



3<sup>rd</sup> ANNUAL REPORT

---

2012 - 13



**BOARD OF DIRECTORS**

<b>Name</b>	<b>Designation</b>
Mr Venkat S Meenavalli	- Chairman
Mr P Srinivasu	- Executive Director
Mr P Parthasarathi	- Director
Mr T Naresh Kumar	- Director
Mr Y Ramesh	- Director
Mrs Vijayashree	- Company Secretary

**REGISTERED OFFICE**

S D E Serene Chambers, 8-2-334, 1st Floor,  
South Eastern Wing, Road No-7, Banjara Hills,  
Hyderabad-500034, Andhra Pradesh, India  
Tel: +91-40-23548353/8536  
Fax:+91-40-23548537  
URL: www.northgatetech.com

**STATUTORY AUDITORS**

M/s Navitha and Associates  
Chartered Accountants  
#16-2-740/75, Plot No: 26,  
V.K. Dhage Nagar, Dilsukhnagar,,  
Hyderabad-500 060

**INTERNAL AUDITORS**

A.S. Naidu & Co  
SRT 453, Sanath Nagar,  
Hyderabad-500 018

**SHARE TRANSFER AGENT**

CIL Securities Limited  
214, Raghava Ratna Towers,  
Chirag Ali Lane, Hyderabad-500001  
Phone: +91 040-23203155

**BANKERS**

Bank of Baroda  
HDFC Bank Ltd.

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Third (3<sup>rd</sup>) Annual General Meeting of the Members of Northgate Com Tech Limited will be held on Monday, the 30<sup>th</sup> Day of September 2013 at 12.30 P. M at Kalinga Cultural Trust, Plot No. 1269, Road No.12, Banjara Hills, Hyderabad 500 034 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2013 and the audited Profit and Loss Account for the year ended as on that date together with the Report of the Auditors and the Board of Directors thereon.
2. To appoint a Director in place of Mr Y Ramesh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr T Naresh Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint retiring Auditors

To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** M/s. Navitha and Associates, Chartered Accountants (Regn No. 012026S) Hyderabad be and are hereby re-appointed as Statutory Auditors of the Company from the conclusion of the this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a Remuneration as may mutually be agreed upon between the Board of Directors and M/s Navitha and Associates, Chartered Accountants.”

### SPECIAL BUSINESS

#### 5. Authorization to raise Funds

To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution

**“RESOLVED THAT** pursuant to, the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) (including any statutory modification(s) or re-enactment

thereof, for the time being in force), the applicable rules, Securities and Exchange Board of India (ICDR) Regulations, 2009 (ICDR) the applicable provisions of Foreign Exchange Management Act, 1999 (“FEMA”), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) scheme, 1993, the enabling provisions of the Memorandum and Articles of Association of the company and the Listing Agreements entered into by the company with the Stock Exchanges where the shares of the company are listed, and subject to requisite approvals, consents, permissions, and/or sanctions, if any, of Ministry of Finance (Department of Economic Affairs), Ministry of Industry (Foreign Investment Promotion Board/Secretariat for Industrial Assistance), SEBI, the Stock Exchanges, Reserve Bank of India (“RBI”), and all other authorities as may be required, whether in India or outside India, (hereinafter collectively referred to as “Requisite Approvals”), which may be agreed to by the Board of Directors of the company (hereinafter referred to as the 'Board' which term shall be deemed to include any committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the consent, permission, authority and approval of the Members of the company be and is hereby accorded to the Board at their absolute discretion to create, offer, issue and allot, from time to time in one or more tranches, whether rupee denominated or denominated in foreign currency, in consultation with the Lead Manager(s) and / or Underwriter(s) and/or Advisor(s), wherever required, (a) Foreign Currency Convertible Bonds (FCCBs) / Foreign Currency Exchangeable Bonds (FCEBs) and/or other securities convertible, at the option of the company and/or entitling holder thereof to apply and convert at his option into equity shares with or without voting / special rights and/or (b) other securities convertible into or exchangeable with or linked to equity shares, and/or (c) Non convertible securities with or without detachable warrants, and / or (d) Warrants with a right exercisable by the warrant holder to convert or subscribe to the equity shares and / or (e) any shares, instruments or securities of the company through Global Depository Receipts (GDRs), American Depository Receipts (ADRs) or equity shares through depository receipt mechanism, participatory notes or otherwise (all hereinafter collectively referred to as “Securities”) and / or any combination of securities, secured or unsecured, whether listed on any stock exchange in India or any international stock exchange outside India (f) issue of securities by way of Qualified Institutional Placements under chapter VII of SEBI (Issue of Capital and Disclosure requirements) Regulations, 2009 as amended from time to time, to any person including Qualified Institutional Buyers, Foreign Institutional Investors, Foreign, non resident, domestic institutions, institutional investors, banks, mutual funds, companies, bodies corporate or other entities, individuals or other persons (collectively referred to as “Investors”), whether or not such investors are members of the company for an aggregate amount not exceeding Rs.50 crores (Rupees Fifty Crores only) or equivalent thereof in one or more foreign currency, inclusive of such premium as may be fixed on such Securities by offering the securities in one or more countries through public offer and/or offer letter and/or placement document and/or circular and/or information memorandum and/or such other document writings, and/or private placement basis and/or combination thereof in such manner, on such terms and conditions and at such time(s) as may be determined by the Board in its absolute discretion, with power to settle details as to the form and terms of issue of the Securities and all other terms, conditions and matters connected therewith including to accept any modification thereto or therein as may be required by concerned authorities and/or persons involved with any such issue of securities subject, however, to all applicable laws and regulations.”

**“RESOLVED FURTHER THAT** the relevant date for the purpose of pricing of the Securities to be issued under Qualified Institutional Placement in accordance with the SEBI ICDR Regulations shall be the date of meeting in which the Board decides to open issue of the securities, subsequent to the receipt of members' approval in terms of Section 81(1A) and other applicable provisions, if any, of the Companies Act and other applicable rules, regulations and guidelines in relation to the proposed issue of the securities inter alia through qualified institutions placement(s) to qualified institutional buyers as mentioned in these resolutions.

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to issue and allot equity shares pursuant hereto and/or as may be required to be issued and allotted upon conversion of any of the securities referred to above or as may be necessary in accordance with the terms of offering thereof and all equity shares so issued and allotted shall be subject to the Memorandum and Articles of Association of the company and shall rank pari passu in all respects with the existing equity shares of the company.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolutions and any offer, issue and allotment of Securities, the Board be and is hereby authorized to take all such actions, give such directions and to do all such acts, deeds and things as may be necessary, desirable or incidental thereto and matters connected therewith including without limitation entering into of arrangements for underwriting, marketing, listing, trading, appointment of Lead Manager(s), Advisor(s), Registrar(s), paying and conversion agent(s) and to issue and sign all deeds, documents, instruments and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions, and to give such direction that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members.”

**“RESOLVED FURTHER THAT** the Board or a Committee thereof be and is hereby authorized to finalize and approve the preliminary as well as the final offer document for the proposed issue and to authorize any one or more Directors of the company to sign all documents, together with the authority to amend, vary, modify the same as such authorized persons may consider necessary, desirable, or expedient for the purpose aforesaid to give such declarations, affidavits, certificates, consents, authorities as may be required from time to time.”

**Place:** Hyderabad  
**Date:** 07 September 2013

**By Order of the Board**  
**Vijayashree**  
**Company Secretary**

## NOTES

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy (whether Member or not) to attend and vote instead of him or her. A proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a Member from attending the Meeting and voting in person if he or she so wishes.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
3. Members/Proxies should bring the attendance slips filled in for attending the Meeting.
4. The Register of Members and Share Transfer Books of the Company will be closed from September 28, 2013 to September 30, 2013 (inclusive of both dates).
5. Members desiring any information on financial statements are requested to inform to the Company at least Seven days before the date of the Meeting to keep the information available at the Meeting.
6. The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies and has issued Circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its Members. To support this green initiative of the Government in full measure, Members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of dematerialised holdings with their respective Depository Participants. Members who hold shares in Physical form are requested to forward the required details (email ID) to the Registrar and Share Transfer Agent, M/s CIL Securities Limited, Hyderabad.
7. Accordingly the Company will be sending Notices / Documents / Annual Reports etc., to the Members in future through email, wherever the email ID is available and through other modes of services provided in Section 53 of the Companies Act, 1956:

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956:**

### **Item No-5: Authorization to raise Funds**

For the purpose of (i) Capital Expenditure (ii) Acquisition of businesses and (iii) Working Capital and general corporate requirements, your Company is proposing to issue Equity Shares under Qualified



Institutional Placement, GDRs, FCCBs, and such other securities convertible into equity shares or a combination thereof.

For the above purposes, your company plans to raise upto Rs.50 Crores (Rupees Fifty Crores only) through a combination of equity/quasi equity instruments and therefore proposes issue of Equity Shares/ADRs/ GDRs/FCCBs/ECBs/FCEBs and such other securities convertible into equity shares or a combination thereof. The actual composition of various instruments will be decided by the company in consultation with the Merchant Bankers/Investment Bankers and as per the requirements of the funds from time to time and such offer shall be made to any person including Domestic/Foreign Investors/Foreign Institutional Investors, Qualified Institutional Buyers, Trusts, Mutual Funds, Banks, Insurance Companies, Pension Funds, retail public, whether shareholders of the company or not, at a price which shall not be lower than the price as prescribed under applicable SEBI guidelines, if any.

Accordingly, the consent of the members is being sought, pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956, and SEBI (Issue of Capital and Disclosure requirements) Regulations, 2009 as amended from time to time, and in terms of the provisions of the Listing Agreements, to issue and allot equity shares as stated in the Special Resolution.

The Board of Directors recommends the resolution for the approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the proposed Resolution.

**Place:** Hyderabad  
**Date:** 07 September 2013

**By Order of the Board**  
**Vijayashree**  
**Company Secretary**

## DIRECTORS REPORT

### TO THE MEMBERS OF NORTHGATE COMTECH LIMITED

Your Directors have pleasure in presenting the Third Annual Report together with the Audited Accounts for the year ended 31st March, 2013.

#### FINANCIAL HIGHLIGHTS:

<u>Particulars</u>	<i>(Rs.lakhs)</i>			
	<u>Consolidated</u>		<u>Standalone</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenue</b>				
Revenue from Operations .....	2,678.77	10,649.42	343.06	305.63
Other income .....	79.25	215.23	14.82	28.30
<b>Total Revenue .....</b>	<b>2,758.02</b>	<b>10,864.65</b>	<b>357.88</b>	<b>333.93</b>
<b>Expenditure</b>				
Operating expenses .....	2,030.05	10,430.82	223.30	204.56
Employee benefits expense .....	378.61	552.88	100.19	125.83
Finance costs .....	204.91	162.15	82.28	83.17
Depreciation expense .....	71.75	215.14	6.16	34.25
Other expenses .....	1,129.30	819.26	-	-
Provision for impairment of assets ....	-	3,227.42	-	6441.09
<b>Total Expenses .....</b>	<b>3,814.62</b>	<b>15,407.67</b>	<b>411.93</b>	<b>6,888.90</b>
Profit/(Loss) Before Tax .....	(1,056.60)	(4,543.02)	(54.05)	(6,554.97)
Less: Tax Expense .....	-	202.05	-	-
Profit/(Loss) After Tax .....	<b>(1,056.60)</b>	<b>(4,745.07)</b>	<b>(54.05)</b>	<b>(6,554.97)</b>
Earnings / (Loss) per share				
- Basic .....	(3.05)	(9,490.14)	(0.16)	(13,109.95)
- Diluted .....	(3.05)	(9,490.14)	(0.16)	(13,109.95)

#### REVIEW OF OPERATIONS:

For the financial year ended March 31, 2013, your Company achieved revenues of Rs.2,679 Lakhs as against Rs. 10,649 Lakhs during the previous financial year on consolidated basic. The company's consolidated Net Loss Rs. 1,057 lakhs as against Rs. 4,746 lakhs for the year previous financial year.

**AUDITORS:**

The Statutory Auditors, M/s Navitha and Associates, Chartered Accountants, retire at this Annual General Meeting. The Board of Directors recommends appointment of M/s Navitha and Associates, as Statutory Auditors of the Company for the financial year 2013-14.

**PUBLIC DEPOSITS:**

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules framed there under.

**PARTICULARS OF EMPLOYEES:**

None of the employees are in receipt of the remuneration as set out under Section 217(2A) of the Companies Act, 1956 and as such the statement as required under Section 217(2A) of the Companies Act, 1956 is not applicable.

**SUBSIDIARIES**

Your Company has subsidiaries in Singapore, United Kingdom and Hong Kong in these regions.

The Ministry of Corporate Affairs has issued a General Circular No.:2/2011 dated February 8,2011 granting a general exemption to the companies stating the provisions of section 212 of the Companies Act,1956 (Act)"shall not apply in relation to subsidiaries of companies subject to the company fulfilling certain conditions stated in the said circular. The Company is in compliance with the conditions stipulated by the Ministry of Corporate Affairs, Therefore, the accounts and related reports of the subsidiary companies are not attached to Annual Report of the company for the year ended March 31, 2013.The Company will make available the accounts related information of the subsidiary companies upon request by any member/investor of the Company or its subsidiaries. Further, the accounts and related in information of the subsidiary companies will be kept open for inspection by any Member, at the registered office of the Company and at the registered office of the subsidiaries during office hours of the Company.

**LISTING OF SHARES**

The shares of the company will be listed on National Stock Exchange. The listing fee for the year 2013-14 has already been paid to the NSE. The process of listing on NSE is currently undergoing.

**CORPORATE GOVERNANCE:**

In accordance with Clause 49 of the Listing Agreement, a report on Corporate Governance along with the Practicing Company Secretary Certificate on compliance of conditions of Corporate Governance is annexed herewith and forms part of this report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm the following:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the annual accounts on a going concern basis.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The company has no activities relating to Conservation of Energy, Technology Absorption. Foreign Exchange earnings and Outgo during the year as given below.

**Foreign Exchange Earnings and Outgo:**

	For the Year ended March 31	
	<u>2013</u>	<u>2012</u>
Foreign Exchange Earnings.....	224.30	305.62
Foreign Exchange outgo.....	-	0.91

**ACKNOWLEDGEMENTS:**

Your Directors thank all the members, banks and regulatory and governmental authorities for their continued support. We take this opportunity to place on record our sincere thanks to our Bankers, State and Central Government agencies for their timely support, co-operation and valuable guidance.

For and on behalf of the Board

Place : Hyderabad

Date : 07 September 2013

**Venkat S Meenavalli**  
**Chairman**

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The concept of Corporate Governance hinges on total transparency, integrity and accountability of the management team. Your Company has been following the Corporate Governance practices like striking out reasonable balance in the composition of Board of Directors, setting up Audit Committee and other business committees, adequate disclosures and business to be deliberated by the Board etc. Your Company is committed to follow good Corporate Governance practices and improve upon them year after year.

### 2. BOARD OF DIRECTORS

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors with not less than Fifty percent of the Board of Directors comprising of Non-Executive Directors. The Company has Non-Executive Chairman and 60% of the Board consisting of Independent and Non-Executive Directors.

#### a) Composition and Category of Board of Directors

<u>Category</u>	<u>No. of Directors</u>	<u>% of Total Board</u>
Promoter, Executive and Non-Independent Director ...	00	00%
Executive Director .....	01	20%
Non-Executive Director .....	01	20%
Non-Executive and Independent Director .....	03	60%
Total .....	<u>05</u>	<u>100%</u>

#### b) Attendance of each Director at the Board Meetings held during year 2012-13 and at the Last Annual General Meeting;

<u>Sl. No.</u>	<u>Name and Designation of the Director</u>	<u>Board Meetings held during the year</u>	<u>Board Meetings Attended during the year</u>	<u>Attendance at Last AGM (Yes\No)</u>
1	Mr Venkat S Meenavalli, Chairman .....	6	6	Yes
2.	Mr P Srinivasu, Executive Director .....	6	6	Yes
3.	Mr P Parthasarathi, Director .....	6	6	Yes
4.	Mr T Naresh Kumar, Director .....	6	5	Yes
5.	Mr Y Ramesh, Director .....	6	5	Yes

**c) Number of other Boards or Board Committees in which Directors are Member or Chairperson.**

<u>Name of the Director</u>	<u>Board@</u>		<u>Committee</u>	
	<u>Chairman</u>	<u>Director</u>	<u>Chairman</u>	<u>Member</u>
Mr P Parthasarthi	Nil	3	2	Nil
Mr Venkat S Meenavalli	5	Nil	Nil	Nil
Mr P Srinivasu	Nil	3	Nil	Nil
Mr T Naresh Kumar	Nil	1	Nil	2
Mr Y Ramesh	Nil	1	Nil	1

@Directorships in Foreign Companies are excluded

**d) Number of Board meetings held, dates on which held**

The Board of Directors met 6 times during the year 2012-13 on May 30, 2012, July 16, 2012, August 14, 2012, November 15, 2012, December 3, 2012 and February 15, 2013.

**3. AUDIT COMMITTEE**

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and as per the provisions of Clause 49 of the Listing Agreement. The Audit Committee consists of Independent Directors and provides assistance to the Board of Directors in fulfilling its overall responsibilities. The Company Secretary of the Company act as Secretary of the Committee

**i. Brief description of terms of reference;**

The terms of reference of the Audit Committee are in conformity with the provisions of Clause 49 of the Listing Agreement which inter alia, including the following:

- Overseeing of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing the adequacy of internal audit functions.
- Reviewing the quarterly and annual financial statements before submission to the Board.
- Reviewing the adequacy of internal control and their compliance thereof.
- Reviewing the company's financial and risk management policies.

**ii. Composition, name of members and Chairperson**

The composition of Audit Committee is as follows:

<u>S.No.</u>	<u>Name of Director</u>	<u>Designation in the Audit Committee</u>
1	Mr P Parthasarthi .....	Chairman
2	Mr T Naresh Kumar .....	Member
3	Mr Y Ramesh .....	Member

**iii. Meetings and attendance during the year**

During the Financial Year 2012-13, the Audit Committee met 4 times on the following dates: 30th May 2012, 14th August 2012, 15th November 2012 and 15th February 2013

**4. COMPENSATION / REMUNERATION COMMITTEE**

The composition of Compensation / Remuneration Committee is as follows:

S No	Name of Director	Designation in the Compensation/Remuneration Committee
1	Mr P Parthasarthi .....	Chairman
2	Mr T Naresh Kumar .....	Member
3	Mr Y Ramesh .....	Member

**(a) Brief description of terms of reference**

The terms of reference of the Compensation Committee, interalia include determination of compensation package of Executive Directors and Senior Management of the Company and to frame policies and procedures for Employee Stock Option plans approved by the members of the company.

**(b) Remuneration policy**

The Company has a credible and transparent policy in determining and accounting for the remuneration of the Executive/ Non executive Directors. Their remuneration is determined in accordance with the experience and nature of responsibilities as well as industry standards. The same is subject to the approval of the Remuneration Committee of the Board of Directors and the members.

**5. SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE:**

The composition of Shareholders/Investors' Grievance Committee is as follows:

S No	Name of Director	Designation in the Shareholders/Investors Grievances Committee
1	Mr P Srinivasu .....	Chairman
2	Mr P Parthasarthi .....	Member
3	Mr Y Ramesh .....	Member

The Investors' Grievance Committee focuses on shareholders' grievances and strengthening of investor relations. The functions of the committee include the redressal of shareholders/investor complaints/grievances pertaining to transfers/transmissions of shares, dividend, and dematerialization of shares, replacement of lost/stolen/mutilated share certificates and other related issues. There are no complaints pending as on the date of this report.

The details of investor's complaints received and resolved during the financial year 2012-13 is as under..

No. of Investor's Complaints received during the financial year 2012-13	No. of Investor's Complaints resolved during the financial year 2012-13	Investor Complaints pending at the end of financial year 2012-13
2	2	Nil

## 6. GENERAL BODY MEETING

**Details date, time and venue of the last three Annual General Meetings of the Company**

<i>Financial year ended</i>	<i>Date</i>	<i>Venue</i>	<i>Time</i>
March 31, 2012	31.12.2012	Kalinga Cultural Trust, Plot No.1269, Road No.12, Banjara Hills, Hyderabad-500034	3.30 P M
March 31, 2011	30.09.2011	S D E Serene Chambers, 8-2-334, 1st Floor, South Eastern Wing, Road No-7, Banjara Hills, Hyderabad-500034	10.00 A.M.

No special resolution has been passed by the Company in the last year through postal ballot. As on date, the company does not have any proposal to pass any special resolution by way of postal ballot.

## 7. DISCLOSURES

- i. The summary of the materially significant relating party transactions is given in the Notes to the Accounts appearing in this Annual Report. However, none of the related party transactions have potential conflict with the interests of the Company at large, as all the transactions were entered into on an arms-length basis.
- ii. The Company has complied with all the requirements of the Listing Agreement of the Stock exchanges as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years. There were no non-compliances by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority, on any matter related to Capital Market during the last three financial years.
- iii. The Company has complied with the requirements relating to Corporate Governance as mandated by Listing Agreements with the Stock Exchanges and also with the nonmandatory requirements as Remuneration Committee, Disclosures, Communication and General Information to the shareholders.



**8. MEANS OF COMMUNICATION**

The main source of information to the shareholders is the annual report of the Company, which includes, inter alia, Directors' Report and the Report of Board of Directors on Corporate Governance, Management Discussion and Analysis Report and the audited financial results together with the auditors report. Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern etc., are hosted on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Informatics Centre, within the time frame prescribed in this regard. The quarterly / audited results are also published for the information of the shareholders in "The Financial Express" (English Language) and "Andhra Prabha" (Telugu Language) daily newspapers, intimation to Stock Exchanges as required under the Listing Agreements and through press releases.

**9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

As required by sub-clause V of Clause 49 of the Listing Agreement, Management Discussion and Analysis Report is annexed to the Directors' Report.

**10. GENERAL SHAREHOLDERS INFORMATION:****I. Annual General Meeting:**

Date	: 30 <sup>th</sup> September, 2013
Time	: 12.30 PM
Venue	: Kalinga Cultural Trust, Banjara Hills, Hyderabad

- ii. **Financial Year** : 1st April to 31st March
- iii. **Date of Book Closure** : 28<sup>th</sup> September to 30<sup>th</sup> September, 2013  
(Both days inclusive)
- iv. **Listing on Stock Exchange** : National Stock Exchange  
(Listing is currently under process)
- v. **Stock Symbol & Code** : NGCT (proposed symbol on NSE)
- vi. **Market price data** : Not Applicable

**vii. Registrar and Transfer Agent:**

M/s CIL Securities Limited  
214, Raghava Ratna Towers,  
Chirag Ali Lane, Hyderabad-500001  
Phone: +91 040-23203155  
Email id: rta@cilsecurities.com

**viii. Share Transfer System:**

Share transfers are registered and returned within a period of fifteen days from the date of receipt, if the documents are in order in all respects.

**ix. Distribution of shareholding:**

<u>Category</u>	<u>Number of Members</u>	<u>(%) of Total Members</u>	<u>Number of Equity Shares</u>	<u>(%) of Total Shareholding</u>
0-500 .....	13487	70.84	24969550	5.09
501-1000 .....	2455	12.89	21107910	4.31
1001-2000 .....	1357	7.13	21510870	4.39
2001-3000 .....	532	2.79	13871330	2.83
3001-4000 .....	262	1.38	9603990	1.96
4001-5000 .....	242	1.27	11647030	2.38
5001-10000 .....	345	1.81	25693930	5.24
10001-above .....	360	1.89	361781290	73.80
<b>Total .....</b>	<b>19040</b>	<b>100</b>	<b>490185900</b>	<b>100</b>

**vii. Dematerialization of shares and Liquidity:**

As on 31st March 2013, 99.96% of the paid up equity capital of the Company has been dematerialized and the trading of Equity shares in the Stock Exchanges is under compulsory dematerialization.

**ISIN: INE970N01019**

**viii. Address for correspondence:**

Company Secretary  
Northgate Com Tech Limited  
S D E Serene Chambers  
8-2-334, 1st Floor, South Eastern Wing,  
Road No-7, Banjara Hills,  
Hyderabad - 500034.  
Andhra Pradesh, India

**11. MANAGEMENT DISCUSSION AND ANALYSIS**

The detail of Management Discussion and Analysis Report is enclosed to this report.

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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and Development/CEO Message

#### Global Economy Scenario

The global economic environment in calendar year 2012 continued to remain uncertain with signs of concern and slow down 1% to 2%. Improving consumer confidence and structural policy decisions in the development markets are providing the required momentum to kick-start the economy on to the path of recovery. In the emerging markets, strong consumer spending and upbeat investment sentiment continue to drive economic growth. Across markets, technology and innovation are being seen as growth drivers. Investment in technology has been enabling companies to connect with customers and influence purchase decisions on real time basis.

#### Online Advertising Markets

Internet has become the window to the world. The effusive need and use of internet has culminated in deeper penetration of broadband in India. Increasingly, users are getting more dependent on internet to share and receive up-to-date information and other relevant things.. India's internet population witnessed a 31 per cent year-on-year increase to 73.9 million at the end of March 31, 2013 compared with 56.3 million in the year-ago period. The preferred medium to surf internet and consume information online also changed from PC to mobile, according to the study '2013 India Digital Future in Focus' by comScore. The study also claims that India is now the world's third-largest internet population in terms of numbers.

The study also revealed that India overtook Japan to become the number two country in terms of internet population in the Asia-Pacific region. Last year China led with 55.2 per cent, followed by Japan with 12.2 per cent and India represented 9.3 per cent. This year, India's share increased to 11.5 per cent while Japan's went down to 11.4 per cent. Though China still leads with a healthy 54 per cent, it saw a decrease in its share.

#### Advertising on social networking

Social networking sites (SNS) have gained large user base in the past two to three years. Large number of advertisers is now moving towards SNS for their marketing activities. These could be branding activities like “Follow the Company” on a social networking site or it could be advertising on the same. It is estimated that about 11% of total online advertising was done on social networking sites in year 2011-12 and is expected to grow to 18% year on year..

#### Future of online advertising in India

With Internet penetration ever increasing, future of online advertising is promising. Broadly speaking, following key drivers will enable growth of this medium Rising broadband penetration, emergence of social media and video ads, increased investments by various companies as well as positive macroeconomic situation in India.

### Internet Advertising and back office services

The Group is engaged into back office services and Internet advertising. The Company aggregate internet advertising traffic through own and third party websites. We generate revenues through internet advertising by positioning internet advertisement on our websites or on partnered websites. Our online advertising revenues are mostly from display advertising services on the internet.

### Consolidated Financial Performance

<u>Particulars</u>	<i>(Rs.lakhs)</i>	
	<u>For the year ended March 31</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenue</b>		
Revenue from Operations .....	2,678.77	10,649.42
Other income .....	79.25	215.23
<b>Total Revenue</b> .....	<b>2,758.02</b>	<b>10,864.65</b>
<b>Expenditure</b>		
Operating expenses .....	2,030.05	10,430.82
Employee benefits expense .....	378.61	552.88
Finance costs .....	204.91	162.15
Depreciation expense .....	71.75	215.14
Other expenses .....	1,129.30	819.26
Provision for impairment of assets .....	-	3,227.42
<b>Total Expenses</b> .....	<b>3,814.62</b>	<b>15,407.67</b>
Profit/(Loss) Before Tax .....	(1,056.60)	(4,543.02)
Less: Tax Expense .....	-	202.05
Profit/(Loss) After Tax .....	<b>(1,056.60)</b>	<b>(4,745.07)</b>
Earnings / (Loss) per share		
- Basic .....	(3.05)	(9,490.14)
- Diluted .....	(3.05)	(9,490.14)

### Income from operations

The revenues decreased to Rs.2,679 lakhs in FY'13 from Rs.10,649 lakhs in FY'12. The revenues from online advertisement.

