

**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

**BALANCE SHEET AS AT DECEMBER 31, 2011**

(All amounts in Indian Rupees)

|   | Schedule | 2011                      | 2010                    |
|---|----------|---------------------------|-------------------------|
| <b>SOURCES OF FUNDS</b>                           |          |                           |                         |
| <b>Shareholders' Funds</b>                        |          |                           |                         |
| Share capital                                     | 1        | 1,00,000                  | 1,00,000                |
| Reserves and surplus                              | 2        | 1,00,05,286               | 90,34,793               |
|   |          | <u>1,01,05,286</u>        | <u>91,34,793</u>        |
| <b>APPLICATION OF FUNDS</b>                       |          |                           |                         |
| <b>Fixed Assets</b>                               |          |                           |                         |
| Gross block                                       | 3        | 16,92,366                 | 16,92,366               |
| Less: Accumulated depreciation                    |          | 16,80,663                 | 16,80,663               |
| Net block   |          | <u>11,703</u>             | <u>11,703</u>           |
| <b>Current Assets, Loans &amp; Advances</b>       |          |                           |                         |
| Sundry debtors                                    | 4        | -                         | 81,03,104               |
| Cash and bank balances                            | 5        | 2,38,600                  | 32,002                  |
| Loans and advances                                | 6        | 1,66,02,009               | 88,92,864               |
|   |          | <u>1,68,40,609</u>        | <u>1,70,27,970</u>      |
| <b>Less: Current Liabilities &amp; Provisions</b> |          |                           |                         |
| Current liabilities                               | 7        | 67,47,026                 | 72,50,880               |
| Provisions  | 8        | -                         | 6,54,000                |
|   |          | <u>67,47,026</u>          | <u>79,04,880</u>        |
| <b>Net Current Assets / (Liabilities)</b>         |          | <u>1,00,93,583</u>        | <u>91,23,090</u>        |
| <b>TOTAL</b>                                      |          | <u><u>1,01,05,286</u></u> | <u><u>91,34,793</u></u> |

Accounting Policies and Notes to Financial Statements 14

The Schedules referred hereto, form part of the Balance Sheet

As per our report of even date

**Bhalotia Associates**  
**Chartered Accountants**  
**Firm Registration No. 323201E**

**For and on behalf of the Board of Directors**  
**Nexplicit Infotech India Private Limited**

**CA.Ajay Kumar Bhalotia**  
**Partner**  
Membership No. : 057931

**Vinod Goel**  
**Director**

**Srikrishna M**  
**Director**

Place:  
Date:

Place:  
Date:

Place:  
Date:

**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

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

(All amounts in Indian Rupees)

|   | Schedule | 2011               | 2010               |
|---|----------|--------------------|--------------------|
| <b>Income</b>                                   |          |                    |                    |
| Revenues  | 9        | -                  | 1,90,88,330        |
| Other income                                    | 10       | -                  | 10,898             |
|   |          | <u>-</u>           | <u>1,90,99,228</u> |
| <b>Expenditure</b>                              |          |                    |                    |
| Employee costs                                  | 11       | -                  | 1,22,11,243        |
| Other operating costs                           | 12       | (10,19,905)        | 36,11,961          |
| Finance costs                                   | 13       | 1,412              | 5,922              |
| Depreciation                                    | 3        | -                  | 2,27,621           |
|   |          | <u>(10,18,493)</u> | <u>1,60,56,747</u> |
| <b>Profit/ (Loss) for the year before tax</b>   |          | <b>10,18,493</b>   | <b>30,42,481</b>   |
| Provision for Current Tax                       |          | -                  | 6,54,000           |
| Provision for Tax for earlier years             |          | 48,000             | -                  |
| Fringe Benefit Tax                              |          | -                  | -                  |
| <b>Total Tax Expenses</b>                       |          | <b>48,000</b>      | <b>6,54,000</b>    |
|   |          |                    | -                  |
| Profit/ (loss) for the year after tax           |          | 9,70,493           | 23,88,481          |
| Balance of Profit /(Loss) brought forward       |          | 81,02,873          | 57,14,392          |
| <b>Balance Carried forward to Balance Sheet</b> |          | <b>90,73,366</b>   | <b>81,02,873</b>   |

Accounting Policies and Notes to Financial Statements 14

The Schedules referred hereto, form part of the Profit and Loss Account.

**Bhalotia Associates**  
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**For and on behalf of the Board of Directors of**  
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**Director**

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Place:  
Date:

**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

**CASH FLOW STATEMENT FOR YEAR ENDED DECEMBER 31, 2011**

**(All amounts in Indian Rupees)**

|  | 2011             | 2010                 |
|--|------------------|----------------------|
| <b>A. Cash flow from operating activities</b>                            |                  |                      |
| <b>Profit/ (loss) before taxation</b>                                    | 10,18,493        | 30,42,481            |
| Adjustments for:   |                  |                      |
| Depreciation   | -                | 2,27,621             |
| Profit /(Loss) on sale of Fixed Assets (net)                             | -                | (1,20,657)           |
| Interest income  | -                | (10,898)             |
| <b>Operating profit before working capital changes</b>                   | <b>10,18,493</b> | <b>31,38,547</b>     |
| Movements in working capital :   |                  |                      |
| Decrease / (Increase) in sundry debtors                                  | 81,03,104        | 70,96,499            |
| Decrease / (Increase) in loans and advances                              | (77,09,145)      | (3,11,126)           |
| Increase / (Decrease) in current liabilities                             | (5,03,854)       | 26,19,699            |
| Increase / (Decrease) in provisions                                      | (6,54,000)       | (4,62,333)           |
| <b>Net Cash from/ (used in) operations</b>                               | <b>2,54,598</b>  | <b>1,20,81,286</b>   |
| Refund/(Payment) of Taxes, net   | (48,000)         | -                    |
| <b>Net cash from/ (used in) Operating activities (A)</b>                 | <b>2,06,598</b>  | <b>1,20,81,286</b>   |
| <b>B. Cash flows from investing activities</b>                           |                  |                      |
| Sale of Fixed Assets   | -                | 4,26,414             |
| Repayment of Fixed Asset acquired on deferred payment basis              | -                | (2,21,970)           |
| Interest received  | -                | 10,898               |
| <b>Net cash used in investing activities (B)</b>                         | <b>-</b>         | <b>2,15,342</b>      |
| <b>C. Cash flows from financing activities</b>                           |                  |                      |
| Proceeds from long-term borrowings                                       | -                | (1,38,78,477)        |
| <b>Net cash generated from financing activities (C)</b>                  | <b>-</b>         | <b>(1,38,78,477)</b> |
| <b>Net increase/ (decrease) in cash and cash equivalents (A + B + C)</b> | <b>2,06,598</b>  | <b>(15,81,849)</b>   |
| Cash and cash equivalents at the beginning of the year                   | 32,002           | 16,13,851            |
| <b>Cash and cash equivalents at the end of the year</b>                  | <b>2,38,600</b>  | <b>32,002</b>        |
| <b>Components of cash and cash equivalents:</b>                          |                  |                      |
| Cash on hand   | -                | -                    |
| Balances with other banks  |                  |                      |
| in Current Account   | 2,38,600         | 32,002               |
|  | <b>2,38,600</b>  | <b>32,002</b>        |

(i) Previous year figures have been regrouped, where necessary to conform to current year's classification.

(ii) The Cash Flow Statements has been prepared under the 'Indirect Method, set out in Accounting Standard 3 'Cash Flow Statement' issued by the Institute of Chartered Accountants of India and notified in the Companies (Accounting Standards) Rules 2006.

As per our report of even date

**Bhalotia Associates**  
**Chartered Accountants**  
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**For and on behalf of the Board of Directors**  
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**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2011**

**(All amounts in Indian Rupees)**

|   | 2011                      | 2010                    |
|---|---------------------------|-------------------------|
| <b>1 Share capital</b>  |                           |                         |
| Authorised capital  |                           |                         |
| 50,000 (Previous Year 50,000) Equity Shares of Rs. 10 Each  | <u>5,00,000</u>           | <u>5,00,000</u>         |
| Issued, subscribed and paid-up capital  |                           |                         |
| 10,000 (Previous Year 10,000) Equity Shares of Rs. 10 Each  | <u>1,00,000</u>           | <u>1,00,000</u>         |
|   | <u><b>1,00,000</b></u>    | <u><b>1,00,000</b></u>  |
| (i) Of the above equity shares:   |                           |                         |
| a) 9999 (Previous Year 9999) Equity shares are held by Cambridge Solutions and Services Inc. USA, (Formerly Scandent Group Inc.) the holding company.   |                           |                         |
| b) 1 Equity Shares are held by Vijay Mahantesh Khannur as nominee of Cambridge Solutions and Services Inc. USA<br>(Previous Year 1 held by CISGI as nominee of Cambridge Solutions and Services Inc. USA) |                           |                         |
| <b>2 Reserves and surplus</b>   |                           |                         |
| General Reserve   | 9,31,920                  | 9,31,920                |
| Profit & Loss Account   | <u>90,73,366</u>          | <u>81,02,873</u>        |
|   | <u><b>1,00,05,286</b></u> | <u><b>90,34,793</b></u> |

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**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

**3 Fixed assets**

(All amounts in Indian Rupees)

|                        | Gross Block          |           |                               | Depreciation         |                 |                            | Net Block                     |                               |
|------------------------|----------------------|-----------|-------------------------------|----------------------|-----------------|----------------------------|-------------------------------|-------------------------------|
|                        | As at<br>Jan 1, 2011 | Additions | As at<br>December 31,<br>2011 | As at<br>Jan 1, 2011 | For the year    | Deletions /<br>adjustments | As at<br>December 31,<br>2011 | As at<br>December 31,<br>2010 |
| Computers              | 14,72,817            | -         | 14,72,817                     | 14,70,669            |                 |                            | 14,70,669                     | 2,148                         |
| Vehicles               | -                    | -         | -                             | -                    |                 |                            | -                             | -                             |
| Office Equipment       | 2,17,040             | -         | 2,17,040                      | 2,07,485             |                 |                            | 2,07,485                      | 9,555                         |
| Furniture and fixtures | 2,509                | -         | 2,509                         | 2,509                |                 |                            | 2,509                         | -                             |
| Total                  | <u>16,92,366</u>     | <u>-</u>  | <u>16,92,366</u>              | <u>16,80,663</u>     | <u>-</u>        | <u>-</u>                   | <u>16,80,663</u>              | <u>11,703</u>                 |
| Previous year          | <u>29,38,673</u>     | <u>-</u>  | <u>16,92,366</u>              | <u>23,93,591</u>     | <u>2,27,621</u> | <u>9,40,550</u>            | <u>16,80,662</u>              | <u>11,704</u>                 |

**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

**SCHEDULES TO THE FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2011**

**(All amounts in Indian Rupees)**

|   | 2011               | 2010             |
|---|--------------------|------------------|
| <b>4 Sundry debtors (Unsecured)</b>                                     |                    |                  |
| Other debts   |                    |                  |
| Considered good   |                    | 81,03,104        |
|   | -                  | <b>81,03,104</b> |
| (i) Dues from related parties:  |                    |                  |
| Cambridge Solutions and Services Inc. USA (Holding Company)             |                    | 81,03,104        |
| Maximum balance outstanding during the year                             |                    | 1,51,99,603      |
| <b>5 Cash and bank balances</b>   |                    |                  |
| Cash in Hand  | -                  | -                |
| Balances with Other Banks   |                    |                  |
| - Current accounts  | 2,38,600           | 32,002           |
|   | <b>2,38,600</b>    | <b>32,002</b>    |
| Balance with other banks include:                                       |                    |                  |
| (i) Citibank NA EEFC Account  | -                  | -                |
| Maximum Balance held during the year Rs. Nil (2010: 165.42 lacs)        |                    |                  |
| (ii) Citibank NA INR Account  | 2,38,600           | 32,002           |
| Maximum Balance held during the year Rs. 92.08 lacs (2010: 160.85 lacs) |                    |                  |
|   | <b>2,38,600</b>    | <b>32,002</b>    |
| <b>6 Loans and advances</b>   |                    |                  |
| <b>Unsecured, considered good</b>                                       |                    |                  |
| Advances recoverable in cash or kind or for value to be received        | 40,694             | 40,695           |
| Loans & Advances- Related parties                                       | 85,87,786          | 8,78,640         |
| Advance Tax   | 46,029             | 46,029           |
| Security Deposit  | 79,27,500          | 79,27,500        |
|   | <b>1,66,02,009</b> | <b>88,92,864</b> |
| Due from Related Parties  |                    |                  |
| Cambridge Solutions Ltd., (Ultimate Holding Company)                    | 85,87,786          | 8,78,640         |
| <b>7 Current liabilities</b>  |                    |                  |
| Sundry Creditors  | 67,35,545          | 67,71,765        |
| Other Liabilities   |                    |                  |
| TDS Payable   | 11,481             | 4,79,115         |
|   | <b>67,47,026</b>   | <b>72,50,880</b> |
| <b>8 Provisions</b>   |                    |                  |
| Income Tax  |                    | 6,54,000         |
| Gratuity {Refer note 3.2}   | -                  |                  |
| Leave Encashment Benefit on Retirement {Refer note 3.2}                 | -                  |                  |
|   | <b>-</b>           | <b>6,54,000</b>  |

**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2011**

**(All amounts in Indian Rupees)**

|  | 2011               | 2010               |
|--|--------------------|--------------------|
| <b>9 Revenues</b>  |                    |                    |
| Revenue from software development and related services   |                    |                    |
| - Time and material contracts (Refer Note 2.11)  | -                  | 1,90,88,330        |
|  | -                  | <b>1,90,88,330</b> |
| <b>10 Other income</b>   |                    |                    |
| Interest Income  | -                  | 10,898             |
| Provision no longer required written back  | -                  | -                  |
|  | -                  | <b>10,898</b>      |
| <b>11 Employee costs</b>   |                    |                    |
| Salaries, allowances and bonus   | -                  | 1,06,50,763        |
| Contribution to Provident & Other Funds  | -                  | 5,48,902           |
| Gratuity & Leave Encashment  | -                  | (54,933)           |
| Staff welfare  | -                  | 9,79,511           |
| Recruitment and relocation   | -                  | 87,000             |
|  | -                  | <b>1,22,11,243</b> |
| <b>12 Other operating costs</b>  |                    |                    |
| Project work expenses  | -                  | -                  |
| Travel   | -                  | 7,91,594           |
| Rent and hire charges  | -                  | 1,15,71,577        |
| Communication  | -                  | 9,36,826           |
| Power and fuel   | -                  | 10,29,205          |
| Insurance  | -                  | 1,27,671           |
| Rates and taxes  | -                  | (2,883)            |
| Repairs and maintenance  | -                  |                    |
| - Computer equipment   | -                  | 77,338             |
| - Others   | -                  | 2,82,513           |
| Legal & professional   | (25,000)           | 4,49,625           |
| Printing & stationery  | -                  | 11,037             |
| Auditors Remuneration {Refer note (i) below}   | 1,10,000           | -                  |
| Business Promotion   | -                  | -                  |
| Exchange loss/(gain), net  | (11,04,905)        | 6,12,191           |
| Profit/(Loss) on sale of Fixed Assets (net)  | -                  | (1,20,657)         |
| Miscellaneous expenses   | -                  | 2,11,852           |
|  | (10,19,905)        | 1,59,77,889        |
| Less: Cost Transferred to Holding Company (Refer Note 3.9)                                     | -                  | 1,23,65,928        |
|  | <b>(10,19,905)</b> | <b>36,11,961</b>   |
| <br>(i) For 2010, provision made by M/s Cambridge Solutions Ltd, the ultimate holding company. |                    |                    |
| <b>13 Finance costs</b>  |                    |                    |
| Bank charges   | 1,412              | 5,922              |
|  | <b>1,412</b>       | <b>5,922</b>       |

## **NEXPLICIT INFOTECH INDIA PVT. LTD**

### **SCHEDULE 14: NOTES TO ACCOUNTS**

#### **1. BACKGROUND**

Nexplicit Infotech India Pvt. Ltd., is a 100% subsidiary of EComm Solutions Corp (dba NexPLICIT). The Company was taken over by EComm Solutions Corp (Holding Company) on 9th June 2006. Upto 31st March 2008, out of the 10,000 share, 9,999 shares were held by EComm Solutions Corp and 1 share was held by Scandent Group Inc. (Now known as Cambridge Solutions and Services Inc). E Comm Solutions Corp was a 100% Subsidiary of Scandent Group Inc., which was a 100% Subsidiary of Cambridge Solutions Ltd., (the Ultimate Holding Company).

Effective from 1st April 2008, after the merger of EComm Solutions Corp with Scandent Group Inc, the Company becomes the 100% subsidiary of Scandent Group Inc. (Now known as Cambridge Solutions and Services Inc). However as a matter of regulatory compliance 9,999 shares are in the name of Scandent Group Inc and 1 shares is being held by Vijay Mahantesh Khannur as a nominee in trust on behalf of Scandent Group Inc.

The Company is engaged in rendering software development and related services.

All the revenue generated are from the billing made to the Holding Company Cambridge Solutions and Services Inc (formerly Scandent Group Inc., USA).

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The financial statements have been prepared to comply in all material 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 financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### **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**

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

## 2.4 Depreciation

- (i) Depreciation is provided on a straight line method (SLM) based on estimated useful life of fixed assets determined by management as follows:

|                        | 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.

- (ii) 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. Assets individually costing up to Rs.5 are fully depreciated in the year of purchase.

## 2.5 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.

## 2.6 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.

## 2.7 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.

## **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.

## **2.8 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.

## **2.9 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.

## **2.10 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.

## **2.11 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.
- (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.

## **2.12 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.

## **2.13 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.

### **(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 calculation carried out by the company itself 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 which is determined on the basis of calculation carried out by the company itself at the balance sheet date.

## **2.14 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, 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.

## **2.15 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.

## **2.16 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.

## **2.17 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.

*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.

## **2.18 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.

## **2.19 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.

## **2.20 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.

## **2.21 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. NOTES ON ACCOUNTS**

## **3.1 Contingent Liabilities:**

The Company has no Contingents liability as at December 31, 2011 (2010: Nil)

## **3.2 Employee benefits**

### **Defined benefit plan:**

The Company provides for gratuity, a defined benefit plan (the gratuity plan) to its employees in India. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Company.

Effective from 1<sup>st</sup> December 2010, the Company does not have any employees on its payroll.

### **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 software development and related services. Accordingly, the amounts appearing in these financial statements relate to this primary business segment.

The revenues for the year 2010 have been earned from North America region.

### **3.4 Lease disclosure**

*(i) Operating leases*

*In case of assets taken on lease:*

The Company had operating lease for its office premises, which was surrendered effective from 22<sup>nd</sup> December 2010.

Rent expense for such operating leases recognized in the Profit and loss Account for the year ended December 31, 2011 amounts to Rs. Nil/- (2010: Rs. 1,15,71,577/- )

### **3.5 Taxation**

#### **Current tax**

Current tax charge reflects provision for income tax based on the taxable income of the Company.

The Company operates from Pune and the said unit is registered with the Software Technology Parks of India (STPI) and are eligible to claim tax holiday under Section 10A of the Income-tax Act, 1961, of India till the financial year ended 31<sup>st</sup> March 2011. However the during the previous year the Company had decided to exit from STPI (EOU) Scheme and made application to the appropriate authority in the month of July-2010, which was finally approved and accepted on January 24, 2011.

The current tax charge for the Company represents the minimum alternate tax (MAT) determined under Section 115JB of the Income Tax Act, 1961 on the tax liability payable after considering the benefit available u/s 10A to the Company.

#### **MAT Credit Entitlement**

Based on assessment of future taxable income and extension of tax holiday period, the management is of the opinion that there is convincing evidence that the Company will not pay normal income tax within the specified period during which MAT credit is available for set off. Accordingly no MAT Credit Entitlement asset has been recognised during the year by way of a credit to profit and loss account.

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**NEXPLICIT INFOTECH INDIA PRIVATE LIMITED**

**3.6 Related Party Disclosures**

(All amounts in Indian Rupees)

| S No. | Name of the related party  | Relationship             | Nature of transaction                                   | Transaction | Receivable/<br>(Payable) | Transaction   | Receivable/<br>Payable) |
|-------|--|--------------------------|---|-------------|--------------------------|---------------|-------------------------|
|       |  |                          |   | 2011        | 2011                     | 2010          | 2010                    |
| (i)   | Cambridge Solutions and Services Inc. USA (formerly Scandent Group Inc.) | Holding Company          | Payments received (including exchange adjustment)       | (81,03,104) |                          | (2,61,84,829) |                         |
|       |  |                          | Sales Revenue   | -           |                          | 1,90,88,330   |                         |
|       |  |                          | Sundry Debtors at the end of the year                   |             | -                        |               | 81,03,104               |
| (iii) | Cambridge Solutions Limited  | Ultimate Holding Company | Cost Transferred to Related Party                       |             |                          | 1,23,65,928   |                         |
|       |  |                          | Payments received                                       |             |                          | (53,16,306)   |                         |
|       |  |                          | Expenses reimbursed to / incurred by, the related party |             |                          | (2,10,88,484) |                         |
|       |  |                          | Payments made   | 90,00,000   |                          | 2,58,08,576   |                         |
|       |  |                          | Expenses incurred on behalf of the related party        | (12,90,854) |                          | 33,73,834     |                         |
|       |  |                          | Fixed Assets transferred to Related party               |             |                          | 2,04,445      |                         |
|       |  |                          | Receivable transferred to related party                 |             |                          | 4,95,392      |                         |
|       |  |                          | Provision transferred to Related party                  |             |                          | (10,86,267)   |                         |
|       |  |                          | Loans and Advances at the end of the year               |             | 85,87,786                |               | 8,78,640                |
|       |  |                          | Unsecured loan at the end of the year                   |             |                          |               |                         |

**3.7 Additional information pursuant to the provisions of paragraphs 3, 4, 4B, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956**

**(i) Managerial remuneration**

The Company has not paid any remuneration to its Directors.

|  |             |             |
|--|-------------|-------------|
|  | <b>2011</b> | <b>2010</b> |
| (ii) Earnings in foreign currency (cash/accrual) |             |             |
| On F.O.B Basic                                   | Nil         | 19,088,330  |

|  |             |             |
|--|-------------|-------------|
| (iii) <b>Expenditure in foreign currency</b> | <b>2011</b> | <b>2010</b> |
| Tour & Travels                               | Nil         | Nil         |

|   |             |             |
|---|-------------|-------------|
| (iv) Value of imports calculated on CIF basis | <b>2011</b> | <b>2010</b> |
| Capital goods                                 | Nil         | Nil         |

- (v) The Company is engaged in the business of development and maintenance of computer software and rendering of ITeS services. The production and sale of such software and the rendering of such services are not capable of being expressed in any generic unit. Hence, it is not possible to furnish quantitative details of such services and all other information required under paragraph 3, 4C and 4D of Part II of the Schedule VI to the Companies Act, 1956.

**3.8 Capital Commitments**

The Company has no capital commitments as at December 31, 2011 (2010: Nil)

**3.9 Cost Transfer to Ultimate Holding Company**

The company is the 100% subsidiary of Cambridge Solutions and Services Inc. USA (formerly known as Scandent Group Inc.) which is again the 100% subsidiary of M/s Cambridge Solutions Limited, India ('CSL').

The Company had entered into an Agreement dated 1<sup>st</sup> April 2007 with 'CSL' to share the resources of the Company for the project undertaken by CSL. As per the terms of the Agreement, the Direct Cost attributable in CSL Project will be recovered in Actual and other General Administration Cost including Rent and Depreciation will be proportionally recovered on the basis of the space reserved for CSL Project. Such cost is being shown as "Cost Transferred to Holding Company" in the Profit and Loss Account.

**3.10 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**

**For and on behalf of the Board of Directors**

**CA. Ajay Kumar Bhalotia**  
**Partner**  
**Membership No. 057931**

**Vinod Goel**  
**Director**

**Srikrishna M**  
**Director**

Place:

Place:

Place:

Date:

Date:

Date: