

# CFCL TECHNOLOGIES LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the Directors' Report of CFCL Technologies Limited for the period ended December 31, 2009.

### **Financial Results**

In the meeting held on November 3, 2009, your Directors approved the change of the Company's financial year from the fiscal year commencing on 1st April of one calendar year and ending on 31st March of the subsequent calendar year to the calendar year (ending 31st December). Accordingly, the current period financial statements have been prepared for the nine months period ended December 31, 2009. Please note that the current period will not be comparable with that of the previous year, which had been for a period of 12 months.

The performance of the Company for the period ended December 31, 2009 is summarized below:

<b>Particulars</b>	<b>December 31, 2009 (US\$. In 000's)</b>	<b>March 31, 2009 (US\$. In 000's)</b>
Income	150	38
Profit/(Loss) before tax	(348)	(693)
Profit/(Loss) after tax	(348)	(693)

### **Business Operations:**

The Company and its subsidiaries is one of the most diverse product and services providers for the US mortgage industry. With its operations in virtually all segments of the US mortgage market - from origination to servicing, including modifications and support with foreclosure, the Company has become a dominant player in the mortgage solutions industry. The Company's customers are large mortgage banks and large and mid-size lending institutions in the US mortgage arena.

The successful acquisition of Fiserv's (Nasdaq GS: FISV) loan fulfillment services business on December 11, 2009 was a major milestone in the Company's strategy. With the combined strength of the integrated Company and a comprehensive suite of end-to-end products and services, our customers can now focus on loan profitability and creating business impact, while working with a trusted partner.

Your company is not engaged in any other business activity, except, to hold the common stock of its subsidiaries namely (1) ISGN Corporation USA and (2) CFCL Ventures Limited, Cayman Islands.

# CFCL TECHNOLOGIES LIMITED

## **Directors:**

There was no change in the Directors during the period.

## **Dividend**

In the absence of profits, the Company is not proposing to declare any dividend this year.

## **Share Capital**

During the period ended December 31, 2009, related to the acquisition of FISERV's fulfillment business, the Company issued 755,646 Ordinary Shares of US\$ 0.0001 each for consideration other than cash pursuant to the Share Purchase Agreement entered into with FISERV dated 28th September 2009, as amended.

Series C Preference shares of US\$ 0.0001 each in the amounts of 438,547, 109,636 and 1,029,521 were allotted to NEA FDI Limited, New Enterprise Associates – Indo US Ventures LLC and CFCL Overseas Limited, respectively, for a total consideration of US\$20,049,936. The share capital of the Company stood at US\$ 1104 as against US\$ 870 during the previous year. An amount of \$20,049,779 has been taken to Share Premium account during the current period.

## **Subsidiary Companies**

The following are the subsidiaries of the Company.

	<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>% holding As at December 31, 2009</b>	<b>% holding As at March 31, 2009</b>
<b>a)</b>	<b>Subsidiaries</b>			
1	CFCL Ventures Limited ("CVL")	Cayman Islands	100%	100%
2	ISGN Corporation	U.S.A.	99.99%	99.99%
<b>b)</b>	<b>Step-down Subsidiaries of ISGN Corporation</b>			
1	ISGN Solutions, Inc	U.S.A.	100%	100%
2	NovaSoft Information Technology Corporation GmbH –under winding up procedures	Germany	100%	100%
3	Richmond Title Genpar, LLC ("Genpar")	U.S.A.	100%	100%
4	Richmond Investors, LLC ("Investors")	U.S.A.	100%	100%
5	Richmond Title Services, LP ("Richmond LP")	U.S.A.	100%	100%
6	Flex Agents Signing Team, LLC ("Flex")	U.S.A.	100%	100%
7	Richmond Title Services, LLC ("Richmond LLC")	U.S.A.	100%	100%
8	Fiserv Fulfillment Services, Inc., (Pennsylvania)*	U.S.A.	100%	100%

Regd Office: C/o M&C Corporate Services Limited, PO Box 309GT, Ugland House,  
South Church Street, George Town, Grand Cayman, Cayman Islands

## CFCL TECHNOLOGIES LIMITED

9	Fiserv Fulfillment Services, Inc., (Arizona)*	U.S.A.	100%	100%
10	Fiserv Fulfillment Services South, Inc., USA*	U.S.A.	100%	100%
11	Fiserv Fulfillment Services of Alabama, LLC*	U.S.A.	100%	100%
12	Fiserv Fulfillment Services of Maryland, Inc.,*	U.S.A.	100%	100%
13	ILS Services, LLC*	U.S.A.	100%	100%
14	Fiserv Fulfillment Agency, LLC*	U.S.A.	100%	100%
15	Fiserv Fulfillment Agency of Alabama, LLC*	U.S.A.	100%	100%
<b>c)</b>	<b>Step-down Subsidiaries of CVL</b>			
1	ISG NovaSoft Technologies Limited ("ISGNTL")	India	100%	100%
2	Inuva Info Management Private Limited ("INUVA")	India	71%	71%

\* (i) On September 28, 2009, ISGN Solutions has acquired 100% ownership interest pursuant to the Share purchase agreement entered with Fiserv Inc.,. Accordingly, these entities become Group's wholly owned subsidiaries.

### *Acknowledgements*

Your Directors thank the Company and its subsidiaries clients, vendors, investors, banks, Financial Institutions and Government Departments for their support during the period. Your Directors place on record their appreciation of the contribution made by employees at all levels.

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



*Vice Chairman*

**Date: 23, April, 2010**  
**Place: Bensalem, PA**

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF CFCL TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of **CFCL TECHNOLOGIES LIMITED** ("the Company") as at December 31, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the period ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our opinion we invite attention to
  - a. Note no 2(d) of Schedule 12 relating to the translation of the financial statements at the closing rate for the convenience of the readers. These numbers are based on information from the management and have not been audited by us.
  - b. Note no 2(e) of Schedule 12 relating to the corresponding previous year figures reflected in the financial statements which are unaudited numbers as furnished by the management.
4. We report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;



# **Deloitte Haskins & Sells**

- (c) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2009;
  - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date.
5. These financial statements have been prepared solely for the purpose of publication of summarized financial information in the financial statements of the holding company M/s Chambal Fertilizers and Chemicals Limited pursuant to Section 212 of the Companies Act, 1956. It should be used for aforesaid purpose only.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 008072S)



Bhavani Balasubramanian  
Partner  
Membership No. 22156

Place: Chennai, April 26, 2010

CFCL TECHNOLOGIES LIMITED  
BALANCE SHEET AS AT DECEMBER 31, 2009

	Schedule	As at March 31, 2009 (in USD) (Unaudited)	As at December 31, 2009 (in USD)	As at December 31, 2009 Convenience translation into (Rs.'000) (Unaudited)
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share capital	1	870	1,104	51
Reserves and surplus	2	74,538,784	99,840,614	4,647,082
		<u>74,539,654</u>	<u>99,841,718</u>	<u>4,647,133</u>
<b>Loan Funds</b>				
Unsecured loans	3	3,145,000	3,145,000	146,384
		<u>3,145,000</u>	<u>3,145,000</u>	<u>146,384</u>
<b>Total</b>		<u>77,684,654</u>	<u>102,986,718</u>	<u>4,793,517</u>
<b>APPLICATION OF FUNDS</b>				
<b>Investments</b>	4	71,528,513	101,059,760	4,703,827
<b>Current Assets, Loans and Advances :</b>				
Cash and bank balances	5	2,561	4,989	232
Loans and advances	6	5,843,603	1,534,732	71,434
		<u>5,846,164</u>	<u>1,539,721</u>	<u>71,666</u>
<b>Less : Current Liabilities and Provisions</b>				
Current liabilities	7	339,610	610,118	28,398
		<u>339,610</u>	<u>610,118</u>	<u>28,398</u>
<b>Net Current Assets</b>		5,506,554	929,603	43,268
<b>Profit &amp; Loss Account</b>		649,587	997,355	46,422
<b>Total</b>		<u>77,684,654</u>	<u>102,986,718</u>	<u>4,793,517</u>

Notes on Accounts

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Schedules referred to above form an integral part of these accounts

This is the Balance Sheet referred to  
in our report of even date.

for Deloitte Haskins & Sells,  
Chartered Accountants

*Bhavani Balasubramanian*

Bhavani Balasubramanian  
Partner

Place: *Chennai*  
Date: *April 26, 2010*

For and on behalf of the Board of Directors

*[Signature]*  
Director

*[Signature]*  
Director

*[Signature]*  
Chief Financial Officer

Place: *Bensalem, PA*

Date: *April 23, 2010*



CFCL TECHNOLOGIES LIMITED  
 PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2009

		Year ended March 31, 2009 (In USD) (Unaudited)	Period ended December 31, 2009 (In USD)	For the period ended December 31, 2009 Convenience translation into (Rs.'000) (Unaudited)
<b>INCOME</b>				
Other income				
<b>Total</b>	8	38,014	150,228	6,993
<b>EXPENDITURE</b>				
Employee cost				
Operating and other expenses	9	186,227	65,605	3,054
Financial expenses	10	544,444	305,913	14,239
<b>Total</b>	11	731,358	497,996	23,180
<b>Loss Before Exceptional Items and Tax</b>				
Current tax				
<b>Net loss after tax for the year</b>		(693,344)	(347,768)	(16,187)
Profit/(Loss) brought forward from Previous year		(693,344)	(347,768)	(16,187)
<b>Loss carried to Balance Sheet</b>		43,757	(649,587)	(30,235)
<b>Earnings per Share</b>				
(Face value of \$0.0001 per share)		(0.2364)	(0.1249)	(5.8115)

Notes on Accounts

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Schedules referred to above form an integral part of these accounts

This is the Profit and loss Account referred to in our report of even date.

for Deloitte Haskins & Sells,  
Chartered Accountants

*Bhavana Balasubramanian*

Bhavani Balasubramanian  
Partner

Place: Chennai  
Date: April 26, 2010



For and on behalf of the Board of Directors

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chief Financial Officer

Place : Bensalem, PA

Date : April 23, 2010

CFCL TECHNOLOGIES LIMITED  
CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2009

	For the Year ended March 31, 2009 (US \$) (Unaudited)	For the period ended December 31, 2009 (US \$)	For the period ended December 31, 2009 Convenience translation into (Rs '000) (Unaudited)
<b>A. Cash flow from operating activities :</b>			
Loss before tax			
Adjustments for :	(693,344)	(347,768)	(16,187)
Employee stock compensation expenses			
Excess provision on ESOP cost written back	186,227	65,605	3,054
Interest expense	-	(150,000)	(6,982)
Interest income	37	126,203	5,874
	(36,469)	(228)	(11)
<b>Operating loss before working capital changes</b>	<b>(543,549)</b>	<b>(306,188)</b>	<b>(14,252)</b>
<b>Movement in working capital :</b>			
(Increase)/Decrease in trade and other receivables			
Increase in trade payables	(1,688,874)	4,443,340	206,815
<b>Cash generated from operations</b>	<b>85,233</b>	<b>270,448</b>	<b>12,588</b>
Direct taxes paid (net of refunds)	(2,147,190)	4,407,600	205,151
<b>Net cash (used in)/ generated from operating activities</b>	<b>(2,147,190)</b>	<b>4,407,600</b>	<b>205,151</b>
<b>B. Cash flow from investing activities</b>			
Investments in subsidiary			
Interest received	(2,444,682)	(24,329,133)	(1,132,400)
<b>Net cash used in investing activities</b>	<b>36,469</b>	<b>228</b>	<b>11</b>
	(2,408,213)	(24,328,905)	(1,132,389)
<b>C. Cash flow from financing activities</b>			
Proceed from Share Capital			
Interest paid	1,303,172	20,049,936	933,224
<b>Net cash generated from financing activities</b>	<b>(37)</b>	<b>(126,203)</b>	<b>(5,874)</b>
	1,303,135	19,923,733	927,350
<b>Net (decrease)/ increase in cash and cash equivalents (A+B+C)</b>	<b>(3,252,268)</b>	<b>2,428</b>	<b>112</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,254,829</b>	<b>2,561</b>	<b>120</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,561</b>	<b>4,989</b>	<b>232</b>

This is the Cashflow Statement referred to in our report of even date.

for Deloitte Haskins & Sells,  
Chartered Accountants

*Bhavani Balasubramanian*

Bhavani Balasubramanian  
Partner

For and on behalf of the Board of Directors

*S. K. Srinivasan*  
Director

*S. K. Srinivasan*  
Director

Place: Chennai  
Date: April 26, 2010

*Chief Financial Officer*  
Chief Financial Officer

Place: Bensalem, PA  
Date: April 23, 2010



**CFCL TECHNOLOGIES LIMITED**  
**SCHEDULES FORMING PART OF ACCOUNTS**

**SCHEDULE 1 : SHARE CAPITAL**

	As at March 31, 2009 (In USD)	As at December 31, 2009 (In USD)	As at December 31, 2009 Convenience translation into (Rs.'000)
	(Unaudited)		(Unaudited)
<b>Authorised Share capital</b>			
[14,295,386 (Previous year 11,370,587 Ordinary shares of par value US \$ 0.0001 each]	1,137	1,430	67
[2,176,468 Series A Preference shares of par value US \$ 0.0001 each]	218	218	10
[3,645,583 (Previous year 3,591,172 Series B Preference shares of par value US \$ 0.0001 each]	359	365	17
[1,600,000 Series C Preference shares of par value US \$ 0.0001 each]	-	160	7
	<b>1,714</b>	<b>2,173</b>	<b>101</b>
<b>Issued, Subscribed and Paid Up Share capital</b>			
3,688,593 ( Previous year 2,932,947) Ordinary shares of par value of US\$ 0.0001 each fully paid up (Of the above, 2,932,947 Shares are held by CFCL Overseas Ltd., Cayman Islands, the holding company) (Refer Note 5 (a) of Schedule 12 )	293	369	17
[2,176,468 (Previous year 2,176,468) Series A Preference shares of par value US \$ 0.0001 each fully paid up] (All the above shares are held by CFCL Overseas Ltd., Cayman Islands, holding company)	218	218	10
[3,591,172 (Previous year 3,591,172) Series B Preference shares of par value US \$ 0.0001 each fully paid up] (Of the above, 568,096 Shares are held by CFCL Overseas Ltd., Cayman Islands, the holding company)	359	359	17
[1,577,704 (Previous year 1,577,704) Series C Preference shares of par value US \$ 0.0001 each fully paid up] (Refer Note 5 (b) of Schedule 12 ) (Of the above, 1,029,521 Shares are held by CFCL Overseas Ltd., Cayman Islands, the holding company)	-	158	7
	<b>870</b>	<b>1,104</b>	<b>51</b>

**SCHEDULE 2 : RESERVES AND SURPLUS**

Securities Premium Account Balance as per last account Add: Additions during the year	72,067,850	74,067,828	3,447,487
	1,999,978	25,251,816	1,175,346
	<b>74,067,828</b>	<b>99,319,644</b>	<b>4,622,833</b>
Employees stock option outstanding A/c Balance as per last account Add: Additions during the year	-	470,956	21,921
	470,956	50,014	2,328
	<b>470,956</b>	<b>520,970</b>	<b>24,249</b>
	<b>74,538,784</b>	<b>99,840,614</b>	<b>4,647,082</b>

**SCHEDULE 3 : UNSECURED LOANS**

Non Interest bearing Convertible Promissory Notes (Refer Note no. 6 of Schedule 12)	3,145,000	3,145,000	146,384
	<b>3,145,000</b>	<b>3,145,000</b>	<b>146,384</b>



**SCHEDULE 4 : INVESTMENTS**

**(Long Term - Trade, Unquoted)**

554,167,969 (previous year 391,865,538) ordinary shares of US\$ 0.0001 par value in ISGN Corporation, USA,US  
 50,000,000 (previous year 50,000,000 ) Ordinary shares of US\$ 0.001 par value in CFCL Ventures Limited, Cayman Island

As at March 31, 2009 (In USD) (Unaudited)	As at December 31, 2009 (In USD)	As at December 31, 2009 Convenience translation into (Rs. '000) (Unaudited)
63,161,543	92,692,790	4,314,386
8,366,970	8,366,970	389,441
<b>71,528,513</b>	<b>101,059,760</b>	<b>4,703,827</b>

**SCHEDULE 5 : CASH AND BANK BALANCES**

Balances with Banks  
 - In Current Accounts

2,561	4,989	232
<b>2,561</b>	<b>4,989</b>	<b>232</b>

**SCHEDULE 6 : LOANS AND ADVANCES**

Advances recoverable in cash or in kind or for value to be received

5,843,603	1,534,732	71,434
<b>5,843,603</b>	<b>1,534,732</b>	<b>71,434</b>

**SCHEDULE 7: CURRENT LIABILITIES**

Sundry creditors  
 - Payable to suppliers  
 - Accrual/Provision  
 - Other creditors

143,571	421,857	19,635
134,350	188,261	8,763
61,689	-	-
<b>339,610</b>	<b>610,118</b>	<b>28,398</b>



CFCL TECHNOLOGIES LIMITED  
SCHEDULES FORMING PART OF ACCOUNTS

	Year ended March 31,2009 (in USD) (Unaudited)	Period ended December 31,2009 (in USD)	For the period ended December 31, 2009 Convenience translation into (Rs.'000) (Unaudited)
<b>SCHEDULE 8 : OTHER INCOME</b>			
Interest received	36,469	-	-
- Interest received from Others (Gross)	-	228	11
Excess provision on ESOP cost written back	-	150,000	6,982
Foreign exchange variation (Net)	1,545	-	-
	<b>38,014</b>	<b>150,228</b>	<b>6,993</b>
<b>SCHEDULE 9 : EMPLOYEE COST</b>			
Salaries, wages and bonus (Note below)	186,227	65,605	3,054
	<b>186,227</b>	<b>65,605</b>	<b>3,054</b>
(Including employee stock compensation expenses)	186,227	65,605	
<b>SCHEDULE 10 : OTHER ADMINISTRATIVE EXPENSES</b>			
Insurance	-	2,511	117
Travelling and conveyance	25,871	-	-
Communication costs	-	17	1
Legal and professional fees	392,617	159,223	7,411
Auditor's remuneration	125,067	142,420	6,629
Miscellaneous expenses	889	1,742	81
	<b>544,444</b>	<b>305,913</b>	<b>14,239</b>
<b>SCHEDULE 11 : FINANCIAL EXPENSES</b>			
Interest :			
- Others	37	126,203	5,874
Bank charges and guarantee commission	650	275	13
	<b>687</b>	<b>126,478</b>	<b>5,887</b>



## **CFCL Technologies Limited**

### **SCHEDULE FORMING PART OF THE ACCOUNTS**

#### **Schedule – 12**

#### **Notes on Accounts (Contd)**

##### **1. Corporate Information**

CFCL Technologies limited, (CFCLT) is a limited company incorporated on March 12, 2007 and domiciled in Cayman Islands. The principal activities of the Company are to carry on the business of investment holding, and to undertake and to transact all kinds of Investment business.

##### **2. Significant accounting policies**

###### **a) Basis of Preparation**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and comply in all material respects with the accounting standards prescribed in the Companies (Accounting Standards) Rules 2006 (as amended) and with the relevant provisions of the Companies Act, 1956.

###### **b) Use of Estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Balance Sheet date and reported amount of revenue and expenses for the year and disclosure of contingent liabilities as at the date of Balance Sheet. The estimates and assumptions used in the accompanying financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual amounts could differ from these estimates.

###### **c) Investments**

Long term investments are stated at cost. However, provision for diminution in the value is made to recognize the decline (other than temporary) in the value of investments.

###### **d) Convenience Translation**

The books of accounts of the company are maintained in US Dollars being the currency of the primary economic environment in which it operates and the reporting currency is Indian Rupees (INR). The company does not have any transactions entered in any other currency apart from US Dollars. Solely for the convenience of the reader, the balance sheet as of December 31, 2009 and the Profit and Loss account for the period then ended have been translated into INR, the reporting currency, using the year end exchange rate as of December 31, 2009 which was 1US\$ = Rs 46.545. The convenience translation should not be construed as a representation that the US\$ amounts or the INR amounts referred to in these financial statements have been, could have been, or could in the future be, converted into INR or US\$, as the case may be, at this or at any other rate of exchange, or at all.

e) This being the first year of furnishing Stand alone Financials for CFCLT, the previous year figures reflected in the Financial statements are unaudited.

##### **3. Change in Accounting year**

In the meeting held on 11<sup>th</sup> December 2009, the Board of Directors approved the change of the Company's financial year from the fiscal year commencing on 1<sup>st</sup> April of one calendar year and ending on 31<sup>st</sup> March of the subsequent calendar year to the calendar year (ending 31<sup>st</sup> December). In order to give effect to the change, the Board of Directors approved the closure of the financial year commencing 1<sup>st</sup> April 2009 for a 9 months period up to 31<sup>st</sup> December 2009. Accordingly, these financial statements have been prepared for the nine months period ended 31<sup>st</sup> December 2009.



## **CFCL Technologies Limited**

### **SCHEDULE FORMING PART OF THE ACCOUNTS**

#### **Schedule – 12**

#### **Notes on Accounts (Contd)**

#### **4. Related Party Disclosure**

##### **a) List of parties where control exists**

###### **Ultimate holding company**

Chambal Fertilizers and Chemicals Limited

###### **Holding Company:**

CFCL Overseas Limited – Cayman Islands

###### **Significant influence**

NEA FDI Inc

NEA – IndoUS Ventures, LLC

###### **Subsidiaries**

ISGN Solutions, Inc., USA

CFCL Ventures Limited

ISG Novasoft Technologies Limited –India

ISGN Corporation Inc, USA

Inuva Info Management Pvt. Limited – India

Richmond Investors LLC

Richmond Title Genpar LLC

Richmond Title Services LP

Flex Signing Agents LLC

Richmond Title services, LLC

Fiserv Fulfillment Services, Inc., USA (Pennsylvania)

Fiserv Fulfillment Services, Inc., USA (Arizona)

Fiserv Fulfillment Services South, Inc., USA

Fiserv Fulfillment Services of Alabama, LLC, USA

Fiserv Fulfillment Services of Maryland, Inc., USA

ILS Services, LLC, USA

Fiserv Fulfillment Agency, LLC, USA

Fiserv Fulfillment Agency of Alabama, LLC, USA

Novasoft Information Technology Corporation, GMBH

##### **b) Key management Personnel (KMP)**

Krishnakumar Srinivasan - Director

##### **c) The above information regarding related parties have been determined to the extent such parties have been identified on the basis of information available with the company and relied upon by auditors.**



**CFCL Technologies Limited**

**SCHEDULE FORMING PART OF THE ACCOUNTS**

**Schedule – 12**

**Notes on Accounts (Contd)**

d) List of transactions with related parties:

(Amount in US \$)

Particulars	Parties where control exists							
	UHC		HC		Significant influence		Subsidiary	
	Dec' 09	Mar 09	Dec' 09	Mar'09	Dec' 09	Mar'09	Dec' 09	Mar' 09
Transactions during the period								
Expenses paid		25,871					3,151	40,556
Recovery of expenses			3,019	6,018			520,518	42,632
Interest paid on borrowing			55,767		29,697			
Share application money/Borrowing received			13,027,695	1,305,087	6,936,777	694,913		
Loans received								
Loans repaid								
Issue of Preference shares against share application money/Borrowings including interest			13,083,462		6,966,474	694,913		
Issue of preference shares (Series B) against borrowings/share application money				1,305,087			24,329,124	2,444,682
Issue of ordinary shares against money received								
<b>Balances as at Dec/March 31,</b>								
Current liabilities	25,871	25,871	32,796	35,816				
Advances recoverable							1,144,863	5,550,274

**5. Share Capital**

a) Ordinary shares

During the period ended December 31, 2009, pursuant to agreement entered into between CFCLT, FISERV, Inc in relation to FFS acquisition, CFCLT had issued the following Ordinary Shares for consideration other than cash based on the covenants agreed as per the Share purchase agreement dated 28<sup>th</sup> September 2009 entered with FISERV.

Name of the Investor	Par Value per share (in US\$)	Issue Price per share (in US\$) *	No. of Shares issued	Share Capital	Share premium	Total Value
Fiserv Inc	0.0001	6.8843	755,646	76	\$ 5,202,037	\$ 5,202,113

\* Price determined based on valuation report by an independent valuer.

(b) Series C Preference Shares

Pursuant to a share purchase agreement dated 08<sup>th</sup> December 2009, entered into between CFCLT, NEA FDI Inc., and NEA – IndoUS Ventures, LLC and CFCL Overseas limited, the Board of Directors



## CFCL Technologies Limited

### SCHEDULE FORMING PART OF THE ACCOUNTS

#### Schedule – 12

##### Notes on Accounts (Contd)

of CFCLT issued the following Series C Preference Shares. The table outlines Series C Preference Shares issued during the period ended December 31, 2009:

Name of the Investor	Par Value per share (in US\$)	Issue Price per share (in US\$)	No. of Shares issued	Share Capital (US \$)	Share premium (US \$)	Total Value (in US\$)
NEA FDI Inc	0.0001	12.7083	438,547	44	5,573,144	5,573,187
NEA IndoUS Ventures, LLC	0.0001	12.7083	109,636	11	1,393,276	1,393,287
CFCL Overseas Limited	0.0001	12.7083	1,029,521	103	13,083,359	13,083,462
<b>Total</b>				<b>158</b>	<b>20,049,779</b>	<b>20,049,936</b>

(c) Series A, Series B and Series C Preference shares are convertible into Ordinary shares in the ratio of 1:1 subject to adjustments set forth in the Articles of Association of the Company. While the holders of Series A, Series B and Series C may generally elect to convert into Ordinary shares at any time, all Series A Preference Shares, Series B and Series C Preference Shares will automatically convert under the following two circumstances:

- (i) immediately prior to Qualified IPO (as defined in the Articles of Association of the Company) or
- (ii) if the holders of a majority of the then-outstanding Preference shares elect, in writing or by vote, to convert their Preference shares into Ordinary shares.

Preference Shareholders carry voting rights and have representation in the board of directors as per the terms of the agreement. Further preference shareholders carry preferential dividend rights over ordinary shares if declared by the board of directors and priority over ordinary shares in the event of any liquidation, dissolution or winding up of the affairs of CFCLT.

At any time after May 18, 2011, the members holding not less than a majority of the then outstanding preference shares voting together as a single class and on an as converted bases, have an option to redeem the preference shares for cash at the greater of original purchase price per share or the fair market value of such preference shares as of the redemption date as determined by independent third-party investment bank or similar such third party service provider as mutually agreed.

#### 6. Unsecured loans

CFCLT has issued convertible promissory notes (CPN's) amounting to US\$ 3,145,000 [March 31, 2009: US\$3,145,000 ] for the acquisition of balance 20% minority stake in MH and settlement of the contingent consideration agreed at the time of initial acquisition of 80% stake of MH and net assets of Praxis Technology Group LLC during the year ended March 31, 2006. The CPNs do not carry any interest. The CPN's are convertible into ordinary equity shares of CFCLT at a conversion price of US\$ 9.25 per share.

In accordance with the terms of CPNs

- The CPNs shall be due for repayment on May 7, 2011.
- Before the maturity date, the lenders have the sole option to convert the entire amount of principal into Ordinary shares of CFCLT.



## **CFCL Technologies Limited**

### **SCHEDULE FORMING PART OF THE ACCOUNTS**

#### **Schedule – 12**

##### **Notes on Accounts (Contd)**

- On the maturity date, unless earlier converted into shares, CFCLT at its sole option discharge the same by payment of cash or by converting into Ordinary shares of itself as per the terms of the agreement.

In the event the conversion option is exercised, the CPNs are convertible into 340,000 Ordinary shares at a conversion price of US\$ 9.25 per Ordinary share.

##### **7. Convertible note issued by the subsidiary**

Effective April 1, 2007, NovaSoft Information Technology Corporation, U.S.A (NITC) acquired 100% of controlling interest in Dynatek Inc., for a total consideration of US\$20 million. The consideration was discharged by payment in cash of US\$ 11 million and by way of issue of Convertible Promissory Notes (CPNs) of US\$ 9 million carrying an interest rate of 2.5% per annum.

Pursuant to the terms and conditions of the share purchase agreement the consideration payable has been reduced by an amount of US \$ 746,120. Consequently the face value of the CPNs stands reduced to US \$ 8,253,880

In accordance with the terms of the CPNs

- Principal and accrued interest shall become due and payable on May 21, 2010.
- Before the maturity date, the lenders have the sole option to convert the entire amount of principal and accrued interest into Ordinary shares of CFCLT.
- On the maturity date, unless earlier converted into shares, CFCLT at its sole option shall discharge the obligation by payment of cash or by converting into Ordinary shares of itself.

In the event the conversion option is exercised, the outstanding amount will be converted into 302,640 Ordinary shares at a conversion price of US \$ 27.2727 per Ordinary share.

The lender, Group and CFCLT have also entered into an agreement wherein, in the event of conversion of CPNs into Ordinary shares, at the option of either CFCLT or the lender, CFCLT shall be obligated to purchase and the lender to sell, the Ordinary shares at a price to be determined by an investment banker. However, the maximum amount payable to the lender shall not exceed the principal amount of the CPNs and the minimum amount payable to the lender shall be at least 50% of the original principal amount of CPNs (US\$ 4,500,000).

##### **8. Employee Stock Option Plan**

The Board of Directors of the Company approved 2007 Share Option Plan ('Plan') administered in USA for granting stock options to certain employees of its subsidiary companies. A Committee has been constituted to administer the plan along-with the Board and to determine fair value which would be the exercise price for such options.

The fair value of the equity shares has been determined by the management on the date of the grant for the Plan based on a valuation by an independent appraiser. As per the terms of the Plan, the exercise price equals the fair value respectively. The Group has carried out grant date option valuation based on the Black-Scholes valuation model. The fair value of the option is recognized as Deferred Compensation Costs and is being amortized over the vesting period of 48 months as per the vesting schedule, provided that the holders of the options would continue to be employees on the vesting date. The contractual life of the options granted under the Plan is 4 years from the grant date. The weighted average remaining life of options is 8.49 (March 2009 8.30) years.



## CFCL Technologies Limited

### SCHEDULE FORMING PART OF THE ACCOUNTS

#### Schedule - 12

#### Notes on Accounts (Contd)

Following table details the movement of options for the Plan mentioned above:

Particulars	December 2009	March 2009
Options outstanding at the beginning of the year	1,023,815	-
Options granted during the period	696,009	1,023,815
Option forfeited during the period	72,877	-
Options exercised during the period	-	-
Options expired during the period	-	-
Options outstanding at the end of the period	1,646,947	1,023,815
Options exercisable at the end of the period	752,424	489,982

The estimated weighted average fair value of options granted is \$0.9157 (March 2009 \$ 0.5975) per share. This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Option granted during the year ended March 31, 2009
	<b>Period ended December 31, 2009</b>				
Fair value per share	\$2.09	\$2.09	\$2.09	\$3.91	\$ 1.58
Exercise price	\$2.09	\$2.09	\$2.09	\$3.91	\$ 1.58
Average risk-free interest rate	1.65%	1.73%	1.89%	2.09%	3.14 %
Expected volatility of share price	0.6538	0.6405	0.6202	0.5984	0.3955
Expected life of options granted (in years)	3	3.17	3.50	3.92	4
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Value of the options	\$ .926	\$ 0.934	\$ 0.955	\$ 1.834	0.56

(a) The historical volatility has been calculated based on the share of the comparable companies over the previous 3/3.17/3.50/3.92/4 years.

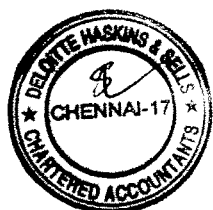
(b) Risk free rate of return has been calculated using 3/3.17/3.50/3.92/4 years US Treasury bond yield as on the date of respective grant.

Expenses arising from the Plan	US\$ (84,395) ( March 2009 US \$ 186,227)
Expenses recognized in subsidiary	US\$ 134,409 (March 2009 US\$ 284,729)
Closing balance of liability for the Plan	US\$ 520,970 (March 2009 US \$ 470,956)

The following table provides details in respect of range of exercise price and weighted average remaining contractual life (in months) for the options outstanding as at December 31, 2009.

Range of exercise price	Shares *	Weighted average remaining life
\$ 1.58 to \$ 3.91	1,646,947	8.49 years

\* (includes 486,009 options granted to directors and non-executive director (for the year ended 31<sup>st</sup> March 2009 - 400,000)



**CFCL Technologies Limited**

**SCHEDULE FORMING PART OF THE ACCOUNTS**

**Schedule – 12**

**Notes on Accounts (Contd)**

**8. Earnings per share**

(Amounts in US \$)

	<b>December 2009</b>	<b>March 2009</b>
Loss for the year as per Profit and Loss account (A)	(347,768)	(693,344)
Weighted average number of shares outstanding (B)	2,785,333	2,932,947
Basic and Diluted EPS (A/B) (In USD)	(0.1249)	(0.2364)

The conversion of potential ordinary shares is anti dilutive and hence basic and diluted earning per share are same.

**9. Segmental Reporting**

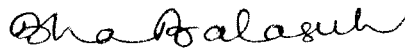
The principal activities of the Company are to carry on the business of investment holding, and to undertake and to transact all kinds of investment business and accordingly, there are no separate reportable segments as per Accounting Standard 17 on Segment reporting.

10. The current financial period is for nine months and hence the Profit and Loss Account of the current period is not comparable with that of the previous year which was for a period of 12 months. Previous year figures have been regrouped / reclassified, wherever necessary to conform to the current period's classification.

**Signature to Schedules 1 to 12**

**for Deloitte Haskins & Sells,**  
Chartered Accountants

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



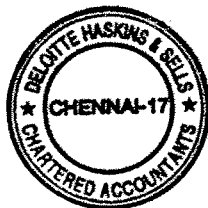
Bhavani Balasubramanian  
Partner



Director



Director

  
Chief Financial Officer