

COLLABERA SOLUTIONS PRIVATE LIMITED

BALANCE SHEET AS AT MARCH 31, 2009

THURSDAY



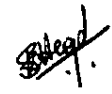
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	Schedule	2009 Rs.	2008 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	250,000,000	191,656,864
Reserves and Surplus	2	152,481,955	64,967,251
		<u>402,481,955</u>	<u>256,624,115</u>
Loan Funds:			
Secured Loan	3	2,393,362	4,414,975
Unsecured Loans	4	234,943,495	193,326,305
		<u>237,336,857</u>	<u>197,741,280</u>
		<u>639,818,812</u>	<u>454,365,395</u>
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	5	360,815,946	351,898,649
Less. Depreciation		302,912,470	269,012,591
Net Block		<u>57,903,476</u>	<u>82,886,058</u>
Capital Work-In-Progress		1,043,863	-
		<u>58,947,339</u>	<u>82,886,058</u>
Investments	6	122,266,767	127,896,350
Current Assets, Loans and Advances:			
Sundry Debtors	7	205,649,617	182,194,100
Cash and Bank Balances	8	36,425,099	10,867,875
Other Current Assets	9	53,317,550	51,921,234
Loans and Advances	10	134,970,334	121,439,269
		<u>430,362,600</u>	<u>366,422,478</u>
Less: Current Liabilities and Provisions:			
Liabilities	11	75,855,116	127,238,647
Provisions		22,058,403	19,683,982
		<u>97,913,519</u>	<u>146,922,629</u>
Net Current Assets		332,449,081	219,499,849
Profit and Loss Account		126,155,625	24,083,138
		<u>639,818,812</u>	<u>454,365,395</u>
Notes on Accounts	16		

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The Schedules referred to above and the notes thereon form an integral part of the Accounts

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


Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants
Place Bangalore
Date September 5, 2009


Mohan Sekhar
Director


Sham Patel
Director


Rajiv K.
Company Secretary



COLLABERA SOLUTIONS PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009


	Schedule	2009 Rs.	2008 Rs
INCOME			
Services	12	895,911,238	815,632,193
Other Income	13	9,816,659	29,297,867
		<u>905,727,897</u>	<u>844,930,060</u>
EXPENDITURE			
Operating expenses	14	935,115,372	812,465,561
Interest	15	25,021,262	11,123,567
Depreciation		44,982,376	34,072,148
		<u>1,005,119,010</u>	<u>857,661,276</u>
(Loss) for the year before Taxation		(99,391,113)	(12,731,216)
Provision for Taxation [Schedule 16 Note 14]			
Frnige Benefit Tax		2,681,374	6,650,000
Deferred Tax (Charge)/ Credit		-	-
(Loss) after Taxation		(102,072,487)	(19,381,216)
(Loss) brought forward from previous year		(24,083,138)	(497,093,640)
		<u>(126,155,625)</u>	<u>(516,474,856)</u>
Less: Adjusted against Share Premium Account		-	492,391,718
(Loss) carried to the Balance Sheet		<u>(126,155,625)</u>	<u>(24,083,138)</u>
Earnings Per Share - Basic and Diluted (Schedule 16 Note 15)		(0.64)	(0.12)

Notes on Accounts

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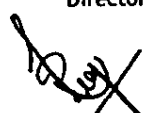
The Schedules referred to above and the notes thereon form an integral part of the Accounts

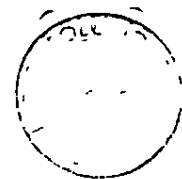
This is the Profit and Loss Account referred to in our report of even date


 Shivakumar Hegde
 Partner
 For and on behalf of
 Price Waterhouse & Co.
 Chartered Accountants
 Place: Bangalore
 Date September 5, 2009


 Mohan Sekhar
 Director


 Sham Patel
 Director


 Rajiv K.
 Company Secretary



COLLABERA SOLUTIONS PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	2009 Rs.	2008 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) for the year before Taxation	(99,391,113)	(12,731,216)
Adjustments for:		
Depreciation	44,982,376	34,072,148
Interest on Loans	24,553,050	11,123,567
(Profit)/ Loss on Sale/ Scrapping of Fixed Assets (Net)	(432,923)	-
Interest Income	(9,012,414)	(4,823,743)
Loss on Sale of Investments	-	21,221,740
Provision for dimuntion in Investments written back	-	(23,650,000)
Unrealised Foreign Exchange Loss/ (Gain)	(5,080,887)	1,589,676
Operating profit before working capital changes	(44,381,911)	26,802,172
Adjustments for:		
Trade and Other Receivables	(39,750,983)	(162,289,775)
Current Liabilities and Provisions	(46,912,355)	63,460,962
Adjustment for Unrealised Foreign Exchange Loss/ (Gain)	(1,388,183)	(704,411)
Cash used in operations	(132,433,432)	(72,731,052)
Income tax paid, net of refunds	(4,516,346)	(2,989,571)
Fringe benefit tax paid	(5,801,854)	(4,000,000)
Net Cash from/ (used in) Operating Activities	(142,751,632)	(79,720,623)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(21,306,645)	(88,318,504)
Sale of Fixed Assets	480,419	-
Proceeds on Sale of Investments	-	2,428,260
Adjustment to investments on account of release from escrow	5,629,583	-
Loans given to Subsidiary Company	13,500,000	42,000,000
Loans repaid by Subsidiary Company	(4,500,000)	(8,000,000)
Interest received	6,090,325	1,688,321
Finance Lease payment	(1,806,121)	(1,563,422)
Net Cash from/ (used in) Investing Activities	(1,912,439)	(51,765,345)

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COLLABERA SOLUTIONS PRIVATE LIMITED

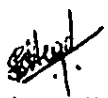
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009 - Contd.

	2009 Rs.	2008 Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital (including Share Premium)	145,857,840	363,750
Refund of Share Application money	-	(403,125)
Proceeds from Borrowings	683,384,190	165,150,000
Adjustment for Unrealised Foreign Exchange (Loss)/ Gain	<u>6,388,753</u>	-
Repayment of Borrowings	(639,840,691)	(20,416,671)
Interest paid (including on finance lease)	(23,722,805)	(11,295,188)
Net Cash from/ (used in) Financing Activities	172,067,287	133,398,766
Adjustment for unrealised foreign exchange loss/ (gain) on cash and cash equivalents	80,317	(885,265)
Net increase/(decrease) in cash and cash equivalents during the year	27,483,533	1,027,533
Cash and cash equivalents as at March 31, 2008		
Cash and bank balances*	10,867,875	7,914,033
Overdraft	<u>(1,926,309)</u>	<u>-</u>
Cash and cash equivalents as at March 31, 2009	36,425,099	8,941,566
Cash and bank balances*	36,425,099	8,941,566
Overdraft	<u>-</u>	<u>-</u>
* Refer Schedule B.		


Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2009 and the relative Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard (AS) - 3 on Cash Flow Statements and the reallocations required for the purpose are as made by the Company
3. Previous year's figures have been regrouped/ reclassified wherever necessary to conform with current year's classification.

This is the Cash Flow statement referred to in our report of even date.


 Shivakumar Hegde
 Partner
 For and on behalf of
 Price Waterhouse & Co.
 Chartered Accountants
 Place: Bangalore
 Date: September 5, 2009


 Mohan Sekhar
 Director


 Shash Patel
 Director


 Rajiv K.
 Company Secretary



COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULES TO ACCOUNTS

	2009 Rs.	2008 Rs.
1. CAPITAL		
Authorised:		
327,500 (2008: 327,500) Participatory Convertible Preference Shares of Rs.100 each (Schedule 16 Note 18)	32,750,000	32,750,000
217,250,000 (2008: 217,250,000) Equity Shares of Rs.1 each	217,250,000	217,250,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid up:		
327,500 (2008: 327,500) Participatory Convertible Preference Shares of Rs 100 each fully paid in cash [Refer Note (i) below]	32,750,000	32,750,000
217,250,000 (2008: 158,906,864) Equity Shares of Rs.1 each fully paid in cash [Refer Note (ii) below and (Schedule 16 Note 19)]	217,250,000	158,906,864
	<u>250,000,000</u>	<u>191,656,864</u>
Notes:		
(i) The above preference shares are held by GCI Global Ventures, Mauritius, the holding company.		
(ii) Of the above equity shares, 199,683,381 (2008: 136,046,131) shares are held by GCI Global Ventures, Mauritius, the holding company.		
2. RESERVES AND SURPLUS		
Share Premium Account:		
As per last Balance Sheet	64,967,251	556,588,281
Add: Addition during the year (Schedule 16 Note 19)	87,514,704	770,688
	<u>152,481,955</u>	<u>557,358,969</u>
(Less): Adjusted against debit balance in Profit and Loss Account by virtue of the order of the High Court of Karnataka	-	(492,391,718)
	<u>152,481,955</u>	<u>64,967,251</u>
3. SECURED LOAN		
From a Company (Note)	2,393,362	4,414,975
	<u>2,393,362</u>	<u>4,414,975</u>
Note. Represents principal portion of minimum lease payments payable for assets acquired on finance lease [Schedule 16 Note 13(ii)].		
4. UNSECURED LOANS		
From Banks:		
Term Loan [Repayable within one year. Nil (2008: Rs.4,449,996)]	-	4,449,996
Cash Credit Accounts (Note)	234,943,495	186,950,000
Overdraft	-	1,926,309
	<u>234,943,495</u>	<u>193,326,305</u>
Note. The above loan are covered under a guarantee furnished by Bank of America, USA based on an arrangement with Collabera Inc., USA, the ultimate holding company.		



COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

5. FIXED ASSETS [Schedule 16 Note 1(ii)]

	Gross Block			Depreciation			Net Block		
	2008	Additions	Deletions	2009	2008	Additions	Deletions	2009	2008
Goodwill	50,000,000	-	-	50,000,000	50,000,000	-	-	50,000,000	-
Leasehold Improvements	37,020,552	390,788	-	37,411,340	13,931,098	4,840,685	-	18,771,783	23,089,454
Plant and Machinery	172,403	-	-	172,403	172,403	-	-	172,403	-
Electrical Equipment	19,847,692	115,484	-	19,963,176	17,155,648	813,249	-	17,968,897	2,692,044
Computer Systems	123,146,945	6,058,919	8,682,969	120,522,895	100,492,130	16,823,215	8,664,430	108,650,915	22,654,815
Computer Software	65,638,426	11,657,065	-	77,295,491	53,906,121	12,520,653	-	66,426,774	11,732,305
Office Equipment	20,347,816	776,507	342,700	20,781,623	10,045,056	5,673,641	313,743	15,404,954	10,302,760
Furniture and Fixtures	29,554,517	825,592	-	30,380,109	22,203,379	1,752,506	-	23,955,885	7,351,138
Vehicles	-	438,427	-	438,427	-	52,851	-	52,851	-
Assets acquired on Finance Lease:									
Motor Vehicles	6,170,298	1,474,807	3,794,623	3,850,482	1,106,756	2,505,576	2,104,324	1,508,008	2,342,474
	351,898,649	21,737,589	12,820,292	360,815,946	269,012,591	44,982,376	11,082,497	302,912,470	82,886,058
2008	258,881,682	93,620,577	603,610	351,898,649	235,544,053	34,072,148	603,610	269,012,591	1,043,863

Capital Work-in-Progress [Includes Capital Advances Rs.1,043,863 (2008 Nil)]

58,947,339 82,886,058



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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULES TO ACCOUNTS

	2009 Rs.	2008 Rs.
6. INVESTMENTS [Schedule 16 Note 1(iv)]		
(At Cost, Long Term, Unquoted)		
Trade investments:		
CPA2Biz, Inc, USA		
663 (2008: 663) Equity shares of US\$ 0.01 each fully paid up	213,012	213,012
Subsidiary Companies:		
Collabera Enterprise Software Solutions Private Limited		
8,000 (2008: 8000) Equity shares of Rs.10 each fully paid up [Schedule 16 Note 17]	122,266,740	127,896,323
IVL India Private Limited (Note)		
1 (2008: 1) Equity share of Rs.10 each fully paid up	27	27
	<u>122,479,779</u>	<u>128,109,362</u>
(Less): Provision for diminution in Investments	(213,012)	(213,012)
	<u>122,266,767</u>	<u>127,896,350</u>

Note: IVL India Private Limited is a subsidiary of Collabera Enterprise Software Solutions Private Limited.

7. SUNDRY DEBTORS

(Unsecured)

Exceeding Six Months

Considered Doubtful

4,221,975

941,974

Considered Good

7,336,825

5,490,471

Others

Considered Good (Note)

198,312,792

176,703,629

209,871,592

183,136,074

(Less). Provision for Doubtful Debts

(4,221,975)

(941,974)

205,649,617

182,194,100

Note: Includes unbilled receivables Rs.39,654,195 (2008: Rs.20,549,857).



COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULES TO ACCOUNTS

	2009 Rs.	2008 Rs.
8. CASH AND BANK BALANCES		
Cash on hand	10,233	19,293
Balances with Scheduled Banks:		
- Current Accounts [Including Exchange Earners Foreign Currency (EEFC) Account Rs.19,417,904 (2008. Rs 4,475,187)]	21,314,393	7,151,402
- Term Deposits (Note)	1,705,947	1,100,000
Balances with Non-Scheduled Banks.		
- CitiBank N A, San Jose, USA Current and Collection Accounts [Maximum amount outstanding at any time during the year Rs.70,961,237 (2008. Rs 44,354,385)]	12,660,962	2,240,167
- Hongkong and Shanghai Banking Corporation, London, UK Current and Collection Accounts [Maximum amount outstanding at any time during the year Rs 2,535,846 (2008: Rs 9,736,816)]	733,564	357,013
	36,425,099	10,867,875

Note: Including Rs 1,000,000 (2008: Rs.1,000,000) towards margin money on bank guarantees.

9. OTHER CURRENT ASSETS

(Unsecured, considered good, unless otherwise stated)

Other Deposits [Including considered doubtful Rs 900,000 (2008: Rs.900,000)]	46,656,730	48,182,503
Interest Accrued on Loans to Subsidiary Company	7,560,820	4,638,731
	54,217,550	52,821,234
(Less) Provision for Doubtful Deposits	(900,000)	(900,000)
	53,317,550	51,921,234

10. LOANS AND ADVANCES

(Unsecured, considered good)

Loans to Subsidiary Company	88,000,000	79,000,000
Loans to Employees	1,073,706	10,244,340
Prepaid Expenses	6,084,991	5,801,613
Income Tax (Net)	8,752,939	4,236,593
Fringe Benefit Tax (Net)	193,480	-
Advance towards purchase of shares [Schedule 16 Note 17(b)]	6,000,000	-
Advances recoverable in cash or in kind or for value to be received	24,865,218	22,156,723
	134,970,334	121,439,269



COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULES TO ACCOUNTS

	2009 Rs.	2008 Rs.
11. CURRENT LIABILITIES AND PROVISIONS		
A. LIABILITIES		
Sundry Creditors		
Due to Micro and Small Enterprises (Schedule 16 Note 9)	-	-
Others	25,179,665	24,976,625
Advance from Customer	-	16,297,093
Other Liabilities	49,497,675	85,617,398
Interest accrued but not due on loans	1,177,776	347,531
	<u>75,855,116</u>	<u>127,238,647</u>
B. PROVISIONS		
Fringe Benefit Tax (Net)	-	2,927,000
Gratuity	12,258,094	8,956,648
Compensated Absences	9,800,309	7,800,334
	<u>22,058,403</u>	<u>19,683,982</u>
12. SERVICES [Schedule 16 Note 1(vi)]		
Exports	857,778,398	786,569,956
Domestic	38,132,840	29,062,237
	<u>895,911,238</u>	<u>815,632,193</u>
13. OTHER INCOME		
Interest from Banks (Gross) [Tax deducted at source Rs.514,042 (2008: Rs.73,901)]	1,165,677	1,302,921
Interest - Others (Gross) [Tax deducted at source Nil (2008: Rs.824,700)]	7,846,737	3,520,822
Provision for diminution in Investments written back	-	23,650,000
Profit on Sale of Fixed Assets (Net)	432,923	-
Miscellaneous	371,322	824,124
	<u>9,816,659</u>	<u>29,297,867</u>



COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULES TO ACCOUNTS

	2009 Rs.	2008 Rs.
14. OPERATING EXPENSES		
Employees Cost:		
Salaries, Bonus, etc.	639,402,965	492,907,491
Contribution to Provident and Other Funds	29,865,343	21,087,046
Staff Welfare	40,515,340	30,290,943
	<u>709,783,648</u>	<u>544,285,480</u>
Rent	53,403,217	50,124,477
Rates and Taxes	144,406	1,892,636
Power and Fuel	13,843,480	10,817,984
Insurance	13,475,136	13,940,145
Repairs and Maintenance - Others	3,101,421	4,034,714
Legal and Professional	43,917,224	61,582,991
Communication	16,664,157	18,636,388
Travelling and Conveyance	35,998,868	57,157,550
Advertisement and Promotion	3,041,518	6,279,579
Provision for Doubtful Debts	3,280,001	87,236
Loss on Sale of Investments	-	21,221,740
Exchange Loss (Net)	25,726,466	3,535,876
Miscellaneous	12,735,830	18,868,765
	<u>935,115,372</u>	<u>812,465,561</u>
15. INTEREST		
On Fixed Loans	468,212	643,999
Others	24,553,050	10,479,568
	<u>25,021,262</u>	<u>11,123,567</u>

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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS

Rs

1 Significant Accounting Policies

(i) Basis of preparation of financial statements:

The financial statements are prepared to comply in all material aspects with applicable accounting principles in India, the applicable Accounting Standards (AS) notified under Section 211(3C) of the Companies Act, 1956 of India, and the relevant provisions of the said Act.

(ii) Fixed Assets and Depreciation:

Fixed assets are capitalised at their original cost of acquisition and subsequent improvements thereto including taxes, duties and other incidental expenses related to acquisition and installation of assets concerned

Operating software is capitalised along with the related fixed assets while application software are depreciated fully in the year of purchase, except for major application software, which are amortised over its useful life as determined by the management

Depreciation is provided on a straight line method (SLM) at rates based on estimated useful life of assets as given below:

	<u>Rate of Depreciation</u>
Plant and Machinery, Electrical Equipment and Furniture and Fixtures	20%
Computer Systems, Computer Software and Office Equipment	50%
Vehicles	20%

Leasehold Improvements are amortised over the period of lease or five years, whichever is lower.

Assets acquired on finance lease are amortised over the lease period or estimated useful life, whichever is lower

Assets individually costing up to rupees five thousand are fully depreciated in the year of purchase.

(iii) Leases:

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each period

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals on assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term

(iv) Investments:

Long term Investments are valued at cost. Provision for diminution is made to recognise a decline, other than temporary, in the value of Investments. Current Investments are stated at lower of cost and fair value

(v) Foreign Currency Transactions:

Transactions in foreign currencies are recognised at rate of exchange ruling on the date of the transaction

All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/ losses arising thereon are adjusted to the Profit and Loss Account

Premium or discount arising at the inception of forward contract is amortised as expense or Income over the life of the contract. Exchange differences on forward contracts and profit or loss arising on cancellation or renewal of forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change.



COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

Rs.

(vi) Revenue Recognition:

- (a) Revenue from fixed price long-term contracts is recognised over the contract term based on the percentage of services that are provided during the period compared with the total estimated services to be provided over the entire contract. The cumulative impact of any revision in estimates of the percent complete is reflected in the period in which the change becomes known.
- (b) Revenue from software development in case of time basis contracts and other revenue are recognised as the services are provided.
- (c) Other revenues are recognised rateably over the contractual period or as the services are rendered.
- (d) Revenue in excess of billings on service contracts is recorded as unbilled receivables and is included in trade accounts receivables. Advance payments/ billed in advance of services performed are recorded as current liabilities/ deferred income.

(vii) Employee Benefits:

a) Short term employee benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits, which include benefits like salaries, short term compensated absences, performance incentives, etc. and are recognised as expense in the period in which the employee renders the related service.

b) Defined-contribution plans

The Company has defined contribution plans (where Company pays pre-defined amounts and does not have any legal or informal obligation to pay additional sums) for post employment benefits (viz , Provident Fund), and the Company's contributions thereto are charged to Profit and Loss Account every year. The Company's contributions to State plans (viz., Employees State Insurance and Employee Pension Scheme) are also charged to Profit and Loss Account as expense during the period in which the employees perform the service.

c) Defined-benefit plans.

The Company has a defined benefit plan (viz , Gratuity) for employees, the liability for which is determined on the basis of valuation carried out by an independent actuary (under projected unit credit method) at the balance sheet date.

d) Other long term employee benefits

Compensated absences that are not expected to occur within twelve months after the end of the period in which the employee renders related services are recognised as a liability at the present value of the defined benefit obligation based on actuarial valuation (under projected unit credit method) carried out at the Balance sheet date.

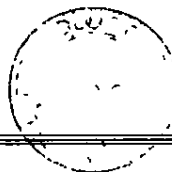
e) Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions, and are recognised immediately in the Profit and Loss Account as income or expense.

(viii) Taxes on Income

Current tax is determined in accordance with the provisions of the Income Tax Act, 1961.

Fringe benefit tax is determined at current applicable rates on expenses falling within the ambit of 'fringe benefit' as defined under the Income Tax Act, 1961.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent that there is a reasonable or virtual certainty, as may be applicable, that sufficient future taxable income will be available against which such deferred tax asset can be realised.



COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

Rs.

(ix) Earnings per Share:

Annualised earnings/ (loss) per equity share (basic and diluted) is arrived at based on net profit/ (loss) after taxation to the weighted average number of equity shares

(x) Provisions and Contingent Liabilities:

Provisions are recognised when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

Provisions for onerous contracts (i.e., contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

Contingent liabilities are disclosed when there is a possible obligation or a present obligation that may (but probably will not) require an outflow of resources.

(xi) Impairment of Assets:

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount.

	<u>2009</u>	<u>2008</u>
2. Estimated amount of contracts to be executed on capital account (net of advances) and not provided for	731,958	1,468,132
3. Contingent Liabilities:		
Bank guarantees	1,000,000	1,000,000
Customs and Excise duty (Note)	2,736,528	2,736,528
<p>Note: The Department has demanded duty on certain imported/ indigenously procured duty free goods, which the Company has disputed and filed an appeal with the Central Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore. However, the entire amount has been paid under protest and included under Loans and Advances (Schedule 10).</p>		
4. CIF value of Imports:		
Capital Goods	9,236,770	23,849,607
5. Expenditure in foreign currency:		
Salaries, Bonus, etc	227,885,084	160,107,253
Legal and Professional	15,573,692	18,432,609
Travelling and Conveyance	32,064,733	36,360,198
Others	20,147,794	16,288,130
6. Earnings in Foreign Currency:		
Income from Services (including unbilled revenue)	857,778,398	786,569,956

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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16 NOTES ON ACCOUNTS - Contd.

	2009	Rs. 2008
7 Auditors' Remuneration (included under Legal and Professional charges in Schedule 14*):		
Statutory Audit	1,000,000	1,000,000
Tax Audit	200,000	200,000
Certification	-	20,000
Out of pocket expenses	36,916	20,563
* Excluding service tax.		
8 Managerial Remuneration: (Note)		
Salaries, Bonus, etc.	12,036,015	8,575,179
Contribution to Provident and Other Funds	330,000	312,000
Perquisites	450,000	600,000

Note: Provision for employee benefits, which are based on actuarial valuation carried out on an overall Company basis, is excluded.

9 The Company has a process of identifying enterprises that have provided goods and services to the Company and which may qualify under the definition of micro or small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 and accordingly, circularised letters of confirmation to select vendors this year. The Company has received responses from a few enterprises during the year. However, the Company is unable to identify (in all cases) whether its vendors qualify as micro or small enterprises. Accordingly, no disclosure in respect of principal and interest has been made, however, the management does not envisage any material impact on the financial statements in this regard, which has been relied upon by the auditors.

10. Employee Benefits:

Disclosure envisaged under AS 15 - Employee Benefits, are given below:

(a) Defined Contribution Plans

The Company has recognised Rs.22,560,485 (2008: Rs.17,886,884) as expense in the Profit and Loss Account in respect of defined contribution plans (viz , Provident Fund and Employees Pension Scheme), which is disclosed under 'Contribution to Provident and Other Funds (Schedule 14)

(b) Defined Benefit Plan

The Company provides for gratuity, a defined benefit plan (the gratuity plan) to its employees. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Company.

A Changes in the defined benefit obligation during the period

	2009	2008
Obligation at the beginning of the year	8,876,002	6,259,203
Current service cost	4,351,235	2,783,124
Interest cost	506,519	500,736
Actuarial (gain)/loss on obligation	2,448,777	(83,515)
Benefit paid during the year	(3,280,046)	(583,546)
Past service cost	-	-
Obligation at the end of the year	12,902,487	8,876,002



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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

10. Employee Benefits - Contd.:

(b) Defined Benefit Plan - Contd.:

Rs.

	2009	2008
B. Reconciliation of opening and closing balances of the fair value of plan assets		
Plan assets at the beginning of the year	(80,646)	164,896
Add: Contributions by the Company	3,999,380	335,469
Add: Expected return on plan assets	19,531	13,289
Add: Actuarial gains/ (losses)	(13,826)	(10,754)
(Less): Benefits paid	(3,280,046)	(583,546)
Plan assets at the end of the year	644,393	(80,646)
C. Net asset/ (liability) recognised in the Balance Sheet		
Present value of obligation at the end of the year	(12,902,487)	(8,876,002)
Fair value of plan assets at the end of the year	644,393	(80,646)
Amount recognised in the Balance Sheet	(12,258,094)	(8,956,648)
D. Expenses recognised in the Profit and Loss Account		
Current service cost	4,351,235	2,783,124
Interest cost	506,519	500,736
Expected return on plan assets	(19,531)	(13,199)
Actuarial (gains)/ losses due to change in assumptions	2,462,603	(72,761)
Total expenses recognized in the Profit and Loss Account	7,300,826	3,197,900
E. Investment details of plan assets		
Fund balance with insurance companies	100%	100%
F. Actual return on plan assets	5,705	2,445
G. Assumptions		
Discount rate (per annum)	7.0%	8.0%
Expected rate of return on plan assets	8.0%	8.0%

Notes:

- (i) The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligation.
- (ii) The long term estimate of expected rate of return on fund assets has been arrived at. Based on the allocation and prevailing yields on these assets assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds
- (iii) The salary escalation rate is the estimate of future salary increase considered taking into account inflation, seniority, promotion and other relevant factors



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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

Rs.

11. Segment Reporting:

a) Primary Segment.

The Company's operations relate predominantly to software development and software support services, and accordingly, primary reporting disclosures for business segment, as envisaged in AS 17 on Segment Reporting, is not applicable

b) Secondary Segment:

The Company renders service in India and exports to the following regions - USA, Europe and other regions. Accordingly, secondary segment reporting has been made in accordance with those geographic segments.

Fixed Assets used in the Company's business and liabilities contracted are not identifiable in line with the following reportable segments as the fixed assets and liabilities contracted are used interchangeably between the segments. Accordingly, no disclosures relating to other segment assets and liabilities have been made.

	USA	Europe	Rest of World	India	Total
External Sales (Gross)	634,985,902 (534,258,540)	220,343,631 (250,548,638)	2,448,865 (1,762,778)	38,132,840 (29,062,237)	895,911,238 (815,632,193)

Note Figures in brackets relate to previous year

12 Related Party Disclosures:

A. Names of related parties and description of relationship:

Ref	Description of relationship	Names of related parties
a	Parties where control exists:	
(i)	Ultimate Holding Company	Collabera Inc , USA (CIU)
(ii)	Immediate Holding Company	GCI Global Ventures, Mauritius (GVM)
(iii)	Subsidiaries	Collabera Enterprise Software Solutions Private Limited, India (CESS) IVL India Private Limited, India (IVL)
b.	Parties under common control with whom transactions have taken place during the year:	
(i)	Fellow Subsidiaries	Collabera Technologies Private Limited, India (CTPL)
c	Key management personnel (KMP):	
(i)	Wholetime Director	Mohan Sekhar (from October 19, 2008) Jawahar Bekay (upto December 31, 2008)
(ii)	Relative of KMP	Surekha Bekay (upto December 31, 2008)






COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

12. Related Party Disclosures - Contd.:

Rs.

B. Summary of transactions with related parties is as follows:

Nature of transaction	Ultimate Holding Company [A a(i)], Holding Company [A a(ii)] and Subsidiaries [A a(iii)]		Fellow subsidiaries [A b(i)]		KMP and relative of KMP [A c(i) and A c(ii)]		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Income from Services:								
CIU	170,923,305	68,314,775	-	-	-	-	170,923,305	68,314,775
Interest on Loan:								
CESS	7,659,555	3,520,822	-	-	-	-	7,659,555	3,520,822
Expense Reimbursements								
CIU	94,62,609	13,043,066	-	-	-	-	94,62,609	13,043,066
Company leased accommodation:								
Surekha Bekay	-	-	-	-	450,000	600,000	450,000	600,000
Employees cost:								
Jawahar Bekay	-	-	-	-	6,531,805	9,487,180	6,531,805	9,487,180
Mohan Sekhar	-	-	-	-	6,284,210	-	6,284,210	-
Equity contribution including premium:								
GVM	145,857,840	-	-	-	-	-	145,857,840	-
Loan given:								
CESS	13,500,000	42,000,000	-	-	-	-	13,500,000	42,000,000



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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

12. Related Party Disclosures - Contd.:

Rs.

B. Summary of transactions with related parties is as follows - Contd. :

Nature of transaction	Ultimate Holding Company [A a(i)], Holding Company [A a(ii)] and Subsidiaries [A a(iii)]		Fellow subsidiaries [A b(i)]		Key Management Personnel [A c(i) and A c(ii)]		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Loan repaid:								
CESS	4,500,000	8,000,000	-	-	-	-	4,500,000	8,000,000
Advance received:								
CIU	9,770,000	29,390,000	-	-	-	-	9,770,000	29,390,000
Balance as at the year end - Loans to Employees:								
Jawahar Bekay	-	-	-	-	-	8,778,361	-	8,778,361
Outstanding Payable:								
Jawahar Bekay	-	-	-	-	-	2,040,000	-	2,040,000
Surekha Bekay	-	-	-	-	-	42,275	-	42,275
CIU	6,847,531	-	-	-	-	-	6,847,531	-
CTPL	-	-	285,000	-	-	-	285,000	-
Outstanding Receivable:								
CIU*	6,101,573	-	-	-	-	-	6,101,573	-
CESS	7,925,717	3,680,552	-	-	-	-	7,925,717	3,680,552
CTPL	-	-	-	2,840,971	-	-	-	2,840,971
Advance received:								
CIU	-	16,297,093	-	-	-	-	-	16,297,093
Unsecured loan:								
CESS	88,000,000	79,000,000	-	-	-	-	88,000,000	79,000,000

* Excludes unbilled receivables: Rs.27,787,901 (2008 Rs.7,157,948).