### Gross Profit

During the FY'13 the company recorded loss of Rs.1,057 lakhs against loss of Rs.4,745 lakhs in FY'12.

### Net Profit/(Loss)

In FY'13 net loss of Rs.1,057 lakhs was recorded against net loss of Rs.4,745 lakhs in FY'12.

**Risk Management**

Risk is attached to everything including business. The factors affecting the risk differ from business to business. The Company however, foresees various risks from competitors, unorganized sectors operating in the Industry, fluctuations in foreign exchanges rates, commodities rates, interest rate, commercial risk, change in Government policies and regulations and decision of the Management about the business which may effect over all profitability of the Company. However the Company has framed the policies so as to have minimum effect and to overcome the risks of the Business.

**Internal Control systems and their adequacy**

The Company has adequate internal control systems supplemented by internal audits by professional firms commensurate with its size and nature of business to ensure to safeguard and protect the interests and assets of the Company.

**Cautionary Note**

Statements in the Management Discussion and Analysis outlining the Company's estimates, perceptions and expectations may be forward looking statements within the meaning of applicable laws and regulations. The actual results may differ materially from those expressed herein above due to certain factors which may be beyond the control of the Company.

## CEO/CFO Certificate

I, P Srinivasu, Executive Director of Northgate Com Tech Limited certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
  - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) these statements present a true and fair view of the state of affairs of the Company and of the results of the operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
2. There are, to the best our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's code of conduct.
3. We accept overall responsibility for establishing and monitoring the Company's internal control system for financial reporting and evaluating its effectiveness. Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal Audit works with all levels of management and statutory Auditors, and reports significant issues to the Audit Committee of the Board. The Auditors and Audit Committee are apprised of any corrective action taken with regard to significant deficiencies and material weakness.
4. We indicate to the Auditors and to the Audit Committee:
  - (a) Significant changes in internal controls over financial reporting during the year;
  - (b) Significant changes in the accounting policies during the year;
  - (c) No instances of significant fraud of which we have become aware of and which involve the management or other employees who have significant role in the Company's internal control system over financial reporting.

However, during the year there were no such changes and instances.

**Place:** Hyderabad  
**Date:** 30 May 2013

**P Srinivasu**  
**Executive Director**

**CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF  
NORTHGATE COM TECH LIMITED**

We have examined the compliance of conditions of Corporate Governance by Northgate Com Tech Limited, for the year ended March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of Investor Grievances no such Grievances are pending for a period exceeding one month against the Company as per the record maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

S Sarveswar Reddy  
Practicing Company Secretary  
CP No. 7478

Place: Hyderabad

Date: 06 September 2013

## INDEPENDENT AUDITORS' REPORT

### To The Members of Northgate Com Tech Limited

#### Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Northgate Com Tech Limited ("the Company") and its subsidiaries (collectively referred to as the "Northgate Group") which comprise the Consolidated Balance sheet as at 31 March 2013, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

5. In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of the other auditors on the financial statements / consolidated financial statements of the subsidiaries and associates as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
  - (b) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**Other Matters**

6. We did not audit the financial statements and other financial information of certain subsidiaries. These subsidiaries account for 12 % of total assets, 69 % of total revenues and other income and 64% of cash outflows, as shown in these consolidated financial statements. The financial statements and other financial information of some of the subsidiaries incorporated outside India as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been audited by other auditors duly qualified to act as auditors in those countries. For the purposes of preparation of the Consolidated Financial Statements, the aforesaid local GAAP financial statements have been restated by the management of the said entity so that they conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have not been subjected to audit. Our opinion on the consolidated financial statements, insofar as it relates to these entities, is based on the aforesaid audit reports issued as per the respective local GAAP's of these other auditors.
7. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006.

*for Navitha and Associates*  
*Chartered Accountants*  
Firm Registration No:012026S

Place : Hyderabad.  
Date : 30 May 2013.

**Navitha K**  
*Proprietor*  
M.No: 221085

## Consolidated Balance Sheet as at 31 March 2013

(all amounts in Indian Rupees, except share data and otherwise stated)

	Note	As at 31 March 2013	As at 31 March 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital .....	2.1	490,185,900	500,000
Share capital suspense .....	2.1A	-	490,185,900
Reserves and surplus .....	2.2	(413,583,347)	(337,532,363)
		<u>76,602,553</u>	<u>153,153,537</u>
<b>Non-current liabilities</b>			
Long term provisions .....	2.3	661,850	354,700
		<u>661,850</u>	<u>354,700</u>
<b>Current liabilities</b>			
Short-term borrowing .....	2.4	96,430,948	79,978,459
Trade payables .....	2.5	103,650,848	313,826,706
Other current liabilities .....	2.6	25,765,929	43,473,987
Short term provisions .....	2.7	20,252,794	20,268,289
		<u>246,100,519</u>	<u>457,547,441</u>
		<u><b>323,364,922</b></u>	<u><b>611,055,678</b></u>
<b>ASSETS</b>			
<b>Non current assets</b>			
Fixed assets .....	2.8		
- Tangible assets .....		5,396,230	12,913,923
- Intangible assets .....		347,482	5,204,526
Non current investments .....	2.9	-	499,940
Other non current assets .....	2.10	48,392,294	65,865,629
		<u>54,136,006</u>	<u>84,484,018</u>
<b>Current assets</b>			
Trade receivables .....	2.11	143,743,031	367,598,049
Cash and bank balances .....	2.12	5,232,647	15,064,146
Short term loan and advances .....	2.13	120,253,238	142,037,489
Other current assets .....	2.14	-	1,871,976
		<u>269,228,916</u>	<u>526,571,660</u>
		<u><b>323,364,922</b></u>	<u><b>611,055,678</b></u>

Significant accounting policies and notes to consolidated financial statements

1 & 2

The notes referred to above form an integral part of consolidated financial statements.

As per our report of even date attached  
for **Navitha and Associates**  
Chartered Accountants  
Firm Registration No:012026S

for **Northgate Com Tech Limited**

**Navitha K**  
Proprietor  
Membership No: 221085

**Venkata S Meenavalli**  
Director

**P. Srinivasu**  
Executive Director

**K. Vijayasree**  
Company Secretary

Place: Hyderabad  
Date: 30 May 2013

**Consolidated Statement of Profit and Loss for the year ended 31 March 2013***(all amounts in Indian Rupees, except share data and otherwise stated)*

	<u>Note</u>	<u>For the year ended 31 March 2013</u>	<u>For the year ended 31 March 2012</u>
<b>Revenue</b>			
Revenue from operations .....	2.15	267,877,239	1,064,942,286
Other income .....	2.16	7,925,441	21,522,746
<b>Total revenue</b> .....		<b>275,802,680</b>	<b>1,086,465,032</b>
<b>Expenses</b>			
Operating expenses .....	2.17	203,005,338	1,043,082,457
Employee benefits expense .....	2.18	37,860,731	55,287,587
Finance costs .....	2.19	20,491,391	16,214,815
Depreciation and amortisation .....	2.8	7,174,752	21,513,646
Other expenses .....	2.20	112,930,079	81,925,840
Provision for impairment of assets .....		-	322,742,202
<b>Total expenses</b> .....		<b>381,462,291</b>	<b>1,540,766,547</b>
<b>Loss before tax</b> .....		<b>(105,659,611)</b>	<b>(454,301,515)</b>
<b>Tax expense</b>			
- Earlier year's tax .....	2.31	-	20,205,424
- Current tax .....		-	6,554,083
- MAT entitlement .....		-	(6,554,083)
<b>Loss for the year</b> .....		<b>(105,659,611)</b>	<b>(474,506,939)</b>
<b>Earnings per share - par value Rs. 10 per share</b> .....			
Basic .....	2.25	(3.05)	(9,490.14)
Diluted .....		(3.05)	(9,490.14)
<i>Significant accounting policies and notes to consolidated financial statements</i>	1 & 2		

The notes referred to above form an integral part of consolidated financial statements.

As per our report of even date attached  
for **Navitha and Associates**  
*Chartered Accountants*  
Firm Registration No:012026S

for **Northgate Com Tech Limited**

**Navitha K**  
*Proprietor*  
Membership No: 221085

**Venkata S Meenavalli**  
*Director*

**P. Srinivasu**  
*Executive Director*

**K. Vijayasree**  
*Company Secretary*

Place: Hyderabad  
Date: 30 May 2013

## Consolidated Cash Flow Statement for the year ended 31 March 2013

(all amounts in Indian Rupees)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>I. Cash flows from operating activities</b>		
Loss before tax .....	(105,659,611)	(454,301,515)
Adjustments:		
Depreciation and amortisation .....	7,174,752	21,513,645
Interest expense.....	20,491,391	16,214,815
Bad and doubtful debts written off .....	86,406,425	-
Creditors written back.....	(1,877,163)	-
Fixed assets discarded/written off, net.....	-	7,785,017
Loss on sales of fixed assets .....	2,618,369	247,393
Interest income .....	(6,038,926)	(2,403,611)
Unrealised foreign exchange loss .....	31,827,502	4,858,172
Provision for impairment of assets .....	-	322,742,202
<b>Operating cash flow before working capital changes .....</b>	<b>34,942,739</b>	<b>(83,343,882)</b>
(Increase)/Decrease in trade receivable.....	137,448,592	(110,472,682)
(Increase)/Decrease in loans and advances.....	41,129,561	(62,583,722)
Increase/(Decrease) in current liabilities and provisions .....	(227,592,261)	253,587,915
<b>Operating cash flow after working capital changes and taxes .....</b>	<b>(14,071,369)</b>	<b>(2,812,371)</b>
Taxes paid.....	-	(12,068,630)
<b>Net cash used in operating activities .....</b>	<b>(14,071,369)</b>	<b>(14,881,001)</b>
<b>II. Cash flows from investing activities</b>		
Purchase of fixed assets .....	(268,940)	(495,872)
Proceeds from sale of fixed assets .....	2,508,786	487,817
Interest received on deposits and inter corporate deposit .....	6,038,926	2,352,230
Investment suspense account .....	-	(499,940)
<b>Net cash from in investing activities .....</b>	<b>8,278,772</b>	<b>1,844,235</b>
<b>III. Cash flows from financing activities</b>		
Proceeds from availment of cash credit facility, net .....	16,452,489	5,343,128
Proceeds from issue of share capital, net .....	-	-
Interest paid.....	(20,491,391)	(16,214,815)
<b>Net cash used in financing activities .....</b>	<b>(4,038,902)</b>	<b>(10,871,687)</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>(9,831,499)</b>	<b>(23,908,453)</b>
Net consolidated cash received/(transferred) .....	-	36,952,523
pursuant to the Approved Scheme		
Cash and cash equivalents at the beginning of the year .....	15,064,146	470,936
Effect of exchange gain/(loss) on cash and cash equivalents .....	-	1,549,140
<b>Cash and cash equivalents at the end of the year .....</b>	<b>5,232,647</b>	<b>15,064,146</b>

As per our report of even date attached  
for **Navitha and Associates**  
Chartered Accountants  
Firm Registration No:012026S

**Navitha K**  
Proprietor  
Membership No: 221085

Place: Hyderabad  
Date: 30 May 2013

for **Northgate Com Tech Limited**

**Venkata S Meenavalli**  
Director

**K. Vijayasree**  
Company Secretary

**P. Srinivasu**  
Executive Director

**Note 1. Significant accounting policies****Overview**

Northgate Com Tech Limited (“the Company”) was incorporated as Northgate Com Tech Private Limited on 28 May 2010. The name of the Company was subsequently changed to Northgate Com Tech Limited on 15 June 2011. The Company together with its subsidiaries are collectively referred to as “the Group”. The Group primarily is in the business of online advertising through web exchanges and out of home advertising.

Pursuant to the Approved Scheme, the following companies became subsidiaries and step down subsidiaries, as the case may be, of the Company with effect from 1 April 2011.

<b>Entity</b>	<b>Country of incorporation</b>	<b>% of Holding</b>
<b><u>Subsidiaries</u></b>		
Northgate Investments Pte Limited	A company organised under the laws of Singapore	100
Globe7 UK Limited	A company organised under the laws of United Kingdom	100
<b><u>Step-down subsidiaries</u></b>		
Globe7 Pte Limited	A company organised under the laws of Singapore	100
Social Media India Limited	A company organised under the laws of India	100
Globe7 HK Limited *	A company organised under the laws of Hong Kong	100

\* Filed petition for winding up on 21 March 2012.

**a) Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on accrual basis of accounting. GAAP comprises accounting standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006 ('the Rules'), other pronouncements of the Institute of Chartered Accountants of India ('ICAI') and the provisions of Companies Act, 1956.

**b) Use of estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

## Significant accounting policies (continued)

### c) *Principles of consolidation*

The consolidated financial statements include the financial statements of Northgate Com Tech Limited, the parent company and all of its subsidiaries and step-down subsidiaries as mentioned in overview, (collectively referred to as “the Group”), in which the Company has more than one-half of the voting power of an enterprise or where the Company controls the composition of the board of directors.

The consolidated financial statements have been prepared on the following basis:

The financial statements of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.

The excess / deficit of cost to the parent company of its investment in the subsidiaries, joint ventures and associates over its portion of equity at the respective dates on which investment in such entities were made is recognised in the financial statements as goodwill / capital reserve. The parent company's portion of equity in such entities is determined on the basis of the book values of assets and liabilities as per the financial statements of such entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant transactions, up to the date of investment. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Change in Group's ownership interest in a subsidiary, without the loss control is accounted for as an equity transaction (i.e. a transaction with owners in their capacity as owners) and the carrying amounts of the controlling and minority interests are adjusted to reflect the changes in the relative interests in the subsidiary. Any difference between (i) the amounts by which the non-controlling interests are adjusted and (ii) the consideration paid or received is recognised directly in equity and attributed to the owners of the Company. The associated cash flows are classified as financing activities.

### d) *Revenue recognition*

Online advertisement revenues are generated from several offerings including the display of graphical advertisements (“CPM”) and the display of text based links to an advertiser's website, from which leads are secured by advertisers (i.e., when an internet user provides a name, address

**Significant accounting policies (continued)**

or other information for a sales follow-up by the advertiser) or a sale is secured by the advertiser for their products or services (i.e., when an internet user makes a purchase through the advertisement displayed or other defined actions on the part of an internet user) (“CPA”).

