

**AUDITORS' REPORT****TO THE MEMBERS OF  
OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

1. We have audited the attached Balance Sheet of **Octaware Technologies Private Limited** as at 31st March, 2011 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto which we have signed under reference to this report. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books & records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books,
  - (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards



referred in Section 211 (3C) of the Companies Act, 1956, in so far as they apply to the Company.

- e) On the basis of the written representation received from the directors, as on 31<sup>st</sup> March, 2011, and taken on record by the Board of Directors of the Company, none of the directors is disqualified from being appointed as a director under section 274(1)(g) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon and annexed thereto, give in the prescribed manner, the information required by the Companies Act, 1956, in the manner so required 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 31st March, 2011; and
- (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

**For Chetan Mayur & Co.**  
Chartered Accountants

Place: Pune

Date :

■ 6 AUG 2011



*MPatwa*

Partner

Mayur Vijay Patwa

M. No.105651

Firm Regn No - 123216W

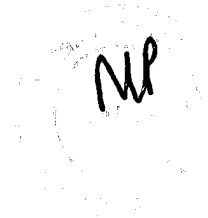
**Annexure to the Auditors' Report  
(Referred to in paragraph (3) of our report of even date)**

**TO THE MEMBERS OF  
OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

- 1) In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and location of the fixed assets.
  - b) We have been informed by the Management that a physical verification of fixed assets was conducted during the year and no material discrepancies were noticed on such verification.
  - c) The Company has not disposed off any fixed assets during the year and accordingly the question of going concern status being affected does not arise.
- 2) The Company is engaged in the business of providing software services. The Company does not hold any inventory and accordingly sub clauses (a) to (c) of Paragraph 4 (ii) of the Order are not applicable to the Company.
- 3) The Company has not granted or taken any secured or unsecured loans, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub clauses (a) to (g) of Paragraph 4 (iii) of the Order are not applicable to the Company.
- 4) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and for sale of services. Further, on the basis of our examination of the books & the records of the company, and according to the information & explanation given to us, we have neither come across nor have been informed of any major weaknesses in the aforesaid internal control system. The activities of the Company did not involve purchase of inventory or sale of goods.
- 5) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements that needed to be entered into the register have been so entered.
  - (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (5)(a) above with any party during the year have been made at prices which are reasonable having regards to the prevailing market prices at the relevant time.

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- 6) The Company has not accepted deposits from the public. Accordingly, paragraph 4(vi) of the Order is not applicable
- 7) In our opinion, the company has an internal audit system commensurate with its size & nature of its business.
- 8) According to the information given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956. Accordingly, paragraph 4(viii) of the Order is not applicable
- 9) In respect of Statutory and other dues:
  - a) The Company is generally regular in depositing the undisputed statutory dues including income tax, tax deduction at source (other than Salary), provident fund payable on regular monthly salary and other material statutory dues as applicable with appropriate authorities *except for*
    - i) *Service tax where the Company is not regular and days of delay from the due date range from 18 days to 54 days*
    - ii) *Provident Fund of Rs 3,679 payable on the salary payable to employees at the time of their Full & Final working where days of delay from the due date range from 31 days to 121 days*
    - iii) *Profession tax of Rs 1,475 payable on the salary payable to employees at the time of their Full & Final working where days of delay from the due date range from 26 days to 116 days*
    - iv) *Tax Deduction at Source on Salary where the Company is not regular and days of delay from the due date range from 2 days to 123 days*
  - b) According to the information and explanations given to us, no undisputed amounts in respect of income tax or other statutory dues as applicable were in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
  - c) According to the information and explanations given to us, there are no dues of income tax, custom duty and excise duty, service tax, provident fund and cess which have not been deposited on account of any dispute.
- 10) The company does not have any accumulated loss at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 11) In our opinion and according to the information and explanations given to us, the Company has not borrowed from any financial institution, bank or debenture holder. Accordingly, paragraph 4(xi) of the Order is not applicable to the Company.
- 12) According to the information and explanations given to us, the Company has not granted any loan or advance on the basis of security by way of pledge of shares,



debentures and other securities. Accordingly, paragraph 4(xii) of the Order is not applicable

- 13) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Paragraph 4 (xiii) of the Order are not applicable.
- 14) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Order are not applicable.
- 15) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of Clause 4 (xv) of the Order are not applicable.
- 16) In our opinion and according to the information and explanations given to us, the Company has not obtained term loans during the year. Accordingly, the provisions of Clause 4 (xvi) of the Order are not applicable.
- 17) The Company has not raised any funds on short term basis. Accordingly, paragraph 4(xvii) of the Order is not applicable.
- 18) The company has not made preferential allotment of shares to parties and companies covered in register maintained under Section 301 of the Companies Act, 1956 and hence the provisions of clause 4 (xviii) of the Order are not applicable.
- 19) The Company has not issued any debenture during the year. Accordingly, the provisions of clause 4 (xix) of the Order are not applicable.
- 20) The Company has not raised monies by public issues. Accordingly, the provisions of clause 4 (xx) of the Order are not applicable.
- 21) According to the information and explanations given to us by the management and audit procedures performed, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place: Pune

Date : **6 AUG 2011**

**For Chetan Mayur & Co.**  
Chartered Accountants

*M. Patwa*

Partner  
Mayur Vijay Patwa  
M. No.105651

Firm Regn No - 123216W

**OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

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

	Schedule	As at March 31, 2011 Rupees	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
<b>SOURCES OF FUNDS</b>				
SHAREHOLDERS' FUNDS				
(a) Share Capital	I		100,000	100,000
(b) Reserves & Surplus Profit & Loss A/c			22,702,159	8,834,325
DEFERRED TAX			-	-
<b>TOTAL FUNDS EMPLOYED</b>			<b>22,802,159</b>	<b>8,934,325</b>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
(a) Gross Block	II	6,993,330		5,105,624
(b) Less - Depreciation		4,349,946		3,015,944
(c) Net Block		2,643,384		2,089,680
(d) Capital Work in Progress Including Advances on Capital Account		346,968		-
			<b>2,990,352</b>	<b>2,089,680</b>
CURRENT ASSETS, LOANS AND ADVANCES				
(a) Sundry Debtors	III	9,919,250		2,627,385
(b) Cash and Bank Balances		6,873,228		3,523,191
(c) Loans and Advances		5,104,097		2,793,934
			<b>21,896,575</b>	<b>8,944,511</b>
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	IV	1,870,322		1,995,968
Provisions		214,446		103,898
			<b>2,084,768</b>	<b>2,099,866</b>
NET CURRENT ASSETS			<b>19,811,807</b>	<b>6,844,645</b>
<b>TOTAL ASSETS</b>			<b>22,802,159</b>	<b>8,934,325</b>
<b>Significant Accounting Policies &amp; Notes On Accounts</b>	IX			

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

As per our report of even date  
For Chetan Mayur & Co  
Chartered Accountants

*Mayur*  
Mayur Vijay Patwa  
Partner  
M.No.105651  
Firm Regn No - 123216W  
Place: Pune  
Date: 6 AUG 2011