Note: The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors

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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

13 (i) Operating Lease*

Rs.

Operating lease for office premises and other facilities are generally for a period of 11 to 119 months and renewable on a periodic basis by mutual consent of both parties. Most of the operating leases provide for a percentage increase in rent, at the end of the original lease term (except in some cases where the escalation is after 36 months), for future renewed periods. The operating leases are cancellable by the lessor and the lessee, with a notice of 1 to 3 months. However, some of the operating leases have lock-in period ranging from 12 months to 60 months

Rent [including minimum lease payments Rs.18,225,012 (2008 Rs 8,330,072)]

Future minimum lease rentals payable under non-cancellable leases

- not later than one year
- later than one year and not later than five years
- later than five years

	<u>2009</u>	<u>2008</u>
Rent [including minimum lease payments Rs.18,225,012 (2008 Rs 8,330,072)]	53,403,217	50,124,477
Future minimum lease rentals payable under non-cancellable leases		
- not later than one year	17,155,200	18,225,012
- later than one year and not later than five years	48,772,418	69,716,536
- later than five years	-	-
	<u>65,927,618</u>	<u>87,941,548</u>

(ii) Finance Lease:

The Company has acquired motor vehicles generally on a one to four year lease terms, which is classified as finance lease as envisaged under AS 19 - Leases.

Minimum lease payments

- Not later than one year
- Later than one year and not later than five years

(Less). Interest not due:

- Not later than one year
- Later than one year and not later than five years

Present value of minimum lease payments

Of the above

- Not later than one year
- Later than one year and not later than five years

	<u>2009</u>	<u>2008</u>
Minimum lease payments		
Not later than one year	1,158,741	1,887,111
Later than one year and not later than five years	1,575,522	3,167,852
	<u>2,734,263</u>	<u>5,054,963</u>
(Less). Interest not due:		
Not later than one year	207,573	343,595
Later than one year and not later than five years	133,328	296,393
	<u>340,901</u>	<u>639,988</u>
Present value of minimum lease payments		
Of the above		
Not later than one year	951,168	1,543,516
Later than one year and not later than five years	1,442,194	2,871,459
	<u>2,393,362</u>	<u>4,414,975</u>

14 Taxation:

(i) Transfer Pricing:

The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations for computing the taxable income and expenditure from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the date of filing the return of income.

For the fiscal year ended March 31, 2008, the Company had undertaken a study to comply with the said transfer pricing regulations for which the prescribed certificate of the Accountant has been obtained and this did not envisage any tax liability.

For the fiscal year ending March 31, 2009, the Company will carry out the study to comply with the said regulations.

COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd

Rs.

14. Taxation - Contd.

(i) **Deferred tax:**

- (a) Potential deferred tax asset aggregating to Rs 17,989,561 (2008: Rs 10,561,492) on timing differences has not been recognised in these accounts as there is no reasonable certainty at this stage that sufficient future taxable income will be available against which such deferred tax assets can be realised in the foreseeable future. However, this position will be reassessed at every period end and the deferred tax asset will be accounted for, if appropriate.
- (b) Deferred tax asset amounting to Rs.48,171,622 (2008: Rs 44,680,063) on unabsorbed depreciation has carried forward has not been recognised in these accounts in the absence of "virtual certainty supported by convincing evidence" that sufficient future taxable income will be available for set off.

15 Earnings per Share:

	2009	2008
Nominal value of equity share	1	1
Weighted average number of equity shares outstanding - Basic	159,066,708	156,604,145
Weighted average number of equity shares outstanding - Diluted	183,765,069	194,129,335
(Loss) after Taxation	(102,072,487)	(19,381,216)
Loss per share - Basic	(0.64)	(0.12)
Loss per share - Diluted (anti-dilutive)	(0.64)	(0.12)

- 16 (i) The Company had introduced various stock option plans for its employees, directors and consultants, viz , Employee Stock Option Plan (ESOP), Chief Executive Officer Stock Option Plan (CEOSOP) and Consultant Stock Option Plan (CSOP) respectively. However, as at the Balance Sheet date, the only major existing ESOP is "GCI Solutions Private Limited Employee Stock Offer Plan, 2006"

In accordance with the Guidance Note on 'Accounting for Employee Share-based Payments' as referred to in para 1 of Accounting Standard 15 on 'Employee Benefits', the Company has used fair value method to determine value of stock options granted and accounting for share-based payments. As determined by an independent valuer, the estimated fair value of stock options granted is Rs 1.84 per share against an exercise price of Rs 3.75 per share. As the fair value does not exceed exercise price, the Company has not recognised any employee compensation expense for the year.

As stipulated by the aforesaid Guidance Note, the details of such options as at the year end are as under

	2009	2008
Options outstanding at the beginning of the year	2,832,418	12,276,154
Options granted (i.e., number of shares to be issued)	-	-
Options forfeited (i.e., number of shares not utilised)	582,925	645,000
Options exercised (i.e., number of shares issued)	-	9,443,736
Options outstanding at the end of the year (i.e., number of shares to be issued in future)	2,832,418	2,832,418

- (ii) The Company has issued share warrants to promoter and non promoter directors, overseas investors, employees and consultants in accordance with resolutions passed by the shareholders. As at March 31, 2009, 5,725,123 (2008: 5,725,123) no of share warrants are outstanding for conversion into equity shares of Rs.1 each, in future periods, at the option of the holders.

17. a) Pursuant to a Share Acquisition Agreement with the erstwhile shareholders of Collabera Enterprise Software Solutions Private Limited (CESS), the Company has acquired 8,000 shares in CESS for a total consideration of Rs.126,100,000 (2008: Rs.126,100,000), which has been disclosed under Investments (Schedule 6). As a part of aforesaid Agreement, Rs.25,000,000 (2008: Rs 25,000,000) was held in an escrow account with a bank for a stipulated period of two years. Pursuant to certain adjustments in accordance with the Agreement, Rs 5,629,583 (2008 Nil) has been released from escrow to the Company account, which has been accounted for as a reduction to corresponding investments.

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COLLABERA SOLUTIONS PRIVATE LIMITED

SCHEDULE TO ACCOUNTS

16. NOTES ON ACCOUNTS - Contd.

Rs.

- b) Pursuant to supplementary agreement to the above Share Acquisition Agreement with the erstwhile shareholders of CESS, the Company has agreed to acquire additional/ balance 2,000 shares in CESS for a total consideration of Rs 42,750,000 (2008: Nil) and an advance of Rs.60,00,000 has been paid to the erstwhile shareholders in this regard, which has been disclosed under Loans and Advances (Schedule 10).
- c) The above investment is strategic in nature and based on the future cash flow projections (with payback period of investment estimated to be over a revised period of six years), as approved by the Board Directors, the potential diminution, being the difference of Rs.104,062,366 (2008: Rs 97,776,903) between the cost of investment and the proportionate networth of CESS, is temporary in nature and no provision thereof is considered necessary at this stage.
- 18 In accordance with the Share Purchase and Subscription Agreement dated December 6, 2004 (between the holding company and erstwhile shareholders of the Company), the terms of conversion of Participatory Convertible Preference Shares (PCPS) are as follows:
- The PCPS are compulsorily convertible at anytime of the holding company's choice or at the end of six months from the date of dissolution and conclusion of escrow agreement (dated March 31, 2005), whichever is earlier, by conversion into such number of equity shares as are arrived at by dividing the face value of the PCPS by the investment price (i.e , the price per equity share calculated by dividing pre-money valuation of Rs 180,000,000 by paid up share capital of the Company on a fully diluted basis) or the adjusted investment price (i.e., the resulting amount arrived at by dividing adjusted pre-money valuation by the total number of equity shares in the paid up share capital of the Company on a fully diluted basis) as applicable
- 19 Pursuant to the approval of the Board of Directors in their meeting held on March 31, 2009, the Company has issued 58,343,136 equity shares at a premium to GCI Global Ventures, Mauritius, the holding company aggregating to Rs. 145,857,840.
20. Other information with regard to certain other matters specified in paragraph 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 are either Nil or not applicable to the Company for the period covered by the aforesaid financial statements
21. Previous year's figures have been regrouped/ rearranged wherever necessary.

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
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AUDITORS' REPORT

TO THE MEMBERS OF COLLABERA SOLUTIONS PRIVATE LIMITED

- 1 We have audited the attached Balance Sheet of Collabera Solutions Private Limited, as at March 31, 2009, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 (together the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account,
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act,
 - e) On the basis of written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act also give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009,
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Bangalore
Date. September 5, 2009


D Shrivakumar Hegde
Partner
Membership No.: 204627
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Collabera Solutions Private Limited on the financial statements for the year ended March 31, 2009]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets
(b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. The Company does not have any inventory and hence clauses (ii)(a), (ii)(b) and (ii)(c) of the Order are not applicable to the Company.
3. (a) The Company has granted unsecured loans to a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans amounts to Rs 91,000,000 and Rs.88,000,000 respectively.
(b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
(c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable
(d) In respect of the aforesaid loans, there is no overdue amount more than rupees one lac
(e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act and accordingly, sub clauses (f) and (g) of clause (iii) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.



9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess, as may be applicable and any other material statutory dues with the appropriate authorities in India as observed by us during the course of our examination of the books of account carried out in accordance with generally accepted auditing practices in India.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2009, which have not been deposited on account of a dispute, are as follows

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Customs Act, 1962	Customs Duty	2,529,286 (*)	2001-02	The Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore


(*) Entire amount has been paid under protest

10. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, accumulated losses at the end of the financial year are less than fifty percent of the net worth of the Company. Further, the Company has incurred cash losses during the financial year ended March 31, 2009, but not in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders, as may be applicable, as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments
15. 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 during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year.



- 20 The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Place: Bangalore
Date: September 5, 2009


Shivakumar Hegde
Partner
Membership No.: 204627
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants