



NorthgateTM
Com Tech Limited

**4th ANNUAL
REPORT**

2013-14

BOARD OF DIRECTORS

Name	Designation
Mr P Srinivasu	- Executive Director
Mr P Parthasarathi	- Director
Mr T Naresh Kumar	- Director
Mr Y Ramesh	- Director

REGISTERED OFFICE

GAMUT Square, D.No.8-2-686/8/B/1, 3rd Floor,
Road No. 12, Banjara Hills,
Hyderabad-500034, Telangana , India
Tel: +91-40-23548353
Fax:+91-40-23548537
URL: www.northgatetech.com
CIN : U72200TG2010PLC068624

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 Limited

INDEX

S.No.	Item	Page No.
1	Notice of Annual General Meeting	05
2	Directors' Report	15
3	Report on Corporate Governance	19
4	Management Discussion and Analysis	25
5	Consolidated Independent Auditors' Report	31
6	Consolidated Balance Sheet	33
7	Consolidated Statement of Profit and Loss Account	34
8	Consolidated Cash Flow Statement	35
9	Consolidated Notes on Accounts	36
10.	Statement U/S 129 of Companies Act, 2013	57
11.	Standalone Independent Auditors' Report	58
12.	Standalone Balance Sheet	63
13.	Standalone Statement of Profit and Loss Account	64
14	Standalone Cash Flow Statement	65
15	Standalone Notes on Accounts	66
16	Proxy Form / Attendance Slip	85 & 86

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourth (4th) Annual General Meeting of the Members of Northgate Com Tech Limited will be held on Tuesday, the 30th Day of September 2014 at 10.30 A.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 financial statements of the Company for the financial year ended March 31, 2014, the Reports of the Board of Directors and Auditors thereon and the audited consolidated financial statements of the Company for the year ended March 31, 2014.
2. To appoint a Director in place of Mr P.Srinivasu, (DIN :02950420) who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** subject to applicable provisions of Companies Act, 2013 read with Rules made there under M/s. Navitha and Associates, Chartered Accountants (Regn No. 012026S) Hyderabad be and are hereby appointed as Statutory Auditors of the Company for a block of Three (3) years from the conclusion of this Annual General Meeting until the conclusion of the 7th Annual General Meeting of the Company in the Calendar Year 2017 (subject to ratification by the members at every Annual General Meeting) at a Remuneration as may mutually be agreed upon between the Board of Directors and M/s. Navitha and Associates, Chartered Accountants.”

SPECIAL BUSINESS

4. Appointment of Shri T.Naresh Kumar (DIN: 00018575) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri T.Naresh Kumar (DIN: 00018575), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a

notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for Five (5) consecutive years for a term up to the conclusion of the 9th Annual General Meeting of the Company in the calendar year 2019.

5. Appointment of Shri P. Parthasarathi (DIN: 00004936) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution:**

RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri P. Parthasarathi (DIN: 00004936), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for Five (5) consecutive years for a term up to the conclusion of the 9th Annual General Meeting of the Company in the calendar year 2019.

6. Appointment of Shri. Y Ramesh (DIN: 02549429) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution:**

RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri. Y Ramesh (DIN: 02549429), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for Five (5) consecutive years for a term up to the conclusion of the 9th Annual General Meeting of the Company in the calendar year 2019.

Place: Hyderabad
Date: 03 September 2014

By Order of the Board
P. Srinivasu
Executive Director

NOTES

1. The Statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of the Special Business is annexed hereto.
2. **PROXIES**
 - a. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES (WHETHER MEMBER OR NOT) TO ATTEND AND VOTE INSTEAD OF HIMSELF OR HERSELF AND A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.**
 - b. A person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the company carrying voting rights, then such proxy shall not act as proxy for any other person or shareholder.
 - c. Members' voting rights shall be in proportion to his/her share of paid up equity share capital of the Company.
 - d. This notice (“**AGM Notice**”) is being sent to all the members, whose names appear in the Register of Members as on 30th August, 2014.
 - e. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
 - f. Members desirous of asking any questions at the General Meeting are requested to send their questions so as to reach the Company Registered office at least Seven (7) days before the General Meeting so that the same can be suitably replied to.
 - g. Members/ Proxies are requested to bring their attendance slip, sent herewith, duly filled in, for attending the meeting.
 - h. Proxy forms in order to be effective, must be deposited at the Registered Office of the Company, not later than 48 hours before the time fixed for the meeting.
 - i. Pursuant to Section 103 of the Companies Act, 2013 at least Thirty (30) members should be personally present to form quorum for a meeting of the Company.

- j. Members who have registered their e-mail Id for the receipt of documents in electronic mode are being sent AGM Notice by e-mail and others are sent by the permitted mode. Members who have received AGM Notice by e-mail and wish to vote physically can do the same by remaining present in the meeting.
- k. Documents specifically stated in the explanatory statement are open for inspection at the Registered office of the Company between 10:00 a.m. to 01:00 p.m. on all working days (except Saturdays, Sundays and public holidays) up to the date of AGM.
- l. The Company has notified closure of Register of Members and Share Transfer Books from 26th September, 2014 to 30th September, 2014 (both days inclusive).
- m. The business as set out in this AGM Notice may be transacted through electronic voting system and the Company will provide a facility for voting by electronic means. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of Companies (Management and Administration) Rules, 2014 the Company is pleased to offer the facility of voting through electronic means, as an alternate, to all its members to enable them to cast their votes electronically instead of casting their vote at the Meeting. Please note that the voting through electronic means is optional. The members who wish to vote physically in the meeting (instead of e-voting) can do the same by voting in the meeting dated 30th September, 2014.
- n. The voting through an electronic means will commence on 23rd September, 2014 at 10:00 a.m. and will end on 27th September, 2014 at 6.00 p.m. The members will not be able to cast their vote electronically beyond the date and time mentioned above.
- o. The Company has appointed M/s. A S Naidu & Co. Chartered Accountant (FRN: 008549S) to act as Scrutinizer for conducting the electronic voting process in a fair and transparent manner.
- p. The Procedure and instructions for the voting through electronic means is, as follows:
 - i. If you are holding shares in Demat form and had logged on to www.evotingindia.com and casted your vote earlier for EVSN of any company, then your existing login Id and password can be used.
 - ii. Log on to the e-voting website www.evotingindia.com, during the voting period from 23-09-2014 (10:00 a.m.) to 27-09-2014 (6.00 p.m.)
 - iii. Click on “Shareholders” tab.
 - iv. Select the Electronic Voting Sequence Number “EVSN” along with “COMPANY NAME” from the dropdown menu and click on “SUBMIT”

v. Fill up the following details in the appropriate boxes:

	For Members holding shares in Demat form	For Members holding shares in Physical form
User Id	For NSDL: 8 Charter DP ID following by 8 digits Client ID. For CDSL: 16 digits beneficiary ID	Folio Number registered with the Company
PAN*	Enter your 10 digit alpha-numeric PAN* issued by the Income Tax Department when prompted by the system while e-voting (applicable for both Demat shareholders as well as physical shareholders)	
DOB#	Enter the Date of Birth as recorded in your Demat account or in the company records for the said Demat account or Folio in dd/mm/yyyy format.	
Dividend Bank Details#	Enter the Dividend Bank details as recorded in your Demat account or in the company records for the said Demat account or Folio.	

Please enter any one of the details in order to login.

- vi. After entering these details appropriately, click on “SUBMIT” tab.
- vii. Members holding shares in physical form will then reach directly EVSN section screen. However, members holding shares in Demat form will now reach 'Password Creation' menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum Eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@#\$%&*). Kindly note that this password is also to be used by the Demat holders for voting on resolutions of any other company for which they are eligible to vote, provided that such company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- viii. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- ix. Click on the relevant EVSN on which you choose to vote.
- x. On the voting page, you will see Resolution Description and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent the Resolution and option NO implies that you dissent to the Resolution.
- xi. Click on the “Resolutions File Link” if you wish to view the entire Resolutions.
- xii. After selecting the Resolution which you have decided to vote on, click on “SUBMIT. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote click on “CANCEL” and accordingly modify your vote.

- xiii. Once you “ CONFIRM” your vote on the Resolution, you will not be allowed to modify your vote.
- q. In case Members receiving the physical copy of Notice of AGM [for members whose e-mail IDs are not registered with the company/depository participant(s) or requesting physical copy] :
- i. Please follow all steps from Sl.No. (ii) to Sl.No. (Xiii) above, to cast vote.
 - ii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.,) are required to log on to <https://evotingindia.co.in> and register themselves as Corporates. After receiving the login details, they have to link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote.
 - iii. The voting period begins on September 23, 2014 at 10:00 a.m. and ends on September 27, 2014 at 6.00 p.m. During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the book closer date of 26th September, 2014 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change in subsequently.
 - iv. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com, cs@northgatetech.com or rta@cilsecurities.com .
- r. Kindly note that the members can opt only one mode of voting i.e. either by physical voting or e-voting. If you are opting for e-voting, then you are not eligible for physical voting. However, once the vote on resolution is cast by the shareholder by e-voting, he shall not be allowed to change it subsequently at the physical meeting.
- s. The Scrutinizer will submit his/her report addressed to the Chairman within a period not exceeding three working days from the date of conclusion of e-voting period. The result of the voting on Resolutions at the meeting shall be announced by the Chairman on 30th September, 2014. The results declared along with the Scrutinizer's report, will be posted on the Company's website and on [CDSL's website] and stock exchanges on or after 30th September, 2014.

By order of the Board
Northgate Com Tech Limited

Sd/-
P. Srinivasu
Executive Director

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013:**Item No- 4,5 & 6: APPOINTMENT OF INDEPENDENT DIRECTORS**

Shri Mr.T.Naresh Kumar (DIN: 00018575), Shri P. Parthasarathi (DIN: 00004936) and Shri Y Ramesh (DIN: 02549429) are Independent directors.

