# ANNUAL REPORT 2012-13

# iEnergizer

Business Process Outsourcing

www.ienergizer.com

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# iEnergizer Limited and its subsidiaries

## Overview

iEnergizer is one of the largest AIM listed independent, integrated software and service pioneers. iEnergizer is a high growth, digital age publishing and technology leader set to benefit from the dual disruptive waves of big data and the cloud. This new leader was born out of the combination of a well-established, high growth, business process solution enterprise with the only scale provider of leading end-to-end digital transformation solutions to the media and publishing industries. The shift to the digital world is at a tipping point. iEnergizer has a unique position with cutting edge technology to serve as an enabler to its clients to help facilitate this transformation.

Combining 12 years of experience and comprehensive capabilities across all industries and business functions, iEnergizer collaborates with clients to help them become high-performance businesses and provide significant cost advantage in their respective operations.

iEnergizer is a strategic outsourced service partner to various companies who are market leaders in their respective segments, across various industries including BFSI, Media & Entertainment, Publication, Content Process Solutions, Healthcare, Technology and FMCG.

iEnergizer provides services across the entire customer lifecycle and offers a comprehensive suite of Transaction Processing, Content & Publishing Process Outsourcing Solutions and Customer Management Services like Customer Acquisition, Customer Care, Technical Support, Billing & Collections, Dispute Handling and Market Research & Analytics using various platforms including Voice – Inbound & Outbound, Back-Office support, Online Chat, Mail Room and other web services.

## Highlights

- Revenue up 108% at $150.3m (2012: $72.2m)
- Adjusted earnings before interest, depreciation, tax and amortisation* (EBITDA) of $44.4m (2012: $20.2m) an increase of 120%
- Adjusted operating profit* of $42.7m (2012: $21.6m) an increase of almost 100%.
- Adjusted profit before tax* (PBT) of $34.6m (2012: $20.5m) an increase of 69%.
- Adjusted profit after tax* (PAT) of $28.3m (2012: $18.8m) an increase of 51%.
- The Company has benefitted from a contribution from Aptara Inc. a leading outsourced service provider in publishing and content process solution industries, for the full period following the acquisition in February 2012
- The integration of Aptara Inc. has performed well with many opportunities realised and further upside potential

* The adjusted EBIDTA, operating profit, adjusted PBT and adjusted PAT are derived by adjusting exceptional costs of [(i) Aptara's acquisition related cost, (ii) new equity placement costs, (iii) amortisation of intangibles acquired and (iv) net forex related losses on the derivative contracts etc) from the reported EBIDTA, operating profit, reported PBT and reported PAT as the case may be.

- As evidenced by these strong results, the Company has focussed on margins during the period, as well as moving up the value curve to higher margin work through digital conversion and XBRL
- A good level of recurring revenue from business critical processes
- The dynamic and growing market of ebooks provides multiple revenue streams
- The Company's growth rates are supported by new verticals
- Current trading is in line with expectations and we expect to see further significant levels of growth in the current financial year

# CHAIRMAN'S STATEMENT

I am pleased to report that the Company has delivered a year of significant operational and financial progress during this financial year.

While the underlying iEnergizer business has performed well, significant long term growth has been delivered by the acquisition of Aptara Inc., United States ("Aptara"). Aptara is a leading outsourced service provider in publishing and content process solution industries. Aptara has helped iEnergizer expand its service capabilities, client base & markets, employees headcount, revenues, operating margin and profitability in a significant manner. Furthermore, there remain further areas of growth to target for the Group now that the acquisition has been integrated fully into the Group. There are significant opportunities for the Group to increase the technological content within the services offered and this, in turn, will drive future growth.

The overall outsourcing global market continues to expand rapidly as companies in the developed world, particularly the US, continue to exploit India's cost advantage and outsource operations. The type of functions which are outsourced are increasingly sophisticated and iEnergizer is well placed to benefit from this as it is an essential long term partner that delivers high quality, complex processes. Importantly, more complex processes by nature tend to require a tailor made bespoke service for each client, which helps us develop deep reaching relationships that in turn result in high client retention rates. We also leverage these strong relationships to cross sell other outsourcing services and identify opportunities with new service offerings. Like iEnergizer, Aptara has pursued a long term partnership model with its key client base with an average relationship of over 12 years with its top 20 clients.

We believe that the supplementary service offering provided by the acquisition of Aptara makes iEnergizer well placed to take advantage of the growing BPO opportunities both in the developed and emerging markets. We have seen our order book increase as we grow with the expanding global outsourcing market and take advantage of the cross selling opportunities provided by our diversified service offering and we continue to look for acquisition opportunities that would add to our existing stable of services.

I would like to thank our management team for their leadership which has helped iEnergizer achieve sustainable growth over the past year. The entrepreneurial approach of the management team has been a true asset to the Company and has enabled us to identify new markets in addition to providing high quality service to our existing clients.

**SARA LATHAM**
Non-Executive Chairman
29 July 2013

# Chief Executive's Review

### Introduction

iEnergizer has a full service BPO offering across a range of sectors and countries with a strong financial track record of delivery which consists of significant growth.

As anticipated at this time last year, the acquisition of Aptara has transformed iEnergizer into one of the leading BPO companies in the markets in which it operates. The Company has increased the top line revenues to $150.3m, growing it by 108% (2012: $72.2m). This increase was driven by strong organic growth within iEnergizer and a full year of trading from Aptara.

### Financial Overview

Revenue for the period was up 108% at $150.3m (2012: $72.2m). We are particularly pleased with Aptara's performance as it has delivered on our expectations at the time of acquisition. This revenue growth was achieved despite a major contract being delayed into the current financial period, in order for additional services and revenues to be captured within its scope.

Adjusted Earnings before Interest, Depreciation, Tax and Amortization ("EBIDTA") increased to $44.4m (2012: $20.2m). Adjusted operating profit* increased to $42.7m (2012: $21.6m), adjusted profit before tax ("PBT")* increased to $34.6m (2012: $20.5m) and adjusted profit after tax ("PAT")* increased to $28.3m (2012: $18.8m).

As at the year-end net debt stood at $106.7m (2012: $120.9m). Post year end the Company has announced that it has entered into a new $135m six year senior secured term loan facility which has been utilised to refinance and pay off in full the outstanding loans relating to the acquisition of Aptara.

### Business Review

iEnergizer is one of the largest AIM listed independent, integrated software and service pioneers. iEnergizer is a high growth, digital age publishing and technology leader set to benefit from the dual disruptive waves of big data and the cloud. This new leader was born out of the combination of a well-established, high growth, business process solution enterprise with the only scale provider of leading end-to-end digital transformation solutions to the media and publishing industries. The shift to the digital world is at a tipping point. iEnergizer has a unique position with cutting edge technology to serve as an enabler to its clients to help facilitate this transformation.

The Company's outsourcing services continue to be structured around industry-focused BPO services, including Banking Financial Services and Insurance (BFSI), Publishing, Content Process Solutions, Entertainment and Online Video Game, Information Technology and Telecom/Electronics as well as cross-industry BPO services, such as collections and customer services.

* The adjusted EBIDTA, operating profit, adjusted PBT and adjusted PAT are derived by adjusting exceptional costs of [(i) Aptara's acquisition related cost, (ii) new equity placement costs, (iii) amortisation of intangibles acquired and (iv) net forex related losses on the derivative contracts etc) from the reported EBIDTA, operating profit, reported PBT and reported PAT as the case may be.

This has been extended by the acquisition of Aptara which provides services in the following areas: (i) Educational Publishing, (ii) Professional publishing, (iii) e-Learning and new media publishing, (iv) Content transformation technology (IT) services and (v) Legal solutions. Aptara customers include publishers, information aggregators, professional societies, universities, corporations and non for profit organisations located primarily in the United States, the United Kingdom and Australia.

We have expanded our business by leveraging established client relationships to cross sell across numerous verticals. This trend has been seen in both the domestic Indian BPO market and the international markets during the year. The acquisition of Aptara has enhanced the Company's growth prospects by expanding its service capabilities, client base & markets, employee headcount, revenues and profitability. Aptara has a much greater use of technology within the services it offers, which not only adds greater value to its services but also brings significant opportunities to iEnergizer as a whole. iEnergizer will target cross selling opportunities with Aptara's client base and as well as focus on bringing its cost efficient practices into Aptara's operations with the aim to increase Aptara's operating margins.

### Dividend

The Board is not proposing a dividend in respect of the financial year ended 31 March 2013 (2012: 8p per share). As stated in the Admission Document at the time of the IPO and regularly thereafter, the Company keeps its dividend policy under constant review and balances a dividend payment with the organic and acquisitive growth opportunities available to the Company, in-line with its long term stated requirements. Through these results, the Board has demonstrated these growth opportunities and the Board is committed to maintaining a strong but efficient balance sheet.

### Strategy

The Company has delivered growth for its shareholders by following the strategies articulated in the Admission Document at the time of IPO; namely by:

- Expanding its revenues from the domestic Indian BPO market both by taking advantage of the growth in the market itself;
- Increasing the Company's share of that growing market;
- Growing its international client base with a focus on the US and UK markets;
- Maintaining and developing long term client relationships and increasing depth and breadth of services provided to them; and
- Differentiating itself through the quality and price at which it delivers its range of services by being flexible enough to evolve and provide services in complementary areas to deliver client orientated services.
- Undertaking strategic acquisitions of other market leading Business Process Outsourcing service providers, thus growing its client base, markets, service capabilities, revenues, profits & employee headcount.

The success of these strategies is evidenced in the Company's financial and operational performance and the Company is focused on pursuing these to drive growth looking forward.

**CURRENT TRADING AND OUTLOOK**

We continue to make progress in gaining market share within the expanding global outsourcing market where there are opportunities both in the domestic Indian BPO market and international markets. In addition, we continue to create new opportunities and develop our long term client relationships by increasing the depth and breadth of the services provided to them.

Current trading is in line with expectations and we expect to see further growth in the current financial year. We continue to pursue a growth policy based on organic growth from existing operations together with any other opportunities which may arise.

Finally I would like to thank all of our staff, clients and shareholders for their continuing support.

**ANIL AGGARWAL**
Chief Executive
29 July 2013

# Board and Executive Management

**Sara Latham (42) – Chairman of the Board & Non Executive Director.**

Sara Latham is a former communications adviser to former President Clinton and former Prime Minister Tony Blair with over a decade of experience in strategic communications and public affairs. She is a graduate of Fredericksburg, Virginia and worked in the White House as Special Assistant to the Chief of Staff, John Podesta and as Deputy Assistant to the President and Deputy Director of Presidential Scheduling from 1996-2000. Following the Clinton Administration, Ms. Latham moved to Brussels as a government affairs adviser for Microsoft Europe, Middle East and Africa. In 2001 she moved to London as Managing Director for Philip Gould Associates. Ms. Latham has worked as Public Affairs Director at Freud Communications and in 2005 worked for Tony Blair on his re-election campaign, travelling with him and producing his campaign events and speeches. Following the 2005 UK General Election, she served as Special Adviser to the Secretary of State for Culture, Media and Sport. Ms. Latham founded Latham Group in 2006, which has worked for Tony Blair Associates, the British Documentary Film Foundation, the Clinton Foundation, Coke, Dow, the Nelson Mandela Foundation, PhrRMA and TIME magazine.

**Anil Aggarwal (52) – Chief Executive Officer.**

Anil Aggarwal is a first generation entrepreneur and is founder and promoter of iEnergizer. He has promoted and managed several successful businesses in various territories including Barker Shoes Limited in the UK. Mr. Aggarwal is primarily responsible for business development, strategy and overall growth for the company.

**John Behar (43) – Non Executive Director.**

Mr. Behar has over 16 years financial services and investment banking experience, most recently involved in listings on the Luxembourg Stock Exchange for Indian mid-market companies, as well as private equity transactions across a range of countries and deal sizes. He is the founder and MD of Prospect Capital, a London based corporate finance advisory firm, and has also acted as a consultant to ICICI Bank UK, part of the major Indian banking and private equity group. Mr. Behar holds an MBA from Cass Business School.

**Christopher de Putron (39) – Non Executive Director.**

Mr. de Putron is a financial services professional with over 17 years experience in the fiduciary industry in both Guernsey and Bermuda. He is the managing director of Jupiter Trustees Limited a Guernsey based independent fiduciary firm and a director of Capita Registrars (Guernsey) Limited. Previously he has worked at fiduciary companies in both Guernsey and Bermuda including Rothschild, Bank of Bermuda and HSBC. Mr. de Putron has a business economics degree from the University of Wales and is a member of the Society of Trust and Estate Practitioners.

**Mark De La Rue (44) - Non-Executive Director.**

Mr. De La Rue is a Fellow of the Association of Chartered Certified Accounts (ACCA) and a financial services professional with over 20 years experience in the accounting and fiduciary industries in Guernsey. He is a director of Jupiter Trustees Limited, a Guernsey based independent fiduciary firm.

# Directors' Report

The Directors present their report and the financial statements of iEnergizer Limited ("the Company") and its Subsidiaries (collectively the "Group"), which covers the year from 1 April 2012 to 31 March 2013.

## Principal Activity and Review of the Business

The principal activity of the Company is that of providing Business Process Outsourcing Services and Content Transformation services.

## Results and Dividends

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements.

The Directors have recommended payment of a dividend of nil p per share (FY2011-12: 8.0 p).

## Review of Business and Future Developments

A review of the business and likely future developments of the Company are contained in the Chairman's statement attached to this report.

## Directors and Directors' interests

The Directors of the Company during the year are attached to this report.

## Directors Remuneration

The Director's remuneration for the year ended 31 March 2013 was:

| | Remuneration £ | Remuneration (US$) |
|---|---|---|
| Sara Latham | 30,000 | 46,921 |
| John Behar | 30,000 | 46,874 |
| Chris de Putron | 10,000 | 15,810 |
| Mark De La Rue | 10,000 | 15,810 |
| **Total Director's Remuneration** | **80,000** | **125,415** |

## Directors Share Option

The share option in force at 31 March 2013 and held by current directors are as follows:

| | Options Granted | Options Vested | Options remaining to be vested | Exercise Price |
|---|---|---|---|---|
| Sara Latham | 10,000 | 10,000 | – | £1.74 |

Details of the use of financial instruments by the Company are contained in note 29 to the financial statements.

## Related Party Contract of Significance

The related party transactions are noted in the financial statement.

### Internal Control

The Directors acknowledge their responsibility for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage the risk of failure to achieve the Company's strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss.

### Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Directors' Responsibilities

The Directors are responsible for preparing the Directors' reports and consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group to enable them to ensure that the financial statements comply with the requirements of the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge and belief:

- The financial statements have been prepared in accordance with International Financial Reporting Standards;
- Give a true and fair view of the financial position and results of the Group; and

- The financial statements include an analysis of the principal risks and uncertainties faced by the Group. There has not been any material change in business risks and uncertainties as described in the Admission Document dated 27 August 2010.

**Auditors**

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

By order of the Board

**Christopher De Putron**
Director
29th July 2013

# CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and intend for the Company to comply with the main provisions of the QCA Guidelines insofar as they are appropriate given the Company's size and stage of development. In maintaining a corporate governance regime the Company is prepared to beyond that required by law for Guernsey companies again in keeping with the Company's size and stage of development.

### BOARD OF DIRECTORS

The Board is responsible for the proper management of the Company. The Board comprises of one Executive Director, Anil Aggarwal (CEO) and four Non-Executive Directors, Sara Latham (Chairman), John Behar, Chris de Putron and Mark De La Rue. The resume of the board members is as outlined in the statement attached to this report.

The Executive Director brings knowledge of the Business Process Outsourcing industry and a range of general business skills. The Non-Executive Directors form a number of committees to assist in the governance of the Company and details are below.

All Directors have access to independent professional advice, at the Company's expense, if and when required.

### SUB-COMMITTEES

The Board has appointed the three sub-committees outlined below. All of the sub-committees have met during the year.

### AUDIT COMMITTEE

The Audit committee comprises of John Behar as chairman and Sara Latham. The committee is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and for meeting with the auditors and reviewing findings of the audit with the external auditor. It is authorised to seek any information it properly requires from any employee and may ask questions of any employee. It will meet the auditors once per year without any members of management being present and are also responsible for considering and making recommendations regarding the identity and remuneration of such auditors.

### REMUNERATION COMMITTEE

The Remuneration committee comprises of Sara Latham as chairman and John Behar. The committee will consider and recommend to the Board the framework for the remuneration of the executive directors of the Company and any other senior management. It will further consider and recommend to the Board the total individual package of each executive director including bonuses, incentive payments and share options or other share awards. In addition, subject to existing contractual obligations, it will review the design of all share incentive plans for approval by the Board and the Company's shareholders and, for each such plan, will recommend whether awards are made and, if so, the overall amount of such awards, the individual awards to executive directors and performance targets to be used. No director will be involved in decisions concerning his own remuneration.

### Nomination Committee

The Nomination committee comprises Sara Latham as chairman and John Behar. The committee will consider the selection and re-appointment of Directors. It will identify and nominate candidates to all board vacancies and will regularly review the structure, size and composition of the board (including the skills, knowledge and experience) and will make recommendations to the Board with regard to any changes.

### Share Dealing

The Company has adopted a share dealing code (based on the Model Code) and the Company will take all proper and reasonable steps to ensure compliance by Directors and relevant employees.

### The City Code on Takeovers and Mergers

The Code applies to offers for all listed and unlisted public companies considered by the Panel resident in the UK, the Channel Islands or the Isle of Man. The Panel will normally consider a company to be resident only if it is incorporated in the United Kingdom, the Channel Islands or the Isle of Man and has its place of central management in one of those jurisdictions. Although the Company is incorporated in Guernsey and its place of management is in Guernsey, the Panel considers that the code does not apply to the Company. It is emphasised that although the Ordinary Shares will trade on AIM, the company will not be subject to takeover regulations in the UK. However, certain provisions analogous to pats of the Code in particular the making of mandatory offers have been incorporated into the Articles which are available on the Company website, www.ienergizer.com.

### Disclosure and Transparency Rules

As a company incorporated in Guernsey, Shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of certain companies incorporated in the UK. In particular, the relevant provisions of chapter 5 of the DTR do not apply. While the Articles contain provisions requiring disclosure of voting rights in Ordinary Shares which are similar to the provisions of the DTR, this may not always ensure compliance with the requirements of Rule 17 of the AIM Rules. Furthermore, the Articles may be amended in the future by a special resolution of the Shareholders.

### Control by Significant Shareholder

Mr Anil Aggarwal through private companies mainly Geophysical Substrata Ltd. (GSL) and EICR (Cyprus) Limited (EICR) owns a significant percentage of the Company. Mr Aggarwal could exercise significant influence over certain corporate governance matters requiring shareholder approval, including the election of directors and the approval of significant corporate transactions and other transactions requiring a majority vote.

The Company, Arden Partners (Broker & Nomad), GSL, EICR and Mr Anil Aggarwal have entered into a relationship agreement to regulate the arrangements between them. The relationship agreement applies for as long as GSL/EICR directly or indirectly holds in excess of thirty per cent of the issued share capital of the Company and the Company's shares remain admitted to trading on AIM. The relationship agreement includes provisions to ensure that:

i. the Board and its committees are able to carry on their business independently of the individual interests of EICR;

ii. the constitutional documents of the Company are not changed in such a way which would be inconsistent with the Relationship Agreement;

iii. all transactions between the Group and EICR (or its affiliates) are on a normal commercial basis and concluded at arm's length;

iv. EICR shall not:

   (i) exercise the voting rights attaching to its Ordinary Shares; or

   (ii) procure that the voting rights attaching to its Ordinary Shares be exercised,

   so as (a) to appoint any person who is connected to EICR to the Board if, as a direct consequence of such appointment, the number of persons connected to EICR appointed to the Board would exceed the number of independent Directors appointed to the Board, unless such appointment(s) has been previously approved by the nomination committee of the Board constituted by a majority of independent Directors; or (b) to remove any independent Director from the Board unless such removal has previously been recommended by a majority of the independent Directors, excluding the independent Director in question; or (c) to cancel the Admission unless the cancellation has previously been recommended by a majority of the independent Directors; and

v. certain restrictions are put in place to prevent interference by the Shareholder with the business of the Company.

# Independent Auditors' Report

### To the Members of iEnergizer Limited

We have audited the consolidated financial statements of iEnergizer Limited for the year ended 31 March 2013 which comprise the Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities included in the Directors Report, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the consolidated financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the Audit of the Consolidated Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the Consolidated Financial Statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2013 and of its profit for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

### Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you, if in our opinion:

- proper accounting records have not been kept by the company; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton Limited

**Grant Thornton Limited**
**Chartered Accountants**
**St Peter Port, Guernsey, Channel Islands**

**29th July 2013**

# Consolidated Statement of Financial Position

*(All amounts in United States Dollars, unless otherwise stated)*

| | Notes | As at 31 March 2013 | As at 31 March 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current** | | | |
| Goodwill | **7** | 102,289,911 | 102,300,503 |
| Other intangibles assets | **8** | 31,677,970 | 35,941,234 |
| Property, plant and equipment | **9** | 3,867,301 | 4,014,833 |
| Long term financial assets | **10** | 1,676,923 | 719,322 |
| Deferred tax assets | **11** | 12,151,517 | 20,230,187 |
| **Non-current assets** | | **151,663,622** | **163,206,079** |
| **Current** | | | |
| Trade and other receivables | **12** | 28,150,952 | 24,845,085 |
| Cash and cash equivalents | **13** | 20,903,133 | 11,478,220 |
| Short term financial assets | **14** | 4,519,265 | 2,885,695 |
| Current tax assets | | 484,752 | 114,090 |
| Other current assets | **15** | 1,821,779 | 1,928,467 |
| **Current assets** | | **55,879,881** | **41,251,557** |
| **Total assets** | | **207,543,503** | **204,457,636** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 3,195,334 | 3,195,334 |
| Share compensation reserve | | 63,986 | 63,986 |
| Additional paid in capital | | 11,009,480 | 11,009,480 |
| Merger reserve | | (1,049,386) | (1,049,386) |
| Retained earnings | | 23,180,758 | 19,201,520 |
| Currency translation reserve | | (2,897,780) | (1,166,752) |
| **Total equity attributable to equity holders of the parent** | | **33,502,392** | **31,254,182** |
| **Liabilities** | | | |
| **Non-current** | | | |
| Long term borrowings | **16** | 772,126 | 1,012,004 |
| Employee benefit obligations | **18** | 4,585,758 | 3,849,159 |
| Other non-current liabilities | | 135,257 | 282,557 |
| Deferred tax liabilities | **11** | 6,940,771 | 13,120,619 |
| **Non-current liabilities** | | **12,433,912** | **18,264,339** |

# Consolidated Statement of Financial Position (contd.)

*(All amounts in United States Dollars, unless otherwise stated)*

| | Notes | As at 31 March 2013 | As at 31 March 2012 |
|---|---|---|---|
| **Current** | | | |
| Trade and other payables | **17** | 16,993,092 | 8,672,950 |
| Employee benefit obligations | **18** | 904,319 | 987,512 |
| Current tax liabilities | | 1,837,325 | 575,515 |
| Current portion of long term borrowings | **16** | 518,063 | 425,034 |
| Short term borrowings | **16** | 132,500,000 | 134,500,000 |
| Other current liabilities | **19** | 8,854,400 | 9,778,104 |
| **Current liabilities** | | **161,607,199** | **154,939,115** |

| | | |
|---|---|---|
| **Total equity and liabilities** | **207,543,503** | **204,457,636** |

*(The accompanying notes are an integral part of the Consolidated Financial Statements)*

*The Consolidated Financial Statements is being signed as of 29 July 2013, pursuant to resolution approved in the board meeting held on 26 July 2013.*

**Christopher De Putron**
Director

# Consolidated Income Statement

*(All amounts in United States Dollars, unless otherwise stated)*

| | Notes | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|---|---|---|---|
| **Revenue** | | | |
| Rendering of services | | 146,094,817 | 71,729,280 |
| Other income | **20** | 4,225,222 | 466,443 |
| | | **150,320,039** | **72,195,723** |
| **Cost and expenses** | | | |
| Cost of outsourced services | | 31,503,396 | 31,427,733 |
| Employee benefits expense | | 56,799,779 | 14,331,576 |
| Depreciation and amortization | | 6,644,912 | 1,341,872 |
| Other expenses | | 17,612,767 | 6,206,196 |
| | | **112,560,854** | **53,307,377** |
| **Operating profit** | | **37,759,185** | **18,888,346** |
| Finance income | **21** | 83,148 | 95,986 |
| Finance costs | **22** | (8,148,274) | (1,230,955) |
| **Profit before tax** | | **29,694,059** | **17,753,377** |
| Income tax expense | **23** | 6,275,724 | 1,733,324 |
| **Profit for the year attributable to equity holders of the parent** | | **23,418,335** | **16,020,053** |
| **Earnings per share** | **24** | | |
| *Basic* | **2** | *0.15* | *0.11* |
| *Diluted* | | *0.15* | *0.11* |
| *Par value of each share in GBP* | | *0.01* | *0.01* |

*(The accompanying notes are an integral part of the Consolidated Financial Statements)*

# Consolidated Statement of Comprehensive Income

*(All amounts in United States Dollars, unless otherwise stated)*

| | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|---|---|---|
| **Profit for the year** | **23,418,335** | **16,020,053** |
| Exchange difference on translating foreign operations | (1,731,028) | (1,209,222) |
| **Total comprehensive income for the year attributable to equity holders of the parent** | **21,687,307** | **14,810,831** |

*(The accompanying notes are an integral part of the Consolidated Financial Statements)*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(All amounts in United States Dollars, unless otherwise stated)*

| | Share capital | Additional paid in Capital | Share compensation reserve | Merger reserve | Currency translation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 01 April 2011** | **3,148,881** | **-** | **63,986** | **(1,049,386)** | **42,470** | **16,797,935** | **19,003,886** |
| Issue of ordinary shares | 46,453 | 11,009,480 | - | - | - | - | **11,055,933** |
| Dividends | - | - | - | - | - | (13,616,468) | **(13,616,468)** |
| ***Transaction with owners*** | **46,453** | **11,009,480** | **-** | **-** | **-** | **(13,616,468)** | **(2,560,535)** |
| Profit for the year | - | - | - | - | - | 16,020,053 | **16,020,053** |
| ***Other comprehensive income*** | - | - | - | - | - | - | **-** |
| Exchange difference on translating foreign operations | - | - | - | - | (1,209,222) | - | **(1,209,222)** |
| Total comprehensive income for the year | - | - | - | - | (1,209,222) | 16,020,053 | 14,810,831 |
| **Balance as at 31 March 2012** | **3,195,334** | **11,009,480** | **63,986** | **(1,049,386)** | **(1,166,752)** | **19,201,520** | **31,254,182** |

*(The accompanying notes are an integral part of the Consolidated Financial Statements)*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(All amounts in United States Dollars, unless otherwise stated)*

| | Share capital | Additional paid in Capital | Share compensation reserve | Merger reserve | Currency translation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 01 April 2012** | **3,195,334** | **11,009,480** | **63,986** | **(1,049,386)** | **(1,166,752)** | **19,201,520** | **31,254,182** |
| Issue of ordinary shares | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | (19,439,097) | **(19,439,097)** |
| ***Transaction with owners*** | **-** | **-** | **-** | **-** | **-** | **(19,439,097)** | **(19,439,097)** |
| Profit for the year | - | - | - | - | - | 23,418,335 | **23,418,335** |
| ***Other comprehensive income*** | - | - | - | - | - | - | - |
| Exchange difference on translating foreign operations | - | - | - | - | (1,731,028) | - | **(1,731,028)** |
| Total comprehensive income for the year | - | - | - | - | (1,731,028) | 23,418,335 | 21,687,307 |
| **Balance as at 31 March 2013** | **3,195,334** | **11,009,480** | **63,986** | **(1,049,386)** | **(2,897,780)** | **23,180,758** | **33,502,392** |

*(The accompanying notes are an integral part of the Consolidated Financial Statements)*

# CONSOLIDATED STATEMENT OF CASH FLOWS

*(All amounts in United States Dollars, unless otherwise stated)*

| | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit before tax** | **29,694,059** | **17,753,377** |
| **Adjustments:-** | | |
| Depreciation and amortisation | 6,644,912 | 1,341,872 |
| Amounts written off subsequent to dissolution of subsidiaries | 66,561 | - |
| Loss on disposal of property, plant and equipment | 9,783 | 7,736 |
| Trade receivables written off | 195,367 | 4,175 |
| Sundry balances written back | (6,167) | - |
| Foreign exchange (gain)/ loss | (1,248,642) | 495,782 |
| Finance income | (83,148) | (95,986) |
| Finance cost | 8,148,274 | 1,230,955 |
| **Changes in operating assets and liabilities** | **43,420,999** | **20,737,911** |
| | | |
| Trade and other receivables | (3,992,559) | (16,237,746) |
| Other assets | (2,484,483) | 37,999,010 |
| Non-current liabilities, trade payables and other current liabilities | 8,431,220 | (26,198,130) |
| Increase / (decrease) in employee benefit obligations | 653,406 | 4,675,240 |
| **Cash generated from operations** | **46,028,583** | **20,976,285** |
| | | |
| Income taxes paid | (3,485,749) | (8,314,652) |
| **Net cash generated from operating activities** | **42,542,834** | **12,661,633** |

| | | |
|---|---|---|
| **Cash flow for investing activities** | | |
| Payments for purchase of property plant and equipment and intangibles | (2,547,961) | (1,346,720) |
| Interest received | 83,148 | 95,986 |
| Consideration towards business combination net of cash acquired | - | (150,100,000) |
| **Net cash used in investing activities** | **(2,464,813)** | **(151,350,734)** |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)

*(All amounts in United States Dollars, unless otherwise stated)*

| | For the year ended 31 March 2013 | For the year ended 31 March 2012 |
|---|---|---|
| **Cash flow from financing activities** | | |
| Proceeds of share capital | - | 11,055,933 |
| Interest paid | (8,148,274) | (1,230,955) |
| Dividends paid to shareholders of the parent | (19,439,098) | (13,616,468) |
| Repayment/proceeds of borrowings | (2,146,847) | 135,762,407 |
| **Net cash used in financing activities** | **(29,734,219)** | **131,970,917** |
| | | |
| **Net change in cash and cash equivalents** | **10,343,802** | **(6,718,184)** |
| Cash and cash equivalents at the beginning of the year | 11,478,220 | 12,232,458 |
| Cash acquired on acquisition of Aptara Inc. | - | 6,606,527 |
| Effect of exchange rate changes on cash and cash equivalent | (918,889) | (642,581) |
| **Cash and cash equivalents at the end of the year** | **20,903,133** | **11,478,220** |
| | | |
| **Cash and cash equivalents comprise** | | |
| Cash on hand | 55,138 | 52,832 |
| Balances with banks in current account | 20,769,155 | 10,744,899 |
| Balances with banks in deposit account | 78,840 | 680,489 |
| | **20,903,133** | **11,478,220** |

*(The accompanying notes are an integral part of these Consolidated Financial Statements)*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(All amounts in United States Dollars, unless otherwise stated)*

## 1. INTRODUCTION

iEnergizer Limited (the 'Company' or 'iEnergizer ') was incorporated in Guernsey on 12 May 2010.

iEnergizer Limited is a 'Company limited by shares' and is domiciled in Guernsey. The registered office of the Company is located at Mont Crevelt House, Bulwer Avenue, St. Sampson, Guernsey, GY2 4 LH. iEnergizer was listed on the Alternative Investment Market ('AIM') of London Stock Exchange on 14 September 2010.

iEnergizer through its subsidiaries iEnergizer Holdings Limited, iEnergizer IT Services Private Limited, iEnergizer Management Services Limited, iEnergizer BPO Limited, iEnergizer Aptara Limited and Aptara Inc and subsidiaries. (together the 'Group') is engaged in the business of call centre operations, providing business process outsourcing (BPO) and content delivery services, and back office services to their customers, who are primarily based in the United States of America and India, from its operating offices in Mauritius and India.

On 7 February 2012, iEnergizer Limited acquired Aptara Inc. and accordingly Aptara Inc. became a wholly-owned subsidiary of iEnergizer. Aptara Inc. provides content process outsourcing solutions, delivering a comprehensive offering for the transformation and management of content such as text, audio, video and graphic assets. Aptara provides services in the following areas: (i) Educational Publishing, (ii) Professional publishing, (iii) e-Learning and new media publishing, (iv) Content transformation technology (IT) services and (v) Legal solutions. Aptara customers include publishers, information aggregators, professional societies, universities, corporations and not for profit organisations located primarily in the United States, the United Kingdom and Australia.

## 2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements of the Group for the year ended 31 March 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. The consolidated financial statements have been prepared on a going concern basis.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *3.1 BASIS OF CONSOLIDATION*

The Group's consolidated financial statements include financial statements of iEnergizer Limited, the parent company and all of its subsidiaries for the year ended 31 March 2013. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. iEnergizer obtains and exercises control through more than half of the voting rights of the entity.

Unrealised gains and losses on transactions between the Company and its subsidiaries are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

### *3.2 FOREIGN CURRENCY TRANSLATION*

This consolidated financial statement is presented in USD ('United States Dollar'), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statement of each entity are measured using that functional currency. The functional currency of each entity has been determined on the basis of the primary economic environment in which each entity of the Group operates.

#### a. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date and the resultant foreign exchange gain or loss on re-measurement of monetary item or settlement of such transactions are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### b. Group companies

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than USD (the Group's presentation currency) are translated into USD upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date and their consolidated statements of comprehensive income are translated at average exchange rates where this is a reasonable approximation to actual rates during the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into USD at the closing rate.

### *3.3 REVENUE RECOGNITION*

Revenue comprises revenue from call center operations and providing business process outsourcing (BPO) and also content process outsourcing solutions. These services are rendered through contractual arrangements entered into with customers by the Group companies.

In respect of the Group's call center operations and business process outsourcing, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

#### Rendering of services

Revenues earned from services billed at agreed hourly/daily charge out rates, are recognised as the services are performed with reference to time spent and agreed charge out rate.

Revenues performed on fixed–price engagements are recognised either on a percentage of completion basis or upon the completion of services, depending upon whether the outcome of the contract can be reliably measured. Efforts expended, measured by way of time spent on the job to the total time budgeted, have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Where the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognised in the consolidated income statement by reference to the stage of completion at the statement of financial position date, provided that a right to consideration has been obtained through performance. When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs incurred, to the extent that such contract costs are recoverable. Contract costs are recognised in the period in which they are incurred. No revenue is recognised where there are significant uncertainties regarding recovery of the consideration due or where the right to receive payment is contingent on events outside the control of the Group. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the consolidated income statement.

Unbilled revenue represents revenue recognised based on services rendered to the customers, however not billed as of the statement of financial position date as per the payment terms agreed with the customers.

**Finance and other income**

Finance income consists of interest income on funds invested. Interest income is recognised as it accrues in consolidated income statement, using the effective interest rate method.

### *3.4 PROPERTY, PLANT AND EQUIPMENT*

Items of plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Assets acquired under capital leases are capitalised as assets by the Group at the lower of the fair value of the leased property or the present value of the related lease payments or where applicable, the estimated fair value of such assets. Assets under capital leases and leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| Asset | Useful Life |
|---|---|
| Computers and data equipment | 2 to 7 years |
| Office equipment | 5 years |
| Furniture and fixtures | 1 to 7 years |
| Air conditioners and generators | 10 years |
| Vehicles | 4 to 7 years |

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Advances paid for the acquisition of property, plant and equipment outstanding at the statement of financial position date and the cost of property, plant and equipment not put to use before such date are disclosed as 'Capital work-in-progress'.

### 3.5 GOODWILL

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. The impairment analysis of goodwill is carried out annually at cash generating unit (CGU) level to evaluate whether events or changes have occurred that would suggest an impairment of carrying value.

### 3.6 OTHER INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is initially recorded at its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

Intangible assets are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Residual values and useful lives are reviewed at each reporting date. In addition, these intangibles are subject to impairment testing annually. Amortisation has been included within 'depreciation and amortisation'. The following useful lives are applied

- Software: 2-5 years
- Customer contracts and relationships: 0-7 years
- Trademark and patents (having indefinite life): Tested for impairment annually

### *3.7 LEASES*

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

**Group as a lessee**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term. Rent abatements and escalations are considered in the calculation of minimum lease payments in the Group's capital lease testing and in determining straight line rent expense for operating leases.

### *3.8 ACCOUNTING FOR INCOME TAXES*

Income tax expense recognised in the consolidated income statement comprise of current and deferred tax. Income tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is not recognised for the following temporary differences:

(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and

(ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realised. The provision for income taxes represents the tax payable for the period and the changes during the period in deferred tax assets and liabilities.

### *3.9 POST EMPLOYMENT BENEFITS, SHORT-TERM AND LONG TERM EMPLOYEE BENEFITS AND EMPLOYEE COSTS*

The Group provides post-employment benefits through defined contribution plans as well as defined benefit plans.

*Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to recognised provident funds, approved superannuation schemes and other social securities which are defined contribution plans are recognised as an employee benefit expense in the consolidated income statement when they are incurred.

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of an approved gratuity plan, which is a defined benefit plan, and certain other defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate/government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed periodically by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in income statement. Actuarial gains and losses are recognised as an expense directly in the consolidated income statement.

*Short-term benefits*

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Compensated absences*

Eligible employees are entitled to accumulate compensated absences up to prescribed limits in accordance with the Group's policy and receive cash in lieu thereof. The Group measures the expected cost of accumulating compensated absences as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the reporting date. Such measurement is based on actuarial valuation as at the reporting date carried out by a qualified actuary.

### 3.10 IMPAIRMENT TESTING OF FINANCIAL ASSETS, GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

*Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the consolidated income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the consolidated income statement.

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination and represent the lowest level within the Group at which management monitors goodwill.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### *3.11 FINANCIAL INSTRUMENTS*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through consolidated income statement, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

**Financial assets**

Non-derivative financial assets consist of investments in equity, trade receivables, certain other assets, cash and cash equivalents.

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss

The category determines subsequent measurement and whether any resulting income and expense is recognised in consolidated income statement.

All income and expenses relating to financial assets that are recognised in the consolidated income statement are presented within 'finance costs', 'finance income' or 'other financial items, as applicable.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

*Cash and cash equivalents*

Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flow comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less and which are subject to an insignificant risk of changes in value.

*Restricted deposits*

Restricted deposits consist of deposits pledged with government authorities for the Group's Indian subsidiaries and deposits restricted as to usage under lien to banks for guarantees given by the Company.

*Others*

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

The Group holds derivative financial instruments to hedge its foreign currency exposure. The Group does not apply hedge accounting to these instruments.

Derivatives are recognised initially at fair value; transaction costs are recognised in the consolidate income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the consolidated income statement.

**Financial liabilities**

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments. Trade and other payables and borrowings are initially measured at fair value and subsequently measured at amortised cost using effective interest rate method. They are included in the consolidated statement of financial position line items 'long-term liabilities' and 'trade and other payables'.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance cost" in the consolidated income statement.

Dividend distributions to shareholders are included in 'other current liabilities' when the dividends are approved by the shareholders' meeting.

### *3.12 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS*

Provisions are recognised when present obligations as a result of past events will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the consolidated statement of financial position.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However this asset may not exceed the amount of the related provisions. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

From time to time, Group entities are subject to ordinary routine litigation incidental to its normal business operations. Management believes that the outcome of these litigation matters will not have a material effect on the Group's results of operations, financial position or cash flows. No amounts have been paid or accrued toward these litigation matters as management believes any unfavourable outcome on any such litigation matters to be remote.

### *3.13 BUSINESS COMBINATIONS*

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquirer's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

For common control transactions, not covered under IFRS 3 (revised), the Group applies pooling of interest method. Under a pooling of interests-type method, the acquirer accounts for the combination as follows:

- The assets and liabilities of the acquiree are recorded at book value not fair value (although adjustments should be recorded to achieve uniform accounting policies);
- Intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable IFRS (in particular IAS 38);
- No goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented as a separate reserve within equity on consolidation;
- Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities (as adjusted to achieve uniform accounting policies);
- Any expenses of the combination are written off immediately in the income statement;
- Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

### *3.14 EQUITY*

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issue of share capital. Any transaction costs associated with the issue of shares is deducted from additional paid-in capital, net of any related income tax benefits.

Foreign currency translation differences are included in the currency translation reserve.

Retained earnings include all current and prior period earnings, as disclosed in the consolidated income statement.

The balance on the merger reserve represents excess of the fair value of the consideration paid over the book value of net assets acquired in a common control transaction accounted for using pooling of interest method.

### *3.15 SHARE BASED PAYMENTS*

The Group operates equity-settled share based plans for one of its directors and a consultant. Where persons are rewarded using share based payments, the fair values of services rendered by director and others are determined indirectly by reference to the fair value of the equity instruments granted, where the fair value of the services received cannot be reliably measured. This fair value is calculated using the Black Scholes model at the respective measurement date. In the case of employees and others providing services, the fair value is measured at the grant date. The fair value excludes the impact of non-market vesting conditions. All share-based remuneration is recognised as an expense in consolidated income statement with a corresponding credit to share compensation reserve.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates and any impact of the change is recorded in the year in which that change occurs.

### *3.16 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS*

The preparation of the Group's consolidated financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the consolidated financial information:

***Determination of functional currency of individual entities***

Following the guidance in IAS 21 "The effects of changes in foreign exchange rates" the functional currency of each individual entity is determined by the management based on the currency of the primary economic environment in which the entity operates. The management believes that each of the individual entity's functional currency reflects the transactions, events and conditions under which the entity conducts its business.

***Business combinations***

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see note 3.13). Particularly, the identification of intangible assets is dependent on the outcome of many variables that affect future profitability.

### Goodwill impairment review

In assessing goodwill impairment, management makes judgment in identifying the cash-generating units (CGU) to which the goodwill pertains. Management then estimates the recoverable amount of each asset based on expected future cash flows. The recoverable amount of the CGU is determined based on the value-in-use calculations. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable growth and discount rate (see note 7).

### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

### Post-employment benefits

The cost of defined employee benefit obligations and the present value of these obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, expected return on plan assets, mortality rates and attrition rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds denominated in the respective currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on expected future inflation rates for the respective countries and expected future salary increases for the respective entities. Attrition rate is based on expected future attrition rate for the respective entities.

### Useful lives of various assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Group. The carrying amounts are analysed in notes 8 and 9. Actual results, however, may vary due to technical obsolescence, particularly relating to internally generated intangibles and software.

### Impairment of trade receivables

As at each reporting date, management makes an estimate of the bad and doubtful trade receivables and records a loss for impairment against the receivables for amounts determined. Though there is a concentration of credit with respect to top customers of the Group, management doesn't consider the risk arising from this concentration to be significant considering the credit worthiness of customers. The impairment loss is based solely on an estimate made by management with respect to the recoverability of past due trade receivable.

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## 4. STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE AND APPLIED

Summarised in the paragraphs below are standards, interpretations or amendments that have been issued prior to the date of approval of these consolidated financial statements and will be applicable for transactions in the Group but are not yet effective. These have not been adopted early by the Group and accordingly, have not been considered in the preparation of the consolidated financial statements of the Group.

Management anticipates that all of these pronouncements will be adopted by the Group in the first accounting period beginning after the effective date of each of the pronouncements. Information on the new standards, interpretations and amendments that are expected to be relevant to the Group's consolidated financial statements is provided below.

- **IFRS 9** *Financial Instruments Classification and Measurement*

In November 2009, the IASB issued IFRS 9 "Financial Instruments: Classification and Measurement" ("IFRS 9"). This standard introduces certain new requirements for classifying and measuring financial assets and liabilities and divides all financial assets that are currently in the scope of IAS 39 into two classifications, those measured at amortised cost and those measured at fair value. In October 2010, the IASB issued a revised version of IFRS 9, "Financial Instruments" ("IFRS 9 R"). The revised standard adds guidance on the classification and measurement of financial liabilities. IFRS 9 R requires entities with financial liabilities designated at fair value through profit or loss to recognise changes in the fair value due to changes in the liability's credit risk in other comprehensive income. However, if recognizing these changes in other comprehensive income creates an accounting mismatch, an entity would present the entire change in fair value within profit or loss. There is no subsequent recycling of the amounts recorded in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

IFRS 9R is effective for fiscal years beginning on or after 1 January 2015. The Company is currently evaluating the impact that this new standard will have on its consolidated financial statements.

- *Consolidation Standards*

A package of consolidation standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below. These new standards are not expected to have any impact on the entities being consolidated and method of consolidation for the Group.

- **IFRS 10** *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10 "Consolidated Financial Statements" ("IFRS 10") which replaces consolidation requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation — Special Purpose Entities" and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This pronouncement is effective for the annual period beginning on or after January 1, 2014 with earlier application permitted so long as this standard is applied together with other four standards as mentioned below:

IFRS 11 "Joint Arrangements"
IFRS 12 "Disclosure of Interest in Other Entities"
IAS 27 (Revised) "Separate Financial Statements"
IAS 28 (Revised) "Investments in Associates and Joint Ventures"

The remainder of IAS 27, "Separate Financial Statements", now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Company's consolidated financial statements.

- **IFRS 11** *Joint Arrangements*

"Joint Arrangements" ("IFRS 11"), which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities — Non-monetary Contributions by Ventures", requires a single method, known as the equity method, to account for interests in joint operations and joint ventures. The proportionate consolidation method to account for joint ventures is no longer permitted to be used. IAS 28, "Investments in Associates and Joint Ventures", was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investments in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.

- **IFRS 12** *Disclosure of interest in other entities*

"Disclosure of Interest in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

Further, in June 2012, IASB published 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance' as amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments are intended to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

The Company will be adopting IFRS 10, IFRS 11 and IFRS 12 effective for periods beginning on or after 1 Jan 2014. The Company is currently evaluating the impact of the above pronouncements on the Company's consolidated financial statements.

- *IAS 1 Presentation of Financial Statements (IAS 1 (Amended))*

The IASB published amendments to IAS 1 "Presentation of Financial Statements" ("IAS 1(Amended)") in June 2011. Amendments to IAS 1 require companies preparing financial statements in accordance with IFRS to group items within other comprehensive income that may be reclassified to the profit or loss separately from those items which would not be recyclable in the profit or loss section of the statement of income. It also requires the tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax).

The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. This amendment is applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted. The Company is required to adopt IAS 1 (Amended) by accounting year commencing April 1, 2013.

The Company is currently evaluating the requirements of IAS 1 (Amended) and does not believe that the adoption of IAS 1 (Amended) will have a material effect on its consolidated financial statements.

- **IFRS 7** *Financial Instruments: Disclosure*

In December 2011, the IASB amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing an amendment to IAS 32 "Financial Instruments: Presentation" ("IAS 32") and IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7").

The amendment to IFRS 7 requires companies to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosure requirements are effective for interim or annual periods beginning on or after January 1, 2013. It requires retrospective application for comparative periods.

The IASB has amended IAS 32 to clarify the meaning of 'currently has a legally enforceable right of set off' and 'simultaneous realisation and settlement'. The amendment clarifies that in order to result in an offset of a financial asset and financial liability, a right to set off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy. The amendments also clarify that the determination of whether the rights meet the legally enforceable criterion will depend on both the contractual terms entered into between the counterparties as well as the law governing the contract and the bankruptcy process in the event of bankruptcy or insolvency. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively for comparative periods.

The Company is currently evaluating the requirements of above amendments to IAS 32 and IFRS 7, and does not believe that the adoption of these standards will have a material effect on its consolidated financial statements.

- **IFRS 13** *Fair Value Measurement*

In May, 2011, the IASB issued IFRS 13 "*Fair Value Measurements*" ("IFRS 13"). IFRS 13 defines fair value, provides single IFRS framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Company is currently evaluating the impact that this new standard will have on its consolidated financial statements.

- *Amendments to IAS 19 Employee Benefits*

The amendments to IAS 19 include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the "corridor method," requiring entities to recognise all gains and losses arising in the reporting period;
- streamline the presentation of changes in plan assets and liabilities; and
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013 and will apply retrospectively. Management does not expect the impact of this amendment to be significant.

## 5. BASIS OF CONSOLIDATION

Details of the entities, which as of 31 March 2013 form part of the Group and are consolidated under iEnergizer are as follows:

| Name of the entity | Holding company | Country of incorporation | Effective group shareholding (%) as of 31 March 2013 |
|---|---|---|---|
| iEnergizer Holdings Limited ('IHL') | iEnergizer | Mauritius | 100 |
| iEnergizer IT Services Private Limited ('IITS') | IHL | India | 100 |
| iEnergizer Group FZ – LLC ('IEG')* | iEnergizer | Dubai | - |
| iEnergizer Aptara Limited* | iEnergizer | Guernsey | - |
| iEnergizer BPO Limited | IHL | Mauritius | 100 |
| iEnergizer Management Services Limited# | IHL | Hong Kong | 100 |
| Aptara Inc. | iEnergizer | USA | 100 |
| Techbooks International Private Limited | Aptara Inc. | India | 100 |
| Techbooks Electronic Services Private Limited | Aptara Inc. | India | 100 |
| Global Content Transformation Private Limited | Aptara Inc. | India | 100 |
| Maximize Learning Private Limited | Aptara Inc. | India | 100 |
| Aptara Learning Private Limited | Aptara Inc. | India | 100 |
| Aptara New Media Private Limited | Aptara Inc. | India | 100 |
| Aptara Technologies Private Limited | Aptara Inc. | India | 100 |
| iEnergizer Aptara Limited@ | iEnergizer | Mauritius | 100 |

* *The companies ceased to exist during the year. iEnergizer Aptara Limited dissolved on 29 January 2013 and iEnergizer Group FZ – LLC dissolved on 18 November 2012.*

\# *iEnergizer Management Services Limited was incorporated on 11 July 2012 in Hong Kong as a wholly owned subsidiary of iEnergizer Holdings Limited.*

@ *iEnergizer Aptara Limited was incorporated on 31 May 2012 in Mauritius as a wholly owned subsidiary of iEnergizer Limited.*

## 6. BUSINESS COMBINATION

On 7 February 2012 ("acquisition date"), iEnergizer Limited acquired the Company ('Aptara, Inc.') at an agreed purchase consideration of USD 150,100,000, paid in cash. The acquisition was accounted for using the acquisition method as prescribed in note 3.13. As a result of such accounting, the Company recognised goodwill of USD 102,134,822 as of the acquisition date.

The consideration was fixed at USD 150,100,000, however, a claim was filed by iEnergizer Limited towards final working capital adjustment at the acquisition date, primarily relating to difference between actual and expected forecasts of working capital and value of assets and liabilities acquired. As a result of the final claim settlement, the Company received USD 1,950,000 from the erstwhile shareholders of Aptara, Inc. which has been recognised as 'other income' in the consolidated income statement.

## 7. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

| Particulars | Amount |
|---|---|
| Balance as at 01 April 2011 | 186,696 |
| Acquired through business combination | 102,134,822 |
| Impairment loss recognised | - |
| Translation adjustment | (21,015) |
| **Balance as at 31 March 2012** | **102,300,503** |

| Particulars | Amount |
|---|---|
| Balance as at 01 April 2012 | 102,300,503 |
| Impairment loss recognised | - |
| Translation adjustment | (10,592) |
| **Balance as at 31 March 2013** | **102,289,911** |

For the purpose of annual impairment testing goodwill is allocated to the following CGU, which are expected to benefit from the synergies of the business combinations in which the goodwill arises.

| Particulars | Amount |
|---|---|
| Real time processing - India business unit<br>Content delivery — USA business unit | 155,087<br>102,134,824 |
| **Goodwill allocation as at 31 March 2013** | **102,289,911** |

The recoverable amounts of the CGU was determined based on value-in-use calculations, covering a three year forecast, followed by an extrapolation of expected cash flows for the unit's remaining useful lives using the growth rates stated below.

a) Growth rates - The forecasted growth rates are based on management estimation derived from past experience and external sources of information available.

b) Pre-tax discount rates - Discount rates reflect management's estimates of the risks specific to the business.

| Particulars | Growth rate 31 March 2013 | Discount rate 31 March 2013 |
|---|---|---|
| Real time processing - India business unit<br>Content delivery — USA business unit | 15%<br>18% | 14.13%<br>23.05% |

The recoverable amount of the cash generating units is its value in use which is the present value of the future cash flows expected to be derived from the cash generating units. Management used the following key assumptions to estimate its value in use for the period covered by the most recent budgets/ forecasts based on the past experience in this market:

a) Estimated cash flows for 3 years based on internal management budgets prepared using past experience.
b) Management has applied Free Cash Flow to Equity ('FCFE') method in determining the value in use of the USA business unit.
c) Terminal value for the USA business unit is arrived by applying 8x multiple to the EBITDA in the last year of the explicit forecast period. This suggests a constant long-term growth rate of 4% to 6%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.
d) The pre-tax discount rates used are based on the weighted average cost of capital of the relevant underlying cash-generating unit.

These assumptions are based on past experience and are consistent with market information.

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## 8. OTHER INTANGIBLE ASSETS

The Intangible assets comprises of the following:

| Particulars | Customer Contracts | Computer software | Patent | Trade mark | Intangibles under development | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at 01 April 2011** | **485,363** | **212,691** | **-** | **-** | **-** | **698,054** |
| Acquired under business combination | 23,700,000 | 215,300 | 100,000 | 12,000,000 | 270,114 | 36,285,414 |
| Additions | - | 306,576 | - | - | - | 306,576 |
| Disposals (Net) | - | - | - | - | - | - |
| Translation adjustment | (23,517) | (22,217) | - | - | - | (45,734) |
| **Balance as at 31 March 2012** | **24,161,846** | **712,350** | **100,000** | **12,000,000** | **270,114** | **37,244,310** |
| | | | | | | |
| **Accumulated amortization** | | | | | | |
| **Balance as at 01 April 2011** | **447,299** | **37,558** | **-** | **-** | **-** | **484,857** |
| Amortisation for the year | 654,516 | 185,337 | - | - | - | 839,853 |
| Translation adjustment | (20,157) | (1,477) | - | - | - | (21,634) |
| **Balance as at 31 March 2012** | **1,081,658** | **221,418** | **-** | **-** | **-** | **1,303,076** |
| **Net carrying value as at 31 March 2012** | **23,080,188** | **490,932** | **100,000** | **12,000,000** | **270,114** | **35,941,234** |

| Particulars | Customer Contracts | Computer software | Patent | Trade mark | Intangibles under development | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at 01 April 2012** | **24,161,846** | **712,350** | **100,000** | **12,000,000** | **270,114** | **37,244,310** |
| Additions | - | 839,249 | - | - | - | 839,249 |
| Disposals (Net) | - | (33,216) | - | - | (104,894) | (138,110) |
| Translation adjustment | (11,848) | (47,025) | - | - | - | (58,873) |
| **Balance as at 31 March 2013** | **24,149,998** | **1,471,358** | **100,000** | **12,000,000** | **165,220** | **37,886,576** |
| | | | | | | - |
| **Accumulated amortization** | | | | | | - |
| **Balance as at 01 April 2012** | **1,081,658** | **221,418** | **-** | **-** | **-** | **1,303,076** |
| Amortisation for the year | 4,219,358 | 744,057 | - | - | - | 4,963,415 |
| Disposals (Net) | - | (30,762) | - | - | - | (30,762) |
| Translation adjustment | (11,708) | (15,415) | - | - | - | (27,123) |
| **Balance as at 31 March 2013** | **5,289,308** | **919,298** | **-** | **-** | **-** | **6,208,606** |
| **Net carrying value as at 31 March 2013** | **18,860,690** | **552,060** | **100,000** | **12,000,000** | **165,220** | **31,677,970** |

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**Trademarks with indefinite useful lives**

For the purpose of annual impairment testing trademark is allocated to the 'Content delivery' business of the Company with respect to the US business unit.

| Particulars | Amount |
|---|---|
| Trademark as at 31 March 2013 | 1,200,000 |

The recoverable amounts of the CGU was determined based on value-in-use calculations, covering a three year forecast, followed by an extrapolation of expected cash flows for the unit's remaining useful lives using the growth rates stated below.

a) Growth rates - The forecasted growth rates for revenue of 5% used in valuation, reflects management estimation derived from past experience and external sources of information available.

b) Pre-tax discount rates - Pre-tax discount rate of 12.5% used in valuation, reflect management's estimates of the risks specific to the business.

Management used the following key assumptions to estimate its value in use for the period covered by the most recent budgets/ forecasts based on the past experience in this market:

a. Estimated cash flows for 3 years based on internal management budgets prepared using past experience.
b. Management has applied 'Relief from Royalty' method in determining the value in use of the trademarks.
c. Terminal value for the USA business unit is arrived by applying long term growth rate of revenue of 5% in the last year of the explicit forecast period. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.
d. The pre-tax discount rates used are based on the weighted average cost of capital of the relevant underlying cash-generating unit.

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## 9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

| Particulars | Computer and data equipment | Office equipment | Furniture and fixtures | Air conditioner and generator | Vehicle | Leasehold improvements | Plant and machinery | Capital lease asset | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| **Balance as at 01 April 2011** | **454,172** | **5,889** | **161,206** | **103,698** | **37,127** | **252,919** | **-** | **-** | **11,470** | **1,026,481** |
| Asset acquired under business combination | 434,311 | 129,438 | 69,102 | - | - | 101,783 | 607,899 | 954,820 | 560,190 | 2,857,543 |
| **Additions** | 468,505 | 27,721 | 144,290 | 57,368 | - | 378,315 | 176,795 | - | 23,864 | 1,276,858 |
| Disposals (Net) | (17,535) | (28,428) | - | - | (15,085) | - | (1,021) | - | (220,981) | (283,050) |
| Translation adjustment | (69,371) | 2,020 | (16,394) | (11,069) | (2,643) | (25,670) | (47,880) | 12,638 | 39,237 | (119,132) |
| **Balance as at 31 March 2012** | **1,270,082** | **136,640** | **358,204** | **149,997** | **19,399** | **707,347** | **735,793** | **967,458** | **413,780** | **4,758,700** |
| | | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | | |
| **Balance as at 01 April 2011** | **144,059** | **2,564** | **68,266** | **10,221** | **6,883** | **46,402** | **-** | **-** | **-** | **278,395** |
| Depreciation for the period | 197,922 | 12,296 | 69,770 | 9,655 | 5,175 | 66,235 | 80,414 | 60,552 | - | 502,019 |
| Disposals (Net) | (919) | - | - | - | (3,745) | - | - | - | - | (4,664) |
| Translation adjustment | (18,420) | (52) | (9,391) | (1,427) | (816) | (6,130) | 1,931 | 2,422 | - | (31,883) |
| **Balance as at 31 March 2012** | **322,642** | **14,808** | **128,645** | **18,449** | **7,497** | **106,507** | **82,345** | **62,974** | **-** | **743,867** |
| **Net carrying values as at 31 March 2012** | **947,440** | **121,832** | **229,559** | **131,548** | **11,902** | **600,840** | **653,448** | **904,484** | **413,780** | **4,014,833** |

| Particulars | Computer and data equipment | Office equipment | Furniture and fixtures | Air conditioner and generator | Vehicle | Leasehold improvements | Plant and machinery | Capital lease asset | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| **Balance as at 01 April 2012** | **1,270,082** | **136,640** | **358,204** | **149,997** | **19,399** | **707,347** | **735,793** | **967,458** | **413,780** | **4,758,700** |
| Additions | 830,315 | 40,038 | 37,950 | 1,264 | 14,885 | 375,839 | 196,097 | 714,477 | 104,894 | 2,315,759 |
| Disposals (Net) | (138,656) | (5,216) | (32,374) | - | - | - | (178,173) | (270,856) | (474,838) | (1,100,113) |
| Translation adjustment | (80,381) | (8,605) | (19,082) | (9,587) | (1,241) | (44,911) | (41,920) | (60,479) | (43,836) | (310,042) |
| **Balance as at 31 March 2013** | **1,881,360** | **162,857** | **344,698** | **141,674** | **33,043** | **1,038,275** | **711,797** | **1,350,600** | **-** | **5,664,304** |
| | | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | | |
| **Balance as at 01 April 2012** | **322,642** | **14,808** | **128,645** | **18,449** | **7,497** | **106,507** | **82,345** | **62,974** | **-** | **743,867** |
| Depreciation for the period | 492,258 | 42,798 | 106,867 | 14,082 | 3,741 | 226,822 | 318,675 | 476,254 | - | 1,681,497 |
| Disposals (Net) | (132,499) | (5,216) | (32,374) | - | - | - | (178,173) | (231,927) | - | (580,189) |
| Translation adjustment | (21,393) | (1,024) | (7,887) | (1,206) | (486) | (6,961) | (4,621) | (4,594) | - | (48,172) |
| **Balance as at 31 March 2013** | **661,008** | **51,366** | **195,251** | **31,325** | **10,752** | **326,368** | **218,226** | **302,707** | **-** | **1,797,003** |
| **Net carrying values as at 31 March 2013** | **1,220,352** | **111,491** | **149,447** | **110,349** | **22,291** | **711,907** | **493,571** | **1,047,893** | **-** | **3,867,301** |

Borrowing cost capitalised during 31 March 2013: Nil (31 March 2012: Nil)

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## 10. LONG TERM FINANCIAL ASSETS

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Security deposits | 713,937 | 641,061 |
| Restricted cash | 596,174 | 77,284 |
| Deposits with banks | 365,898 | - |
| Others | 914 | 977 |
| | **1,676,923** | **719,322** |

Security deposits are interest free unsecured deposits placed with owners of the property leased to the Group for operations in operating centres. The above security deposits have been discounted to arrive at their fair values at initial recognition using market interest rates applicable in India which approximates 8% per annum. These security deposits have maturity terms of 1-5 years. The management estimates the fair value of these deposits to be not materially different from the amounts recognised in the financial statements at amortised cost at each reporting date.

Restricted cash represents deposits that have been pledged with banks against guarantees issued to tax and other local authorities as security to meet contractual obligations towards other parties along with accrued interest on these deposits which is also inaccessible for use by the Group. These deposits have an average maturity period of more than 12 months from the end of the financial year.

## 11. DEFERRED TAX ASSETS AND LIABILITIES

| Particulars | 31 March 2012 | Recognised in consolidated statement of other comprehensive income | Recognised in consolidated income statement | 31 March 2013 |
|---|---|---|---|---|
| *Deferred tax assets on account of* | | | | |
| Property, plant and equipment and intangibles | 777,266 | (14,937) | (22,701) | 739,628 |
| Employee benefits | 517,968 | (33,671) | 234,769 | 719,066 |
| Net operating losses | 13,776,468 | - | (6,431,126) | 7,345,342 |
| Accruals for expenses | 1,124,442 | (49,231) | 12,605 | 1,087,816 |
| Unrealised (loss) on derivatives | 1,348,148 | (47,207) | (1,295,711) | 5,230 |
| Minimum alternate tax | 934,727 | (60,566) | 324,751 | 1,198,912 |
| Others | 1,751,168 | 30,084 | (725,729) | 1,055,523 |
| | 20,230,187 | (175,528) | (7,903,142) | 12,151,517 |
| *Deferred tax liabilities on account of* | | | | |
| Intangibles acquired during business combination | (8,909,464) | - | 7,280,531 | (1,628,933) |
| Undistributed earnings of the subsidiaries | (4,211,155) | 253,796 | (1,247,065) | (5,204,424) |
| Unrealised gain on derivatives | - | - | (107,414) | (107,414) |
| | (13,120,619) | 253,796 | 5,926,052 | (6,940,771) |
| **Total** | **7,109,568** | **78,268** | **(1,977,090)** | **5,210,746** |

All deferred tax assets have been recognised in the statement of financial position except in respect of net operating losses amounting to USD 10,783,548.

## 12. TRADE AND OTHER RECEIVABLES

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Gross value | 26,566,424 | 26,266,686 |
| Less: Provision for bad and doubtful debts | (613,407) | (466,788) |
| Less: Rebate accruals | (1,353,615) | (954,813) |
| **Net value** | **24,599,402** | **24,845,085** |
| Other receivables | 3,551,550 | - |
| | **28,150,952** | **24,845,085** |

The trade receivables have been recorded at their respective carrying amounts and are not considered to be materially different from their fair values as these are expected to realise within a short period from the reporting dates. All of the Group's trade and other receivables have been reviewed for indicators of impairment.

Top five customers balances for the year ended 31 March 2013 amounts to USD 11,929,853 which constitutes 42.83% (31 March 2012: USD 11,820,842 being 45.82 %) of net trade receivables.

The analysis of provision for bad and doubtful debts is as follows:

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| **Opening balance** | 466,788 | - |
| Provision made during the year | 156,747 | 466,788 |
| Provision Reversed | (10,128) | - |
| **Closing balance** | **613,407** | **466,788** |

The analysis of rebate accruals is as follows:

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| **Opening balance** | 954,813 | 866,343 |
| Less: Provision made during the year | (1,324,024) | (244,131) |
| Add: Rebates provided to customers during the year | 1,722,826 | 332,601 |
| **Closing balance** | **1,353,615** | **954,813** |

## 13. CASH AND CASH EQUIVALENTS

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Cash in hand | 55,138 | 52,832 |
| Cash in current accounts | 20,769,155 | 10,744,899 |
| Fixed deposit accounts | 78,840 | 680,489 |
| | **20,903,133** | **11,478,220** |

## 14. SHORT TERM FINANCIAL ASSETS

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Security deposits | 24,625 | 126,966 |
| Restricted cash | 3,093,644 | 2,673,944 |
| Short term investments (fixed deposits with maturity less than 12 months) | 993,859 | 84,785 |
| Derivative financial instruments | 397,712 | - |
| Others | 9,425 | - |
| | **4,519,265** | **2,885,695** |

Short term investments comprise of investment through banks in deposits denominated in various currency units bearing fixed rate of interest.

## 15. OTHER CURRENT ASSETS

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Prepayments | 974,161 | 936,360 |
| Unbilled revenue | - | 236,616 |
| Due from officers and employees | 175,532 | 165,828 |
| Statutory dues recoverable | 315,842 | 290,946 |
| Others | 356,244 | 298,717 |
| | **1,821,779** | **1,928,467** |

## 16. LONG TERM BORROWINGS/SHORT TERM BORROWINGS

*Non-current portion of borrowings*

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Finance lease obligation | 1,290,189 | 1,429,603 |
| Term loan from others | - | 7,435 |
| **Total long-term borrowings** | **1,290,189** | **1,437,038** |
| | | |
| Less: Current portion of borrowings | | |
| Finance lease obligation | 518,063 | 417,599 |
| Term loan from others | - | 7,435 |
| | **518,063** | **425,034** |
| | **772,126** | **1,012,004** |

*Short term borrowings*

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Loan from parent company* | 20,000,000 | 20,000,000 |
| Loan from others# | 112,500,000 | 114,500,000 |
| | **132,500,000** | **134,500,000** |

# Loan from others consists of loan received from a company named Gynia Holdings Ltd (a non-related company) repayable on demand and carrying an interest rate of 5.25% p.a. No assets have been pledged as security for this loan. The aforementioned loan was fully repaid on 1 May 2013.

* Loan from parent company consists of loan received from EICR (Cyprus) Limited repayable on demand and carrying an interest rate of 10% p.a. No assets have been pledged as security for this loan.

## 17. TRADE AND OTHER PAYABLES

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Due to trade creditors | 6,055,557 | 5,331,012 |
| Provision for expenses | 10,937,535 | 3,341,938 |
| | **16,993,092** | **8,672,950** |

## 18. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits are accrued in the period in which the associated services are rendered by employees of the Group. Employee benefit obligations include the components as follows:

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Provision for gratuity | 2,185,260 | 1,667,529 |
| Provision for compensated absences | 2,300,170 | 1,949,837 |
| Accrued pension liability | 1,004,647 | 1,219,305 |
| | **5,490,077** | **4,836,671** |

**Gratuity**

The Group provides gratuity benefit to its employees working in India. The gratuity plan is a defined benefit plan that, at retirement or termination of employment, provides eligible employees with a lump sum payment, which is a function of the last drawn salary and completed years of service.

**Compensated absences**

The Group has accumulating compensated absences policy. The Group measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the date of statement of financial position.

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### Accrued pension

The Group sponsors a non-contributory defined benefit pension plan (the "DB Plan") covering all full-time employees of one of its subsidiaries meeting specified entry-age requirements. Pension benefits were based upon a formula contained in the DB Plan documents that takes into consideration years of service. The Company's funding policy is based on actuarial recommended contribution. The actuarial cost method utilised to calculate the present value of benefit obligations is the projected unit credit cost method. The Company is using the corridor approach, which suggests a minimum amount of actuarial gains/losses to be amortised. The DB Plan assets are held by a bank, as trustee, principally in the form of mutual fund units, money market securities, corporate bonds, and U.S. government securities. The DB Plan has no liabilities.

The defined benefit obligation is calculated annually by an independent actuary using projected unit credit method. Changes in the present value of the defined benefit obligation with respect to gratuity, accrued pension liability and compensated absences are as follows:

**31 March 2013**

| **Particulars** | **Gratuity** | **Compensated absences** | **Accrued pension** |
|---|---|---|---|
| **Change in benefit obligation** | | | |
| Opening value of obligation | 1,863,826 | 1,580,129 | 2,824,177 |
| Interest cost | 139,822 | 118,556 | 120,885 |
| Service cost | 413,039 | 652,512 | - |
| Benefits paid | (178,507) | (311,939) | (152,025) |
| Actuarial loss gain | 161,092 | (78,164) | (36,160) |
| Translation adjustment | (120,641) | (101,911) | - |
| **Defined benefit obligation at the year end** | **2,278,631** | **1,859,183** | **2,756,877** |
| | | | |
| **Fair value of planned assets** | **93,371** | **-** | **1,752,230** |

Expenses related to the Company's defined benefit plans are as follows:

**31 March 2013**

| **Particulars** | **Gratuity** | **Compensated absences** | **Accrued pension** |
|---|---|---|---|
| **Net benefit obligation** | | | |
| **Amounts recognised in consolidated income statement** | | | |
| Current service cost | 412,986 | 652,375 | - |
| Interest cost | 139,810 | 118,544 | 120,885 |
| Actuarial gain recognised in the year | 167,816 | (78,049) | 84,267 |
| Expected return on plan assets | (12,162) | - | (121,448) |
| **Expense recognised in consolidated income statement** | **708,450** | **692,870** | **83,704** |

31 March 2012

| Particulars | Gratuity | Compensated absences | Accrued Pension |
|---|---|---|---|
| **Reconciliation of funded status** | | | |
| **Change in benefit obligation** | | | |
| Opening value of obligation | 77,051 | 84,380 | - |
| Assumed under business combination | 1,582,179 | 1,263,264 | 2,829,467 |
| Interest cost | 5,983 | 6,552 | 18,124 |
| Service cost | 232,732 | 299,341 | - |
| Benefits paid | (1,550) | (3,722) | (23,414) |
| Actuarial loss gain | (23,561) | (59,862) | - |
| Translation adjustment | (9,008) | (9,824) | - |
| **Defined benefit obligation at the year end** | **1,863,826** | **1,580,129** | **2,824,177** |

| | | | |
|---|---|---|---|
| **Fair value of planned assets *(Assumed under business combination)*** | **196,297** | **-** | **1,604,872** |

31 March 2012

| Amounts recognised in consolidated income statement | Gratuity | Compensated absences | Accrued pension |
|---|---|---|---|
| Current service cost | 232,732 | 299,341 | - |
| Interest cost | 5,983 | 6,552 | 18,124 |
| Actuarial gain recognised in the year | (23,561) | (59,862) | 13,880 |
| Expected return on plan assets | - | - | (16,692) |
| **Expense recognised in consolidated income statement** | **215,154** | **246,031** | **15,312** |

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Current portion of obligation as at the end of the year | 904,319 | 987,512 |
| Non-current portion of obligation as at the end of the year | 4,585,758 | 3,849,159 |
| | **5,490,077** | **4,836,671** |

| | | |
|---|---|---|
| **Enterprises best estimate of contribution during next year** | **687,475** | **648,951** |

Discount rate assumptions and expected rate of increase in compensation levels used in calculation of gratuity obligation are as follows:

| | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Discount rate | 8.0% | 8.5% |
| Expected rate of increase in compensation levels | 8.0% | 8% – 8.5% |

**Plan assets**

The reconciliation of the balance of the assets held for the Company's defined benefit plan is presented below:

**Gratuity**

| Particulars | 31 March 13 | 31 March 12 |
|---|---|---|
| **Opening balance of fair value of plan assets** | 196,297 | - |
| Fair value of asset on acquisition date | - | 200,019 |
| Expected return on plan assets | 12,163 | 2,460 |
| Contribution paid | 112,274 | 15,599 |
| Benefits paid | (171,596) | (23,561) |
| Actuarial gain/(loss) on plan assets | (6,704) | (415) |
| Exchange fluctuation | (49,064) | 2,195 |
| **Closing balance of fair value of plan assets** | **93,371** | **196,297** |

**Accrued pension**

| Particulars | 31 March 13 | 31 March 12 |
|---|---|---|
| **Opening balance of fair value of plan assets** | 1,604,872 | - |
| Fair value of asset on acquisition date | - | 1,515,010 |
| Actual return on plan assets | 115,513 | 44,937 |
| Employer contributions | 183,870 | 68,339 |
| Benefits paid | (152,025) | (23,414) |
| **Closing balance of fair value of plan assets** | **1,752,230** | **1,604,872** |

The gratuity plan of the Company is administered by Life Insurance Company ('LIC"). Plan assets for gratuity and pension plans are invested in below category of investments.

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Gratuity: | | |
| - Risk free government securities | 100% | 100% |
| Pension | | |
| - Mutual funds | 96% | 96% |
| - Money market | 4% | 4% |
| **Total plan assets** | **100%** | **100%** |

**Defined contribution plans**

Apart from being covered under the Gratuity Plan described earlier, employees of the Group also participate in a Provident Fund Plan in India. Contributions paid or payable are recognised as expense in the period in which they are due. During the year ended 31 March 2013, the Group contributed USD 1,258,427 (31 March 2012: 258,698) towards the Provident Fund Plan in India.

## 19. OTHER CURRENT LIABILITIES

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Employee dues | 3,472,015 | 3,232,728 |
| Statutory dues payable | 517,122 | 576,860 |
| Unearned revenue | 2,834,324 | 1,556,623 |
| Advance from customers | 1,307,169 | 1,391,412 |
| Derivative financial instruments | - | 2,349,616 |
| Others | 723,770 | 670,865 |
| | **8,854,400** | **9,778,104** |

## 20. OTHER INCOME

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Income from business purchase settlement* | 1,950,000 | - |
| Foreign exchange gain | 1,868,782 | 408,044 |
| Miscellaneous income | 406,440 | 58,399 |
| | **4,225,222** | **466,443** |

*(Refer Note 6)

## 21. FINANCE INCOME

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Interest income on deposit accounts | 74,747 | 87,448 |
| Others | 8,401 | 8,538 |
| | **83,148** | **95,986** |

## 22. FINANCE COST

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Interest on short term borrowings | 7,978,923 | 1,171,318 |
| Interest on finance lease | 166,876 | 59,637 |
| Others | 2,475 | - |
| | **8,148,274** | **1,230,955** |

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## 23. INCOME TAXES

Income tax is based on tax rate applicable on profit or loss in various jurisdictions in which the Group operates. The effective tax at the domestic rates applicable to profits in the country concerned as shown in the reconciliation below have been computed by multiplying the accounting profit with effective tax rate in each jurisdiction in which the Group operates. The entity at Guernsey is zero tax entity.

Tax expense reported in the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income for the year ended 31 March 2013 and 31 March 2012 is as follows:

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Current tax expense | 4,298,634 | 1,752,956 |
| Deferred tax expense/ (credit) | 1,977,090 | (19,632) |
| **Net tax expense** | **6,275,724** | **1,733,324** |

The relationship between the expected tax expense based on the domestic tax rates for each of the legal entities within the Group and the reported tax expense in profit or loss is reconciled as follows:

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| **Accounting profit for the year before tax** | **29,694,059** | **17,753,377** |
| Effective tax at the domestic rates applicable to profits in the country concerned | 5,122,785 | 964,681 |
| Deferred tax on undistributed earnings | 1,247,065 | 283,915 |
| Dividend distribution tax | 121,202 | 190,415 |
| Income not taxable/ expenses not allowed | (525,123) | 247,074 |
| Others | 309,795 | 47,239 |
| **Tax expense** | **6,275,724** | **1,733,324** |

## 24. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Calculation of basic and diluted earnings per share for the year ended 31 March 2013 is as follows:

**Basic earnings per share**

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Profit attributable to shareholders | 23,418,335 | 16,020,053 |
| Weighted average numbers shares outstanding | 153,010,000 | 150,887,049 |
| Basic earnings per share (USD) | 0.15 | 0.11 |

**Diluted earnings per share**

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Profit attributable to shareholders | 23,418,335 | 16,020,053 |
| Potential ordinary shares* | 104,054 | 66,076 |
| Weighted average numbers shares outstanding | 153,114,054 | 150,953,125 |
| Diluted earnings per share (USD) | 0.15 | 0.11 |

*Shares to be issued under share options granted

## 25. LEASES

The Group's financial lease payments are due on computers (including embedded software) taken on lease for operating activities. The net carrying value of computers and plant and machinery taken on lease as at 31 March 2013 is USD 830,484 (31 March 2012: 947,677).

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Computers & peripherals | 604,331 | 723,499 |
| Office equipment | 29,879 | - |
| Plant and machinery | 195,679 | 224,178 |
| Furniture & fixtures | 595 | - |
| | **830,484** | **947,677** |

The minimum lease rent payable for the assets taken on finance leases (included under current and non-current borrowings) are as under:

| Payments falling due | Future minimum lease payments outstanding | | Interest Implicit | | Present value of future lease payments | |
|---|---|---|---|---|---|---|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| Within 1 year | 647,064 | 593,922 | 129,001 | 176,323 | 518,063 | 417,599 |
| Later than 1 year but less than 5 years | 863,315 | 1,133,678 | 91,189 | 121,674 | 772,126 | 1,012,004 |
| More than 5 years | - | - | - | - | - | - |

The Group's approximate future minimum lease payments under non-cancellable operating leases are as follows:

| Payments falling due | Future minimum lease payments outstanding | |
|---|---|---|
| | 31 March 2013 | 31 March 2012 |
| Within 1 year | 500,740 | 771,045 |
| Later than 1 year but less than 5 years | 1,378,433 | 1,269,062 |
| More than 5 years | 404,968 | 432,702 |

The Group's operating lease payments are cancellable as well as non-cancellable and are due on premises taken on lease for operating activities.

Lease expense for premises taken on lease, recognised as expense in the consolidated income statement for the year ended 31 March 2013 is USD 2,745,773 (31 March 2012: USD 935,896). There were no sublease payments or contingent rent payments. Assets held under lease agreements are used exclusively by the Group and sublease of premises are not allowed as a part of the agreements.

## 26. FAIR VALUATION GAIN/ LOSS ON DERIVATIVES

The fair valuation loss on derivate financial instruments recognised in the consolidated income statement amounts to USD Nil during the year ended 31 March 2013 (31 March 2012 USD 519,001) and fair valuation gain on derivate financial instrument amount to USD 2,601,963 during the year ended 31 March 2013 (31 March 2012 USD Nil).

## 27. EQUITY

The share capital of iEnergizer consists only of fully paid ordinary shares with a par value of GBP 0.01 per share (previous year GBP 0.01 per share). All shares represent one vote at the shareholder's meeting of iEnergizer Limited and are equally eligible to receive dividends and the repayment of capital. The total number of shares issued and fully paid up of the company as on each reporting date is summarised as follows:

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Opening number of shares | 153,010,000 | 150,010,000 |
| Number of shares issued during the year | - | 3,000,000 |
| **Closing number of shares** | **153,010,000** | **153,010,000** |

## 28. SHARE BASED PAYMENTS

On 27 August 2010, the Company entered into an option agreement with Arden Partners and Sara Latham. Under agreement with Arden Partners, they were granted the right to subscribe at the Placing Price for 159,654 Ordinary Shares (equivalent to 0.5 per cent. in number of the number of Placing Shares). Such right may be exercised at any time during the period starting on the date of Admission and ending on the third anniversary of Admission. Under agreement with Sara Latham, Ms. Latham was granted the right to subscribe at the placing price for 10,000 ordinary shares. Such right may be exercised between the first anniversary of admission and the fifth anniversary of admission, after which it will lapse to the extent it has not been exercised. During the year Nil (previous year: Nil) options were exercised.

## 29. RELATED PARTY TRANSACTIONS

The related parties for each of the entities in the Group have been summarised in the table below:

| Nature of the relationship | Related Party's Name |
|---|---|
| I. Ultimate controlling party | Mr. Anil Agarwal |
| II. Entities directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, the reported enterprises | EICR Limited (*Parent of iEnergizer Limited*)<br>Barker Shoes Limited (*Under common control*) |
| III. Key management personnel and significant shareholders: | Mr. Anil Agarwal (*Ultimate Shareholder, EICR Limited*) |
| | Mr. John Behar (*Director, iEnergizer Limited*) |
| | Ms. Sara Latham (*Director, iEnergizer Limited*) |
| | Mr. Chris de Putron (*Director, iEnergizer Limited*) |
| | Mr. Mark De La Rue (*Director, iEnergizer Limited*) |

Disclosure of transactions between the Group and related parties and the outstanding balances is as under:

**Transactions with parent company**

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| **Transactions during the year** | | |
| Dividend paid | 12,584,872 | 10,717,522 |
| Repayment of loan | - | 155,299 |
| Payment received | - | 1,559,719 |
| Loan received | - | 20,000,000 |
| Interest paid | 2,106,912 | 295,890 |
| | | |
| **Balances at the end of the year** | | |
| Interest payable | 2,402,802 | 295,890 |
| Demand loan facility | 20,000,000 | 20,000,000 |

Above payables from related parties bears an interest rate of 10% p.a and are repayable on demand. Hence, the management is of the view that fair values of such receivables and payable closely approximates their carrying values.

**Transactions with key managerial personnel and their relative**

| Particulars | 31 March 2013 | 31 March 2012 |
|---|---|---|
| **Transactions during the year** | | |
| Short term employee benefits | | |
| *Remuneration paid to directors* | | |
| Sara Latham | 46,921 | 48,412 |
| John Behar | 46,874 | 48,412 |
| Chris de Putron | 15,810 | 5,319 |
| Mark De La Rue | 15,810 | 5,319 |
| | | |
| **Balances at the end of the year** | | |
| Total remuneration payable to key managerial personnel | 15,198 | 7,995 |

Key management personnel also participate in post-employment benefit plans and other long term benefits provided by the Group. The amounts in respect of these towards the key management personnel cannot be segregated as these are based on actuarial valuation for all employees of the Group. During the year ended 31 March 2013 no key management personnel has exercised options granted to them.

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## 30. SEGMENT REPORTING

Management currently identifies the Group's three service lines real time processing, back office services and content delivery as operating segments on the basis of operations. These operating segments are monitored and operating and strategic decisions are made on the basis of operating segment results.

The Chief Operating Decision Maker ("CODM") evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by operating segments. The Group's reportable segments are as follows:

1. Real time processing
2. Back office services
3. Content delivery
4. Others

The measurement of each operating segment's revenues, expenses, assets and is consistent with the accounting policies that are used in preparation of the consolidated financial statements. In addition, two minor operating segments, for which the quantitative thresholds have not been met, are currently combined below under 'Others'.

Segment information can be analysed as follows for the reporting years under review:

**31 March 2013**

| | Real time processing | Back office services | Content delivery | Others | Total |
|---|---|---|---|---|---|
| | | | | | |
| Revenue from external customers | 13,365,205 | 36,834,531 | 95,774,243 | 120,838 | 146,094,817 |
| Other revenue | 9,176 | 5,745 | 4,214,227 | (3,926) | 4,225,222 |
| **Segment revenues** | **13,374,381** | **36,840,276** | **99,988,470** | **116,912** | **150,320,039** |
| Cost of outsourced services | - | 20,881,547 | 10,621,849 | - | 31,503,396 |
| Employee benefit expense | 8,705,061 | - | 47,999,655 | 95,063 | 56,799,779 |
| Depreciation and amortisation | 411,369 | - | 6,221,553 | 11,990 | 6,644,912 |
| Other expenses | 1,142,614 | 674,628 | 14,961,283 | 834,242 | 17,612,767 |
| **Segment operating profit/(loss)** | **3,115,337** | **15,284,101** | **20,184,130** | **(824,383)** | **37,759,185** |
| | | | | | |
| **Segment assets** | **6,698,147** | **12,661,584** | **151,971,768** | **36,212,004** | **207,543,503** |

31 March 2012

| | Real time processing | Back office services | Content delivery | Others | Total |
|---|---|---|---|---|---|
| | | | | | |
| Revenue from external customers | **11,931,521** | **45,071,436** | **13,004,436** | **1,721,887** | **71,729,280** |
| Other operating revenue | 6,987 | 2,749 | 49,056 | 407,651 | **466,443** |
| **Segment revenues** | **11,938,508** | **45,074,185** | **13,053,492** | **2,129,538** | **72,195,723** |
| Cost of outsourced services | - | 29,318,383 | 1,154,550 | 954,800 | **31,427,733** |
| Employee benefit expense | 7,237,175 | - | 6,980,775 | 113,626 | **14,331,576** |
| Depreciation and amortisation | 330,824 | - | 1,001,396 | 9,652 | **1,341,872** |
| Other expenses | 1,192,777 | 514,761 | 2,979,934 | 1,518,724 | **6,206,196** |
| **Segment operating profit (loss)** | **3,177,732** | **15,241,041** | **936,837** | **(467,264)** | **18,888,346** |
| | | | | | |
| **Segment assets** | **5,282,761** | **8,394,742** | **184,813,822** | **5,966,311** | **204,457,636** |

The Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are divided into the following geographical areas:

| Location | Revenue | Non-current assets | Revenue | Non-current assets |
|---|---|---|---|---|
| | 31 March 2013 | 31 March 2013 | 31 March 2012 | 31 March 2012 |
| United Kingdom | 6,580,262 | - | 1,717,480 | - |
| India | 14,146,927 | 1,290,573 | 11,914,770 | 5,349,513 |
| USA | 118,775,810 | 138,170,887 | 56,004,034 | 137,559,665 |
| Rest of the world | 6,591,818 | 50,645 | 2,092,996 | 66,714 |
| **Total** | **146,094,817** | **139,512,105** | **71,729,280** | **142,975,892** |

Revenues from external customers in United Kingdom, as well as its major markets, India and the USA have been identified on the basis of the internal reporting systems.

In year ended 31 March 2013, revenue from one customer amounted to more than 10% of consolidated revenue during the year presented (31 March 2012: one customer).

**31 March 2013**

| Revenue from | Segment | Amount |
|---|---|---|
| Customer 1 | Content delivery | 32,721,302 |

**31 March 2012**

| Revenue from | Segment | Amount |
|---|---|---|
| Customer 1 | Back office services | 15,333,478 |

## 31. FINANCIAL ASSETS AND LIABILITIES

Fair value of carrying amounts of assets and liabilities presented in the statement of financial position relates to the following categories of assets and liabilities:

| Financial assets | 31 March 2013 | 31 March 2012 |
|---|---|---|
| **Non-current assets** | | |
| *Loans and receivables* | | |
| Security deposits | 713,937 | 641,061 |
| Restricted cash | 596,174 | 77,284 |
| Deposits with banks | 365,898 | - |
| Others | 914 | 977 |
| **Current assets** | | |
| *Loans and receivables* | | |
| Trade receivables | 28,150,952 | 24,845,085 |
| Unbilled revenue | - | 236,616 |
| Cash and cash equivalents | 20,903,133 | 11,478,220 |
| Restricted cash | 3,093,644 | 2,673,944 |
| Security deposits | 24,625 | 126,966 |
| Short term investments | 993,859 | 84,785 |
| Other current assets | 1,821,779 | 1,928,468 |
| Other short term financial assets | 9,425 | - |
| | | |
| *Fair value through profit and loss:* | | |
| Derivative financial instruments | 397,712 | - |
| | **57,072,052** | **57,064,446** |

| Financial liabilities | 31 March 2013 | 31 March 2012 |
|---|---|---|
| **Non-current liabilities** | | |
| *Financial liabilities measured at amortised cost:* | | |
| Long term borrowings | 772,126 | 1,012,004 |
| Other non-current liabilities | 135,257 | 282,557 |
| **Current liabilities** | | |
| *Financial liabilities measured at amortised cost:* | | |
| Trade payables | 16,993,092 | 8,672,950 |
| Current portion of long term borrowings | 518,063 | 425,034 |
| Short term borrowings | 132,500,000 | 134,500,000 |
| Other current liabilities | 8,854,400 | 7,428,488 |
| | | |
| *Fair value through profit and loss:* | | |
| Derivative financial instruments | - | 2,349,616 |
| | **159,772,938** | **154,670,649** |

These non-current financial assets and liabilities, current financial assets and liabilities have been recorded at their respective carrying amounts as the management considers the fair values to be not materially different from their carrying amounts recognised in the statement of financial positions as these are expected to realise within one year from the reporting dates. Derivative financial instruments, recorded at fair value through profit and loss, are recorded at their respective fair values on the reporting dates.

## 32. COMMITMENT AND CONTINGENCIES

At 31 March 2013, the Group had a capital commitment of USD 73,654 for acquisition of property, plant and equipment.

During the year, subsidiary of iEnergizer, IHL has issued a guarantee in favor of Hewlett Packard Financial Services India Private Limited for the repayment of debt amounting to USD 100,501 repayable by iEnergizer IT Services Private Limited.

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has trade and other receivables, other financial assets and cash and bank balances.

The Group is exposed to market risk, credit risk and liquidity risk.

### MARKET RISK

Market risk is the risk that changes in market prices will have an effect on Group's income or value of the financial assets and liabilities. The Group's financial instruments affected by market risk include trade and other receivables, other financial assets, borrowings and trade and other payables.

The sensitivity analyses in the following sections relate to the position as at 31 March 2013. The analyses exclude the impact of movements in market variables on the carrying value of assets and liabilities other than financial assets and liabilities. The sensitivity of the relevant consolidated income statement is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2013.

**Interest rate sensitivity**

The Group does not have any exposure to interest rate risk as there are no borrowings with floating interest rates.

**Price risk sensitivity**

The Group does not have any financial asset or liability exposed to price risk as at reporting date.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group renders services primarily to customers located in United States including those rendered by its Indian entities. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the trades receivable in USD on account of contracts for rendering the services. The Group entity has fixed rate forward contracts that are obtained to manage the foreign currency risk in USD denominated trade receivables. Such contracts are taken considering overall receivable position and related expense and are not speculative in nature.

Net short term exposure in USD equivalents of foreign currency denominated financial assets and liabilities at each reporting date are as follows:

| **Functional currency** | **USD** | **USD** | **USD** |
|---|---|---|---|
| **Foreign currency** | **AUD** | **GBP** | **EURO** |
| **31 March 2013** | | | |
| Financial assets | 140,595 | 109,915 | 35,223 |
| Financial liabilities | 93,243 | 51,862 | 18,333 |
| **Net short term exposure** | **47,352** | **58,053** | **16,890** |

| **Functional currency** | **USD** | **USD** | **USD** |
|---|---|---|---|
| **Foreign currency** | **AUD** | **GBP** | **EURO** |
| **31 March 2012** | | | |
| Financial assets | 73,791 | 75,474 | 37,950 |
| Financial liabilities | 49,282 | 51,763 | 16,853 |
| **Net short term exposure** | **24,509** | **23,711** | **21,097** |

In computing the below sensitivity analysis, the management has assumed the following % movement between various foreign currencies and the underlying functional currency:

| Functional currency | 31 March 2013 | 31 March 2012 |
|---|---|---|
| AUD | +-0.34% | +-0.73 % |
| GBP | +-5.13% | +-0.27 % |
| EUR | +-4.04% | +- 6.23 % |

The following table details Group's sensitivity to appreciation or depreciation in functional currency vis-a-vis the currency in which the foreign currency financial assets and liabilities are denominated:

| Functional currency | USD | USD | USD |
|---|---|---|---|
| **Foreign currency** | **AUD** | **GBP** | **EURO** |
| **31 March 2013** | 296 | 2,575 | 831 |
| **31 March 2012** | 179 | 64 | 1,238 |

If the functional currency had weakened with respect to various currencies by the percentages mentioned above, for years ended 31 March 2013 and 2012 then the effect will be change in profit and equity for the year by USD 3,110 (31 March 2012: USD 1,481). If the functional currency had strengthened with respect to the various currencies, there would be an equal and opposite impact on profit and equity for each year.

### CREDIT RISK

Credit risk arises from debtors' inability to make payment of their obligations to the Group as they become due; and by non-compliance by the counterparties in transactions in cash, which is limited, to balances deposited in banks and accounts receivable at the respective reporting dates. The Group is not exposed to any significant credit risk on other financial assets and balances with banks. Further analysis for each category is detailed below:

### Trade receivables

In case of trade receivables, its customers are given a small credit period of 30 to 75 days and the customers do not generally default and make payments on time and other receivables were immediately recoverable and were subsequently recovered from the counterparty.

Top five customers for the year ended 31 March 2013 are 11,929,853 being 42.83 % (31 March 2012 USD 11,820,842 being 45.82 %) of net trade receivables. An analysis of age of trade receivables at each reporting date is summarised as follows:

| Particulars | | | 31 March 2013 |
|---|---|---|---|
| | Gross | Impairment | Rebate Accruals |
| Not past due | 13,429,298 | 233,817 | 684,251 |
| Past due less than three months | 11,942,678 | 298,935 | 608,504 |
| Past due more than three months but not more than six months | 1,116,304 | 59,598 | 56,878 |
| Past due more than six months but not more than one year | 71,718 | 19,647 | 3,655 |
| More than one year | 6,426 | 1,410 | 327 |
| **Total** | **26,566,424** | **613,407** | **1,353,615** |

| Particulars | | | 31 March 2012 |
|---|---|---|---|
| | Gross | Impairment | Rebate Accruals |
| Not past due | 14,261,110 | 95,529 | 518,402 |
| Past due less than three months | 7,915,512 | 279,058 | 287,735 |
| Past due more than three months but not more than six months | 2,170,886 | 64,410 | 78,913 |
| Past due more than six months but not more than one year | 1,919,178 | 27,791 | 69,763 |
| **Total** | **26,266,686** | **466,788** | **954,813** |

**Other financial assets**

In case of other financial assets, all the current balances are recoverable on demand while the non-current balances are primarily on account of security deposits given for buildings take on lease. The maximum exposure to the Group in case of security deposits paid under long-term arrangements is given in note below.

The maximum exposure to credit risk in other financial assets is summarised as follows:

| | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Security deposits | 738,562 | 768,027 |
| Restricted cash | 3,689,818 | 2,751,228 |
| Cash and cash equivalent | 20,903,133 | 11,478,220 |
| Short term investments | 993,859 | 84,785 |
| Derivative financial instruments | 397,712 | - |
| Unbilled revenue | - | 236,616 |
| Other current assets | 1,821,779 | 1,928,467 |
| **Total** | **28,544,863** | **17,247,343** |

Cash and cash equivalents are held with reputable banks. The maximum exposure to credit risk is in the items stated in note 13. The management considers the credit quality of deposits with such banks to be good and reviews the banking relationships on an ongoing basis.

The Group's maximum exposure to credit risk arising from the Group's trade and other receivables and other financial assets at the respective reporting dates is represented by the carrying value of each of these assets.

The Group does not hold any collateral against any of its assets as of 31 March 2013.

Credit risk concentrations exist when changes in economic, industrial or geographic factors take place, affecting in the same manner the Group's counterparties whose added risk exposure is significant to the Group's total credit exposure.

**LIQUIDITY RISK**

Liquidity needs of the Group are monitored on the basis of future cash flow projections. The Group manages its liquidity needs by continuously monitoring cash flows from customers and by maintaining adequate cash and cash equivalents and short terms investments. Net cash requirements are compared to available cash in order to determine any shortfalls.

Short terms liquidity requirements comprise mainly of sundry creditors, expense payable, and employee dues arising during normal course of business as on each reporting date. The Group maintains a minimum of sixty days of short term liquidity requirements in cash and cash equivalents. Long term liquidity requirement is assessed by the management on periodical basis and is managed through internal accruals and through the management's ability to negotiate borrowing facilities. Derivative financial instruments reflect forward exchange contracts that will be settled on a gross basis.

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As at 31 March 2013, the Group's liabilities having contractual maturities are summarised as follows:

| 31 March 2013 | Current | | Non-current |
|---|---|---|---|
| **Financial liabilities** | Due within 60 days | Due in 61 days to 365 days | Due in more than 1 year |
| Trade payables | 2,333,614 | 3,039,435 | - |
| Expenses payable | 2,840,035 | 8,780,008 | - |
| Borrowings | 132,588,777 | 429,284 | 772,126 |
| Other liabilities | 7,073,695 | 1,780,705 | 135,257 |
| **Total** | **144,836,121** | **14,029,432** | **907,383** |

As at 31 March 2012, the Group's liabilities having contractual maturities are summarised as follows:

| 31 March 2012 | Current | | Non-current |
|---|---|---|---|
| **Financial liabilities** | Due within 60 days | Due in 61 days to 365 days | Due in more than 1 year |
| Trade payables | 4,653,592 | 494,954 | - |
| Expenses payable | 1,519,711 | 2,004,693 | - |
| Borrowings | 114,559,965 | 20,365,069 | 1,012,004 |
| Other liabilities | 7,872,856 | 1,905,248 | 282,557 |
| **Total** | **128,606,124** | **24,769,964** | **1,294,561** |

## 34. FAIR VALUE HIERARCHY

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

No financial assets/liabilities have been valued using level 1 and 3 fair value measurements.

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis:

| 31 March 2013 | Total | Fair value measurements at reporting date using |
|---|---|---|
| | | Level 2 |
| **Assets** | (Notional amount) | |
| *Derivative instruments* | | |
| Forward contracts (currency – USD/INR) | 36,900,000 | 397,712 |

| 31 March 2012 | Total | Fair value measurements at reporting date using |
|---|---|---|
| | | Level 2 |
| **Liability** | (Notional amount) | |
| *Derivative instruments* | | |
| Forward contracts (currency – USD/INR) | 27,150,000 | 2,349,616 |

### 35. CAPITAL RISK MANAGEMENT

The Group's capital comprises of equity attributable to the equity holder of the parent.

The Group monitors gearing ratio i.e. total debt in proportion to its overall financing structure, i.e. equity and debt. Total equity comprises of all the components of equity (i.e., share capital, additional paid in capital, retained earnings etc.). Total debt comprises of all liabilities of the Group. The management of the Group regularly reviews the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the Group.

| | 31 March 2013 | 31 March 2012 |
|---|---|---|
| Total equity | 33,502,392 | 31,254,182 |
| Total debts | 173,534,925 | 173,203,454 |
| **Overall financing** | **207,037,317** | **204,457,636** |
| Gearing ratio | 0.84 | 0.85 |

The current gearing ratio of the Group is very high and the primary objective of the Group's capital management is to reduce net debt over next one year whilst investing in business and maximizing shareholder value. In order to meet this objective, the Group may repay debt, adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

### 36. POST REPORTING EVENTS

The Company along with one of its subsidiary on 01 May 2013 entered into six year senior secured term loan facility of USD 135,000,000 with Jefferies Finance LLC which has been utilised to pay off in full the existing outstanding loans obtained for the purpose of acquisition of Aptara Inc. and subsidiaries. Being a post reporting non-adjusting event, it does not have any impact on the consolidated financial statements.

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## Directors

**Sara Latham**
Non-Executive Director, Chairperson

**Anil Aggarwal**
Executive Director, CEO

**John Behar**
Non-Executive Director

**Chris de Putron**
Non-Executive Director

**Mark De La Rue**
Non-Executive Director

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## Crest Service Provider and Registrar

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