For and on behalf of the Board of Directors

*Sajid*  
Sajid Iqbal Abdul Hameed  
Director

*Mohammed*  
Mohammed Siraj Gunwan  
Director

Place: Mumbai  
Date: 6 AUG 2011

Place: Mumbai  
Date: 6 AUG 2011

**OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

	Schedule	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
<b>INCOME</b>			
Sales	V	36,991,288	17,911,780
Other Income	VI	-	126
		<u>36,991,288</u>	<u>17,911,906</u>
<b>EXPENDITURE</b>			
Employee Costs	VII	9,251,188	4,999,680
Operating & Other Expenses	VIII	12,436,478	9,116,570
Depreciation		1,334,002	701,617
		<u>23,021,668</u>	<u>14,817,867</u>
<b>PROFIT BEFORE TAX</b>		<b>13,969,620</b>	<b>3,094,039</b>
<b>Provision for Taxation</b>			
Income Tax (Net of MAT Credit Entitlement)	104,296		1,507
Deferred Tax	-		-
Fringe Benefit Tax	-	104,296	-
			<u>1,507</u>
<b>PROFIT AFTER TAX</b>		<b>13,865,324</b>	<b>3,092,532</b>
<b>Profit brought forward from previous year</b>		<b>8,834,325</b>	<b>5,741,793</b>
Excess Provision of FBT in earlier years, no more required hence written Back		2,510	-
<b>PROFIT CARRIED FORWARD TO BALANCE SHEET</b>		<b>22,702,159</b>	<b>8,834,325</b>
<b>Significant Accounting Policies &amp; Notes On Accounts</b>	IX		

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

As per our report of even date  
For Chetan Mayur & Co  
Chartered Accountants

*MPatwa*  
Mayur Vijay Patwa  
Partner  
M.No.105651  
Firm Regn No - 123216W  
Place: Pune  
Date:

**6 AUG 2011**

For and on behalf of the Board of Directors

*Sajid Iqbal Abdul Hameed*  
Sajid Iqbal Abdul Hameed  
Director

Place: Mumbai  
Date:

**6 AUG 2011**

*Mohammed Siraj Gunwan*  
Mohammed Siraj Gunwan  
Director

Place: Mumbai  
Date:

**6 AUG 2011**

**OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

**SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2011**

	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
	<u><b>Rupees</b></u>	<u><b>Rupees</b></u>
<b>Schedule I</b>		
<b>Share Capital</b>		
<u>Authorised</u>		
20,000 (Previous Year: 20,000) Equity Shares of Rs.10 each	200,000	200,000
	<u><b>200,000</b></u>	<u><b>200,000</b></u>
 <u>Issued, Subscribed and Paid up</u>		
10,000 (Previous Year: 10,000) Equity Shares of Rs.10 each	100,000	100,000
<b>TOTAL</b>	<u><b>100,000</b></u>	<u><b>100,000</b></u>



**OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

**SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2011**

**Schedule II**

**FIXED ASSETS**

Description of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on April 1, 2010	Additions during the year	Sale during the year	As at March 31, 2011	As on April 1, 2010	For the year	On Deletions	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
Computers & Printers	3,119,682	1,425,483	-	4,545,165	2,278,006	962,520	-	3,240,526	1,304,639	841,676
Air Conditionner	148,285	82,150	-	230,435	47,680	21,215	-	68,895	161,540	100,605
Furniture & Fixures	1,391,648	174,275	-	1,565,923	609,839	275,382	-	885,221	680,702	781,809
Office Equipment	446,009	205,798	-	651,807	80,419	74,885	-	155,304	496,503	365,590
<b>Total</b>	<b>5,105,624</b>	<b>1,887,706</b>	<b>-</b>	<b>6,993,330</b>	<b>3,015,944</b>	<b>1,334,002</b>	<b>-</b>	<b>4,349,946</b>	<b>2,643,384</b>	<b>2,089,680</b>
<b>Previous year</b>	<b>3,592,194</b>	<b>1,513,430</b>	<b>-</b>	<b>5,105,624</b>	<b>2,314,327</b>	<b>701,617</b>	<b>-</b>	<b>3,015,944</b>	<b>2,089,680</b>	<b>1,277,867</b>

(Amount in Rs)

**OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

**SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2011**

	<u>As at March 31, 2011 Rupees</u>	<u>As at March 31, 2010 Rupees</u>
<b><u>Schedule III</u></b>		
<b>Current Assets, Loans &amp; Advances</b>		
<b>a) Sundry Debtors</b>		
<b>- Unsecured, Considered Good</b>		
Over 6 months	648,055	237,360
Others	9,271,195	2,390,025
	<u>9,919,250</u>	<u>2,627,385</u>
<b>- Unsecured, Considered Doubtful</b>		
Over 6 months	592,156	-
Less - Provision for Doubtful Debts	<u>(592,156)</u>	<u>-</u>
	-	-
	<u><u>9,919,250</u></u>	<u><u>2,627,385</u></u>
<b>b) Cash and Bank</b>		
Cash on hand	70,239	181,728
Balance with scheduled bank in Current Account (INR)	585,793	3,330,837
Balance with scheduled bank in EFC Account	6,213,196	6,626
Balance with scheduled bank in Fixed Deposit (INR)	4,000	4,000
	<u>6,873,228</u>	<u>3,523,191</u>
<b>c) Loans and Advances</b>		
<b>( Unsecured, considered good)</b>		
Deposits	384,480	399,480
Loans given to Employees	1,166,000	1,126,000
Advance Income Tax Paid (including TDS) (net of Income Tax Liability & MAT Credit Entitlement)		
For Financial Year 2005-06	12,138	12,138
For Financial Year 2007-08	12,692	12,692
For Financial Year 2008-09	218,940	218,942
For Financial Year 2009-10	639,608	639,608
For Financial Year 2010-11	2,534,176	-
Other advances receivable in cash or kind or for value to be received	136,063	385,074
	<u>5,104,097</u>	<u>2,793,934</u>

**OCTAWARE TECHNOLOGIES PRIVATE LIMITED**  
**SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2011**

	<u>As at March 31, 2011 Rupees</u>	<u>As at March 31, 2010 Rupees</u>
<b><u>Schedule IV</u></b>		
<b>Current Liabilities</b>		
Sundry Creditors	1,491,144	1,496,865
Advance received From Customers	-	158,850
Duties & Taxes payable	379,178	340,253
	<u><b>1,870,322</b></u>	<u><b>1,995,968</b></u>
<b>Provisions</b>		
Fringe Benefit Tax Liability (net of taxes paid)		
<u>For Financial Year 2007-08</u>		
Provision for Fringe Benefit Tax	-	55,000
Less - Fringe Benefit Tax Paid	-	(52,490)
<u>For Financial Year 2008-09</u>		
Provision for Fringe Benefit Tax	-	61,228
Less - Fringe Benefit Tax Paid	-	(61,228)
Provision for Leave Encashment	-	-
Provision for Gratuity	214,446	101,388
	<u><b>214,446</b></u>	<u><b>103,898</b></u>

**OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

**SCHEDULES TO THE PROFIT & LOSS A/C FOR THE YEAR ENDED MARCH 31, 2011**

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
<b>Schedule V</b>		
<b>Sales</b>		
Sale of Software Services - Export	33,856,167	16,557,388
Consultancy / Professional Fees - Domestic	3,135,121	1,354,392
	<b>36,991,288</b>	<b>17,911,780</b>
<b>Schedule VI</b>		
<b>Other Incomes</b>		
Miscellaneous Income	-	126
	<b>-</b>	<b>126</b>
<b>Schedule VII</b>		
<b>Employee Costs</b>		
Salary to staff	8,387,399	4,453,893
Contribution to Provident Fund	353,683	193,019
Leave Encashment	-	27,945
Gratuity Expense	113,058	35,911
Staff Welfare Expenses	397,048	285,819
	<b>9,251,188</b>	<b>4,999,680</b>
<b>Schedule VIII</b>		
<b>Operating &amp; Other Expenses</b>		
Auditor's Remuneration		
Audit Fees	44,120	44,120
Tax Audit	22,060	22,060
Other Services	16,545	15,226
	82,725	81,406
Electricity Charges	496,611	284,620
Commission	1,500,000	942,500
Electrical Expenses	121,561	9,183
Foreign Travel expenses	2,234,312	636,565
Entertainment Expenses	27,899	56,994
Membership Fees	376,071	165,540
Guest House Expenses	16,419	35,403
Telephone Expenses	358,555	289,117
Travelling Expenses	426,446	1,529,150
Rental of Leased Assets	711,340	719,722
Postage & Courier	18,855	12,199
Printing & Stationery	73,649	67,674
Legal & Professional Fees	857,961	1,107,134
Technical Fees (Consultant Charges)	3,222,646	2,074,003
Provision for Doubtful Debts	592,156	-
Rates, Taxes & Insurance	12,529	37,367
Donation	12,000	-
Penalty	15,000	-
Repairs & Maintenance - Computers	179,605	64,937
Repairs & Maintenance - Others	145,077	34,942
Society Maintenance Charges	64,633	86,066
Housekeeping Expenses	61,449	42,694
Internet Charges	196,555	125,085
Misc Expenses	121,790	83,583
Marketing Expenses	112,835	114,893
Software License Fees	46,802	3,861
Old Accounts no more receivable, written off	-	8,549
Bank Charges	75,690	21,391
Foreign Exchange Loss	275,307	481,987
	<b>12,436,478</b>	<b>9,116,570</b>

## **OCTAWARE TECHNOLOGIES PRIVATE LIMITED**

**Schedules forming part of the Balance Sheet and the Profit and Loss Account for the year ended March 31, 2011**

### **Schedule IX**

#### **I] SIGNIFICANT ACCOUNTING POLICIES, NOTES ON ACCOUNTS**

##### **Nature of Business**

The company is established on 26<sup>th</sup> May 2005 to carry on the business or profession of developing, designing and servicing computer software and information technology related applications and systems. The Company has 2 units

Unit 1 – in Mumbai, registered with Software Technology Park of India (STPI) as 100% export oriented unit.

Unit 2 – in Pune, catering to domestic market and it also serves as training centre.

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Accounting Convention**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Company.

All the figures as entered in the financial statements are rounded off to the nearest rupee one.

##### **B. Use of Estimates**

Preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of revenues and expenses during the reported period. The estimates and assumptions used in the accompanying financial statements are prudent and based on management's evaluation of the relevant facts and circumstances as at the date of the financial statements. Differences between the actual results and estimates are recognized in the period in which the results are known / materialized.

##### **C. Recognition of Revenue and Expenditure**

Revenue from time and material contracts are recognized as related services are performed.

Expenses have been accounted for on accrual basis and provision has been made for all known losses and expenses.

#### **D. Fixed Assets**

Fixed Assets have been stated at cost less accumulated depreciation. Cost comprises the basic price, excise duty and any other attributable cost for bringing the asset to its working condition for its intended use.

#### **E. Depreciation**

The depreciation is provided on Written Down Value Method at the rates prescribed in Schedule XIV of the Companies Act 1956 or management estimate whichever is higher. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life / remaining useful life.

Pursuant to this policy, depreciation on the following assets has been provided at the following rates which are higher than the corresponding rates prescribed in Schedule XIV -

	Rates Considered (WDV)	Schedule XIV Rates (WDV)
Computers	60%	40%

In respect of the additions to assets made during the year, depreciation for the year is calculated from the date on which the additions are made.

The Company charges 100% depreciation on assets costing less than Rs 5,000.

#### **F. Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transactions. Exchange differences arising on foreign currency transactions are recognised as income or expense in the year in which they arise.

Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the year end exchange rate and the resultant exchange differences are recognized in the profit and loss account. In case of monetary items which are covered by Forward Exchange Contracts, Premium or Discount on Forward exchange Contract is recognised over the life of the contract.

Non-monetary foreign currency items are carried at cost.

#### **G. Retirement Benefits**

**Short term Employee Benefits:** All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salary, performance incentives etc. are recognised as an expense at the undiscounted amount in the profit & loss account of the year in which the employee renders the related service.

**Post employment benefits:****Defined Contribution Plans:**

Provident Fund: The eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' basic salary). The contributions as specified under the law are paid and charged to Profit & Loss Account of the year when the contribution to the fund is due.

**Long Term Employee Benefits:****Defined Benefit Plans:**

**Gratuity:** The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees.

The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in future based on actuarial valuation carried out by an independent actuary.

The company does not have any fund for the same and hence, no contribution is made during the year.

No provision for leave encashment is made as company's policy donot allow carry forward of leaves. All the leaves standing to the credit of the employee at the year end are encashed to the employee.

**H. Leases**

Assets taken on lease are accounted for in accordance with Accounting Standard 19 on "Leases", (AS 19).

**Operating lease**

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

**I. Provisions For Taxation**

Tax expense comprises both current and deferred taxes.

Provision is made for current income tax based on the tax liability computed after considering tax allowances & exemptions.

The operations of the Company for Unit 1 – Mumbai are conducted through 100% Export Oriented Units (EOU) and the Company has registered this unit with Software Technology Parks of India. Income from EOU is exempt for 10 years commencing from the fiscal year in which the unit commences software development or March 31, 2011 whichever is earlier.

From the Assessment Year 2008-09, the Company is subject to provisions of Minimum Alternate Tax. Credit for the advance Minimum Alternate Tax paid during the year by the Company is accounted for in accordance with the Guidance Note – 'Accounting for Credit Available in respect of Minimum Alternate Tax

under The Income Tax Act 1961' issued by the Institute of Chartered Accountants of India (ICAI).

Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at relevant enacted / substantively enacted tax rates. At each balance sheet date, the Company reassesses unrealized deferred tax assets to the extent they become reasonably certain or virtually certain of realization, as the case may be.

#### **J. Impairment of Assets**

At each Balance Sheet date, the Management reviews the carrying amounts of its assets included in each cash generating unit to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows expected from the continuing use of the asset and from its ultimate disposal are discounted to their present values using a pre-determined discount rate that reflects the current market assessments of the time value of money and risks specific to the asset

An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

#### **K. Provisions, Contingent Liabilities and Contingent Assets**

As per Accounting Standard 29, 'Provisions, Contingent Liabilities and Contingent Assets', issued by the Institute of Chartered Accountants of India, the Company recognizes provisions only when it has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation as and when a reliable estimate of the amount of obligation can be made.

No Provision is recognized for:

- a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or
- b) Any present obligation that arises from past events but is not recognized because-
  - i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - ii. A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimates can be made.



Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

**L. Other Accounting Policies**

The Company follows generally accepted accounting principles in respect of accounting policies not specifically referred to hereinabove.

**2. CIF Value of Imports**

<b>Particulars</b>	<b>For the year ended 31-03-2011 Rs.</b>	<b>For the year ended 31-03-2010 Rs.</b>
CIF Value of Capital Goods	Nil	164,398

**3. Expenditure in foreign currency**

<b>Particulars</b>	<b>For the year ended 31-03-2011 Rs.</b>	<b>For the year ended 31-03-2010 Rs.</b>
Foreign Travel	961,305	345,539
Seminar Fees	47,835	88,693
Software License Fees	46,802	3,861
Membership Fees	153,949	Nil
Internet & Domain Registration Charges	3,657	Nil

**4. Earnings in Foreign Exchange**

<b>Particulars</b>	<b>For the year ended 31-03-2011 Rs.</b>	<b>For the year ended 31-03-2010 Rs.</b>
Sales	33,856,167	16,557,388

5. The Company does not use forward exchange contracts to hedge its foreign exchange exposure as at March 31, 2011. The Company had following foreign exchange exposures which were not hedged by derivative instrument or otherwise

—

Particulars	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Amount in USD	Amount in Rs.	Amount in USD	Amount in Rs.
Sundry Debtors	228,405	10,343,414	31,169	1,402,605
Advance received From Customers	Nil	Nil	3,530	158,850

6. On the basis of Prudence, the Deferred Tax Asset amounting to Rs. 288,288 (Previous year Rs. 98,291) arising on account of depreciation, provision for doubtful debts & gratuity provision is not recognized in the books, would be accounted for in the subsequent year / years considering the requirements of the Accounting Standard (AS-22) regarding reasonable / virtual certainty and the accounting policy followed by the company in this respect.

7. **Retirement Benefits**

**Defined Contribution Plan:**

Amount recognized as an expense in the Profit and Loss Account in respect of Defined Contribution Plan is Rs. 113,058 (previous year – 193,019)

**Defined Benefit Plan:**

Actuarial gains and losses in respect of defined benefit plans are recognised in the Profit and Loss Account.

The defined benefit plan comprise of Gratuity.

The Company provides for its liability towards gratuity as per actuarial valuation done by independent actuary.

The following table sets out the disclosures as per the revised Accounting Standard 15 on “Employee Benefits”, (AS-15):

Sr. No	Particulars	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010
		Rs.	Rs.
1	<b>Assumptions :</b>		
	Discount Rate	7.90%	7.80%
	Salary Escalation	6.00%	6.00%
2	<b>Table showing changes in present value of obligations</b>		
	Present value of obligations as at beginning of year	101,388	62,424
	Interest cost	7,908	4,495
	Current Service Cost	104,006	50,961
	Benefits Paid	NIL	NIL
	Actuarial (gain)/Loss on obligations	1,144	(16,492)
	Present value of obligations as at end of year	214,446	101,388

Sr. No	Particulars	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010
		Rs.	Rs.
3	<b>Table showing changes in the fair value of plan assets</b>		
	Fair value of plan assets at beginning of year	NIL	NIL
	Expected return on plan assets	NIL	NIL
	Contributions	NIL	NIL
	Benefits paid	NIL	NIL
	Actuarial Gain / (Loss) on Plan assets	NIL	NIL
	Fair value of plan assets at the end of year	NIL	NIL
4	<b>Table showing fair value of plan assets</b>		
	Fair value of plan assets at beginning of year	NIL	NIL
	Actual return on plan assets	NIL	NIL
	Contributions	NIL	NIL
	Benefits Paid	NIL	NIL
	Fair value of plan assets at the end of year	NIL	NIL
	Funded status	NIL	NIL
	Excess of Actual over estimated return on plan assets	NIL	NIL
5	<b>Actuarial Gain/Loss recognized</b>		
	Actuarial gain/(Loss) for the year –Obligation	(1,144)	16,492
	Actuarial (gain)/Loss for the year - plan assets	NIL	NIL
	Total (gain)/Loss for the year	1,144	(16,492)
	Actuarial (gain)/Loss recognized in the year	1,144	(16,492)
6	<b>The amounts to be recognized in the balance sheet and statements of profit and loss</b>		
	Present value of obligations as at the end of year	214,446	101,388
	Fair value of plan assets as at the end of the year	NIL	NIL
	Funded status	(214,446)	(101,388)
	Net Asset/(liability) recognized in balance sheet	(214,446)	(101,388)
7	<b>Expenses Recognized in statement of Profit &amp; loss A/c</b>		
	Current Service cost	104,006	50,961
	Interest Cost	7,908	4,495
	Expected return on plan assets	NIL	NIL
	Net Actuarial (gain)/Loss recognized in the year	1,144	(16,492)
	Expenses recognized in statement of Profit & loss	113,058	38,964

8. The Company has taken office premises on operating lease. Lease payments recognised in Profit & Loss A/c Rs 711,340 (Previous Year: Rs 719,722)
9. As informed by the Management, there are no small-scale industrial undertakings to whom amounts are outstanding for more than 30 days.

**10. Applicability of Micro Small and Medium Enterprises (MSME) Development Act**

The Company has initiated the process of identification of suppliers registered under The Micro Small and Medium Enterprises Development Act, 2006, by obtaining the confirmation from the suppliers. As the Company has not received any information from its suppliers regarding registration under 'The Micro, Small and Medium Enterprises Development Act, 2006', the disclosures / information required to be given in accordance with section 22 of the said Act, is not ascertainable.

**11. Related party disclosures:**

Related party disclosures as required by Accounting Standard – 18 "Related Party Disclosures" are given below:

a. List of Related Parties :-

Name of Related Party	Relation
Sajid Hameed Shaikh	Director (Key Management Personnel)
Aslam Mohammed Khan	Director (Key Management Personnel)
Mohammed Siraj Gunwan	Director (Key Management Personnel)
Nazia Sajid Hameed	Director's Relative
Rehana Khan	Director's Relative

Name of the Related Party	Nature of transactions	For 2010-11		For 2009-10	
		Value of transactions Rs	Closing Balance as on March 31, 2011	Value of transactions Rs	Closing Balance as on March 31, 2010
Sajid Hameed Shaikh	Consultant Fees	589,954	(6,500)	305,000	45,000
	Commission	300,000	-	300,000	270,000
Nazia Sajid Hameed	Office Rent payment	118,800	9,900	118,800	9,900
Aslam Mohammed Khan	Consultant Fees	731,669	(45,000)	290,000	45,000
	Commission	300,000	-	275,000	247,500
Mohammed Siraj Gunwan	Consultant Fees	480,000	-	232,000	NIL
	Office Rent	108,000	9,000	49,500	8,250
	Commission	400,000	360,000	-	-
Rehana Khan	Office Rent payment	118,800	-	118,800	9,900

12. Capital Commitments - The estimated amount of contracts remaining to be executed on capital account net of capital advances Rs 346,968 (Previous Year Rs. NIL) and not provided for as at March 31, 2011 Rs. 11,300 (Previous Year Rs. NIL)
13. The balances of sundry debtors are as certified by the management and are subject to confirmation from the parties.
14. Impairment of Fixed Assets  
In accordance with Accounting Standard 28 – 'Impairment of Assets', the company has reviewed its assets for any possible impairment issue and observed that there are no such indicators
15. Previous year figures have been regrouped, reclassified or restated wherever necessary to conform to the current year's classification.
16. Other requirements of the Schedule VI Part II are either nil or not applicable.

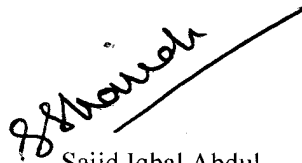
For Chetan Mayur & Co  
Chartered Accountants



Mayur Vijay Patwa  
M No: 105651  
Firm Regn No - 123216W  
Partner

Date: **6 AUG 2011**  
Place: Pune, India

For and on behalf of the Board of Directors



Sajid Iqbal Abdul  
Hameed

Director

Date: **6 AUG 2011**  
Place: Mumbai, India



Mohammed Siraj  
Gunwan

Director

Date: **6 AUG 2011**  
Place: Mumbai, India

## Annexure

### Additional information required under part IV of the Schedule VI to the Companies Act, 1956

#### Balance sheet abstract and business profile

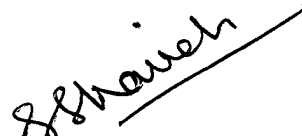
(Rupees in thousands)

Registration Details:		
	Registration Number	
	State code	11
	Balance sheet date	31/03/2011
2	Capital raised during the period	
	Public issue	NIL
	Rights issue	NIL
	Bonus issue	NIL
	Private placement	NIL
3	Position of Mobilizations and Deployment of Funds	
	Total assets	22,802
	Total liabilities	22,802
	Sources of funds	
	Paid up capital	100
	Share Application money received	0
	Reserves and surplus	22,702
	Unsecured Loans	0
	Deferred Tax	0
	Application of funds	
	Net fixed assets	2,990
	Investments	0
	Net Current Assets	19,812
	Miscellaneous Expenditure	0


4	Performance of the Company			
			Turnover	36,991
			Total Expenditure	23,022
			Profit/ (Loss) Before Tax	13,970
			Profit/ (Loss) After Tax	13,865
			Basic Earning per share of Rs 10 each (Rs.)	1,386.78
			Diluted Earning per share (Rs.)	1,386.78
			Dividend rate	N.A.

5	Generic Names of Three Principal Products/Services of the Company		
	Item Code (ITC code)		
	Product description	Software Development (IT & Information Technology Enabled Services – ITES)	

For and on behalf of the Board of Directors

  
Sajid Iqbal Abdul Hameed  
Director

Date: **6 AUG 2011**  
Place: Mumbai, India

  
Mohammed Siraj Gunwan  
Director

Date: **6 AUG 2011**  
Place: Mumbai, India