Group's revenues are derived principally from CPM on the Internet. Revenue from these services are recognised as “impressions” are delivered at the rate agreed with the advertiser. An “impression” is delivered when an advertisement appears in pages viewed by users.

Group recognises revenues from CPA, based on the specified number of defined actions resulting from the advertisement, i.e., lead generation, sale or other specifically defined action, during a specified period of time, at the agreed rate with the advertiser.

In addition to delivering CPM advertising on the Group's websites, Group also generates revenues from CPM and CPA on other publisher websites. The Group pays these publishers for the revenues generated from the display of these advertisements on their websites. These payments are called traffic acquisition costs (“TAC”). The revenues derived from these arrangements that involve traffic supplied by other publishers are reported gross of the payment to them. These revenues are reported gross due to the fact that Group is the primary obligor to the advertisers who are the customers of the Group.

The Group recognises advertisement revenue as and when the related advertisement is displayed, in accordance with the terms of the related agreements. Further, in all cases, revenue is recognised only when it is measurable and the collectability of the same is reasonably assured.

Dividend income is recognised when the right to receive payment is established. Interest on bank deposits and loans are recognised on the time proportion method using the underlying interest rates.

**e) *Fixed assets and depreciation***

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets.

Depreciation is provided on the straight-line method from the beginning of the month in which the asset is ready for use. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. 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 the Management's estimate of the useful life/ remaining useful life. Pursuant

**Significant accounting policies (continued)**

to this policy, depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

	<u>Years</u>
Plant and machinery	15 to 21
Furniture, fixtures and office equipment (other than computer equipment)	3 to 16
Computer equipment	3 to 5
Office equipment	4 to 5
Vehicles	5

Leasehold improvements are amortised or depreciated over the primary period of the lease or estimated useful lives, whichever is lower.

**f) Intangible assets and amortisation**

Intangible assets are recorded either at the consideration paid for their acquisition or at the cost of developing them internally within the Group. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Group for its use. The Management estimates the useful lives for the following intangible assets as follows:

	<u>Years</u>
Acquired computer software	1 to 5 years
Internally generated software	4 years

**g) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

**h) Employee benefits**

Provision for gratuity, which is a defined benefit scheme, is accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary. The Group recognises the net obligation of the gratuity plan in the balance sheet as an asset or liability respectively in accordance with AS-15 "Employee Benefits".

Long term compensated absences is accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary.



**Significant accounting policies (continued)**

Contributions to the employees' provident fund are charged to the statement of Profit and Loss. Such contributions are made to the authorities administering the fund.

**i) Foreign currency transactions, balances and translation of financial statements of foreign subsidiaries**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions or at an average monthly rate that approximates the actual rate at the date of transaction. Exchange difference arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at year-end rates. The resultant exchange differences are recognised in the Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

**Foreign currency transactions, balances and translation of financial statements of foreign subsidiaries(continued)**

All the consolidated foreign subsidiaries have been identified as non integral operations in accordance with the requirements of AS 11(Revised 2003) "The Effect of Changes in Foreign Exchange rates" issued by ICAI which is effective for the accounting periods commencing on or after 1 April 2004. In accordance with AS 11 (Revised 2003), the financial statements of such non-integral foreign operations are translated into Indian rupees as follows:

- All assets and liabilities, both monetary and non-monetary, are translated using the closing rate.
- Revenue items are translated at the respective monthly average rates.
- The resulting net exchange difference is credited or debited to a foreign currency translation reserve.
- Contingent liabilities are translated at the closing rate.

**j) Income-tax expense**

Income tax expense comprises current tax and deferred tax.

*Current tax*

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the entities in the Group.

*Deferred tax*

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the year. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or

### **Significant accounting policies (continued)**

substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably virtually certain (as the case may be) to be realised. The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

#### *Minimum Alternate Tax (MAT) Credit entitlement*

MAT credit entitlement represents amounts paid in a year under Section 115 JA of the Income Tax Act 1961 ('IT Act'), in excess of the tax payable, computed on the basis of normal provisions of the IT Act.

Such excess amount can be carried forward for set off against future tax payments for five succeeding years in accordance with the relevant provisions of the IT Act. Since such credit represents a resource controlled by the Group as a result of past events and there is evidence as at the reporting date that the Group will pay normal income tax during the specified period, when such credit would be adjusted, the same has been disclosed as "MAT Credit entitlement" in the balance sheet with a corresponding credit to the Statement of Profit and Loss, as a separate line item.

Such assets are reviewed as at each balance sheet date and written down to reflect the amount that will not be available as a credit to be set off in future, based on the applicable taxation law then in force.

#### **k) Earnings per share**

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

#### **l) Employee stock option schemes**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortised over the vesting period.

**Significant accounting policies (continued)****m) *Impairment of assets***

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**n) *Provisions and contingent liabilities***

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

**o) *Leases***

Assets acquired under lease, where the Group has assumed substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease, at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Assets acquired under lease, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating lease. Lease payments under operating leases are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

**p) *Cash flow statement***

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2. Notes on consolidated financial statements**

*(all amounts in Indian Rupees, except share data and otherwise stated)*

	<u>As at 31 March 2013</u>	<u>As at 31 March 2012</u>
<b>2.1 Share capital</b>		
<i>Authorised*</i>		
<b>Equity shares</b>		
50,000 (previous year : 50,000) equity of Rs.10 each.	5,000,000	500,000
	<u><b>5,000,000</b></u>	<u><b>500,000</b></u>

\*The Board of Directors of the Company passed a resolution on 30 September 2011 to increase the authorised share capital to 50,000,000 equity shares of Rs.10 each. Form 5 was filed subsequently on 13 September 2012.

***Issued, subscribed and fully paid up***

50,000 (previous year : 50,000) equity shares of Rs.10 each fully paid up	490,185,900	500,000
	<u><b>490,185,900</b></u>	<u><b>500,000</b></u>

**2.1A Shares capital suspense**

**Shares capital suspense**

49,018,590 (previous year : Nil) equity shares of Rs.10 each are pending allotment pursuant to the Approved Scheme for consideration other than cash	-	490,185,900
	<u>-</u>	<u><b>490,185,900</b></u>

**i. Rights, preferences and restrictions attached to equity shares:**

The Company has only one class of equity shares having par value of Rs.10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing general meeting.

**Notes on consolidated financial statements (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)***ii. The reconciliation of the number of equity shares outstanding is set out below:\***

Particulars	As at 31 March 2013		As at 31 March 2012	
	Number	Amount in Rs.	Number	Amount in Rs.
Shares outstanding at the beginning of the year	50,000	500,000	50,000	500,000
Shares issued during the year	49,018,590	490,185,900	-	-
Less Shares cancelled as per Schem of merger	(50,000)	(500,000)	-	-
Shares outstanding at the end of the year	<u>49,018,590</u>	<u>490,185,900</u>	<u>50,000</u>	<u>500,000</u>

\* 49,018,590 equity Shares of Rs.10 each allotted on 16th July, 2012 pursuant to the Approved Scheme.

**iii. The details of shareholder holding more than 5% equity shares is set below:**

Name of Shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Cresta Fund Limited	4,500,000	9.18	-	-
India Focus Cardinal Fund	3,814,949	7.78	-	-
Meenavalli Venkata Srinivas	3,254,586	6.64	-	-
Meenavalli Usha Rani	3,226,360	6.58	-	-
Albula Investment Fund Limited	2,832,492	5.78	-	-
Northgate Technologies Limited	-	-	49,994	99

**2.2 Reserves and surplus**

	As at 31 March 2013	As at 31 March 2012
<b>General reserve</b>	<b>120,682,325</b>	<b>120,682,265</b>
<b>Deficit in the statement of profit and loss</b>		
Balance at the beginning of the year .....	(474,506,939)	-
Add: Net loss for the year .....	(105,659,614)	(474,506,939)
Balance at the end of the year .....	<u>(580,166,553)</u>	<u>(474,506,939)</u>
<b>Foreign currency translation reserve</b>		
Balance at the beginning of the year .....	16,292,311	-
Add: Translation of foreign subsidiaries with non-integral operations .....	29,608,570	16,292,311
Balance at the end of the year .....	<u>45,900,881</u>	<u>16,292,311</u>
<b>Total .....</b>	<b><u>(413,583,347)</u></b>	<b><u>(337,532,363)</u></b>

**Notes on consolidated financial statements (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

<b>2.3 Long term provisions</b>	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>
<b>Provision for employee benefits</b>		
Gratuity (Refer note : 2.30) .....	604,177	270,015
Compensated absences .....	57,673	84,685
	<u><b>661,850</b></u>	<u><b>354,700</b></u>
<b>2.4 Short term borrowing</b>		
<i>Secured loan from bank repayable</i>		
<i>on demand - Cash credit *</i> .....	81,418,208	79,978,459
Un secured loan** .....	15,012,740	-
	<u><b>96,430,948</b></u>	<u><b>79,978,459</b></u>
<p>*Cash credit amounting to Rs. 80,000,000 availed for working capital purposes to be repayable on demand with interest rate of base rate + 5.50 % for outstanding amounting up to Rs. 80,000,000 and base rate + 7.50 % for cash credit outstanding over and above Rs. 80,000,000. The said cash credit is secured by hypothecation of book debts along with personal guarantee of Mr. M.Venkata Srinivas and Mr. K.Bhaskar Reddy and Corporate guarantee of M/s. Globe 7 Pte Limited (Holding Company), Singapore and M/s. Northgate Com Tech Limited (Ultimate Holding Company).</p>		
<p>** Unsecured loan amounting to Rs.15,000,000 availed to repay the adhoc limits taken by the company for working capital purposes received from Mr Venkat Srinivas Meenavalli, Mr P.Srinivasu and Mr Shaik Gouse to be repayable on demand with interest rate of 15.50 % for outstanding amounting.</p>		
<b>2.5 Trade payables</b>	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>
Trade payables		
- Amounts due to Micro, Small and Medium Enterprises (Refer note : 2.32) .....	-	-
- Others .....	103,650,848	313,826,706
	<u><b>103,650,848</b></u>	<u><b>313,826,706</b></u>
<b>2.6 Other current liabilities</b>		
Advance from customers .....	-	670,045
Employee payables .....	2,263,201	3,731,413
Statutory liabilities .....	12,633,129	23,667,602
Provision for expenses .....	10,869,599	15,010,669
Unclaimed dividend .....	-	394,258
	<u><b>25,765,929</b></u>	<u><b>43,473,987</b></u>
<b>2.7 Short term provisions</b>		
<b>Provision for employee benefits</b>		
Gratuity .....	29,599	-
Compensated absences .....	17,771	39,149
<b>Others</b>		
Provision for taxation .....	20,205,424	20,229,140
	<u><b>20,252,794</b></u>	<u><b>20,268,289</b></u>

**Notes on consolidated financial statements (continued)**  
(all amounts in Indian Rupees, except share data and otherwise stated)

**2.8 Fixed Assets**

Description	Gross Block			Depreciation/Amortisation				Net Block				
	As at April 1, 2012	Additions	Foreign Exchange Adjustment	Deletions	As at March 31, 2013	As at April 1, 2012	For the year	Foreign Exchange Adjustment	On Deletions	As at March 31, 2013	As at March 31, 2012	
<b>Tangible Fixed Assets</b>												
Plant and Machinery	60,953,588	-	-	-	60,953,588	60,593,604	21,329	-	-	60,614,933	338,655	359,984
Computers	82,447,509	50,400	11,353,739	85,418,678	8,432,970	78,556,260	1,212,536	14,570,051	87,725,456	6,613,391	1,819,579	3,891,249
Furniture and Fixtures	3,381,960	-	-	-	3,381,960	2,794,811	49,494	-	-	2,844,305	537,655	587,149
Office Equipment	8,209,324	218,540	-	-	8,427,864	6,072,047	322,425	-	-	6,394,472	2,033,392	2,137,277
Leasehold Improvements	22,104,157	-	-	-	22,104,157	22,104,157	-	-	-	22,104,157	-	-
Vehicles	10,995,887	-	-	9,592,466	1,403,421	5,057,623	391,891	-	4,713,042	736,472	666,949	5,938,264
<b>Total</b>	<b>188,092,425</b>	<b>268,940</b>	<b>11,353,739</b>	<b>95,011,144</b>	<b>104,703,960</b>	<b>175,178,502</b>	<b>1,997,675</b>	<b>14,570,051</b>	<b>92,438,498</b>	<b>99,307,730</b>	<b>5,396,230</b>	<b>12,913,923</b>
<b>Intangible Fixed Assets</b>												
Goodwill	160,516,069	-	8,959,429	-	169,475,498	155,311,543	5,177,077	8,639,396	-	169,128,016	347,482	5,204,526
Software	16,382,330	-	-	-	16,382,330	16,382,330	-	-	-	16,382,330	-	-
<b>Total</b>	<b>176,898,399</b>	<b>-</b>	<b>8,959,429</b>	<b>-</b>	<b>185,857,828</b>	<b>171,693,873</b>	<b>5,177,077</b>	<b>8,639,396</b>	<b>-</b>	<b>185,510,346</b>	<b>347,482</b>	<b>5,204,526</b>
<b>Total</b>	<b>364,990,824</b>	<b>268,940</b>	<b>20,313,168</b>	<b>95,011,144</b>	<b>290,561,788</b>	<b>346,872,375</b>	<b>7,174,752</b>	<b>23,209,447</b>	<b>92,438,498</b>	<b>284,818,076</b>	<b>5,743,712</b>	<b>18,118,449</b>
<b>Previous Year</b>	<b>-</b>	<b>379,044,230</b>	<b>17,275,646</b>	<b>31,329,052</b>	<b>364,990,824</b>	<b>-</b>	<b>354,118,355</b>	<b>15,562,845</b>	<b>22,808,825</b>	<b>346,872,375</b>	<b>18,118,449</b>	<b>-</b>

**Notes on consolidated financial statements (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

<b>2.9 Non-trade, long term investments (unquoted)</b>	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>
<i>Investment in equity instruments</i>		
Investment suspense account .....	-	499,940
	<u>-</u>	<u>499,940</u>
<b>2.10 Other non current assets</b>		
<i>Unsecured, considered good</i>		
Security deposit .....	2,995,680	28,761,794
Prepaid expenses .....	1,276,053	1,272,958
Advance tax .....	25,167,911	31,830,877
Balances with government authorities .....	18,952,650	4,000,000
	<u>48,392,294</u>	<u>65,865,629</u>
<b>2.11 Trade receivables</b>		
Outstanding for a period more than six months from the date they are due for payment		
- Considered good .....	90,868,003	183,584,609
- Considered doubtful .....	69,041,688	9,321,695
Other debts, considered good .....	52,875,028	184,013,440
	<u>212,784,719</u>	<u>376,919,744</u>
Less: Provision for doubtful debts .....	69,041,688	9,321,695
	<u>143,743,031</u>	<u>367,598,049</u>
<b>2.12 Cash and bank balances</b>		
<b>Cash and cash equivalents</b>		
Cash on hand .....	12,917	133,300
Balance with banks		
- in current accounts .....	4,219,730	13,536,588
	<u>4,232,647</u>	<u>13,669,888</u>
<b>Other bank balances</b>		
Deposits with maturity more than 3 months but less than 12 months .....		
	1,000,000	1,000,000
Balances with bank for unclaimed dividend .....	-	394,258
	<u>5,232,647</u>	<u>15,064,146</u>
<b>2.13 Short term loan and advances</b>		
<i>Unsecured, considered good</i>		
Advances given to vendors .....	96,810,513	80,582,490
Loans and advances to related parties .....	19,667,508	48,174,727
MAT credit .....	-	6,554,083
VAT receivable .....	398,788	2,809,605
Prepaid expenses .....	40,615	343,186
Others advances .....	3,335,814	3,573,398
	<u>120,253,238</u>	<u>142,037,489</u>



**Notes on consolidated financial statements (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)*

<b>2.14 Other current assets</b>	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>
Interest accrued on inter corporate deposits given to related parties .....	-	1,820,595
Interest accrued but not due on fixed deposits .....	-	51,381
	<u>-</u>	<u>1,871,976</u>
<b>2.15 Revenue from operations</b>	<b>For the year ended 31 March 2013</b>	<b>For the year ended 31 March 2012</b>
Revenue from advertisements .....	267,877,239	660,185,457
Revenue from content monetisation .....	-	138,699,001
Revenue from sale of rights .....	-	170,000,000
Revenue from mobile trading .....	-	96,057,828
	<u>267,877,239</u>	<u>1,064,942,286</u>
<b>2.16 Other income</b>		
Interest on fixed deposits .....	262,941	57,091
Interest on inter corporate deposits .....	5,775,985	2,346,520
Foreign exchange gain, net .....	9,352	13,005,537
Creditors written back .....	1,877,163	1,671,461
Miscellaneous income .....	-	4,442,137
	<u>7,925,441</u>	<u>21,522,746</u>
<b>2.17 Operating expenses</b>		
Cost of advertisement space .....	159,490,012	901,982,045
Data centre charges.....	8,500,994	10,609,752
Mobile purchase .....	-	94,547,819
Cost of content acquisition .....	2,483,598	2,500,998
Right media fee .....	31,507,863	31,853,729
Hoardings rental expense .....	1,022,871	1,588,114
	<u>203,005,338</u>	<u>1,043,082,457</u>
<b>2.18 Employee benefits expense</b>		
Salaries .....	35,322,052	52,507,801
Contribution to provident fund and other funds .....	1,579,256	1,638,096
Staff welfare expenses .....	959,423	1,141,690
	<u>37,860,731</u>	<u>55,287,587</u>
<b>2.19 Finance cost</b>		
Interest on secured loan .....	20,491,391	16,214,815
	<u>20,491,391</u>	<u>16,214,815</u>

**Notes on consolidated financial statements (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

<b>2.20 Other expenses</b>	<b>For the year ended 31 March 2013</b>	<b>For the year ended 31 March 2012</b>
Rent .....	6,519,198	7,169,974
Professional charges .....	5,365,739	12,110,628
Rates and taxes .....	1,893,894	6,588,457
Communication expenses .....	1,988,317	1,910,824
Power and fuel .....	1,460,008	1,639,172
Printing and stationery .....	598,693	191,665
Repairs and maintenance .....	1,032,340	1,421,994
Travelling expenses .....	987,479	2,475,907
Bank charges .....	2,330,792	2,822,233
Business promotions .....	-	294,075
Loss on sales of fixed Assets .....	2,618,369	247,393
Fixed assets written off/ discarded .....	-	7,785,017
Advance written off .....	-	379,617
Bad debts written off .....	26,671,703	46,861,126
Provision for debtors .....	59,734,722	(13,361,373)
Miscellaneous expenses .....	1,728,825	3,389,131
	<b><u>112,930,079</u></b>	<b><u>81,925,840</u></b>

**2.21 Capital commitments and contingent liabilities**

	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>
<b>Contingent liabilities</b>		
i. Disputed Service Tax liability for which the Group has preferred an appeal	213,771,024	201,749,708
ii. Disputed Income Tax liability for which the Group has preferred an appeal	19,434,355	11,732,922

**2.22 Deferred tax**

In view of carry forward of losses under tax laws in the current year, the Group is unable to demonstrate virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised, which is as required under AS 22 'Accounting for taxes on income'. Accordingly, no deferred tax asset has been recognised as at the year-end.

**Notes on consolidated financial statements (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)***2.23 Earnings Per Share**

The computation of earnings per share is set out below:

	<b>For the year ended 31 March 2013</b>	<b>For the year ended 31 March 2012</b>
<b>Earnings ( in Rs.)</b>		
<i>Loss for the year</i> .....	(105,659,611)	(474,506,939)
<b>Shares</b>		
Number of shares at the beginning of the year	50,000	50,000
Add: No. of equity shares issued during the year	49,018,590	-
Less : No. of Shares cancelled as per the Scheme of Merger .....	50,000	-
Total number of equity shares outstanding at the end of the year .....	49,018,590	50,000
Weighted average number of equity shares outstanding during the year for the purpose of		
Basic and diluted earnings per share .....	34,627,935	50,000
Earnings per share ( in Rs.)		
- Basic	(3.05)	(9490.14)
- Diluted	(3.05)	(9490.14)

**2.24 Related Party Disclosures****A) Entities where control exists**

None

**B) Key Managerial Personnel (KMP)**

- i. Venkata S. Meenavalli - Director
- ii. P. Srinivasu - Executive Director
- iii. D.V.S.S.Lakshminarayana - Whole time Director

**Notes on consolidated financial statements (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

**C) Enterprises where principal shareholders/management personnel have control or significant influence (Significant interest entities)(SIE)**

- i. Green Fire Agri Commodities Limited, India  
(formerly Northgate Technologies Limited)

**Particulars of related party transactions**

**I. Following is the summary of significant related party transactions:**

<u>Particulars</u>	<u>For the year ended 31 March 2013</u>	<u>For the year ended 31 March 2012</u>
<b>Green Fire Agri Commodities Limited</b>		
- Inter corporate deposit given .....	47,724,700	95,068,929
- Repayment of Inter corporate deposit given .....	83,828,499	46,894,202
- Interest income for the year (Gross) .....	5,775,985	2,346,520
<b>Un-secured Loan</b>		
- Loan taken from Mr Venkat S Meenavalli, ..... Mr P.Srinivasu and Mr. Shaik Gouse	15,000,000	-

**II. The Group has the following amounts due from/to the related parties**

	<u>As at 31 March 2013</u>	<u>As at 31 March 2012</u>
<b>Green Fire Agri Commodities Limited</b>		
- Short term loan and advances .....	19,667,508	48,174,727
(Inter corporate deposit)		
- Other current assets .....	-	1,820,595
( Interest accrued but not due)		
<b>Un-secured Loan</b>		
- Loan taken from Mr Venkat S Meenavalli, ..... Mr P.Srinivasu and Mr. Shaik Gouse	15,000,000	-
- Interest accrued and due .....	12,740	-

**2.25 Segment information**

The Company is in the business of providing Advertisement services. The Company does not make any distinction amongst the services rendered accordingly there is only one business segment. The information on geographical segments is given below:

**Notes on consolidated financial statements (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)***A) Primary segment - Geographical segments**

<b>Particulars</b>	<b>March, 2013</b>				
	<b>India</b>	<b>Europe</b>	<b>Singapore</b>	<b>Eliminations</b>	<b>Total</b>
a) Segment Revenue					
Services revenues from external Customer .....	70,926,551	-	196,950,688	-	267,877,239
Inter Segment Revenue .....	22,429,573	17,498,626	-	(39,928,199)	-
<b>Total Segment Revenue .....</b>	<b>93,356,124</b>	<b>17,498,626</b>	<b>196,950,688</b>	<b>(39,928,199)</b>	<b>267,877,239</b>
b) Segment Results .....	(87,608,660)	411,802	(250,352,801)	244,455,997	<b>(93,093,663)</b>
Unallocated Corporate expenses .....					-
Interest Expense .....					(20,491,391)
Other income .....					7,925,441
Profit before tax and minority Interest .....					<b>(105,659,611)</b>
Income tax expense .....					-
Minority interest .....					-
<b>Profit for the year .....</b>					<b>(105,659,611)</b>
c) Segment Assets .....	431,393,954	6,662,770	395,834,445	(510,526,224)	323,364,944
Unallocated Corporate Assets .....					-
<b>Total Assets .....</b>					<b>323,364,944</b>
d) Segment Liabilities .....	320,275,022	1,085,086	42,052,121	(116,649,860)	<b>246,762,369</b>
Unallocated Corporate liabilities .....					-
<b>Total Liabilities .....</b>					<b>246,762,369</b>
e) Cost incurred during the year to acquire segment fixed assets including intangible assets .....	268,940	-	-	-	<b>268,940</b>
f) Depreciation and amortization .....	1,242,863	841,787	5,090,101	-	<b>7,174,752</b>
g) Non cash expenses other than depreciation and amortization .....	78,220,293	128,843	255,112,271	(244,436,613)	<b>89,024,795</b>

**Notes on consolidated financial statements (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

**(B) Business Segment**

Particulars	Online Advertising	Content Monitisation	Sale of Advertising Rights	Mobile Trading	Eliminations	Total
<b>Revenue</b>						
External .....	660,185,457	138,699,001	170,000,000	96,057,828	-	1,064,942,286
Inter-Segment .....	51,608,971	-	-	-	(51,608,971)	-
<b>Total .....</b>	<b>711,794,428</b>	<b>138,699,001</b>	<b>170,000,000</b>	<b>96,057,828</b>	<b>(51,608,971)</b>	<b>1,064,942,286</b>
<b>Result</b>						
Segment result .....	(13,871,682)	33,221,501	1,000,000	1,510,010	-	21,859,829
Other income .....						19,119,134
Unallocable expenditure .....						(481,469,274)
Interest Cost .....						(16,214,815)
Interest income .....						2,403,611
<b>Loss before tax .....</b>						<b>(454,301,515)</b>
Less : Income tax expenses						(20,205,424)
<b>Loss after tax .....</b>						<b>(474,506,939)</b>
<b>Other segment information</b>						
Segment assets .....	332,342,902	94,434,815	58,500,000	-	-	485,277,717
Unallocable assets .....						125,775,960
Segment liabilities .....						329,507,420
Unallocable liabilities .....						128,394,721
Capital expenditure .....						1,016,480
Depreciation .....						21,513,646
Non-cash expenses other than depreciation						335,632,784

B) Information about geographical segment

Revenue by geographical location of customers:

Name of the County	For the year ended	
	31 March 2013	31 March 2012
India .....	64,736,755	744,493,950
Singapore .....	15,442,629	66,235,428
United States of America .....	107,677,574	156,249,572
Europe .....	-	20,526,395
Hong Kong .....	175,737	1,981,157
Others .....	79,844,544	75,455,781
<b>Total .....</b>	<b>267,877,239</b>	<b>1,064,942,283</b>

**2.26 Operating Lease**

The Group leases offices, residential facilities and vehicles under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under those leases was Rs. 6,519,198 (previous year Rs. 7,169,974).

**Notes on consolidated financial statements (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)***2.27 Auditors' remuneration (included in professional fees, excluding service tax):**

<u>Particulars</u>	<u>For the year ended 31 March 2013</u>	<u>For the year ended 31 March 2012</u>
Statutory audit fees .....	952,578	1,631,184
Other services .....	40,000	250,000
Out of pocket expenses .....	-	37,365
<b>Total .....</b>	<b>992,578</b>	<b>1,918,549</b>

**2.28 Employee benefits - Gratuity**

The following table sets out the status of the gratuity plan as required under Accounting standard (AS) 15 "Employee Benefits" prescribed by Companies (Accounting Standards) Rules, 2006, ('the Rules')

<u>Particulars</u>	<u>As at 31 March 2013</u>	<u>As at 31 March 2012</u>
<b>Obligations</b>		
Obligations at the beginning of the year .....	1,311,670	-
Transfer in of obligation pursuant to the Approved Scheme .....	-	1,993,572
Service cost.....	97,593	123,820
Interest cost .....	104,934	159,486
Benefits settled .....	-	-
Actuarial (gain)/loss .....	(880,421)	(723,419)
Obligations at the end of the year .....	633,776	1,553,459
<b>Change in plan assets</b>		
Plan assets at the beginning of the year, at fair value	1,283,445	-
Transfer in of plan assets pursuant to the Approved Scheme .....	-	1,188,375
Actuarial gain/(loss) .....	-	-
Expected return on plan assets .....	103,776	95,070
Contributions .....	26,434	-
Benefits settled .....	-	-
<b>Plan assets at the end of the year, at fair value</b>	<b>1,413,655</b>	<b>1,283,445</b>

**Notes on consolidated financial statements (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

**Reconciliation of present value of the obligation and the fair value of plan assets**

	<u>As at 31 March 2013</u>	<u>As at 31 March 2012</u>
Present value of defined benefit obligations at the end of the year .....	633,776	1,553,460
Fair value of the plan assets at the end of the year .....	(1,413,655)	(1,283,445)
<b>Liability/(Asset) to be recognised in the balance sheet .....</b>	<u>(779,879)</u>	<u>270,015</u>
Current and noncurrent portion of net liability is as follows:		
Current .....	29,599	-
Non current .....	604,177	270,015
<b>Total .....</b>	<u>633,776</u>	<u>270,015</u>
<b>Gratuity cost for the year</b>		
Service cost .....	97,593	123,820
Interest cost .....	104,934	159,486
Expected return on plan assets .....	103,776	(95,070)
Actuarial loss/(gain) .....	(880,421)	(723,419)
<b>Net gratuity cost .....</b>	<u>(574,118)</u>	<u>(535,183)</u>

**Assumptions**

Interest rate .....	8%	8%
Expected rate of salary increase .....	10%	10%
Attrition rate .....	10%	10%

**Discount rate:** The discount rate is based on the gross redemption yield on medium to long term risk free investments.

**Salary escalation:** The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

**Attrition rate:** The attrition rate is the expected employee turnover for the future periods, adjusted to the current economic environment.

- 2.29** During the current year, Social Media India Limited (SMIL), a step-down subsidiary of the Company, received an order from the Assistant Commissioner of Income Tax consequent to the order of Commissioner of Income Tax (A) IV, Hyderabad passed under Section 154 of Income Tax Act, 1961 towards adjustment of deposits given, certain Transfer Pricing adjustment and cost of acquisition in computation of capital gains demanding an amount (tax demanded along with interest) of Rs. 2,645,926 for financial year 2007-08 and of Rs. 16,788,429 for financial year 2008-09 respectively.



**Notes on consolidated financial statements (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)*

SMIL has preferred an appeal against the said orders with the Income Tax Appellant Tribunal, Hyderabad for the financial year 2007-08 and 2008-09 respectively. The Management believes that there will be no further cash outflows in this regard and that the appeals will be settled in favour of the SMIL on majority of disallowances. Accordingly, an amount of Rs. 20,205,424 has been provided in the financial year 2011-12, based on best estimate of the Management.

**2.30 Amounts payable to Micro, Small and Medium Enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2013 has been made in the financial statements based on information received and available with the Group. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Group has not received any claim for interest from any supplier under the said Act.

<b><u>Particulars</u></b>	<b><u>For the year ended 31 March 2013</u></b>	<b><u>For the year ended 31 March 2012</u></b>
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year;	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

**Notes on consolidated financial statements (continued)**

*(all amounts in Indian Rupees, except share data and otherwise stated)*

**2.31 Previous year figures**

Previous year figures have been regrouped / reclassified wherever necessary, to confirm to current year classification.

As per our report of even date attached

*for Navitha and Associates*

*for Northgate Com Tech Limited*

*Chartered Accountants*

Firm Registration No: 012026S

**Navitha K**

*Proprietor*

Membership No. 221085

**Venkat S. Meenavalli**

*Director*

**P. Srinivasu**

*Executive Director*

**K. Vijayasree**

*Company Secretary*

Place: Hyderabad

Date : 30 May 2013

## Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as of March 31, 2013

Particulars	Name of the Subsidiary						(Rs. in Lakhs)
	Northgate Investment Pte Limited, Singapore	Globe7 Pte Limited, Singapore	Social Media India Limited, India	Globe7 HK Limited* Hong Kong	Globe7 UK Limited, United Kingdom		
Country of incorporation	USA	Singapore	India	Hong Kong	United Kingdom		
Reporting currency	USD	USD	INR	HKD	GBP		
Exchange rates (as on 31 March 2013)	54.28	54.28	1	6.99	82.54		
Financial Period of subsidiary ended on	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013		
Northgate's Interest	100%	100%	100%	100%	100%		
Capital	56,059.03	56,043.57	2,944.69	620.73	49.53		
Reserves and Surplus	(54,236.77)	(54,234.78)	(1,333.15)	(713.96)	7.20		
Total Assets	1,827.13	2,130.82	3,605.07	0.39	66.63		
Total Liabilities	4.87	322.03	1,993.52	93.62	9.90		
Investments	-	-	-	-	-		
Revenues	-	1,985.17	736.17	-	174.99		
Net Aggregate Profit/(loss)							
before taxation	(1,382.29)	(1,105.55)	(948.73)	(0.03)	4.12		
Provision for taxation	-	-	-	-	-		
Profit after taxation	(1,382.29)	(1,105.55)	(948.73)	(0.03)	4.12		
Proposed dividend	Nil	Nil	Nil	Nil	Nil		

\*Filed petition for winding up on 21 March 2012

for Northgate Com Tech Limited

Venkata S Meenavalli  
DirectorP. Srinivasu  
Executive DirectorPlace: Hyderabad  
Date: 30 May 2013K. Vijayasree  
Company Secretary

## **INDEPENDENT AUDITORS' REPORT**

**To**  
**The Members of Northgate Com Tech Limited**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Northgate Com Tech Limited** (“the Company”), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and

fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 appears from our examination of those books.
  - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

*for Navitha and Associates*  
*Chartered Accountants*  
Firm Registration No:012026S

**CA.Navitha K**  
*Proprietor*  
Membership No: 221085

Place: Hyderabad  
Date: 30 May 2013

## **Annexure To Independent Auditors' Report**

Referred to in Paragraph 1 under the heading of “report on other legal and regulatory requirements” of our report of even date.

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to size of the Company and nature of its assets. In accordance with this program, fixed assets were verified during the year and no material discrepancies were noted on such verification.
- (c) Fixed assets disposed off/written off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is a service company, primarily rendering Information Technology services and online advertising services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause (a) to (d) of the order are not applicable.
- (b) According to the information and explanations given to us, the Company has taken loan from a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 122,519,747 and the year-end balance of such loans was Rs. 105,569,932. The Company has not taken any loans, secured or unsecured from firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (c) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from the party listed in the register maintained under Section 301 of the Companies Act, 1956 is not, prima facie, prejudicial to the interest of the Company. The repayment of the principle is due after 31 March 2013, the date for which needs to be decided.
- (d) In the case of loan taken from the party listed in the register maintained under Section 301, in repayment of the principal amounts and the interest there on is not due, accordingly, clause 4(iii) (g) is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with regard to the size of the Company and the nature of its

business with regard to the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company. The activities of the Company do not involve sale of goods.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-Tax, Wealth Tax and other material statutory dues have generally been regularly deposited during the year by the Company, except tax deducted at source Rs. 1,267,316 is outstanding as on the balance sheet date, with the appropriate authorities though there have been some delays in a few cases of remittances. Further as explained to us, the Company did not have any dues on account of Sales tax, Service tax, Customs duty, Excise duty and Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-Tax, Wealth Tax and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has not been registered for a period in excess of five years. Accordingly, clause 4(x) of the order is not applicable.
- (xi) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) 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.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to information and explanations given to us, and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

*for Navitha and Associates*  
*Chartered Accountants*  
Firm Registration No:012026S

Place: Hyderabad  
Date: 30 May 2013

**CA.Navitha K**  
*Proprietor*  
Membership No: 221085



**Balance sheet as at 31 March 2013***(all amounts in Indian Rupees, except share data and otherwise stated)*

	<u>Note</u>	<u>As at</u> <u>31 March 2013</u>	<u>As at</u> <u>31 March 2012</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital .....	2.1	490,185,900	500,000
Share capital suspense .....	2.1A	-	490,185,900
Reserves and surplus .....	2.2	(540,221,197)	(534,815,476)
		<u>(50,035,297)</u>	<u>(44,129,576)</u>
<b>Non-current liabilities</b>			
Long-term provision .....	2.3	553,811	54,627
Long-term borrowing .....	2.4	105,569,932	105,098,571
		<u>106,123,743</u>	<u>105,153,198</u>
<b>Current liabilities</b>			
Trade payables .....	2.5	11,529,811	2,441,040
Other current liabilities .....	2.6	3,231,388	21,558,625
Short-term provisions .....	2.7	37,681	43,443
		<u>14,798,880</u>	<u>24,043,108</u>
		<u><b>70,887,326</b></u>	<u><b>85,066,730</b></u>
<b>ASSETS</b>			
<b>Non current assets</b>			
Fixed assets .....	2.8		
- Tangible assets .....		1,214,237	6,695,000
Non current investments .....	2.9	51,099,492	51,599,432
Other non current assets .....	2.10	1,362,699	1,990,644
		<u>53,676,428</u>	<u>60,285,076</u>
<b>Current assets</b>			
Trade receivables .....	2.11	16,284,986	21,932,085
Cash and bank balances .....	2.12	47,471	2,006,616
Short term loan and advances .....	2.13	878,441	842,953
		<u>17,210,898</u>	<u>24,781,654</u>
		<u><b>70,887,326</b></u>	<u><b>85,066,730</b></u>
Significant accounting policies and Notes to accounts ....	1 & 2		

The notes referred to above form an integral part of financial statements.

As per our report of even date attached  
**for Navitha and Associates**  
*Chartered Accountants*  
 Firm Registration No:012026S

**for Northgate Com Tech Limited**

**Navitha K**  
*Proprietor*  
 Membership No: 221085

**P. Srinivasu**  
*Executive Director*

**Venkata S Meenavalli**  
*Director*

**K. Vijayasree**  
*Company Secretary*

Place: Hyderabad  
 Date: 30 May 2013

**Statement of profit and loss for the year ended 31 March 2013**

(all amounts in Indian Rupees, except share data and otherwise stated)

	<u>Note</u>	<u>For the year ended</u> <u>31 March 2013</u>	<u>For the year ended</u> <u>31 March 2012</u>
<b>Revenue</b>			
Income from operations .....	2.14	34,305,915	30,562,875
Other income .....	2.15	1,482,207	2,830,229
<b>Total revenue .....</b>		<b>35,788,122</b>	<b>33,393,104</b>
<b>Expenses</b>			
Operating expenses .....	2.16	22,330,713	20,455,583
Employee benefits expense .....	2.17	10,018,952	12,583,218
Finance costs .....	2.18	8,228,011	8,317,208
Depreciation and amortisation expense .....	2.8	616,227	3,425,078
Provision for diminution in value of long term investment .....		-	644,109,758
<b>Total expenses .....</b>		<b>41,193,903</b>	<b>688,890,845</b>
<b>Loss before tax .....</b>		<b>(5,405,781)</b>	<b>(655,497,741)</b>
<b>Tax expense</b>			
- Current tax .....		-	-
- Deferred tax .....		-	-
<b>Loss for the year .....</b>		<b><u>(5,405,781)</u></b>	<b><u>(655,497,741)</u></b>
<b>Earnings per share - par value Rs. 10 per share</b>			
Basic .....	2.27	(0.16)	(13,109.95)
Diluted .....		(0.16)	(13,109.95)

Significant accounting policies and Notes to accounts 1 & 2

The notes referred to above form an integral part of financial statements

As per our report of even date attached  
for **Navitha and Associates**  
Chartered Accountants  
Firm Registration No:012026S

for **Northgate Com Tech Limited**

**Navitha K**  
Proprietor  
Membership No: 221085

**P. Srinivasu**  
Executive Director

**Venkata S Meenavalli**  
Director

K. Vijayasree  
Company Secretary

Place: Hyderabad  
Date: 30 May 2013

**Cash flow statement for the year ended 31 March 2013***(all amounts in Indian Rupees)*

	<b>For the year ended 31 March 2013</b>	<b>For the year ended 31 March 2012</b>
<b>I. Cash flows from operating activities:</b>		
Net profit before taxation: .....	(5,405,781)	(655,497,741)
<i>Adjustments for operating activities:</i>		
Depreciation and amortisation .....	616,227	3,425,078
Preliminary expenses written off .....	-	39,064
Finance costs .....	8,228,011	8,317,208
Fixed Assets Written Off .....	2,489,526	3,940,815
Provision for diminution in value of long term investment .....	-	644,109,758
Operating profit before working capital changes .....	<b>5,927,983</b>	<b>4,334,182</b>
Adjustments for		
Decrease/(increase) in trade receivables .....	5,647,099	(723,781)
Decrease/(increase) in loans and advances and other assets ..	592,457	158,586
Increase/(decrease) in provisions .....	493,422	(624,138)
Increase/(decrease) in trade payables and current liabilities ..	(9,238,466)	12,554,914
<b>Cash generated from operations .....</b>	<b>3,422,495</b>	<b>15,699,763</b>
Income taxes paid .....	-	-
<b>Net cash flow from operating activities (A) .....</b>	<b>3,422,495</b>	<b>15,699,763</b>
<b>II. Cash flows from investing activities</b>		
Investment suspense account .....	-	(499,940)
Sale of Fixed Assets .....	2,390,000	-
Purchase of Fixed Assets .....	(14,990)	-
<b>Net cash flow used in investing activities (B) .....</b>	<b>2,375,010</b>	<b>(499,940)</b>
<b>III. Cash flows from financing activities</b>		
Proceeds from intercorporate deposit, net .....	471,361	(12,688,120)
Interest paid .....	(8,228,011)	(1,701,654)
<b>Net cash used in financing activities (C) .....</b>	<b>(7,756,650)</b>	<b>(14,389,774)</b>
<b>Net increase in cash and cash equivalents (A+B+C) .....</b>	<b>(1,959,145)</b>	<b>810,049</b>
Net cash received pursuant to the Approved Scheme .....	-	725,631
Cash and cash equivalents at the beginning of the year .....	2,006,616	470,936
<b>Cash and cash equivalents at the end of the year (refer note: 2.12) .....</b>	<b>47,471</b>	<b>2,006,616</b>

As per our report of even date attached  
for **Navitha and Associates**  
Chartered Accountants  
Firm Registration No:012026S

for **Northgate Com Tech Limited**

**Navitha K**  
Proprietor  
Membership No: 221085

**P. Srinivasu**  
Executive Director

**Venkata S Meenavalli**  
Director

K. Vijayasree  
Company Secretary

Place: Hyderabad  
Date: 30 May 2013

## **Note 1: Significant accounting policies**

### **Background and overview**

Northgate Com Tech Limited (“the Company”) was incorporated as Northgate Com Tech Private Limited on 28 May 2010. The name of the Company was subsequently changed to Northgate Com Tech Limited on 15 June 2011, which is primarily engaged in providing web development, web maintenance and support services to its step down subsidiary, Globe7 Pte Limited, Singapore and online advertising services.

### **Entity**

#### **Subsidiaries**

Northgate Investments Pte Limited  
Globe7 UK Limited

### **Country of incorporation**

A company organised under the laws of Singapore  
A company organised under the laws of United Kingdom

### **Step-down subsidiaries**

Globe7 Pte Limited  
Social Media India Limited  
Globe7 HK Limited \*

A company organised under the laws of Singapore  
A company organised under the laws of India  
A company organised under the laws of Hong Kong

\* Filed petition for winding up on 21 March 2012.

### **(a) Basis of preparation of financial statements**

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006 ('the Rules') and the provisions of the Companies Act, 1956, (“the Act”) to the extent applicable. These financial statements have been prepared and presented in Indian rupees.

### **(b) Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

### **(c) Currentnon-current classification**

All assets and liabilities are classified into current and non-current.

### **Assets**

An asset is classified as current when it satisfies any of the following criteria:

- a. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle; or

**Significant accounting policies (continued)**

- b. it is held primarily for the purpose of being traded; or
- c. it is expected to be realised within 12 months after the reporting date; or
- d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities**

A liability is classified as current when it satisfies any of the following criteria:

- a. it is expected to be settled in the Company's normal operating cycle; or
- b. it is held primarily for the purpose of being traded; or
- c. it is due to be settled within 12 months after the reporting date; or
- d. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

**(d) Fixed assets and depreciation**

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Acquired intangible assets are recorded at the consideration paid for acquisition.

Depreciation on fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956, except for office equipments which are depreciated over a period of 7 years. Assets, costing individually Rs. 5,000 or less are depreciated at 100% at the time of capitalisation. Depreciation is charged on a proportionate basis for all assets purchased and sold during the year. Leased assets are amortised over the lease term or the useful life, whichever is shorter.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date, are disclosed as capital advances.

**(e) Intangible assets and amortisation**

Acquired intangible assets are recorded at the consideration paid for their acquisition. Internally developed intangible assets are capitalised at their cost of development, only if they meet the recognition criteria of AS 26 "Intangible Assets". Intangible assets are amortised over their

### **Significant accounting policies (continued)**

estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

#### **(f) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

#### **(g) Foreign exchange transactions**

Foreign currency transactions during the year are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognised in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

#### **(h) Revenue recognition**

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

Revenue from Information Technology services is billed on a 'cost plus mark up' basis, on services performed and is recognised based on the terms of the IT services agreement with, Globe 7 Pte Limited, Singapore.

Dividend income is recognised when the unconditional right to receive the income is established. Interest on bank deposits and loans to subsidiaries are recognised on the time proportion method using the underlying interest rates.

#### **(i) Employee benefits**

Provision for gratuity, which is a defined benefit scheme, is accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary. The Company recognises the net obligation of the gratuity plan in the balance sheet as an asset or liability respectively in accordance with AS-15 "Employee Benefits".

Long term compensated absences is accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary.

**Significant accounting policies (continued)**

Contributions to the employees' provident fund are charged to the statement of profit and loss. Such contributions are made to the authorities administering the fund.

**(j) Employee stock option schemes**

In accordance with the Securities and Exchange Board of India guidelines ("the Guidelines"), the excess of the market price of shares, at the date of grant of options under the Employee stock option schemes, over the exercise price is treated as employee stock compensation and amortised over the vesting period.

**(k) Earnings per share**

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax (including post tax effect of any extraordinary items) for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares, unless they are anti-dilutive. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares arising out of employee stock options are issued have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

**(l) Taxes on income**

Income tax expense comprise of current tax and deferred tax.

***Current tax***

The current charge for the income taxes is calculated in accordance with the relevant tax laws applicable to the Company.

***Deferred tax***

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income, which originate during the year but reverse after the tax holiday period. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain to be realised. The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

## **Significant accounting policies (continued)**

### **(m) Provisions and contingent liabilities**

The Company recognises a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

### **(n) Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that any assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the reassessed recoverable amount subject to a maximum of depreciated historical cost.

### **(o) Leases**

Lease payments (excluding cost for services and maintenance) on operating leases, are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term. The lease term is the non- cancellable period for which the lessee has agreed to take on lease the asset together with any further periods for which the lessee has the option to continue the lease of the asset, with or without further payment and the exercise of such option at the inception of the lease is reasonably certain.

### **(p) Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.



**2. Notes on accounts***(all amounts in Indian Rupees, except share data and otherwise stated)*

	<u>As at 31 March 2013</u>	<u>As at 31 March 2012</u>
<b>2.1 Share capital</b>		
<i>Authorised*</i>		
<b>Equity shares</b>		
50,000,000 (previous year : 50,000) equity of Rs.10 each.	500,000,000	500,000
	<u>500,000,000</u>	<u>500,000</u>
 <i>Issued, subscribed and fully paid up</i>		
49,018,590 (previous year : 50,000) equity shares of Rs.10 each fully paid up	490,185,900	500,000
	<u>490,185,900</u>	<u>500,000</u>
 <b>2.1A Shares capital suspense</b>		
<b>Shares capital suspense*</b>		
Nil (previous year : 49,018,590) equity shares of Rs.10 each are pending allotment pursuant to the Approved Scheme for consideration other than cash.	-	490,185,900
	<u>-</u>	<u>490,185,900</u>

**i. Rights, preferences and restrictions attached to equity shares:**

The Company has only one class of equity shares having par value of Rs.10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by equity shareholders.

**ii. The reconciliation of the number of equity shares outstanding is set out below:\***

<u>Particulars</u>	<u>As at 31 March 2013</u>		<u>As at 31 March 2012</u>	
	<u>Number of shares</u>	<u>Amount in Rs.</u>	<u>Number of shares</u>	<u>Amount in Rs.</u>
Shares outstanding at the beginning of the year	50,000	500,000	50,000	500,000
Shares issued during the year*	49,018,590	490,185,900	-	-
Shares cancelled as per Scheme of Merger	(50,000)	(500,000)	-	-
Shares outstanding at the end of the year	49,018,590	490,185,900	50,000	500,000

\* 49,018,590 equity Shares of Rs.10 each allotted on 16th July, 2012 pursuant to the Approved Scheme .

**Notes on accounts (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

**iii. The details of shareholder holding more than 5% equity shares is set below:**

<u>Name of the Share Holder</u>	<u>As at 31 March 2013</u>		<u>As at 31 March 2012</u>	
	<u>No. of Shares held</u>	<u>% of Holding</u>	<u>No. of Shares held</u>	<u>% of Holding</u>
Cresta Fund Limited	4,500,000	9.18		
India Focus Cardinal Fund	3,814,949	7.78		
Meenavalli Venkata Srinivas	3,254,586	6.64		
Meenavalli Usha Rani	3,226,360	6.58		
Albula Investment Fund Limited	2,832,492	5.78		
Northgate Technologies Limited	-	-	49,994	99

	<u>As at 31 March 2013</u>	<u>As at 31 March 2012</u>
<b>2.2 Reserves and Surplus</b>		
<b>General reserve account .....</b>	<b>120,682,325</b>	<b>120,682,265</b>
<b>Balance in statement of profit and loss</b>		
Balance at the end of beginning of the year .....	(655,497,741)	-
Add: Loss for the year transferred from statement of profit and loss .....	(5,405,781)	(655,497,741)
Balance at the end of the year .....	<u>(660,903,522)</u>	<u>(655,497,741)</u>
<b>Total .....</b>	<u><b>(540,221,197)</b></u>	<u><b>(534,815,476)</b></u>
<b>2.3 Long-term provision</b>		
<b>Provision for employee benefits</b>		
Compensated absences .....	53,606	54,627
Gratuity .....	500,205	
	<u><b>553,811</b></u>	<u><b>54,627</b></u>
<b>2.4 Long-term borrowing</b>		
<i>Unsecured, considered good</i>		
Inter corporate deposit from related party .....	105,569,932	105,098,571
	<u><b>105,569,932</b></u>	<u><b>105,098,571</b></u>
<b>2.5 Trade payables</b>		
Trade payables		
- Amounts due to Micro, Small and Medium Enterprises (Refer note : 2.29) .....	-	-
- Others .....	11,529,811	2,441,040
	<u><b>11,529,811</b></u>	<u><b>2,441,040</b></u>

**Notes on accounts** (continued)*(all amounts in Indian Rupees, except share data and otherwise stated)*

	<b>As at</b>	<b>As at</b>
	<b>31 March 2013</b>	<b>31 March 2012</b>
<b>2.6 Other current liabilities</b>		
Interest accrued but not due .....	-	15,311,989
Provision for expenses .....	306,784	274,546
Employee payables .....	1,246,959	843,024
Unclaimed dividend .....	-	394,258
Statutory dues including provident fund .....	1,677,645	4,734,808
	<u>3,231,388</u>	<u>21,558,625</u>
<b>2.7 Short term provisions</b>		
<b>Provision for employee benefits</b>		
Compensated absences .....	15,425	19,727
Gratuity .....	22,256	-
<b>Others</b>		
Provision for wealth tax .....	-	23,716
	<u>37,681</u>	<u>43,443</u>

## Notes on accounts (continued)

(all amounts in Indian Rupees, except share data and otherwise stated)

### 2.8 Fixed assets

Particulars	Gross Block		Accumulated Depreciation				Net block	
	As at 1 April 2012	As at 31 March 2013	As at 1 April 2012	Charges for the year	On deletions	As at 31 March 2013	As at 31 March 2012	
<b>Tangible Assets (Owned)</b>								
Leasehold improvements	8,364,000	8,364,000	-	-	-	8,364,000	-	
Computers and related assets	2,510,649	2,162,298	-	195,752	-	2,358,050	348,351	
Air conditioners	449,040	449,040	-	89,056	-	110,385	338,655	
Furniture and fixtures	725,000	725,000	-	194,732	-	240,625	484,375	
Vehicles	10,070,331	4,777,865	-	4,666,858	4,712,940	295,002	182,863	
Office equipment	91,499	106,489	-	38,575	-	50,744	55,745	
<b>Total</b>	<b>22,210,519</b>	<b>12,633,043</b>	<b>14,990</b>	<b>616,227</b>	<b>4,712,940</b>	<b>11,418,806</b>	<b>6,695,000</b>	
Previous year	22,210,519	22,210,519	-	3,347,040	18,884,958	15,515,519	6,695,000	
<b>Intangible Assets (Owned)</b>								
Goodwill	16,382,330	16,382,330	-	-	-	16,382,330	-	
Software	23,289,773	23,289,773	-	-	-	23,289,773	-	
<b>Total</b>	<b>39,672,103</b>	<b>39,672,103</b>	-	-	-	<b>39,672,103</b>	-	
Previous year	39,672,103	39,672,103	-	78,038	-	39,672,103	-	
<b>Grand total - current year</b>	<b>61,882,622</b>	<b>52,305,146</b>	<b>14,990</b>	<b>616,227</b>	<b>4,712,940</b>	<b>51,090,909</b>	<b>6,695,000</b>	
<b>Grand total - previous year</b>	<b>61,882,622</b>	<b>61,882,622</b>	-	<b>3,425,078</b>	<b>18,884,958</b>	<b>55,187,622</b>	<b>6,695,000</b>	

**Notes on accounts** (continued)*(all amounts in Indian Rupees, except share data and otherwise stated)*

	<b>As at</b>	<b>As at</b>
	<b>31 March 2013</b>	<b>31 March 2012</b>
<b>2.9 Non-trade, long term investments (unquoted)</b>		
<i>Investment in equity instruments- subsidiaries</i>		
145,304,595 (previous year: 145,304,595) ordinary shares of SGD 1 each fully paid-up of Northgate Investments Pte Limited, at cost .....	4,262,121,261	4,262,121,261
60,000 (previous year : 60,000) ordinary shares of GBP 1 each fully paid-up of Globe 7 UK Limited, at cost .....	4,135,200	4,135,200
Investment suspense account .....	-	499,940
Less: Provision for diminution in value of long term investment .....	(4,215,156,969)	(4,215,156,969)
	<b><u>51,099,492</u></b>	<b><u>51,599,432</u></b>
<b>2.10 Other non current assets</b>		
<i>Unsecured, considered good</i>		
<b>Other loans and advances</b>		
Electricity deposits .....	13,572	13,572
Rental deposits .....	1,056,000	1,496,000
Telephone deposits .....	28,800	355,467
Prepaid expenses .....	264,327	125,605
	<b><u>1,362,699</u></b>	<b><u>1,990,644</u></b>
<b>2.11 Trade receivables</b>		
<i>Unsecured, considered good</i>		
Debts outstanding for period exceeding six months from the date they become due .....	-	3,580,770
Others.....	16,284,986	18,351,315
	<b><u>16,284,986</u></b>	<b><u>21,932,085</u></b>
<b>2.12 Cash and bank balances</b>		
Cash and cash equivalents		
Cash on hand .....	10,460	24,670
Balance with banks in current accounts .....	37,011	1,587,688
	<b><u>47,471</u></b>	<b><u>1,612,358</u></b>
<b>Other bank balances</b>		
Balances with bank for unclaimed dividend .....	-	394,258
	<b><u>47,471</u></b>	<b><u>2,006,616</u></b>

**Notes on accounts (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

	<b>As at</b>	<b>As at</b>
	<b>31 March 2013</b>	<b>31 March 2012</b>
<b>2.13 Short term loan and advances</b>		
<i>Unsecured, considered good</i>		
<b>Others</b>		
Security deposits .....	-	400,000
Gratuity fund .....	-	434,203
Other advance .....	878,441	8,750
	<b>878,441</b>	<b>842,953</b>
<b>2.14 Income from operations</b>	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31 March 2013</b>	<b>31 March 2012</b>
- Income from Information Technology Services .....	22,429,573	30,562,875
- Online advertising .....	11,876,342	-
	<b>34,305,915</b>	<b>30,562,875</b>
<b>2.15 Other income</b>		
Foreign exchange gain, net .....	1,462,064	1,728,515
Trade payables written back .....	20,143	147,626
Reversal of gratuity payable .....	-	954,088
	<b>1,482,207</b>	<b>2,830,229</b>
<b>2.16 Operating expenses</b>		
Traffic acquisition cost .....	11,460,670	-
Communication expenses .....	1,007,695	830,975
Power and fuel .....	729,325	748,881
Rent .....	2,284,128	3,253,600
Repairs and maintenance .....	463,833	377,835
Rates and taxes, excluding, taxes on income .....	534,866	4,244,287
Insurance charges .....	70,495	94,336
Traveling and conveyance .....	220,081	262,742
Legal and professional fees .....	1,537,480	5,088,026
Content creation charges .....	471,450	-
Advertisement charges .....	-	91,988
Bank charges .....	108,120	14,565
Subscriptions .....	127,739	31,951
Printing and stationery .....	311,975	8,754
Fixed assets written off .....	-	3,940,815
Loss on sale of fixed asset .....	2,489,526	-
Preliminary expenses written off .....	-	39,064
Miscellaneous expenses .....	513,330	1,427,764
	<b>22,330,713</b>	<b>20,455,583</b>
<b>2.17 Employee benefits expense</b>		
Salaries .....	8,523,020	11,876,195
Contribution to provident fund and other funds .....	1,147,670	266,344
Staff welfare expenses .....	348,262	440,679
	<b>10,018,952</b>	<b>12,583,218</b>
<b>2.18 Finance cost</b>		
Interest on inter-corporate deposit .....	8,228,011	8,317,208
	<b>8,228,011</b>	<b>8,317,208</b>

**Notes on accounts (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)*

	<u>As at</u> <u>31 March 2013</u>	<u>As at</u> <u>31 March 2012</u>
<b>2.19 Contingent liabilities:</b>		
Corporate guarantee given in favour of Bank of Baroda towards the cash credit facility extended to Social Media India Limited, a step-down subsidiary.	-	80,000,000

**2.20 Deferred tax**

In view of carry forward of losses under tax laws in the current year, the Company is unable to demonstrate virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised, which is as required under AS 22 'Accounting for taxes on income'. Accordingly, no deferred tax asset has been recognised as at the year-end.

**2.21 Leases**

The Company leases office facilities under cancellable and non-cancellable operating lease agreements. The Company intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was Rs. 2,284,128 (Previous year: Rs. 3,253,600) and under non-cancellable portion was Rs. Nil (Previous year: Rs. Nil), which has been disclosed as lease rent.

**2.22 Earnings in foreign currency (on accrual basis)**

<u>Particulars</u>	<u>For the year ended</u> <u>31 March 2013</u>	<u>For the year ended</u> <u>31 March 2012</u>
Revenues from Information Technology Services .....	22,429,573	30,562,875
<b>Total .....</b>	<b><u>22,429,573</u></b>	<b><u>30,562,875</u></b>

**2.23 Expenditure in foreign currency (on accrual basis)**

<u>Particulars</u>	<u>For the year ended</u> <u>31 March 2013</u>	<u>For the year ended</u> <u>31 March 2012</u>
Travelling and conveyance .....	-	90,938
<b>Total .....</b>	<b><u>-</u></b>	<b><u>90,938</u></b>

**Notes on accounts (continued)**

(all amounts in Indian Rupees, except share data and otherwise stated)

**2.24 Auditors' remuneration (included in legal and professional fees, excluding service tax):**

	<b>For the year ended 31 March 2013</b>	<b>For the year ended 31 March 2012</b>
Statutory audit fees .....	80,000	300,000
Other services .....	20,000	150,000
Out of pocket expenses .....	-	20,000
<b>Total .....</b>	<b>100,000</b>	<b>470,000</b>

**2.25 Earnings per share (EPS)**

The computation of earnings per share is set out below:

	<b>For the year ended 31 March 2013</b>	<b>For the year ended 31 March 2012</b>
<b>Earnings ( in Rs.)</b>		
Loss for the year .....	(5,405,781)	(655,497,741)
<b>Shares</b>		
Number of shares at the beginning of the year .....	50,000	50,000
Add: No. of equity shares issued during the year .....	49,018.590	-
Less : No. shares cancelled as per Scheme of Merger .....	(50,000)	-
Total number of equity shares outstanding at the end of the year .....	49,018,590	50,000
Weighted average number of equity shares outstanding during the year for the purpose of Basic and diluted earnings per share. ....	34,627,935	50,000
<b>Earnings per share ( in Rs.)</b>		
- Basic .....	(0.16)	(13,109.95)
- Diluted .....	(0.16)	(13,109.95)

**2.26 Segment information**

The Company is primarily engaged in providing Information Technology Enabled Services to its step down subsidiary, Globe7 Pte Limited, Singapore which constitute one business segment and online advertising services as another business segment. Primary reportable segment information based on business segment is given below and secondary reportable segment information based on geographic segment is also given. In the previous year the Company has one segment Rs.Information Technology Enabled ServicesRs.. Hence, the requirement for separate disclosure as required under AS 17 - 'Segment Reporting' is not applicable.



**Notes on accounts** (continued)*(all amounts in Indian Rupees, except share data and otherwise stated)***A. Primary segment for the year ended 31 March 2013 Business segment**

	ITES	Online Advertising	TOTAL
Income from Operations .....	22,429,573	11,876,342	34,305,915
Identifiable operating expenses .....	19,011,848	11,460,670	30,472,518
Allocated expenses			
<b>Segmental Operating Income .....</b>	<b>3,417,725</b>	<b>415,672</b>	<b>3,833,397</b>
Un allocable expenses .....			(10,721,385)
Other income .....			1,482,207
<b>Profit/(loss) before tax .....</b>			<b>(5,405,781)</b>
Tax expenses .....			-
<b>Profit/(loss) for the period .....</b>			<b>(5,405,781)</b>

**B. Geography Segment**

	For the year ended 31 March 2013	For the year ended 31 March 2012
India .....	11,876,342	-
Singapore .....	22,429,573	30,562,875
<b>Total .....</b>	<b>34,305,915</b>	<b>30,562,875</b>

**2.27 Related parties****A) Entities which exercises control over the Company**

None

**B) Entities over which the Company exercises control****Subsidiaries**

- i. Northgate Investments Pte Limited
- ii. Globe7 UK Limited

**Step-down subsidiaries**

- i. Globe7 Pte Limited
- ii. Social Media India Limited
- iii. Globe7 HK Limited

**C) Key Managerial Personnel**

- i. Venkata S. Meenavalli Director
- ii. P. Srinivasu Executive Director

**Notes on accounts** (continued)

(all amounts in Indian Rupees, except share data and otherwise stated)

**Particulars of related party transactions**

**I. Following is the summary of significant related party transactions:**

<u>Particulars</u>	<u>For the year ended 31 March 2013</u>	<u>For the year ended 31 March 2012</u>
<b>Revenue from information Technology Services to subsidiary</b>		
- Globe7 Pte Limited .....	22,429,573	30,562,875
<b>Inter corporate deposit ('ICD') taken from step down subsidiary</b>		
Social Media India Limited .....	11,441,362	20,653,210
<b>Repayment of ICD to step down subsidiary</b>		
Social Media India Limited .....	34,510,000	25,514,830
<b>Interest accrued on loan taken</b>		
Social Media India Limited .....	8,228,011	8,317,208
<b>Key managerial personnel</b>		
- Venkata S. Meenavalli.....	-	3,000,000
- P. Srinivasu .....	1,479,000	3,000,000

**II. The Company has the following amounts due from/to the related parties**

<u>Particulars</u>	<u>As at 31 March 2013</u>	<u>As at 31 March 2012</u>
<b>Trade receivables</b>		
- Globe7 Pte Limited .....	6,258,644	21,932,085
<b>Long-term borrowing</b>		
- Social Media India Limited .....	105,569,932	105,098,571
<b>Interest accrued but not due (net of TDS )</b>		
- Social Media India Limited .....	-	15,311,989
<b>Investments (Gross)</b>		
- Northgate Investments Pte Limited .....	4,262,121,261	4,262,121,261
- Globe 7 UK Limited .....	4,135,200	4,135,200

**Notes on accounts (continued)***(all amounts in Indian Rupees, except share data and otherwise stated)***2.28 Employee benefits - Gratuity**

The following table sets out the status of the gratuity plan as required under Accounting standard (AS) 15 "Employee Benefits" prescribed by Companies (Accounting Standards) Rules, 2006, ('the Rules'):

<b>Particulars</b>	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>
<b>Obligations at the beginning of the year</b>		
Transfer in of obligation pursuant to the Approved Scheme	-	1,708,260
Present value of obligation as at the beginning of the year	376,170	-
Service cost .....	88,498	36,810
Interest cost .....	30,094	136,661
Benefits settled .....	-	-
Actuarial (gain)/loss .....	27,699	(1,032,489)
<b>Obligations at the end of the year .....</b>	<b>522,461</b>	<b>849,242</b>
 <b>Change in plan assets</b>		
Plan assets at the beginning of the year, at fair value ...	1,283,445	-
Transfer in of plan assets pursuant to the Approved Scheme	-	1,188,375
Actuarial gain/(loss) .....	-	-
Expected return on plan assets .....	103,776	95,070
Contributions .....	26,434	-
Benefits settled .....	-	-
<b>Plan assets at the end of the year, at fair value .....</b>	<b>1,413,655</b>	<b>1,283,445</b>
 <b>Reconciliation of present value of the obligation and the fair value of plan assets</b>		
Present value of defined benefit obligations at the end of the year .....	522,461	849,242
Fair value of the plan assets at the end of the year .....	(1,413,655)	(1,283,445)
<b>Asset recognised in the balance sheet .....</b>	<b>(891,194)</b>	<b>(434,203)</b>
 <b>Gratuity cost for the year</b>		
Service cost .....	88,498	36,810
Interest cost .....	30,094	136,661
Expected return on plan assets .....	(103,776)	(95,070)
Actuarial loss/(gain) .....	27,699	(1,032,489)
<b>Net gratuity cost .....</b>	<b>42,515</b>	<b>(954,088)</b>
 <b>Assumptions</b>		
Interest rate .....	8%	8%
Expected rate of salary increase .....	10%	10%
Attrition rate .....	10%	10%

**Notes on accounts (continued)**

*(all amounts in Indian Rupees, except share data and otherwise stated)*

**Discount rate:** The discount rate is based on the gross redemption yield on medium to long term risk free investments.

**Salary escalation:** The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

**Attrition rate:** The attrition rate is the expected employee turnover for the future periods, adjusted to the current economic environment.

**2.29 Amounts payable to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2013 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

<u>Particulars</u>	<u>For the year ended 31 March 2013</u>	<u>For the year ended 31 March 2012</u>
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year; .....	Nil	Nil
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year; ..	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act; .....	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year; .....	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise. ....	Nil	Nil

**Notes on accounts** (continued)*(all amounts in Indian Rupees, except share data and otherwise stated)***2.30 The Company has the following un-hedged exposure in foreign currency at the year end:**

<b>Particulars</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 March 2013</b>	<b>31 March 2012</b>	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>(Amount in \$)</b>	<b>(Amount in \$)</b>	<b>(Amount in Rs.)</b>	<b>(Amount in Rs.)</b>
Trade receivables	115,292	430,506	6,258,644	21,932,085

**2.31 Transfer pricing**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act. Since the law required existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by 30 November 2013, as required by law. The Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

**2.32 Previous year figures**

Previous year figures have been regrouped / reclassified wherever necessary, to confirm to current year classification.

As per our report of even date attached

**for Navitha and Associates**

*Chartered Accountants*

Firm Registration No: 012026S

**for Northgate Com Tech Limited**

**Navitha K**

*Proprietor*

Membership No: 221085

**P. Srinivasu**

*Executive Director*

**Venkata S. Meenavalli**

*Director*

**K. Vijayasree**

*Company Secretary*

Place: Hyderabad

Date: 30 May 2013



  
**Northgate**<sup>TM</sup>  
Com Tech Limited

Regd. Office: S D E Serene Chambers, 8-2-334, 1st Floor, South Eastern Wing, Road No-7, Banjara Hills, Hyderabad-500034

**PROXY FORM**

Third Annual General Meeting September 30, 2013

Folio No./ DP and Client ID: 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I/We..... Resident of ..... being a Member(s) of the Northgate Com Tech Limited hereby appoint Mr/Mrs/Ms ..... Resident of ..... or failing him/her Mr/Mrs/Ms ..... Resident of ..... As our/my proxy(ies) to proxy to attend and vote for me / us on my / our behalf at the Third Annual General Meeting of the Company to be held on Monday, September 30, 2013 at 12.30 p.m. at Kalinga Cultural Trust, Plot No. 1269, Road No. 12, Banjara Hills, Hyderabad - 500 034 and at any adjournment(s) thereof.

Signed this .....day of .....2013.

Affix Re. 1/- Revenue Stamp
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Signature of Member

Note: This form, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered office of the Company, not less than 48 hours before the meeting.



  
**Northgate**<sup>TM</sup>  
Com Tech Limited

Regd. Office: S D E Serene Chambers, 8-2-334, 1st Floor, South Eastern Wing, Road No-7, Banjara Hills, Hyderabad-500034

**ATTENDANCE SLIP**

Third Annual General Meeting September 30, 2013

Folio No. / DP and Client ID 

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I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the Third Annual General Meeting of the Company at on Monday, September 30, 2013 at 12.30 p.m.

.....  
Name of the Member / Proxy      Signature of Member / Proxy  
(in BLOCK letters)

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting. Members are requested to bring their copy of the Annual Report to the meeting.

## **BOOK-POST**

*If undelivered, please return to :*

  
**Northgate**<sup>™</sup>  
Com Tech Limited

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