The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement *inter alia* stipulating the conditions for the appointment of independent directors by a listed company. It is, therefore, proposed to appoint Shri Mr.T.Naresh Kumar (DIN: 00018575), Shri P. Parthasarathi (DIN: 00004936) and Shri Y Ramesh (DIN: 02549429) as Independent Directors under Section 149 of the Act and the Clause 49 of the Listing Agreement to hold office for Five (5) consecutive years for a term up to the conclusion of the 9th Annual General Meeting of the Company in the calendar year 2019.

Shri Mr.T.Naresh Kumar (DIN: 00018575), Shri P. Parthasarathi (DIN: 00004936) and Shri Y Ramesh (DIN: 02549429) are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors.

The Company has received notices in writing from members proposing the candidature of each of Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh for the office of Directors of the Company.

The Company has also received declaration from Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh, that they meet with the criteria of independence as prescribed both under sub-Section (6) of Section 149 of the Companies Act, 2013 and under the Clause 49 of the Listing Agreement.

In the opinion of the Board, Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh fulfill the conditions for appointment as Independent Directors as specified in the Act and the Listing Agreement. Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh are independent of the Management.

Brief resume of Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ Chairmanships of Board of Committees, Shareholding and relationships between directors *inter se* as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.

Copy of the draft letters for respective appointments of Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh, are available for inspection by Members at the Registered office of the company during normal business hours on all working days, except on Saturdays.

This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh and their relatives are interested in the respective resolution as set out in Item Nos. 4, 5,& 6 of the Notice with regard to their respective appointments.

The relatives of Shri Mr.T.Naresh Kumar, Shri P. Parthasarathi and Shri Y Ramesh may be deemed to be interested in the resolutions as set out at item Nos. 4, 5 & 6 of the Notice, to the extent of their shareholding interest, if any of the company.

None of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP, are concerned or interested in the Resolutions as set out at Item No. 4, 5 & 6 of the Notice.

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

Place : Hyderabad
Date : September 03, 2014

By Order of the Board
P. Srinivasu
Executive Director

EXPLANATORY STATEMENT AS PER THE CLAUSE 49 OF THE LISTING AGREEMENT:

Name of the Director	Mr. T. Naresh Kumar
DIN	00018575
Date of Birth	21/08/1961
Type of Appointment	Director not liable to retire by rotation
Date of appointment/re-appointment	16-07-2012
Areas of specialization	Expert in business matters
Qualification	B.Sc & BE
No. of shares held in company	80779
List of directorships held outside public limited companies	01. Green Fire Agri Commodities Limited
Chairman/Member of the committee of the Board of Directors of this Company	Member in 1) Audit Committee and 2) Member in Compensation/Remuneration Committee
Chairman/Member of the committee of the Board of Directors of other Companies	Member in 1) Audit Committee and 2) Member in Compensation/Remuneration Committee
Relation with Key Managerial Personnel and Directors	NIL
Justification for appointment	His business expertise will be utilized for the overall business development of the Company.

Name of the Director	Mr. P.Parthasarathi
DIN	00004936
Date of Birth	27/10/1948
Type of Appointment	Director not liable to retire by rotation
Date of appointment/re-appointment	01-04-2011
Areas of specialization	Finance & Accounts
Qualification	FCA
No. of shares held in company	NIL
List of directorships held outside public limited companies	01.Green Fire Agri Commoditeis Limited 02.Social Media India Limited 03.Citi Port Financial Services Limited
Chairman/Member of the committee of the Board of Directors of this Company	a) Chairman Audit Committee b) Chairman-Compensation/Remuneration Committee; c) Member-Shareholders/Investor Grievance Committee
Chairman/Member of the committee of the Board of Directors of other Companies	a)Chairman Audit Committee b) Chairman-Compensation/Remuneration Committee; c) Member-Shareholders/Investor Grievance Committee
Relation with Key Managerial Personnel and Directors	NIL
Justification for appointment	His wide expertise in finance and accounting will be utilized to the financial management of the company

Name of the Director	Mr. Y. Ramesh
DIN	02549429
Date of Birth	04/06/1961
Type of Appointment	Director not liable to retire by rotation
Date of appointment/re-appointment	16-07-2012
Areas of specialization	Business affairs
Qualification	B.Com
No. of shares held in company	NIL
List of directorships held outside public limited companies	01.Green Fire Agri Commodities Limited
Chairman/Member of the committee of the Board of Directors of this Company	1)Member in Audit Committee 2) Member in Compensation/Remuneration committee. 3) Member in Shareholders/Investor Grievance Committee
Chairman/Member of the committee of the Board of Directors of other Companies	1)Member in Audit Committee 2) Member in Compensation/Remuneration committee. 3)Member in Shareholders/Investor Grievance Committee
Relation with Key Managerial Personnel and Directors	NIL
Justification for appointment	Expertise in business affairs

FOR THE ATTENTION OF THE MEMBERS:

- Members are requested to send intimation of any changes in their addresses, applications for demat shares, application for transfer of shares and any related correspondence to the Company's Share Transfer Agent, M/s. CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad-500 001, Telangana, Ph. No. 040-23203155, Email: rta@cilsecurities.com.

Sending notices and documents to shareholders through email:

As a part of “Green Initiative” in Corporate Governance, the Ministry of Corporate Affairs has allowed sending communication to the shareholders through electronic mode. Accordingly, we propose to send documents like notices convening general meetings, Annual Reports, etc., to the email addresses of the shareholders. For this purpose, shareholders holding shares in physical form are requested to register their valid email address and any changes therein from time to time with the Share Transfer Agents of the Company **M/s. CIL Securities Limited** at their postal address/ email address given above. Please give the details in the attached format for registering your email ID. Those holding shares in demat form are requested to register their email IDs with their Depository Participants.

DIRECTORS REPORT

(Section 134 of the Companies Act, 2013 is notified effective from 01.04.2014 which deals with the Board's Report. However, pursuant to issue of General Circular No.8/2014 dated April 4, 2014 by the Ministry of Corporate Affairs, disclosures under this report are made as per the provisions of Section 217 and other relevant rules applicable under the Companies Act, 1956)

TO THE MEMBERS OF NORTHGATE COMTECH LIMITED

Your Directors have pleasure in presenting the Fourth Annual Report together with the Audited Accounts for the year ended 31st March, 2014.

FINANCIAL HIGHLIGHTS:

<u>Particulars</u>	(₹ lakhs)			
	<u>Consolidated</u>		<u>Standalone</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue				
Revenue from operations	3,706.82	2,678.77	623.57	343.06
Other income	98.47	79.25	12.32	14.82
Expenses				
Operating expenses	2,589.16	2,030.05	381.32	223.30
Employee benefits expense	317.29	378.61	176.10	100.19
Finance costs	138.76	204.91	75.40	82.28
Depreciation expense	30.08	71.75	3.90	6.16
Other expenses	1,354.81	1,129.30	-	-
Provision for impairment of assets	-	-	-	-
Profit/(Loss) Before Tax	(624.81)	(1,056.60)	(0.84)	(54.05)
Less: Tax Expense	5.21	-	-	-
Profit/(Loss) After Tax	(630.02)	(1,056.60)	(0.84)	(54.05)
Earnings / (Loss) per share				
- Basic	(1.29)	(3.05)	(0.001)	(0.16)
- Diluted	(1.29)	(3.05)	(0.001)	(0.16)

REVIEW OF OPERATIONS:

For the financial year ended March 31, 2014, your Company achieved revenues of ₹ 3,706 Lakhs as against ₹ 2,678 Lakhs during the previous financial year on consolidated basis. The company incurred a consolidated Net Loss ₹ 630 lakhs compared to ₹ 1,057 lakhs in the previous financial year. The main reason was due to provision/write off of advances and bad debts to the extent of ₹ 1,094 lakhs and a loss to the extent of ₹ 10.25 lakhs due to fire accident occurred at the company's registered office.

Attention of Members is drawn to an extensive damage caused by the major Fire Accident due to short circuit at the then registered office of the Company at “Karthek House”, No.8-2-293/174/A25, Ground & First Floor, Road No.14, Banjara Hills, Hyderabad-500034, which completely destroyed the physical records, Registers and other documents up to 10.02.2014 and also affected the Data Processing Equipment, including Computers and Servers placed in that registered office. The Company has taken steps for recovering the data from the Back-up systems.

DIRECTORS:

In accordance with Sections 149, 150, 152 & other applicable provisions if any, of the Companies Act, 2013 Mr P.Srinivasu, (DIN :02950420), Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. T.Naresh Kumar, Mr.P.Parthasarathi and Mr.Y.Ramesh, Independent Directors of the Company be and are hereby appointed for a period of block of 5 years and not liable to retire by rotation.

AUDITORS:

The Statutory Auditors, M/s Navitha and Associates, Chartered Accountants, retire at this Annual General Meeting. The Board of Directors, pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 read with Rules made thereunder, recommends appointment of M/s Navitha and Associates, Chartered Accountants, as Statutory Auditors of the Company for a period of block of three (3) years from conclusion of this Annual General Meeting till the conclusion of 7th Annual General Meeting in the calendar year of 2017.

PUBLIC DEPOSITS:

The Company has not accepted any deposits within the meaning of Companies Act, 2013 and the rules framed there under.

PARTICULARS OF EMPLOYEES:

None of the employees are in receipt of the remuneration as set out under the Companies Act, 2013 and read with Rules made thereunder and as such the statement as required under the Companies Act, 2013 is not applicable.

SUBSIDIARIES:

Your Company has one subsidiary namely Social Media India Limited.

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 31,2014. 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 information of the subsidiary companies will be kept open for inspection by any Member, at the registered office of the Company and the registered offices of the subsidiaries during office house of the Company.

LISTING OF SHARES

The shares of the company will be listed on National Stock Exchange. The listing fee for the year 2014-15 has already been paid to the NSE.

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 134(3) (c) of the Companies Act, 2013, your Directors confirm the following:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relation to material departures;
- (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; and
- (v) that the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- (vi) that the directors had devised systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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 under review, as given below:

Foreign Exchange Earnings and Outgo:

	For the Year ended March 31	
	<u>2014</u>	<u>2013</u>
Foreign Exchange Earnings.....	379.00	224.30
Foreign Exchange outgo.....	Nil	Nil

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 : 03.09.2014

Sd/-
P. Srinivasu
Executive Director

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 Executive Chairman and morethan 50% 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 ...	01	20%
Executive Director	01	20%
Non-Executive Director	00	00%
Non-Executive and Independent Director	03	60%
Total	<u>05</u>	<u>100%</u>

*Resigned w.e.f. 14.08.2014

b) Attendance of each Director at the Board Meetings held during year 2013-14 and at the Last Annual General Meeting;

Sl. No.	Name and Designation of the Director	Board Meetings held during the year	Board Meetings Attended during the year	Attendance at Last AGM (Yes/No)
1	Mr Venkat S Meenavalli, Chairman	05	05	Yes
2	Mr P Srinivasu, Executive Director	05	05	Yes
3	Mr P Parthasarathi, Director	05	05	Yes
4	Mr T Naresh Kumar, Director	05	05	Yes
5	Mr Y Ramesh, Director	05	05	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	1
Mr Venkat S Meenavalli	5	Nil	Nil	Nil
Mr P Srinivasu	Nil	3	1	Nil
Mr T Naresh Kumar	Nil	1	Nil	2
Mr Y Ramesh	Nil	1	Nil	3

@Directorships in Foreign Companies are excluded

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

The Board of Directors met 5 times during the year 2013-14 on May 30, 2013, June 10, 2013, September 07, 2013, October 28, 2013 and February 14, 2014.

3. AUDIT COMMITTEE

The Audit Committee was constituted in terms of Section 177 of the Companies Act, 2013 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

The Board of Directors met 2 times during the year 2013-14 on November 15, 2013, February 14, 2014.

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 Nomination and Remuneration 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. STAKEHOLDERS RELATIONSHIP COMMITTEE:

The composition of the Stakeholders Relationship 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 Stakeholders Relationship 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 2013-14	No. of Investor's Complaints resolved during the financial year 2013-14	Investor Complaints pending at the end of financial year 2013-14
0	0	Nil

6. GENERAL BODY MEETING

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

<u>Financial year ended</u>	<u>Date</u>	<u>Venue</u>	<u>Time</u>
March 31, 2013	30.09.2013	Kalinga Cultural Trust, Plot No.1269, Road No.12, Banjara Hills, Hyderabad-500034	12.30 P M
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.

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	: 30th September, 2014
Time	: 10.30 AM
Venue	: Kalinga Cultural Trust, Banjara Hills, Hyderabad

ii. **Financial Year** : 1st April to 31st March

iii. **Date of Book Closure** : 26th September to 30th September, 2014
(Both days inclusive)

iv. **Listing on Stock Exchange** : National Stock Exchange

v. **Stock Symbol & Code** : NGCT

vi. **Market price data** : High/Low during the each month in the financial year, 2013-14 and performance in comparison to broad based indices, NSE' Nifty.

Month & Year	NSE (in ₹)		NSE NIFTY	
	High	Low	High	Low
April 2013	NA	NA	5962.30	5477.20
May 2013	NA	NA	6229.45	5910.95
June 2013	NA	NA	6011.00	5566.25
July 2013	NA	NA	6093.35	5675.75
August 2013	NA	NA	5808.5	5118.85
September 2013	NA	NA	6142.5	5318.9
October 2013	NA	NA	6309.05	5700.95
November 2013	3.40	2.30	6342.95	5972.45
December 2013	5.80	2.85	6415.25	6129.95
January 2014	3.30	2.50	6358.30	6027.25
February 2014	1.95	1.90	6282.70	5933.30
March 2014	2.40	1.95	6730.05	6212.25

*The Company Shares were listed and commenced trading wef November 12, 2013.

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 (As on 31st March, 2014):

<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	13358	70.66	2472377	5.04
501-1000	2446	12.94	2109638	4.30
1001-2000	1349	7.14	2146108	4.38
2001-3000	544	2.88	1419713	2.90
3001-4000	265	1.40	968556	1.98
4001-5000	248	1.31	1190382	2.43
5001-10000	329	1.74	2470871	5.04
10001-above	366	1.94	36240945	73.93
Total	<u>18905</u>	<u>100</u>	<u>49018590</u>	<u>100</u>

vii. Dematerialization of shares and Liquidity:

As on 31st March 2014, 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
D.No.8-2-686/8/B/1, 3rd Floor, GAMUT SQUARE, Road No-12,
Banjara Hills, Hyderabad 500034, Telangana. India

11. WHISTLE BLOWER POLICY:

The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior. The Company has a whistle blower policy wherein the employees are free to report violations of laws, rules, regulations or unethical conduct of their immediate supervisor or such other person as may be notified by the management to the workgroups. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

MANAGEMENT DISCUSSION & ANALYSIS

Overview

Our principal business is online advertising services. Through this service, we aggregate, position and track Internet advertisements for online advertising agencies and other advertisers on websites controlled by third parties or by ourselves (collectively, “publishers”) with the goal of increasing awareness and actions through the Internet in respect of the advertised products. We earn revenues based on the number of Internet-user impressions, leads, sales or other actions that these advertisements generate. Our key own web properties include www.globe7.com (“Globe7”), www.bharatstudent.com (“bharatstudent.com”).

According to MAGNA GLOBAL the global advertising market to grow by +3.0% this year, to \$486 billion, thus slowing down from 2012 (+3.9%), and then accelerate by +6.1% in 2014, to \$515 billion. Compared to MAGNA's previous forecasts, published in December 2012, this represents a small downgrade for 2013 (-0.1%) and a small increase for 2014 (+0.1%). MAGNA's analysis covers ad market conditions in 73 individual markets, adding three new markets this time: Sri Lanka, Pakistan and Kenya.

The predicted acceleration in ad revenues is in line with expectations of accelerated economic growth in the second half of 2013 and throughout 2014. In its April 2013 report, the IMF predicted 2013 real GDP growth to reach +3.3% globally and 2014 to accelerate to +4.0% in 2014. Although the economic forecast is still modest for developed markets (+1.2% and then +2.2%) and for Europe in particular (+0% and then +1.3%), it will in many cases bring the economic environment to the point where business growth triggers not only ad spend growth but, in some markets, faster-than-GDP growth. In markets where marketers have been cautious, they may at last switch from optimization mode to expansion mode.

Digital media will continue their double-digit growth in 2013, as ad revenues will increase +13.4% to \$113.6 billion. Growth will be driven by search (+14.6% to \$52 billion), video (+21% to \$6.6 billion), mobile formats (+54% to \$12 billion) and social formats (+39.6% to \$8.2 billion). Other formats will barely grow, and actually decline in many markets due to the commoditization and deflation of display inventory.

Factors that may affect Results of Operations

Except as otherwise stated in this IM, the Risk Factors given in this Offer Document and the following important factors could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;

As a company operating in India, it is affected by the general economic conditions in the country. The Indian economy has grown steadily over the past several years. This improved performance was propelled by the growth in industrial activity and robust services sector. The overall economic growth will therefore impact the results of its operations. The growth prospects of the business of the Company and its ability to implement the strategies will be influenced by macroeconomic growth.

- Our ability to successfully implement its strategy and its growth and expansion plans; Our growth plans are considerable and would put significant demands on our management team and other resources. Any delay in implementation of its strategy and its growth and expansion plans could impact the Company's product roll out schedules and cause time over runs.
- Fluctuations in the Stock Market; Any volatile fluctuation in the stock markets may have a significant impact on the profitability of the Company.
- Changes in fiscal, economic or political conditions in India; External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain our ability to do business and negatively affect our financial performance.
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism; Factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could constrain our ability to do business, increase the costs and negatively affect our performance. These geopolitical, social and economic conditions could result in increased volatility in India and worldwide financial markets and economy, and such volatility could constrain our ability to do business.
- Changes in the foreign exchange control regulations, interest rates and tax laws in India. Any change in the foreign exchange control regulation, mainly interest rates and tax laws pertaining to India affects the liquidity of cash in the market which in turn affects the purchasing power of the economy.

Consolidated Financial Performance**(₹ lakhs)****Particulars****For the year ended March 31****2014****2013****Revenue**

Revenue from Operations	3,706.82	2,678.77
Other income	98.47	79.25
Total Revenue	3,805.29	2,758.02

Expenditure

Operating expenses	2,589.16	2,030.05
Employee benefits expense	317.29	378.61
Finance costs	138.76	204.91
Depreciation expense	30.08	71.75
Other expenses	1,354.81	1,129.30
Provision for impairment of assets	-	-
Total Expenses	4430.10	3,814.62
Profit/(Loss) Before Tax	(624.81)	(1,056.60)
Less: Tax Expense	-	-
Profit/(Loss) After Tax	(630.02)	(1,056.60)
Earnings / (Loss) per share		
- Basic	(1.29)	(3.05)
- Diluted	(1.29)	(3.05)

Income from operations

The revenues increased to ₹ 3,706.82 lakhs in FY'14 from ₹ 2,678.77 lakhs in FY'13. The revenues from online advertisement.

Gross Profit/ Loss

During the FY'14 the company recorded loss of ₹ 624.81 lakhs against loss of ₹ 1,056.60 lakhs in FY'13.

Net Profit/ (Loss)

In FY'14 net loss of ₹ 630.02 lakhs was recorded against net loss of ₹ 1,056.60 lakhs in FY'13.

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: 03 September 2014

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, 2014, 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.

Place: Hyderabad
Date: 03 September 2014

Sd/-
S Sarveswar Reddy
Practicing Company Secretary
CP No. 7478

**DECLARATION ON CODE OF CONDUCT UNDER CLAUSE 49(1)(D) BY CHAIRMAN AND
MANAGING DIRECTOR OF THE COMPANY**

I hereby declare that all the Members of the Board and Senior Management of the Company have complied with all the provisions of the Code of Conduct.

Place: Hyderabad
Date: 03 September, 2014

For Northgate Com Tech Limited
Sd/-
P. Srinivasu
Executive Director

INDEPENDENT AUDITORS' REPORT**To The Board of Directors 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 2014, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year 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 the Accounting Standards notified under the Companies Act, 1956 (the Act) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs). 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, 2014;
 - (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 25 % of total assets, 62 % of total revenues and other income and 43% 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 : 30-05-2014

Navitha K
Proprietor
M.No: 221085

Consolidated Balance Sheet as at 31 March 2014*(all amounts in Indian Rupees, except share data and otherwise stated)*

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital.....	2.1	490,185,900	490,185,900
Reserves and surplus.....	2.2	(473,791,628)	(413,583,347)
		16,394,272	76,602,553
Non-current liabilities			
Long term provisions.....	2.3	615,818	661,850
		615,818	661,850
Current liabilities			
Short-term borrowing.....	2.4	97,169,507	96,430,948
Trade payables.....	2.5	123,419,678	103,650,848
Other current liabilities.....	2.6	30,232,278	25,765,929
Short term provisions.....	2.7	20,751,421	20,252,794
		271,572,884	246,100,519
		288,582,974	323,364,922
ASSETS			
Non current assets			
Fixed assets.....	2.8		
- Tangible assets.....		3,650,310	5,396,230
- Intangible assets.....		-	347,482
Other non current assets.....	2.9	44,160,102	48,392,294
		47,810,412	54,136,006
Current assets			
Trade receivables.....	2.10	140,398,667	143,743,031
Cash and bank balances.....	2.11	3,966,970	5,232,647
Short term loan and advances.....	2.12	96,406,925	120,253,238
		240,772,562	269,228,916
		288,582,974	323,364,922

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

P. Srinivasu
Executive Director

Venkata S Meenavalli
Director

K. Vijayasree
Company Secretary

Place: Hyderabad
Date: 30 May 2014

Place: Hyderabad
Date: 30 May 2014

Consolidated Statement of Profit and Loss for the year ended 31 March 2014

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

	<u>Note</u>	<u>For the year ended 31 March 2014</u>	<u>For the year ended 31 March 2013</u>
Revenue			
Revenue from operations.....	2.13	370,682,085	267,877,239
Other income.....	2.14	9,847,117	7,925,441
Total revenue		<u>380,529,202</u>	<u>275,802,680</u>
Expenses			
Operating expenses.....	2.15	258,916,670	203,005,338
Employee benefits expense.....	2.16	31,728,574	37,860,731
Finance costs	2.17	13,876,498	20,491,391
Depreciation and amortisation.....	2.8	3,007,537	7,174,752
Other expenses	2.18	135,481,141	112,930,079
Total expenses		<u>443,010,420</u>	<u>381,462,291</u>
Profit/(Loss) before extraordinary items and tax		<u>(62,481,218)</u>	<u>(105,659,611)</u>
Extraordinary items		-	-
Profit/(Loss) before tax		<u>(62,481,218)</u>	<u>(105,659,611)</u>
Tax expense			
- Earlier year's tax.....		-	-
- Current tax.....		520,764	-
- MAT entilement		-	-
Loss for the year		<u>(63,001,982)</u>	<u>(105,659,611)</u>
Earnings per share - par value ₹ 10 per share			
Basic.....	2.21	(1.29)	(3.05)
Diluted.....		(1.29)	(3.05)

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

P. Srinivasu
Executive Director

Venkata S Meenavalli
Director

K. Vijayasree
Company Secretary

Place: Hyderabad
Date: 30 May 2014

Place: Hyderabad
Date: 30 May 2014

Consolidated Cash Flow Statement for the year ended 31 March 2014*(all amounts in Indian Rupees)*

	For the year ended 31 March 2014	For the year ended 31 March 2013
I. Cash flows from operating activities		
Loss before tax	(62,481,218)	(105,659,611)
Adjustments:		
Depreciation and amortisation	3,007,537	7,174,752
Interest expense	13,876,498	20,491,391
Bad and doubtful debts written off	99,209,791	86,406,425
Bad and doubtful advance written off	10,207,173	-
Creditors written back	(5,112,202)	(1,877,163)
Fixed assets discarded/written off, net	2,564,037	-
Loss on sales of fixed assets	-	2,618,369
Interest income	(90,000)	(6,038,926)
Unrealised foreign exchange loss	(2,954,397)	31,827,502
Operating cash flow before working capital changes	58,227,219	34,942,739
(Increase)/Decrease in trade receivable	(95,865,428)	137,448,592
(Increase)/Decrease in loans and advances	28,078,505	41,129,561
Increase/(Decrease) in current liabilities and provisions	24,687,773	(227,592,261)
Operating cash flow after working capital changes and taxes	15,128,069	(14,071,369)
Taxes paid	-	-
Net cash used in operating activities	15,128,069	(14,071,369)
II. Cash flows from investing activities		
Purchase of fixed assets	(3,345,807)	(268,940)
Proceeds from sale of fixed assets	-	2,508,786
Interest received on deposits and inter corporate deposit	90,000	6,038,926
Net cash from investing activities	(3,255,807)	82,78,772
III. Cash flows from financing activities		
Proceeds from availment of cash credit facility, net	738,559	16,452,489
Interest paid	(13,876,498)	(20,491,391)
Net cash used in financing activities	(13,137,939)	(4,038,902)
Net increase in cash and cash equivalents	(1,265,677)	(9,831,499)
Cash and cash equivalents at the beginning of the year	5,232,647	15,064,146
Cash and cash equivalents at the end of the year	3,966,970	5,232,647

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 2014

for **Northgate Com Tech Limited**

P. Srinivasu
Executive Director

K. Vijayasree
Company Secretary

Place: Hyderabad
Date: 30 May 2014

Venkata S Meenavalli
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.

Entity	Country of incorporation	% of Holding
<u>Subsidiaries</u>		
Northgate Investments Pte Limited	A company organised under the laws of Singapore	100
Adgog UK Limited (Formerly Globe7 UK Limited)	A company organised under the laws of United Kingdom	100
<u>Step-down subsidiaries</u>		
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*

These consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis, except for certain financial instruments which are measured at fair value. These financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under the Companies Act, 1956 (“the Act”) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India and the other relevant provisions of the 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

Significant accounting policies (continued)

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.

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.

Significant accounting policies (continued)

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 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

Significant accounting policies (continued)

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 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".

Significant accounting policies (continued)

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

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.

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>Particulars</u>	<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
2.1 Share capital		
<i>Authorised*</i>		
Equity shares		
50,000,000 (previous year : 50,000,000) equity of ₹10 each.	500,000,000	500,000,000
	<u>500,000,000</u>	<u>500,000,000</u>
<i>Issued, subscribed and fully paid up</i>		
49,018,590 (previous year : 49,018,590) equity shares of ₹10 each fully paid up	490,185,900	490,185,900
	<u>490,185,900</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 ₹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.

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

<u>Particulars</u>	<u>As at 31 March 2014</u>		<u>As at 31 March 2013</u>	
	<u>No.</u>	<u>Amount in ₹</u>	<u>No.</u>	<u>Amount in ₹</u>
Shares outstanding at the beginning of the year	49,018,590	490,185,900	50,000	500,000
Shares issued during the year	-	-	49,018,590	490,185,900
Less Shares cancelled as per Scheme 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>49,018,590</u>	<u>490,185,900</u>

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

<u>Name of Shareholder</u>	<u>As at 31 March 2014</u>		<u>As at 31 March 2013</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	4,500,000	9.18
India Focus Cardinal Fund	3,814,949	7.78	3,814,949	7.78
Meenavalli Venkatas Srinivas	3,254,586	6.64	3,254,586	6.64
Meenavalli Usha Rani	3,226,360	6.58	3,226,360	6.58
Albula Investment Fund Limited	2,832,492	5.78	2,832,492	5.78

Notes on consolidated financial statements (continued)

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

2.2 Reserves and surplus	<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
General reserve	120,682,325	120,682,325
Deficit in the statement of profit and loss		
Balance at the beginning of the year	(580,166,553)	(474,506,939)
Add: Net loss for the year	(63,001,982)	(105,659,614)
Balance at the end of the year	<u>(643,168,535)</u>	<u>(580,166,553)</u>
Foreign currency translation reserve		
Balance at the beginning of the year	45,900,881	16,292,311
Add: Translation of foreign subsidiaries with non-integral operations	2,793,701	29,608,570
Balance at the end of the year	<u>48,694,582</u>	<u>45,900,881</u>
Total	<u>(473,791,628)</u>	<u>(413,583,347)</u>
2.3 Long term provisions	<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
Provision for employee benefits		
Gratuity (Refer note : 2.26)	565,769	604,177
Compensated absences	50,049	57,673
	<u>615,818</u>	<u>661,850</u>
2.4 Short term borrowing		
<i>Secured loan from bank repayable on demand - Cash credit *</i>	84,269,159	81,418,208
Secured loan from bank against vehicle	437,608	-
Un secured loan**	12,462,740	15,012,740
	<u>97,169,507</u>	<u>96,430,948</u>

*Cash credit amounting to ₹ 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 ₹ 80,000,000 and base rate + 7.50 % for cash credit outstanding over and above ₹ 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, Singapore (step down subsidiary) and Greenfire Agri Commodities Limited (formerly Northgate Technologies Limited).

** Unsecured loan amounting to ₹ 15,000,000 availed to repay the adhoc limits taken by the company for working capital purposes received interest free loan from Mr Venkat Srinivas Meenavalli, Mr P.Srinivasu and Mr Shaik Gouse to be repayable on demand.

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

2.5 Trade payables	As at 31 March 2014	As at 31 March 2013
Trade payables		
- Amounts due to Micro, Small and Medium Enterprises (Refer note : 2.28).....	-	-
- Others.....	123,419,678	103,650,848
	<u>123,419,678</u>	<u>103,650,848</u>
 2.6 Other current liabilities		
Advance from customers.....	800,000	-
Employee payables	1,982,721	2,263,201
Statutory liabilities	13,886,502	12,633,129
Provision for expenses.....	13,563,055	10,869,599
	<u>30,232,278</u>	<u>25,765,929</u>
 2.7 Short term provisions		
Provision for employee benefits		
Gratuity.....	16,011	29,599
Compensated absences.....	19,555	17,771
Others		
Provision for taxation.....	20,715,855	20,205,424
	<u>20,751,421</u>	<u>20,252,794</u>

Notes on consolidated financial statements (continued)

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

2.8 Fixed Assets

Particulars	Gross Block				Depreciation/Amortisation				Net Block		
	As at April 1, 2013	Additions	Foreign Exchange Adjustment	Deletions	As at March 31, 2014	As at April 1, 2013	For the year	Foreign Exchange Adjustment	On Deletions	As at March 31, 2014	As at March 31, 2013
Tangible Fixed Assets											
Plant and Machinery	60,953,588	-	-	449,040	60,504,548	60,614,933	21,329	-	131,714	60,504,548	-
Computers	8,432,970	2,235,837	520,258	536,811	10,652,254	6,613,391	1,849,420	478,229	115,526	8,825,514	1,819,579
Furniture and Fixtures	3,381,960	21,998	-	2,968,958	435,000	2,844,305	52,479	-	2,724,866	171,918	263,082
Office Equipment	8,427,864	529,882	-	8,336,600	621,146	6,394,472	758,865	-	7,074,560	78,777	542,369
Vehicles	1,403,421	558,090	-	43,380	1,918,131	736,472	206,920	-	43,380	900,012	1,018,119
Total	82,599,803	3,345,807	520,258	12,334,789	74,131,079	77,203,573	2,889,013	478,229	10,090,046	70,480,769	3,650,310
Intangible Fixed Assets											
Software	146,185,810	-	15,489,033	571,250	161,103,593	145,838,344	118,524	15,489,020	342,295	161,103,593	-
Total	146,185,810	-	15,489,033	571,250	161,103,593	145,838,344	118,524	15,489,020	342,295	161,103,593	-
Total	228,785,613	3,345,807	16,009,291	12,906,039	235,234,672	223,041,917	3,007,537	15,967,249	10,432,341	231,584,362	3,650,310
Previous Year	364,990,824	2,68,940	20,313,168	95,011,144	290,561,788	346,872,375	7,174,752	23,209,447	92,438,498	284,818,076	5,743,712

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

2.9 Other non current assets	As at 31 March 2014	As at 31 March 2013
<i>Unsecured, considered good</i>		
Security deposit	1,397,155	2,995,680
Prepaid expenses	1,593,875	1,276,053
Advance tax	22,112,211	25,167,911
Balances with government authorities	19,056,861	18,952,650
	<u>44,160,102</u>	<u>48,392,294</u>
2.10 Trade receivables		
Outstanding for a period more than six months from the date they are due for payment		
- Considered good	3,680,269	90,868,003
- Considered doubtful	158,256,722	69,041,688
Other debts, considered good	136,718,398	52,875,028
	<u>298,655,389</u>	<u>212,784,719</u>
Less: Bad debts written off	84,673,022	-
Less: Provision for doubtful debts	73,583,700	69,041,688
	<u>140,398,667</u>	<u>143,743,031</u>
2.11 Cash and bank balances		
Cash and cash equivalents		
Cash on hand	16,684	12,917
Balance with banks		
- in current accounts	2,950,286	4,219,730
	<u>2,966,970</u>	<u>4,232,647</u>
Other bank balances		
Deposits with maturity more than 3 months but less than 12 months	1,000,000	1,000,000
	<u>3,966,970</u>	<u>5,232,647</u>
2.12 Short term loan and advances		
<i>Unsecured, considered good</i>		
Advances given to vendors	87,158,333	96,810,513
Loans and advances to related parties	-	19,667,508
MAT credit	6,554,083	-
VAT receivable	299,109	398,788
Prepaid expenses	426,905	40,615
Others advances	1,968,495	3,335,814
	<u>96,406,925</u>	<u>120,253,238</u>

Notes on consolidated financial statements (continued)

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

	For the year ended 31 March 2014	For the year ended 31 March 2013
2.13 Revenue from operations		
Revenue from advertisements	370,682,085	267,877,239
	<u>370,682,085</u>	<u>267,877,239</u>
2.14 Other income		
Interest on fixed deposits	90,000	262,941
Interest on inter corporate deposits	-	5,775,985
Recovery from debtors written off	4,196,954	-
Foreign exchange gain, net	250,299	9,352
Creditors written back	5,112,202	1,877,163
Miscellaneous income	197,662	-
	<u>9,847,117</u>	<u>7,925,441</u>
2.15 Operating expenses		
Cost of advertisement space	142,369,506	159,490,012
Data centre charges	7,804,287	8,500,994
Campaign expenses	71,811,135	-
Cost of content acquisition	1,696,309	2,483,598
Media exchange tech fee	34,457,203	31,507,863
Hoardings rental expense	778,230	1,022,871
	<u>258,916,670</u>	<u>203,005,338</u>
2.16 Employee benefits expense		
Salaries	30,097,621	35,322,052
Contribution to provident fund and other funds	910,301	1,579,256
Staff welfare expenses	720,652	959,423
	<u>31,728,574</u>	<u>37,860,731</u>
2.17 Finance cost		
Interest on secured loan	13,876,498	20,491,391
	<u>13,876,498</u>	<u>20,491,391</u>

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

2.18 Other expenses	For the year ended 31 March 2014	For the year ended 31 March 2013
Rent	6,942,849	6,519,198
Professional charges	5,902,429	5,365,739
Rates and taxes	323,586	1,893,894
Communication expenses	1,651,616	1,988,317
Power and fuel	1,870,185	1,460,008
Printing and stationery	328,019	598,693
Repairs and maintenance	850,926	1,032,340
Travelling expenses	1,483,806	987,479
Bank charges	2,666,429	2,330,792
Loss on sales of fixed Assets	-	2,618,369
Fixed assets written off/ discarded	2,564,037	-
Advance written off	925,000	-
Provision for advances	9,282,173	-
Bad debts written off	85,939,046	26,671,703
Provision for debtors	13,270,745	59,734,722
Miscellaneous expenses	1,480,295	1,728,825
	<u>135,481,141</u>	<u>112,930,079</u>

2.19 Capital commitments and contingent liabilities

Particulars	As at 31 March 2014	As at 31 March 2013
Contingent liabilities		
i. Disputed Service Tax liability for which the Group has preferred an appeal	223,636,132	213,771,024
ii. Disputed Income Tax liability for which the Group has preferred an appeal	19,434,355	19,434,355

2.20 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)

2.21 Earnings Per Share

The computation of earnings per share is set out below:

<u>Particulars</u>	<u>For the year ended 31 March 2014</u>	<u>For the year ended 31 March 2013</u>
Earnings (in ₹)		
<i>Loss for the year</i>	(63,001,982)	(105,659,611)
Shares		
Number of shares at the beginning of the year.....	49,018,590	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	<u>49,018,590</u>	<u>49,018,590</u>
Weighted average number of equity shares outstanding during the year for the purpose of		
Basic and diluted earnings per share	49,018,590	34,627,935
Earnings per share (in ₹)		
- Basic	(1.29)	(3.05)
- Diluted	(1.29)	(3.05)

2.22 Related Party Disclosures

A) Entities where control exists

None

B) Key Managerial Personnel (KMP)

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

C) A) 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)

Notes on consolidated financial statements (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 2014</u>	<u>For the year ended 31 March 2013</u>
Green Fire Agri Commodities Limited		
- Inter corporate deposit given	790,665	47,724,700
- Repayment of Inter corporate deposit given	11,176,000	83,828,499
- Interest income for the year (Gross)	-	5,775,985
- Provision created towards doubtful advance	9,282,173	-
Un-secured Loan		
- Loan taken from Mr. Venkata S Meenavalli,	15,000,000	15,000,000
Mr. P.Srinivasu		
Mr. Shaik Gouse		

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

<u>Particulars</u>	<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
Green Fire Agri Commodities Limited		
- Short term loan and advances (Inter corporate deposit)	-	19,667,508
- Other current assets (Interest accrued but not due)	-	-
Un-secured Loan		
- Loan taken from Mr. Venkata S Meenavalli,	12,462,740	15,000,000
Mr. P.Srinivasu		
Mr. Shaik Gouse		
- Interest accrued and due	-	12,740

Notes on consolidated financial statements (continued)

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

2.23 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:

A) Primary segment - Geographical segments

Particulars	31 March, 2014				
	India	Europe	Singapore	Eliminations	Total
a) Segment Revenue					
Services revenues from external Customer.....	146,582,122	11,767,244	212,332,719	-	370,682,085
Inter Segment Revenue	37,899,411	26,332,220	-	(64,231,631)	-
Total Segment Revenue	184,481,533	38,099,464	212,332,719	(64,231,631)	370,682,085
b) Segment Results.....	(64,365,736)	2,275,124	(264,157,915)	267,796,690	(58,451,837)
Unallocated Corporate expenses					-
Interest Expense					(13,876,498)
Other income					9,847,117
Profit before tax and minority Interest					(62,481,218)
Income tax expense					520,764
Minority interest					-
Loss for the year					(63,001,982)
c) Segment Assets	357,772,648	20,064,248	182,754,454	(272,008,376)	288,582,974
Unallocated Corporate Assets					-
Total Assets					288,582,974
d) Segment Liabilities	319,189,889	11,540,648	43,666,979	(102,208,814)	272,188,702
Unallocated Corporate liabilities					-
Total Liabilities					272,188,702
e) Cost incurred during the year to acquire segment fixed assets including intangible Assets	2,175,207	-	1,170,600	-	3,345,807
f) Depreciation and amortization	2,215,323	701,957	90,257	-	3,007,537
g) Non cash expenses other than depreciation and amortization	102,942,991	-	277,399,329	(268,361,319)	111,981,001

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

Particulars	31 March, 2013				
	India	Europe	Singapore	Eliminations	Total
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)	-
Total Segment Revenue	93,356,124	17,498,626	196,950,688	(39,928,199)	267,877,239
b) Segment Results	(87,608,660)	411,802	(250,352,800)	244,455,997	(93,093,661)
Unallocated Corporate expenses					-
Interest Expense					(20,491,391)
Other income					7,925,441
Profit before tax and minority Interest					(105,659,611)
Income tax expense					-
Minority interest					-
Profit/(Loss) for the year.....					(105,659,611)
c) Segment Assets	431,393,954	6,662,770	395,834,445	(510,526,247)	323,364,922
Unallocated Corporate Assets					-
Total Assets					323,364,922
d) Segment Liabilities	320,275,022	1,085,086	42,052,121	(116,649,860)	246,762,369
Unallocated Corporate liabilities					-
Total Liabilities					246,762,369
e) Cost incurred during the year to acquire	268,940	-	-	-	268,940
segment fixed assets including intangible assets					-
f) Depreciation and amortization	1,242,863	841,787	5,090,102	-	7,174,752
g) Non cash expenses other than depreciation and amortization	78,220,293	128,843	255,112,271	(244,436,613)	89,024,794

Notes on consolidated financial statements (continued)

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

B) Revenue by geographical location of customers:

Name of the County	For the year ended	
	31 March 2014	31 March 2013
India	150,393,353	64,736,755
Singapore	10,551,366	15,442,629
United States of America	128,607,982	107,677,574
Hong Kong	491,382	175,737
Others	80,638,002	79,844,544
Total	370,682,085	267,877,239

2.24 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 ₹ 6,942,849 (previous year ₹ 6,519,198).

2.25 Auditors' remuneration (included in professional fees, excluding service tax):

Particulars	For the year ended	For the year ended
	31 March 2014	31 March 2013
Statutory audit fees	1,155,856	952,578
Other services	40,000	40,000
Out of pocket expenses	-	-
Total	1,195,856	992,578

2.26 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')

Particulars	As at	As at
	31 March 2014	31 March 2013
Obligations		
Obligations at the beginning of the year	633,776	1,311,670
Service cost	106,003	97,593
Interest cost	50,702	104,934
Benefits settled	-	-
Actuarial (gain)/loss	(208,701)	(880,421)
Obligations at the end of the year	581,780	633,776

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

Plan assets at the beginning of the year, at fair value	1,413,655	1,283,445
Expected return on plan assets	95,422	103,776
Contributions	-	26,434
Benefits settled	-	-
Plan assets at the end of the year, at fair value	<u>1,509,077</u>	<u>1,413,655</u>

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

	<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
Present value of defined benefit obligations at the end of the year	581,780	633,776
Fair value of the plan assets at the end of the year	(1,509,077)	(1,413,655)
Liability/(Asset) to be recognised in the balance sheet	<u>(927,297)</u>	<u>(779,879)</u>
Current and noncurrent portion of net liability is as follows:		
Current	16,011	29,599
Non current	565,769	604,177
Total	<u>581,780</u>	<u>633,776</u>

Gratuity cost for the year

Service cost	106,003	97,593
Interest cost	50,702	104,934
Expected return on plan assets	(95,422)	103,776
Actuarial loss/(gain)	(208,701)	(880,421)
Net gratuity cost	<u>(147,418)</u>	<u>(574,118)</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.

Notes on consolidated financial statements (continued)

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

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

2.27 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 ₹ 2,645,926 for financial year 2007-08 and of ₹ 16,788,429 for financial year 2008-09 respectively.

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 Income Tax Appellant Tribunal, Hyderabad has been pronounced its order in favour of the company on majority issues and directed some issues for fresh examination by the Assessing Officer.

2.28 Amounts payable to Micro, Small and Medium Enterprises

Based on the information available with the Company, no creditors have been identified as “supplier” within the meaning of “Micro, Small and Medium Enterprises Development (MSMED) Act, 2006”.

2.29 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

P. Srinivasu

Executive Director

Venkata S. Meenavalli

Director

K. Vijayasree

Company Secretary

Place: Hyderabad

Date : 30 May 2014

Place: Hyderabad

Date : 30 May 2014

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies
(Accounts) Rules, 2014)

Statement containing salient features of the financial statement of
subsidiaries/ associate companies/joint ventures

Part "A": Subsidiaries

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

1	Sl. No.	1	2	3	4	5
2	Name of the Subsidiary	Adgog UK Limited (Formerly Globe7 UK Ltd.)	Northgate Investments Pte Limited	Globe7 Pte Limited	Social Media India Limited	Globe7 HK Limited
3	Reporting period for subsidiary concerned, if different from the holding company's reporting period	-NA-	-NA-	-NA-	-NA-	-NA-
4	Reporting currency	GBP	USD	USD	INR	HKD
5	Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	100.13	60.05	60.05	-NA-	7.76
6	Share capital	60.08	62,022.04	62,004.93	2,944.69	620.73
7	Reserves & Surplus	25.16	(60,853.96)	(61,688.91)	(2,057.67)	(713.96)
8	Total assets	200.64	1,179.37	647.78	2,995.43	0.39
9	Total liabilities	115.41	11.30	331.75	2,108.41	93.62
10	Investments	-	-	-	-	-
11	Turnover	380.99	-	2,123.33	1,221.25	-
12	Profit before taxation	23.16	(869.58)	(1,731.00)	(724.53)	-
13	Provision for taxation	5.21	-	-	-	-
14	Profit after taxation	17.95	(869.58)	(1,731.00)	(724.53)	-
15	Proposed Dividend	-	-	-	-	-
16	% of Shareholding	100%	100%	100%	100%	100%

P. Srinivasu
Executive Director

Venkata S Meenavalli
Director

Place: Hyderabad
Date: 30 May 2014

K. Vijayasree
Company Secretary

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the attached financial statements of Northgate Com Tech Limited (“the Company”) which comprise the Balance Sheet as at 31 March 2014 the statement of profit and loss and the cash flow statement for the year ended, and a summary of on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

The Company's 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 notified under the Companies Act, 1956 (the Act) read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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, 2014;
- b. in the case of the Statement of Profit and Loss Account, of the profit/ 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 Section 227(4A) 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, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
 - e. On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

CA.Navitha K
Proprietor
Membership No: 221085

Place: Hyderabad
Date: 30 May 2014

ANNEXURE TO AUDITORS' REPORT

The annexure referred to in paragraph 3 of our report of even date to the members of Northgate Com Tech Limited (“the Company”) for the year ended 31 March 2014. We report that:

- (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 program 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 the size of the Company and the 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 /discarded 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 ₹ 105,569,932 and the year-end balance of such loans was ₹ 89,545,702. 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 2014, 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 the size of the Company and the nature of its business

with regard to purchase of fixed assets and with regard to the sale of services and goods. The activities of the Company do not involve purchase of inventory. 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 and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities, *except for certain cases of Income Tax deducted at source, Sales Tax. Further, as at the balance sheet date arrears of statutory dues amounting to ₹ 2,401,000 towards Income Tax is outstanding.* As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Wealth Tax, Customs Duty and Excise Duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax and other material statutory dues were in arrears as at 31 March 2014 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 Sales Tax, Wealth Tax, Customs Duty and Excise Duty which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The accumulated losses of the Company are more than fifty percent of its networth as at 31st March 2014. However the company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) According to the information and explanation given to us and based on the documents and records produced to us, the Company has not defaulted in payment of dues to the financial institutions or banks.

- (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 Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (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 2014

CA.Navitha K
Proprietor
Membership No: 221085

Balance sheet as at 31 March 2014*(all amounts in Indian Rupees, except share data and otherwise stated)*

	<u>Note</u>	<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	490,185,900	490,185,900
Reserves and surplus	2.2	(540,304,852)	(540,221,197)
		<u>(50,118,952)</u>	<u>(50,035,297)</u>
Non-current liabilities			
Long-term provision	2.3	436,169	553,811
Long-term borrowing	2.4	89,983,310	105,569,932
		<u>90,419,479</u>	<u>106,123,743</u>
Current liabilities			
Trade payables	2.5	12,629,243	11,529,811
Other current liabilities	2.6	5,287,617	3,231,388
Short-term provisions	2.7	12,599	37,681
		<u>17,929,459</u>	<u>14,798,880</u>
		<u>58,229,986</u>	<u>70,887,326</u>
ASSETS			
Non current assets			
Fixed assets	2.8		
- Tangible assets		1,935,234	1,214,237
Non current investments	2.9	51,099,492	51,099,492
Other non current assets	2.10	1,601,560	1,362,699
		<u>54,636,286</u>	<u>53,676,428</u>
Current assets			
Trade receivables	2.11	1,800,190	16,284,986
Cash and bank balances	2.12	1,100,369	47,471
Short term loan and advances	2.13	693,141	878,441
		<u>3,593,700</u>	<u>17,210,898</u>
		<u>58,229,986</u>	<u>70,887,326</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***K. Vijayasree***Company Secretary***Venkata S Meenavalli***Director*

Place: Hyderabad

Date: 30 May 2014

Place: Hyderabad

Date: 30 May 2014

Statement of profit and loss for the year ended 31 March 2014

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

	<u>Note</u>	<u>For the year ended 31 March 2014</u>	<u>For the year ended 31 March 2013</u>
Revenue			
Income from operations	2.14	62,356,960	34,305,915
Other income	2.15	1,231,730	1,482,207
Total revenue		63,588,690	35,788,122
Expenses			
Operating expenses	2.16	38,132,022	22,330,713
Employee benefits expense	2.17	17,610,216	10,018,952
Finance costs	2.18	7,540,343	8,228,011
Depreciation and amortisation expense	2.8	389,764	616,227
Total expenses		63,672,345	41,193,903
Profit/ (Loss) before extraordinary items and tax		(83,655)	(5,405,781)
Extraordinary items		-	-
Profit/ (Loss) before tax		(83,655)	(5,405,781)
Tax expense			
- Current tax		-	-
- Deferred tax		-	-
Profit/ (Loss) for the year		(83,655)	(5,405,781)
Earnings per share - par value ₹ 10 per share			
Basic	2.25	(0.001)	(0.16)
Diluted		(0.001)	(0.16)
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 2014

Place: Hyderabad
Date: 30 May 2014

Cash flow statement for the year ended 31 March 2014*(all amounts in Indian Rupees)*

	For the year ended 31 March 2014	For the year ended 31 March 2013
I. Cash flows from operating activities:		
Net profit/(loss) before taxation:	(83,655)	(5,405,781)
<i>Adjustments for operating activities:</i>		
Depreciation and amortisation	389,764	616,227
Baddebts written off	956,747	-
Finance costs	7,540,343	8,228,011
Fixed Assets discarded	1,025,373	2,489,526
Operating profit before working capital changes	9,828,572	5,927,983
Adjustments for		
Decrease/(increase) in trade receivables	13,528,047	5,647,099
Decrease/(increase) in loans and advances and other assets ..	(53,561)	592,457
Increase/(decrease) in provisions	(142,724)	493,422
Increase/(decrease) in trade payables and current liabilities ..	3,155,661	(9,238,466)
Cash generated from operations	26,315,995	3,422,495
Income taxes paid	-	-
Net cash flow from operating activities (A)	26,315,995	3,422,495
II. Cash flows from investing activities		
Sale of Fixed Assets	-	2,390,000
Purchase of Fixed Assets	(2,136,132)	(14,990)
Net cash flow used in investing activities (B)	(2,136,132)	2,375,010
III. Cash flows from financing activities		
Proceeds from intercorporate deposit, net	(15,586,622)	471,361
Interest paid	(7,540,343)	(8,228,011)
Net cash used in financing activities (C)	(23,126,965)	(7,756,650)
Net increase in cash and cash equivalents (A+B+C)	1,052,898	(1,959,145)
Cash and cash equivalents at the beginning of the year	47,471	2,006,616
Cash and cash equivalents at the end of the year (refer note: 2.12)	1,100,369	47,471

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 2014

Place: Hyderabad
Date: 30 May 2014

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

Country of incorporation

Subsidiaries

Northgate Investments Pte Limited
Adgog UK Limited
(formerly Globe7 UK Limited)

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

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis, except for certain financial instruments which are measured at fair value. These financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under the Companies Act, 1956 (“the Act”) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India and the other relevant provisions of the Companies Act, 1956.

(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) Current non-current classification

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

Significant accounting policies (continued)**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
- 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 ₹ 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.

Significant accounting policies (continued)

(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 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

Significant accounting policies (continued)

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.

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

Significant accounting policies (continued)

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.

(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)*

	As at	As at
	<u>31 March 2014</u>	<u>31 March 2013</u>
2.1 Share capital		
<i>Authorised</i>		
Equity shares		
50,000,000 (previous year : 50,000,000)		
Equity of ₹10 each	500,000,000	500,000,000
	<u>500,000,000</u>	<u>500,000,000</u>
 <i>Issued, subscribed and fully paid up</i>		
49,018,590 (previous year : 49,018,590)		
equity shares of ₹10 each fully paid up	490,185,900	490,185,900
	<u>490,185,900</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 ₹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>	As at 31 March 2014		As at 31 March 2013	
	Number of shares	Amount in ₹	Number of shares	Amount in ₹
Shares outstanding at the beginning of the year	49,018,590	490,185,900	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	49,018,590	500,000

* 49,018,590 equity Shares of ₹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:

Name of the Share Holder	As at 31 March 2014		As at 31 March 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Cresta Fund Limited	4,500,000	9.18	4,500,000	9.18
India Focus Cardinal Fund	3,814,949	7.78	3,814,949	7.78
Meenavalli Venkata Srinivas	3,254,586	6.64	3,254,586	6.64
Meenavalli Usha Rani	3,226,360	6.58	3,226,360	6.58
Albula Investment Fund Limited	2,832,492	5.78	2,832,492	5.78

	As at 31 March 2014	As at 31 March 2013
2.2 Reserves and Surplus		
General reserve account	120,682,325	120,682,325
Balance in statement of profit and loss		
Balance at the end of beginning of the year	(660,903,522)	(655,497,741)
Add: Loss for the year transferred from statement of profit and loss	(83,655)	(5,405,781)
Balance at the end of the year	<u>(660,987,177)</u>	<u>(660,903,522)</u>
Total	<u>(540,304,852)</u>	<u>(540,221,197)</u>
2.3 Long-term provision		
Provision for employee benefits		
Compensated absences	34,292	53,606
Gratuity	401,877	500,205
	<u>436,169</u>	<u>553,811</u>
2.4 Long-term borrowing		
Secured loans		
Vehicle loan from HDFC Bank	437,608	-
Un-secured loans		
Inter corporate deposit from related party	89,545,702	105,569,932
	<u>89,983,310</u>	<u>105,569,932</u>

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

	As at 31 March 2014	As at 31 March 2013
2.5 Trade payables		
Trade payables		
- Amounts due to Micro, Small and Medium Enterprises (Refer note : 2.29)	-	-
- Others	12,629,243	11,529,811
	<u>12,629,243</u>	<u>11,529,811</u>
2.6 Other current liabilities		
Provision for expenses	252,110	306,784
Employee payables	1,121,745	1,246,959
Statutory dues including provident fund	3,113,762	1,677,645
Advance from customers	800,000	-
	<u>5,287,617</u>	<u>3,231,388</u>
2.7 Short term provisions		
Provision for employee benefits		
Compensated absences	12,599	15,425
Gratuity	-	22,256
	<u>12,599</u>	<u>37,681</u>

Notes on accounts (continued)

2.8 Fixed assets

Particulars	Gross Block			Accumulated Depreciation			Net block		
	As at 1 April 2013	Additions during the year	Deletions during the year	As at 31 March 2014	As at 1 April 2013	Charges for the year	On deletions	As at 31 March 2014	As at 31 March 2013
Tangible Assets (Owned)									
Computers and related assets	2,510,649	1,065,237	536,811	3,039,075	2,358,050	198,137	25,269	2,530,918	508,157
Air conditioners	449,040	-	449,040	-	110,385	21,329	131,714	-	-
Furniture and fixtures	725,000	21,998	311,998	435,000	240,625	46,858	115,565	171,918	263,082
Vehicles	477,865	558,090	-	1,035,955	295,002	90,572	-	385,574	650,381
Office equipment	106,489	490,807	5,250	592,046	50,744	32,868	5,180	78,432	513,614
Total	4,269,043	2,136,132	1,303,099	5,102,076	3,054,806	389,764	277,728	3,166,842	1,935,234
Previous year	22,210,519	14,990	9,592,466	12,633,043	15,515,519	616,227	4,712,940	11,418,806	1,214,237
									6,695,000

During the year, fire accident occurred at the company's registered office and there was a damage to the extent of ₹ 10,25,373/- towards carrying value of Servers, Computers and other equipment.

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

	As at	As at
	31 March 2014	31 March 2013
2.9 Non-trade, long term investments (unquoted)		
<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 Adgog UK Limited (formerly Globe7 UK Limited), at cost	4,135,200	4,135,200
Less: Provision for diminution in value of long term investment	(4,215,156,969)	(4,215,156,969)
	<u>51,099,492</u>	<u>51,099,492</u>
2.10 Other non current assets		
<i>Unsecured, considered good</i>		
Other loans and advances		
Electricity deposits	-	13,572
Rental deposits	883,360	1,056,000
Telephone deposits	28,800	28,800
Prepaid expenses	689,400	264,327
	<u>1,601,560</u>	<u>1,362,699</u>
2.11 Trade receivables		
<i>Unsecured, considered good</i>		
Debts outstanding for period exceeding six months from the date they become due	144,453	-
Others	1,655,737	16,284,986
	<u>1,800,190</u>	<u>16,284,986</u>
2.12 Cash and bank balances		
Cash and cash equivalents		
Cash on hand	14,284	10,460
Balance with banks in current accounts	1,086,085	37,011
	<u>1,100,369</u>	<u>47,471</u>

Notes on accounts (continued)

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

	As at	As at
	31 March 2014	31 March 2013
2.13 Short term loan and advances		
<i>Unsecured, considered good</i>		
Others		
Advance tax (TDS receivable, net).....	693,141	-
Other advance.....	-	878,441
	693,141	878,441
2.14 Income from operations	For the year ended	For the year ended
	31 March 2014	31 March 2013
Income from Information Technology Services.....	37,899,411	22,429,573
Online advertising	24,457,549	11,876,342
	62,356,960	34,305,915
2.15 Other income		
Foreign exchange gain, net	216,393	1,462,064
Trade payables written back	1,015,337	20,143
	1,231,730	1,482,207
2.16 Operating expenses		
Traffic acquisition cost	24,025,710	11,460,670
Communication expenses	959,997	1,007,695
Power and fuel	1,628,728	729,325
Rent	2,959,671	2,284,128
Repairs and maintenance.....	643,573	463,833
Rates and taxes, excluding, taxes on income	283,153	534,866
Interest on TDS	28,644	-
Insurance charges	9,097	70,495
Traveling and conveyance	236,909	220,081
Legal and professional fees	2,345,505	1,537,480
Content creation charges	1,696,309	471,450
Advertisement charges	359,699	-
Bank charges	21,037	108,120
Subscriptions	15,055	127,739
Printing and stationery	62,611	311,975
Bad debtors written off	956,747	-
Fixed Assets discarded	1,025,373	2,489,526
Miscellaneous expenses	874,204	513,330
	38,132,022	22,330,713
2.17 Employee benefits expense		
Salaries	16,549,958	8,523,020
Contribution to provident fund and other funds.....	367,360	1,147,670
Staff welfare expenses.....	692,898	348,262
	17,610,216	10,018,952

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

	As at 31 March 2014	As at 31 March 2013
2.18 Finance cost		
Interest on inter-corporate deposit.....	7,488,999	8,228,011
Interest on Hypothication of vehicle loan.....	51,344	-
	<u>7,540,343</u>	<u>8,228,011</u>
2.19 Contingent liabilities:		
Contingent liabilities	<u>Nil</u>	<u>Nil</u>

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 ₹ 2,959,671 (Previous year: ₹ 2,284,128) and under non-cancellable portion was ₹ Nil (Previous year: ₹ Nil), which has been disclosed as lease rent.

2.22 Earnings in foreign currency (on accrual basis)

<u>Particulars</u>	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenues from Information Technology Services	37,899,411	22,429,573
Revenues from Online Advertising	663,420	-
Total	<u>38,562,831</u>	<u>22,429,573</u>

2.23 Expenditure in foreign currency (on accrual basis)

<u>Particulars</u>	For the year ended 31 March 2014	For the year ended 31 March 2013
Expenditure in foreign currency	<u>Nil</u>	<u>Nil</u>

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):

<u>Particulars</u>	<u>For the year ended 31 March 2014</u>	<u>For the year ended 31 March 2013</u>
Statutory audit fees	80,000	80,000
Other services	20,000	20,000
Out of pocket expenses	-	-
Total	<u>100,000</u>	<u>100,000</u>

2.25 Earnings per share (EPS)

The computation of earnings per share is set out below:

<u>Particulars</u>	<u>For the year ended 31 March 2014</u>	<u>For the year ended 31 March 2013</u>
Earnings (in ₹)		
Profit/ (Loss) for the year	(83,655)	(5,405,781)
Shares		
Number of shares at the beginning of the year	49,018,590	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	49,018,590
Weighted average number of equity shares outstanding during the year for the purpose of Basic and diluted earnings per share.	49,018,590	34,627,935
Earnings per share (in ₹)		
- Basic	(0.001)	(0.16)
- Diluted	(0.001)	(0.16)

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. 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 2014 and 31 March 2013 - Business segment**

<u>Particulars</u>	Year ended 31 March 2014			Year ended 31 March 2013		
	ITES	Online Advertising	TOTAL	ITES	Online Advertising	TOTAL
Income from Operations	37,899,411	24,457,549	62,356,960	22,429,573	11,876,342	34,305,915
Identifiable operating expenses	30,124,172	24,982,457	55,106,629	19,011,848	11,460,670	30,472,518
Allocated expenses			-	-	-	-
Segmental Operating Income	7,775,239	(524,908)	7,250,331	3,417,725	415,672	3,833,397
Finance Cost			(7,540,343)			(8,228,011)
Un allocable expenses			(1,025,373)			(2,493,374)
Other income			1,231,730			1,482,207
Profit/ (Loss) before tax.....			(83,655)			(5,405,781)
Tax expenses.....			-			-
Profit /(Loss) for the period			(83,655)			(5,405,781)

B. Geography Segment

	For the year ended 31 March 2014	For the year ended 31 March 2013
India	24,457,549	11,876,342
Singapore	37,899,411	22,429,573
Total	62,356,960	34,305,915

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. Adgog UK Limited (formerly Globe7 UK Limited)

Step-down subsidiaries

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

Notes on accounts (continued)

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

C) Key Managerial Personnel

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

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 2014</u>	<u>For the year ended 31 March 2013</u>
Revenue from information Technology Services to subsidiary		
• Globe7 Pte Limited.....	37,899,411	22,429,573
Inter corporate deposit ('ICD') taken from step down subsidiary		
• Social Media India Limited	5,662,652	11,441,362
Repayment of ICD to step down subsidiary		
• Social Media India Limited	29,175,881	34,510,000
Interest accrued on loan taken		
• Social Media India Limited	7,488,999	8,228,011
Key managerial personnel		
• Venkata S. Meenavalli.....	-	-
• P. Srinivasu.....	900,000	1,479,000

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

<u>Particulars</u>	<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
Trade receivables		
• Globe7 Pte Limited.....	1,470,117	6,258,644
Long-term borrowing		
• Social Media India Limited	89,545,702	105,569,932
Investments (Gross)		
• Northgate Investments Pte Limited	4,262,121,261	4,262,121,261
• Adgog UK Limited (formerly 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'):

<u>Particulars</u>	As at 31 March 2014	As at 31 March 2013
Obligations at the beginning of the year		
Present value of obligation as at the beginning of the year	522,461	376,170
Service cost	91,833	88,498
Interest cost	41,797	30,094
Benefits settled	-	-
Actuarial (gain)/loss	(254,214)	27,699
Obligations at the end of the year	<u>401,877</u>	<u>522,461</u>
Change in plan assets		
Plan assets at the beginning of the year, at fair value,	1,413,655	1,283,445
Actuarial gain/(loss)	-	-
Expected return on plan assets	95,422	103,776
Contributions	-	26,434
Benefits settled	-	-
Plan assets at the end of the year, at fair value	<u>1,509,077</u>	<u>1,413,655</u>
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of defined benefit obligations at the end of the year	401,877	522,461
Fair value of the plan assets at the end of the year	(1,509,077)	(1,413,655)
Asset recognised in the balance sheet	<u>(1,107,200)</u>	<u>(891,194)</u>
Gratuity cost for the year		
Service cost	91,833	88,498
Interest cost	41,797	30,094
Expected return on plan assets	(95,422)	(103,776)
Actuarial loss/(gain)	(254,214)	27,699
Net gratuity cost	<u>(2,16,006)</u>	<u>42,515</u>

Notes on accounts (continued)

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

Assumptions

Interest rate	8%	8%
Expected rate of salary increase	10%	10%
Attrition rate	6.75%	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 Amounts payable to micro, small and medium enterprises

Based on the information available with the Company, no creditors have been identified as “supplier” within the meaning of “Micro, Small and Medium Enterprises Development (MSMED) Act, 2006”.

2.30 The Company has the following un-hedged exposure in foreign currency at the year end:

<u>Particulars</u>	As at	As at	As at	As at
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	<u>(Amount in \$)</u>	<u>(Amount in \$)</u>	<u>(Amount in ₹)</u>	<u>(Amount in ₹)</u>
Trade receivables	24,478	115,292	1,470,117	6,258,644

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 2014, 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.

Notes on accounts (continued)

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

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 2014

Place: Hyderabad

Date: 30 May 2014

Northgate Com Tech Limited PROXY FORM MGT 11

Registered Office: H.No. 8-2-686/8/B/1, GAMUT SQUARE, Third Floor, Road No. 12,
Banjara Hills, Hyderabad-500034 Telangana. **CIN:** U72200TG2010PLC068624 www.northgatetech.com
(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies
(Management and Administration) Rules, 2014)

Name of the Member (s) :
Registered Address :
E-mail id :
Folio No. / Client Id :
DP ID :

I / We, being the member(s) of _____ Equity Shares of Northgate Com Tech Limited, hereby appoint

1. Name: _____
Address: _____
E-mail Id: _____
Signature : _____ , or failing him / her
2. Name: _____
Address: _____
E-mail Id: _____
Signature : _____ , or failing him / her
3. Name: _____
Address: _____
E-mail Id: _____
Signature : _____ , or failing him / her

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 4th Annual General Meeting of the Company, to be held on the **30th day of September, 2014 at 10.30 a.m.** at the Kalinga Cultural Trust, Plot No. 1269, Road No. 12, Banjara Hills, Hyderabad - 500 034 Telangana and at any adjournment thereof, in respect of such resolutions set out in the AGM Notice convening the meeting, as are indicated below:

RESOLUTIONS	FOR	AGAINST
1. Adoption of Financial Statements		
2. Appointment of Director		
3. Appointment of Auditor		
4. Appointment of Mr. T.Naresh Kumar (DIN: 00018575) as an Independent Director		
5. Appointment of Mr. P. Parthasarathi (DIN: 00004936) as an Independent Director		
6. Appointment of Mr. Y Ramesh (DIN: 02549429) as an Independent Director		

Signed this day of 2014

Signature of Shareholder

Revenue
Stamp

Signature of Proxy Holder(s)

Note: The form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the Commencement of the meeting.

Northgate Com Tech Limited

Registered Office: H.No. 8-2-686/8/B/1, GAMUT SQUARE, Third Floor, Road No. 12, Banjara Hills, Hyderabad-500034 Telangana. **CIN:** U72200TG2010PLC068624 www.northgatetech.com

ATTENDANCE SLIP

(to be handed over at the Registration Counter Joint holder may obtain additional slip at the venue)

DP ID		Folio No	
Client ID		No. of Shares	

I/We hereby record my/our presence at the 4th Annual General Meeting of the Company being held on 30th day of September, 2014 at 10.30 a.m at Kalinga Cultural Trust, Plot No. 1269, Road No. 12, Banjara Hills, Hyderabad - 500034, Telangana.

Signature of the Member/Proxy

BOOK-POST

If undelivered, please return to :



GAMUT Square, D.No. 8-2-686/8/B/1, 3rd Floor, Road No. 12,
Banjara Hills, Hyderabad - 500 034, Telangana, India.
Tel: +91-40-23548353, Fax:+91-40-23548537
CIN: U72200TG2010PLC068624, URL: www.northgatetech.com