (84,994) | | (4,33,683) | (12,54,880) |
| | | | Expenses incurred on behalf of related party | | | 73,116 | | - | 10,79,521 |
| (ii) | Xchanging Asia Pacific Sdn Bhd | Subsidiary of the parent company | Revenue from Software Development and related services | 15,48,000 | | | | 2,64,95,413 | - |
| | | | Unsecured Loan at the end of the year | (41,61,456) | (23,95,781) | | (13,69,941) | (7,12,27,067) | (4,10,05,941) |
| | | | Sundry Debtors at the end of the year | 31,60,955 | 65,61,060 | 21,48,000 | 34,00,105 | 5,41,02,582 | 11,22,98,439 |
| | | | Expenses Receivable at the end of the year | | | | 16,12,955 | - | 3,17,13,931 |
| | | | Expenses Payable at the end of the year | (4,69,663) | (6,10,343) | | (1,40,681) | (80,38,700) | (1,04,46,573) |
| (iii) | Cambridge Solutions | Parent of Fellow Subsidiary | Remittance from related party | (4,46,246) | | (2,82,338) | | (76,37,894) | (41,68,546) |
| | | | Expenses incurred by related party | | | 14,051 | | - | 2,07,448 |
| | | | Expenses incurred on behalf of related party | | | (6,989) | | - | (1,03,188) |
| | | | Sundry Debtors at the end of the year | 10,32,642 | | 2,13,002 | | 1,76,74,591 | 31,44,852 |
| | | | Expenses Receivable at the end of the year | | 5,99,001 | | 12,605 | 1,02,52,440 | - |
| (iv) | Cambridge Solutions | Parent of Fellow Subsidiary | Expenses incurred by related party | (3,000) | (3,000) | | | (51,348) | - |
| | | | Expenses Payable at the end of the year | | | | | (51,348) | - |



CAMBRIDGE SOLUTIONS SDN BHD**SCHEDULE: N
NOTES ON ACCOUNTS****3.5 Lease disclosures***i. Operating leases**In case of assets taken on lease:*

The Company has operating leases for its office premises, guest houses and certain equipment. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses.

Rent and hire charges for such operating leases recognised in the Profit and Loss Account for the year ended December 31, 2011 amounts to MYR 167,225 , INR 28.62 Lac (2010: MYR 157,685, INR 23.28 Lac).

3.6 Future minimum lease payments under operating lease are as under:

| Revenues: | 2011 (MYR) | 2011 (INR) | 2010 (MYR) | 2010 (INR) |
|---|------------------|------------------|------------------|----------------|
| Payable not later than one year | | | | |
| Payable later than one year and not later than five years | | | | |
| Payable later than 5 years | 72,000 | 1,232,345 | 67,240 | 992,758 |
| Total | 1,548,000 | 1,232,345 | 2,325,385 | 992,758 |

3.7 Taxation

The company has achieved the MSC Malaysia Status ('Multimedia Super Corridor'), whereby its income is exempted from Tax.

The exemption was granted for a period of 5 years and is valid up to November-2011. Accordingly the company has not made any provisions for taxes during the year.

3.8 Prior year comparatives

Previous period's figures have been regrouped/ reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

Abhobh

CA. Ajay Kumar Bhalotia
Partner
Membership No.057931

Place: *Kolko*
Date: *29/02/12*



**For and on behalf of the Board of Directors of
Cambridge Solutions Sdn Bhd**

Mladen Prpich

Mladen Prpich
Director

Place:
Date:

Murali Nadarajah

Murali Nadarajah
Director

Place:
Date: