



ACCEL FRONTLINE
GLOBAL IT SERVICES

16th Annual Report
2010 - 11

Forward looking statement

In this annual report, we have mentioned certain forward looking information to enable investors to comprehend our business model and future prospects and make informed investment decisions. This annual report and other communications from us, oral or written, may include certain forward looking statements that set out certain anticipated results based on managements assumptions and plans. Even though the management believes that they have been prudent in making such assumptions, we cannot guarantee that these forward looking statements will be realised. We undertake no obligation to update forward looking statements. The achievement of results is subject to various risks, known and unknown. We request readers to bear this in mind while reading this report.

BOARD OF DIRECTORS

N R Panicker
Chairman & Managing Director

Steve Ting Tuan Toon
Director

Sudhir Narang
Director

K R Chandrasekaran
Director & CFO

Dr. Harrison Wang Hong She
Director

Lakshmi G Menon
Director

Sinnakaruppan R
Director

Suresh K Sharma
Director

COMPANY SECRETARY

Sweena Nair

STATUTORY AUDITORS

K.S. Aiyar & Co.,
Chartered Accountants
#54/2, Paulwells Road,
St. Thomas Mount, Chennai - 600 016

INTERNAL AUDITORS

Grant Thornton
Arihant Nitco Park, 6th floor,
No. 90, Dr. Radhakrishnan Salai,
Mylapore, Chennai - 600 014, India.

SOLICITORS

S. Ramasubramaniam & Associates
6/1, Bishop Wallers Avenue (West)
Mylapore, Chennai 600 004.

REMUNERATION COMMITTEE

Steve Ting Tuan Toon
Sinnakaruppan R
Suresh K Sharma

AUDIT COMMITTEE

Lakshmi G Menon
Dr. Harrison Wang Hong She
Suresh K Sharma
Steve Ting Tuan Toon

**SHARE TRANSFER & INVESTORS
GRIEVANCE COMMITTEE**

Lakshmi G Menon
Sinnakaruppan R
K R Chandrasekaran

BANKERS

State Bank of India
IDBI Bank Limited
ICICI Bank Limited
Barclays Bank Plc.
Citibank NA

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bandup West,
Mumbai - 400 078
Tel. : +91.22.25963838
Email : mumbai@linkintime.co.in

REGISTERED OFFICE

75, Nelson Manickam Road
Aminjikarai,
Chennai - 600 029.
Tel : +91.44.4225 2000
Fax : +91.44.2374 1271
Email : info@accelfrontline.in
Website : www.accelfrontline.in

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NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of Accel Frontline Limited will be held on Thursday the 29th day of September 2011 at "Rajah Sir Annamalai Chettiar Memorial Trust Hall (Rani Seethai Hall) Mount Road, Chennai at 3.00 PM to transact the following business

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited balance sheet of the company as at March 31, 2011 and the profit & loss account for the financial year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare final dividend for the financial year ended March 31, 2011.
3. To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

"RESOLVED that Mrs. Lakshmi G.Menon, a Director liable to retire by rotation, who does not seek re-election, is not reappointed a Director of the Company.

RESOLVED FURTHER that the vacancy, so created on the Board of Directors of the Company, be not filled."
4. To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

"RESOLVED that Dr. Harrison Wang Hong She, a Director liable to retire by rotation, who does not seek re-election, is not reappointed a Director of the Company.

RESOLVED FURTHER that the vacancy, so created on the Board of Directors of the Company, be not filled."
5. To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

"RESOLVED that Mr. R.Sinnakaruppan, a Director liable to retire by rotation, who does not seek re-election, is not reappointed a Director of the Company.

RESOLVED FURTHER that the vacancy, so created on the Board of Directors of the Company, be not filled."
6. To appoint M/s K.S. Aiyar & Co., chartered Accountants (Registration Number 100186W) as statutory Auditors of the company and to fix their remuneration and for this purpose to consider and, if thought fit, pass with or without modifications, the following resolution as an ordinary resolution. Provided that in the event of the provisions of Section 224(A) of the Companies Act, 1956, becoming applicable to the company on the date of holding this meeting, the same will be proposed as a special resolution.

RESOLVED THAT Messrs K.S. AIYAR & Co., Chartered Accountants, Chennai having registration number as 100186 W who retired at the conclusion of this meeting, be and are hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board/Audit Committee, in consultation with the Auditors.

SPECIAL BUSINESS:

7. To consider and if thought fit to pass, with or without modifications, the following resolutions a special resolution.

RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") or any statutory modification(s) or re-enactment thereof and subject to such approvals /consents, if any, approval of the company be and is hereby accorded to the appointment of Mr. K.R.Chandrasekaran as Whole time director for a period of two year effective 27th April 2011 on the terms, conditions including remuneration and perquisites as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and / or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment , as may be made therein from time to time

Resolved further that the Board of Directors be and is hereby authorized to vary or increase the remuneration including salary , commission , perquisites, allowances etc., within the prescribed limits or ceiling in Schedule XIII to the Companies Act 1956, and the agreement between the company and Mr.K.R.Chandrasekaran be suitably amended to give effect to such modification or variation without any further reference to the members of the company in general meeting.

RESOLVED FURTHER THAT notwithstanding anything to the contrary contained herein, wherein any financial year during the currency of the tenure of the Wholetime director, the company has no profits or its profits are inadequate, the Company will pay Mr. K R Chandrasekharan ,the Wholetime Director, Remuneration by way of salary, allowances and perquisites within the limits specified in Part II of Schedule XIII of the Companies Act or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

AND FURTHER RESOLVED THAT the Board of directors of the company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution

8. To consider and if thought fit to pass, with or without modifications, the following resolutions a special resolution

Resolved that pursuant to the provisions of section 314(1) (b) and other applicable provisions of the companies act 1956, consent of the company be and is hereby accorded to the appointment of Ms. Shruthi Panicker daughter of Mr. N.R. Panicker Chairman & Managing Director as an Executive with effect from 13th September 2010 on a remuneration and other terms as mentioned below:

- The Salary and allowances shall be Rs. 600,000 per annum.
- Ms. Shruthi Panicker will also be entitled to a performance linked Incentive upto Rs. 1.20 lacs payable annually based on Individual and Company Performance.
- During her tenure, she will be governed by the Rules and Regulations of the company as may be applicable to the employees of the company from time to time.

The resolution shall be in force for a period of five years with effect from date of appointment .

Resolved Further that the Board/ Remuneration committee is hereby authorized to review the performance and fix the remuneration and designation on a periodical basis, in line with similar other employees of the Company.

Resolved Further that the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to this resolution and to settle any questions, difficulties or doubts that may arise in this regard.

As required by Section 173 of the Companies Act, 1956, the following explanatory statement set out the material facts relating to the business mentioned under Item 3 to 5 and 7, 8 of the accompanying notice dated 27th July 2011.

Item No.3

In accordance with the provisions of Section 256 of the Act and the Articles of Association of the Company, Mrs. Lakshmi G. Menon retires by rotation but has not sought re-election. It has been decided by the Board that the vacancy so created on the Board of Directors of the Company be not filled.

Mrs. Lakshmi G. Menon is a Director of the Company since 11th April 2006. The Board has placed on record its appreciation of the contribution made by her to the Company.

Item No.4

In accordance with the provisions of Section 256 of the Act and the Articles of Association of the Company, Dr. Harrison Wang Hong She retires by rotation but has not sought re-election. It has been decided by the Board that the vacancy so created on the Board of Directors of the Company be not filled.

Dr. Harrison Wang Hong She is a Director of the Company since 11th April 2006. The Board has placed on record its appreciation of the contribution made by him to the Company.

Item No. 5

In accordance with the provisions of Section 256 of the Act and the Articles of Association of the Company, Mr. R.Sinnakaruppan retires by rotation but has not sought re-election. It has been decided by the Board that the vacancy so created on the Board of Directors of the Company be not filled.

Mr. R.Sinnakaruppan is a Director of the Company since 11th April 2006. The Board has placed on record its appreciation of the contribution made by him to the Company.

Item No.7:

The shareholders in the Annual General Meeting held on 30.09.2004 had appointed Mr. K.R. Chandrasekaran as a Wholetime Director with effect from 28th April 2004 for a period of three years.

Mr. K.R.Chandrasekaran was re-appointed as the Wholetime Director of the Company for a period of three years from 28-04-2007 on the terms and conditions approved by the Shareholders at the Annual General Meeting held on 06-09-2007.

The Board of Directors further extended his appointment as Whole time Director vide its resolution dated 28-01-2010, for a further period of one year for the period from 27-4-2010 to 26-4-2011 as recommended by the Remuneration Committee of Directors and with the approval of the shareholders at the Annual General Meeting held on 22-09-2010.

The Board of Directors at their meeting held on 25-01-2011 have re-appointed him as a whole time director for a further period of two years effective from 27-04-2011 to 26-04-2013 as recommended by the Remuneration Committee of Directors

An abstract of the terms of Mr. K.R.Chandrasekaran 's appointment and remuneration are set out below.

1. Period

Two year with effect from 27-4-2011

2. Emoluments

Subject to the overall limits as laid down in Sections 198 and 309 of the Act.

(a) Salary and Allowances

Such amount for Mr. K.R.Chandrasekaran in the scale of Rs.100,000 to Rs.150,000 per month as may be decided by the Board based on the recommendations of the Remuneration Committee with liberty to the Board to decide about the quantum of annual increment which will be effective from 01st of April every year or as decided by the Board

The Board may review and determine from time to time and make necessary changes in the salary and / or allowances during the tenure of his appointment.

(b) Commission

As may be approved by the Board for each financial year based on the net profit of of the company for that year, computed in the manner laid down in Section 309(5) of the Act and after taking into account the relevant factors and circumstances.

(c) Perquisites and Allowances

The following perquisites would be provided to Mr.K.R.Chandrasekaran by the Company,subject to tax as applicable

Housing: Unfurnished accommodation or house rent allowance in lieu thereof subject to a maximum of 50% of the salary.

Motor car: A company car will be provided and the cost of running and minor maintenance expenses will be borne by him. Insurance and major repairs/replacements will be carried out by the company

Leave: Leave of one month with full pay and allowances for every 11 months of completed service in addition to casual leave as applicable to the senior executives of the company.

Leave Travel Concession: Leave travel concession for self, wife and dependent parents / children once a year subject to a maximum of one month's basic salary.

Medical Reimbursement: Reimbursement of hospital and medical expenses for self and family subject to a ceiling of one month's basic salary in a year.

Benefit of group mediclaim policy as per rules of the company.
Personal Accident Insurance: Benefit of personal accident insurance scheme as per rules of the company.

Vehicle Maintenance Reimbursement: Reimbursement upto Rs.15,000/- towards expenses incurred for maintaining a car, engaging a driver, etc and using the same for official purposes, on production of receipts / bills.

Provident Fund: Contribution to provident fund shall be as per rules of the company.

Gratuity: Shall be as per rules of the company.

Special day reimbursement: An amount of Rs.5,000/- per annum for celebrating a special day on production of bills.

Meals coupon: Meals coupons for a value of Rs.1200/- per month towards lunch / refreshment expenses.

Business expenses reimbursement: An amount of Rs.10000/- per month towards expenses incurred for development of business, on production of bills.

Work from home reimbursement: Reimbursement of Rs.3000/- per month towards expenses incurred for maintaining a telephone / internet / mobile connection, renting a computer, etc for working from home on production of bills.

The Board may review and determine from time to time any revision and / or modification in the above perquisites during the tenure of his appointment.

3. Minimum remuneration

Where in any financial year during the tenure of Mr. K.R.Chandrasekaran, the Company incurs loss or its profits are inadequate, the Company shall pay to Mr. K.R.Chandrasekaran the above remuneration by way of salary, commission and perquisites as a minimum remuneration, subject to the limits specified under Part II section II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), or such other limits as may be presented by the Government from time to time.

4. Termination

The agreement with Mr.K.R.Chandrasekaran provides that either party by giving the other party three month's notice or the company paying three months remuneration in lieu thereof may terminate the appointment.

5. Duties and Obligations

The Agreement also sets out the duties and various obligations of Mr.K.R.Chandrasekaran. The appointment of Mr.K.R.Chandrasekaran as a Whole time Director and the remuneration payable to him as aforesaid, are required to be approved by the members at this Annual General Meeting in terms of section 269 of the Act. The Resolution at item 7 of Special Business is intended for this purpose. The terms of Mr. K.R.Chandrasekaran's appointment are more fully set out in the draft Agreement which is available for inspection by any member at the registered office of the company between 10 am to 12 noon on any working day (excluding Saturdays) prior to the date of the Annual General Meeting as well as at the Meeting.

(b) The appointment of Mr. K.R.Chandrasekaran is by virtue of his employment in the company and is subject to the provisions of

Section 283 (1) of the Companies Act, 1956.

(c) If at any time Mr. K.R.Chandrasekaran ceases to be a Director of the company for any cause whatsoever, he shall also cease to be the Whole time Director of the company.

(d) Mr. K.R.Chandrasekaran shall not be entitled to supplement his earnings with any buying or selling commission. Mr. K.R.Chandrasekaran also shall not become interested or otherwise concerned directly or through his relatives in any selling agency of the company without requisite approvals as may be necessary.

The Board recommends the resolution. Except Mr. K.R.Chandrasekaran, no other Director has any interest or concern in the resolution.

Mr. K.R.Chandrasekaran is interested in the resolution, as it relates to his appointment and payment of remuneration to him.

Mr. K.R.Chandrasekaran holds 28172 shares in the Company.

Mr. K.R.Chandrasekaran also holds Directorship in the following associate companies:

Accel Limited
Accel Frontline FZE, Dubai
Array Solutions (India) Limited
Network Programs USA INC, USA
Network Programs Japan INC, USA
Network Programs Kabushiki Kaisha, Japan
Accel Frontline Services Limited
Accel Systems Group Inc., USA

Mr. K.R.Chandrasekaran is not related to any other Director of the Company.

This explanatory statement together with the accompanying notice may be treated as an abstract of the terms of appointment of Mr. K.R.Chandrasekaran and payment of remuneration to him and Memorandum of Interest under section 302(7) of the Companies Act, 1956.

Information required under Clause (iv) of proviso to paragraph 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 is given below :

The information below is in relation to the proposal contained in Item No.5 of the Notice relating to re-appointment of Mr. K.R.Chandrasekaran as whole time director of the company.

I. General Information

(1) Nature of Interest

The Company is a provider of Infrastructure Management Services..

(2) Date or expected date of commencement of commercial production.

The Company has been in business for Last 16 years.

(3) In case of new companies, expected date of commencement of activities.

Not applicable, as the company is an existing company.

(4) Financial performance based on given indicators. (INR in million)

	31.03.2011	31.03.2010	31.03.2009
Sales (Gross)	3320.15	2569.21	2736.34
Profit Before Tax	89.21	63.06	70.54
Profit After Tax	63.79	47.46	43.94
Shareholders' Fund	1047.60	1028.84	1020.51
Rate of Dividend on equity Shares (%)	20	15	10

(5) Export performance

The Company's exports for the past three years are as follows :
(INR in million)

	31.03.2011	31.03.2010	31.03.2009
Income from Services	42.26	68.47	124.78

(6) Foreign investments or collaborators, if any.

BT Frontline Limited has 51% shareholding in the company.

II. Information about the appointee

Background details

Mr. K.R.Chandrasekaran is a chartered accountant with over 32 years of experience. He was previously employed as an Assistant General Manager of Harita Finance Limited from 1990 to 1997, as Manager Finance with HCL Infosystems Ltd from 1985 to 1990 and as a Management Accountant of ACC Babcock Ltd from 1980 to 1985.

(ii) Past Remuneration

For the financial year, 2010 – 2011, Mr. K.R.Chandrasekaran's total remuneration was Rs.2,872,769

(iii) Recognition or awards / Job profile and his suitability.

Mr. K.R.Chandrasekaran has managed the company ably over the last few years.

In the opinion of the Board, he is eminently suited for the position he holds.

(iv) Remuneration proposed

The remuneration of Mr. K.R.Chandrasekaran is set out above.

(v) Comparative Remuneration profile with respect to industry, size of the company, profile of the position and person.

The substantive remuneration of Mr. K.R.Chandrasekaran is not out of tune with the remuneration in similar sized companies in similar segment of business.

(vi) Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any.

Other than the remuneration, equity holdings and directorship

is associate Companies as stated above, Mr. K.R.Chandrasekaran has no other pecuniary relationship directly or indirectly with the company or any of its Directors.

III. Other Information

The Agreement also sets out the duties and various obligations of Mr.K.R.Chandrasekaran.The appointment of Mr.K.R.Chandrasekaran as a Whole time Director and the remuneration payable to him as aforesaid, are required to be approved by the members at this Annual General Meeting in terms of section 269 of the Act. The Resolution at item 7 of Special Business is intended for this purpose.

ITEM NO. 8

Ms. Shruthi Panicker has completed her graduation in BS in Computer science from Georgia Tech USA in 2008. She had earlier worked as a software engineer in Ventyx Atlanta, USA for past 2 years.

Taking into consideration her knowledge and experience, she was appointed as an Executive of the Company.

As per the provisions of Section 314 (1)(b) of the Companies Act, 1956,such appointment and the remuneration has to be approved by the Shareholders in a general meeting.

The Board recommends this resolution to be passed as a Special resolution.

None of the Directors except Mr.N.R.Panicker,Chairman & Managing Director being father of Ms. Shruthi Panicker, is interested in this resolution.

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing a proxy should however be deposited at the registered office of the company, not less than 48 hours before the commencement of the meeting.
2. Revenue stamp should be affixed on the proxy form. Forms, which are not stamped, are liable to be considered as invalid. Further for the purposes of identification, it is advised to affix the signature of the proxy also in the proxy form.
3. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the AGM.
4. Members/ proxies are requested to bring the attendance slips duly filled in and signed for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in electronic form are requested to write their client Id and DP ID number and those who hold shares in physical form are requested to write their folio numbers in the attendance slip for attending the meeting to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of the annual report to the meeting.
7. Members who wish to obtain any information on the company or the accounts may send their queries at least

10 days before the date of the Meeting to the company at No.75, Nelson Manickam Road, Aminjikarai, Chennai 600029, or e-mail at sweena.nair@accelfrontline.in, addressed to the Company Secretary.

8. Members having shares registered in the same name or in the same of order of names but in several folios may please write to the RTA so that the folios can be consolidated. A copy of the letter may please be marked to the company secretary.
9. Members holding shares in physical form, who are desirous of making nomination as permitted under section 109A of the Companies Act, 1956 in respect of the shares held by them in the Company, may write to the RTA for the prescribed form.
10. All documents referred to in the accompanying notice and explanatory statements are open for inspection at the Registered Office of the Company on all working days except Saturdays between 11.00 AM and 1.00 PM up to the date of AGM.
11. The Company has notified closure of the Register of Members and the Share Transfer Books from 23rd September 2011 to 29th September 2011 (both days inclusive).
12. Dividend on approval will be paid on or before 28th October 2011 to the members whose names appear in the Register of Members as on 22nd September 2011. In respect of shares held in demat form, the dividend will be paid to be beneficial

owners as on the closing hours of 22nd September 2011 as per the details forwarded by the RTA for this purpose.

13. Members are requested to notify immediately of any change in their address to the Registrars. Members holding shares in electronic form are advised to notify any change in their address with the concerned Depository Participant.
14. Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance (Circular No. 17/2011 dated 21.04.2011) allowing paperless compliances by Companies through Electronic mode. Companies are now permitted to send various notices / documents to its shareholders through electronic mode to the registered email address of the shareholders. The Company has communicated to the shareholders on 18th July 2011 about its decision to implement this initiative. Shareholders are requested to update their email addresses with the respective depository participants. Shareholders holding shares in physical mode, are requested to kindly provide your e-mail address and send it to our registrar, Link Intime India Pvt. Ltd.
15. The particulars of the Director, retiring by rotation and eligible for re-appointment, are given in the Report of the Directors to the Members.

For and on behalf of the board

Chennai,
July 27, 2011.

Sweena Nair
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 16th annual report together with the audited accounts of the company for the year ended March 31, 2011.

Financial results	INR in million			
	Standalone		Consolidated	
	2011	2010	2011	2010
Sales, services & other income	3320.15	2569.21	3960.49	2715.49
Profit before interest, depreciation & tax	210.99	163.17	252.74	175.05
Interest	63.29	42.50	66.60	42.61
Depreciation	58.48	57.61	58.78	57.82
Provision for tax	25.42	16.10	25.42	16.10
Profit after tax	63.79	46.97	101.94	58.52
Balance brought forward from previous year	227.71	224.38	291.46	276.56
Profit available for appropriation	298.97	272.21	400.87	335.95
Appropriations				
Transfer to general reserve	5.00	5.00	5.00	5.00
Proposed dividend on equity shares	45.02	33.76	45.02	33.76
Tax on dividend	7.48	5.74	7.48	5.74
Balance carried to balance sheet	241.47	227.71	343.37	291.45
Total	298.97	272.21	400.87	335.95

Review of operations

FY11 was a year of enhanced growth for your company. The company garnered fresh business and strengthened its relationships with existing customers.

The company achieved a revenue growth of 29.23% on a standalone basis. Net turnover increased to Rs 3,320.15 mn for the year ended March 31, 2011 as compared to Rs 2,569.21 mn for the corresponding period last year. The company's focus continues to be on Infrastructure Management Services. Other businesses also performed reasonably well during the year under review. On a standalone basis, profit before tax stood at Rs. 89.21 mn as against Rs. 63.07 mn for the corresponding period last year. On a consolidated basis, the net turnover stood at Rs 3,960.49 mn, the EBITDA was Rs. 252.74 mn and the profit after tax was Rs 101.94 mn. The Top 10 customers now contribute 55% to the total revenue share. The company is pleased to announce a final dividend of Rs 2 per share (20% on the face value of Rs 10 per share) consistent with its policy to reward shareholders.

Consolidated financial statements

Consolidated financial statements, prepared in accordance with Accounting Standard AS 21, issued by the Institute of Chartered Accountants of India, and as required by the Listing Agreement are attached and forms part of the Annual Report and Accounts. The summary results are provided in the table above.

Report

Report on conservation of energy, technology absorption etc.

Information as required under section 217 (1) (e) of the companies act, 1956 read with companies (disclosure of particulars in the report of board of directors) rule, 1988 regarding conservation of energy, technology absorption are given in annexure I to this

Report. The details regarding foreign exchange earnings and outgo are being mentioned in the notes to the accounts.

Management discussion and analysis

The management discussion and analysis and various initiatives and future prospects of the company are enclosed, separately as annexure II

Report of Corporate Governance

A report on Corporate Governance together with auditor's certificate on compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is provided in annexure III to this report

Auditors Certificate on corporate governance

The certificate issued by the auditors of the company on corporate governance is given in Annexure IV

Directors responsibility statement

The directors responsibility statement pursuant to sub section 2 AA of Section 217 of the Companies Act 1956 is given in Annexure V

CEO /CFO Certification

The Chairman and Managing Director and the Chief Finance Officer have submitted a certificate to the Board regarding the financial statements and other matters as required under Clause 49 (V) of the Listing Agreement. This is provided as Annexure VI to this report.

Particulars of Employees

The particulars regarding employees of the company pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in annexure VII to the Director's Report. However, in terms of sec 219 (1) (b) (iv) of the Companies Act 1956 the Directors Report (excluding annexure VII) is being sent to all the shareholders of the company. Any shareholder interested in obtaining a copy of the said annexure may write to the company secretary at the registered office of the company.

Financial Statements of Subsidiary companies:-

The statement pursuant to sub-section 3 of Section 212 of the Companies Act 1956 is given in annexure VIII to this Report. Pursuant to the exemption granted by the department of Company Affairs, Government of India, the parent company is publishing the consolidated and standalone financial statements of Accel Frontline Limited and its subsidiaries. The financial statements and auditors' report of the individual subsidiaries are available for inspection by the shareholders at the registered office and the same is posted in the company's website. The information in aggregate on capital, reserves, total assets, total liabilities, details of investments, turnover, profit before taxation, provision for taxation, profit after taxation and proposed dividend for each subsidiary are given in annexure VIII

Dividend

At the meeting held on July 27, 2011, the Board of Directors has recommended a dividend of 20% (Rs 2.00 per equity share of Rs 10/-) for the year ended March 31, 2011. This dividend will be paid subject to the shareholder's approval at the ensuing annual general meeting to be held on September 29, 2011.

Directors

Mrs. Lakshmi G Menon, Mr. Sinnakaruppan and Dr.Harrison Wang Hong She, retires by rotation and have not offered themselves for re-appointment and accordingly, they will cease to be the directors of the company with effect from the conclusion of the ensuing annual general meeting. The board placed on record its deep appreciation and gratitude for their guidance and contribution to the company.

Quality Management

Your company's quality policy is to enhance customer satisfaction through continued improvement of skills, processes and technologies. During the year the company continued to invest in technologies, infrastructure and processes in order to keep our quality management systems updated. We are a ISO 9001/2000 certified unit for IT infrastructure management services.

Auditors

K.S.Aiyar & Co., Chartered Accountants, Chennai, auditors of the Company retire at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment. The company has received confirmation from them that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The audit committee of the Board has recommended their reappointment. The necessary resolution is being placed before the shareholders for approval.

INTERNAL CONTROL SYSTEMS

Your company has adequate internal control procedures commensurate with the size and nature of its operations. The

internal control systems were further strengthened by internal audit carried by an independent firm of chartered accountants and a periodical review by the management. The audit committee of the board addresses issues raised by internal auditors, statutory auditors and management auditors.

Acknowledgement

Your directors would like to express their grateful appreciation for the assistance and co-operation received from central and state governments, financial institutions, banks, government authorities, customers, suppliers and investors during the year under review. Your Directors wish to place on record their deep sense of appreciation, of the dedicated and sincere services rendered by the employees of the company for its success.

For and on behalf of the board

Chennai,
July 27, 2011.

N.R. Panicker
Chairman & Managing Director

Annexure I to the Director's Report

Conservation of energy, Technology Absorption, Adaptation and Innovation and Foreign Exchange earnings and outgo

The company's operations involve very low energy consumption and therefore the scope of energy conservation is limited. The company has taken steps to conserve electricity consumption in offices.

The company is in high technology business and is constantly upgrading technology to meet the current challenges at all levels. Almost all employees in the company use personal computers, in a networked environment. The company uses internet based technology for its communication needs.

The details regarding foreign exchange earnings and outgo are being mentioned in the notes to the accounts.

Annexure II to the Director's Report

Management Discussion and Analysis

The IT services industry scenario

Over the previous few years, the role of technology in business has evolved from supporting organizations to transforming their businesses. The need for technology is now imbibed as mainstream investment but the will to spend on creating an IT department internally continues to be subdued. The thrust continues to be on hiring an external expert. This continues to remain a positive sign for players like us. At the same time, the IT services industry now seems to be fighting a dual battle where consumers are demanding accelerated delivery times and lower prices.

The government has also become a major consumer of IT services and is estimated to be the biggest consumer in the future. In the previous few years, the government has announced several projects that would revolutionize the way government departments' function. With stringent penalty clauses, the government is making sure that it gets maximum value for every rupee they spend. IT companies are looking for such options that will help them to expand their scope and also be a part in leading the nation ahead. The company is pleased to announce that it is already empanelled on several government projects and is already working on various projects with the government.

Overall, these are challenging and interesting times. There is a new demanding world of IT services, where if you do not adapt to it quickly, you will be left behind. The IT landscape is also changing rapidly. The clear demarcation lines between software, services and hardware are now getting thinner. With technologies like cloud computing, these lines are almost vanishing. These are good signs for companies like us and Accel 2.0 is prima facie a function of these changing dynamics in the Indian IT landscape, with the government acting as an enabler.

The Year in brief

On a consolidated basis, the net turnover was Rs. 3,960.49 mn for the year ended March 31st, 2011 (previous year - Rs. 2,715.49 mn) The EBITDA for the year was Rs.252.74 mn for the year ended March 31st 2011 (previous year Rs. 224.54 mn) The company reported a profit before tax of Rs. 127.36 mn (previous year Rs.74.64 mn). The subsidiary company in Dubai reported a turnover of Rs.627.79 mn; AED 50.56 mn (previous year Rs.106.48 mn; AED 8.46 mn) and reported a profit of Rs.47.19 mn (previous year loss of Rs.19.31 mn). The subsidiary in Japan incurred a loss due to recession in Japan. The company is hopeful turning around in the near future. The companies in Singapore and USA performed much in line with the expectations.

Business Model

The company's business model continues to be around IT Services, which includes Systems Integrations, IT infrastructure management and software services, including ERP consulting and implementation, banking software implementation and implementation of e-governance projects. The company continues to enjoy strategic partnerships required for its business with global IT companies like Oracle, IBM and Microsoft to deliver solutions and services.

Delivery Model

The delivery model integrating people, processes and technology endeavours to achieve IT solutions at lower total cost of ownership for our customers. We constantly innovate to offer better customized solutions to our customers which enhances the quality offered to the customer.

Our offshore development center for software application services, datacenter for hosting solutions, remote infrastructure management facility, the call center for technical help desk, are located in Chennai, which serves as the central hub of our service delivery network. We have 8 regional offices and over 100 direct service locations across India in a hub-and-spoke model to help deliver our services on a pan India basis.

We have the requisite strategic partnerships with international technology providers such as Oracle, IBM and Microsoft to deliver solutions and services that are leading edge and industry oriented.

Marketing

The business, during the current year continues to be organized into three strategic business units namely IT Infrastructure Solutions, IT Infrastructure Management Services and Enterprise Software Solutions.

There is a single centralized marketing and sales organization to manage the marketing and sales operations which co-ordinates sales and marketing efforts of the regional offices who are direct

to the customers.

Competitive Strength

The IT industry is highly dynamic and fast changing. The customer is demanding and has to be constantly upgraded to the latest available technology at lower cost. We have a diversified business portfolio which complement each other and we are in a unique position to offer IT outsourcing solutions in a cost effective manner. Our vast experience and expertise in handling large and complex system integration projects for multiple customers, is our competitive edge. We have a stable management team, several of them serving the company since its inception.

After achieving significant mass, the company is now focusing on bigger projects that will enhance value and deliver better returns on investment.

Human Resource Management

As on 31st March 2011, the company had an employee strength of 1291. The multicultural workforce is drawn from different disciplines and domain backgrounds. We have an established employee recruitment and retention policy, which involves identifying right talents through campus recruitment as well as lateral recruitment and providing them with appropriate training and induction.

Quality

The company has benefited immensely from its policy of making Quality an integral part of its processes. The Accel Quality Framework (AQF) initiative has set guidelines and procedures to ensure quality standards across the organisation. The ISO 9001-2000 certification for Infrastructure Management Services were the result of consistent conformance to the AQF initiative. An employee portal has been set up for knowledge management and sharing within the company. Regular knowledge and skill upgradation training programs are conducted by internal as well as external knowledge management experts

Infrastructure

Our registered and corporate office is located at Chennai. The company occupies approximately 180,000 square feet of office space across various locations in India. All the major offices and software development centres are well equipped with all necessary infrastructure facilities.

Usage of Information Technology

The company has automated various department functions in the company such as accounts, finance, HRD, customer service, logistics etc., using appropriate software application packages. The company has implemented Oracle financials and is in the process of integrating with other application suites.

Finance Accounts and Operational Controls

The financial objective of the company is to bring in efficiencies of operations at all levels so as to maximize return on capital employed and to generate sufficient cash profits to fund on-going expansions and to meet the growth objectives.

The audit committee and the Board periodically review performance parameters related to financial performance of the company to ensure smooth implementation of the internal control systems and efficient management of the various resources. The audit committee conducts periodic reviews with the management, internal auditor and the external auditor. There is an on-going cost

monitoring program to control various expenses and the Board reviews the variance analysis.

Revenues

Consolidated revenues have been mentioned at the beginning of this report. On a standalone basis, the company posted net revenues of Rs.3,320.15 mn for the year ended March 31, 2011, (previous year Rs.2,569.21 mn). The EBITDA for the year ended March 31, 2011 was Rs.210.99 mn (previous year Rs. 163.17 mn). The company's focus continues to be IT Infrastructure Management Services during the year under review. The company reported a profit before tax of Rs.89.21 mn as against Rs.63.07 mn for the corresponding period last year.

Sales from geographies

During the year under review 84 % of the revenue was from domestic operations and 16% of the revenue was from subsidiary operations in Singapore, Dubai, USA and Japan.

Customer concentration

During the year, our Top 10 customers contributed 55 % of the revenue and Top 20 customers contributed 68 % of the revenue.

The company focuses on major verticals; Manufacturing, BFSI, Telecom, Government and Education. As on March 31 2011, the vertical wise break up of revenues was as follows:

	2010-11	2009-10
Manufacturing	12 %	9%
BFSI	19 %	17%
Telecom & IT	24 %	52%
Travel, airlines & hospitality	16 %	-
Others	29 %	22%

Working capital utilisation 2010-11

The company is into turnkey projects involving integration, testing and acceptance, of various IT systems, software etc. resulting in a longer collection cycle. Hence the requirement of working capital increases year on year in line with the growth. As on March 31 2011 the company had utilised Rs. 902.80 mn (previous year Rs. 438.85 mn) of fund based limits and Letters of Credits accepted for payment. The company had also utilized Rs. 224.09 mn. of Bank Guarantee limits for issuing performance guarantees. The company has got sufficient cash flows and profit generation to service these borrowings.

Receivables management

The company continues to have challenges with receivable management, due to the nature of industry it operates in profile of the large clientele with multi location presence and complex technologies and processes involved in execution and delivery. The company had a sundry debtors amounting to Rs. 1,573.71 mn net of provision for doubtful debts amounting to Rs. 15.43 mn as at March 31, 2011 (previous year Rs. 997.00 mn)

A large portion of these receivables are from turnkey projects, which have a longer gestation to implement and the payment terms are generally on commissioning and acceptance and hence the longer duration of the receivable cycle. The company has been consciously improving its processes to select customers with good credit worthiness to mitigate risks and to improve collection cycle.

Margins

During the year under review, the gross margin was 27% as

compared to 34% in the previous year, showing an decrease of 700 bps on the turnover. The drop was mainly due to 67% growth in the low margin systems integration business (Rs. 2,792.81 mn as compared to Rs. 1,673.90 mn in the previous year). The services business, with larger margins grew by 18%. The company is hopeful of increasing the product mix between system integration and services to achieve better margins. During the year, the company initiated steps to enter into high margin remote infrastructure management services business and acquired a space in a SEZ in Chennai.

Reserves and surpluses

During the year under review the company transferred Rs 5 mn from the retained earnings to the General Reserves. The General reserves stood at Rs 87.81 mn as on March 31, 2011. The reserves and surplus as on March 31, 2011 was at Rs 925.28 mn, out of which the securities premium was Rs.493.23 mn and the balance in profit & loss account was Rs 343.37 mn. We increased the reserves and surplus by Rs.0.86 mn during the year due to currency fluctuation for adjustment in the values of investments and loans & advances with respect to subsidiaries. The company has not revalued any of its assets and hence does not have any revaluation reserve.

Loan profile

During the year, the company increased its working capital limits with its bankers to support the business growth. As on March 31 2011, the company had a sanctioned working capital facility of Rs 1,440 mn from company's bankers, out of which Rs. 470 mn is fund based and Rs. 970 mn is non-fund based facilities. In addition to the existing limits, the company availed fresh limits of Rs. 200 mn from Citibank NA. The funds utilised and outstanding were Rs 902.80 mn including letters of credits utilized and accepted for payment. The total amount of performance bank guarantees issued by the bankers was Rs.224.09 mn.

Fixed assets

During the year, the company has removed from the gross fixed assets and accumulated depreciation an amount of Rs.18.57 mn and Rs.17.36 mn respectively towards assets put out of use on account of technology up gradation, end of life and scrapping of assets.

Capital expenditure

The capital expenditure incurred during the year was Rs.18.40 mn. These capital expenditures were incurred mainly to add infrastructure against customer orders and upgradation of existing IT infrastructure.

Goodwill

The excess of cost to the company of its investments in the subsidiaries acquired overseas, over and above the company's portion of equity, as at the date of making investment is recognized in the financial statements as goodwill on consolidation. The value of goodwill recognized on consolidation as at March 31, 2011 was Rs. 64.92 mn. The movement in goodwill is on account of exchange fluctuation recognized during the year.

Depreciation and amortization

The company has been following straight-line basis of depreciation and has depreciated assets based on the rates mentioned in the Companies Act. In respect of application software, estimated useful

life of the assets is taken as 7 years and has accordingly amortized the value of the software assets capitalized.

Investments

During the current year, the company invested Rs.1.36 mn in its subsidiary in Japan, Network Programs KK. With this investment, the total investment in this subsidiary stood at Rs.11.83 mn.

Loans and advances

The loans and advances were at Rs.543.53 mn as at the end for the year under review. This includes an amount of Rs. 32.38 mn lying as security deposits offered for various leased premises taken by the company, Rs. 34.43 offered as security earnest money deposits for various contracts and tenders, as performance security, Rs.55.71 mn of unbilled revenues, Rs.39.21 mn of duty refunds from customs and Rs.196.93 mn of advance income tax and tax deducted at source net of provision for income tax.

Interest outflow

During the year the utilization of working capital facilities increased due to business growth and to correspond this increased utilization, the interest outflow for the year stood at Rs.66.60 mn. The increase in interest rates several times by the bankers also contributed to the increase in interest outflow. The company has controlled the interest outflow by availing more of foreign currency buyers credit for imports and hedging foreign exchange exposure to avoid any abnormal exchange fluctuations. The company incurred an expense of Rs. 66.60 mn as interest and financial charges. This included an amount of Rs. 29.62 mn. towards interest for working capital facilities, and Rs. 36.98 mn towards the other financial charges like bank charges, bank guarantee commissions, letter of credit discounting charges etc.

Taxation

We have provided for the tax liability considering the present corporate tax rate of 33.22%, which includes surcharge and cess. The profits attributable to Software Technology Parks of India (STPI) scheme are exempted from income tax for a period of 10 years from the financial year the unit starts producing computer software or March 31st 2011 which ever is earlier. There is no tax liability for the Dubai subsidiary and we have unabsorbed losses in Singapore, Japan and USA subsidiaries. During the year under review, the company has provided an amount of Rs 45.08 mn towards Income tax liability. The company carries forward an amount of Rs. 196.93 mn as advance tax and tax deducted at source net of provisions and has claimed refunds from the income tax department. The company is contesting certain demands raised by the Income tax department as disclosed in the auditors report and the notes to the financial statements.

Forex

We have availed buyer's credit for our imports in foreign currencies from banks. During the year, we have made a net loss of Rs. 5.35 mn mainly due to exchange and forward premium fluctuations. The company had substantially covered the foreign exchange exposure and continues with the practice in the current year.

Risk management

We operate in highly competitive and fast changing market environment. Our competition includes large system integrators and IT service providers. We face challenges due to the fast changing technology and shortage of technically competent professionals and the high attritions that are faced in the industry.

We have mitigated this risks through a diversified business portfolio comprising of multi vendor IT services. We believe that we have requisite management and HRD capabilities to recruit, train and deploy IT professionals on an ongoing basis in order to make available sufficient manpower. The company is constantly reviewing various business risks and taking appropriate measures to mitigate the same.

Room for optimism

The company having been in existence for 20 years has been successful in creating a loyal base of over 1500 customers, most of them giving repeat business. The company has exited non remunerative SME customers, consciously over the last two years to focus on value added services to larger clients. The company has initiated steps during the year to set up a remote infrastructure management (RIM) centre in Chennai with an estimated investment of Rs.20 mn to begin with. The company plans to grow the RIM business and target overseas customers. The company will try to promote the services with the existing customers to start with and move to other large customers within and outside the country. The company hopes to improve margins during the coming years by controlling cost and by improving the services component in its revenues.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the company's objective, Projection estimates, expectations may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the companies operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas market in which the company operates change in Government regulations, tax laws, interest costs, other statutes and other incidental factors.

Thus the company should and need not be held responsible, if which is not unlikely, the future turns out to be something quite different. Subject to this management disclaimer, this management disclaimer, this discussion and analysis should be perused.

Annexure III to the Director's Report

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

1) Philosophy on Corporate Governance

Accel Frontline Limited (AFL) is respected for its professional management and good business practices amongst its Clientele. Integrity, emphasis on quality service and transparency in its dealing with all stakeholders are its core values.

AFL believes that good governance generates goodwill among business partners, customers and investors, earns respect from society, brings about a consistent sustainable growth for the Company and generates competitive returns for the investors. Your Company is committed to the principles of good governance.

2) Board of Directors

a) Composition of the Board

The Board of Directors consists of professionals drawn from diverse fields. The Board currently comprises two Executive Directors and

Six non-executive Directors. Of the non-executive directors, four are independent which is equal to 50% of the size of the Board. The objective judgment of the independent and non-executive directors on corporate affairs and their collective experience and contributions are valuable to the company.

Suresh K.Sharma

i) Executive Directors

Managing Director N.R.Panicker
Whole time Director K.R.Chandrasekaran

ii) Non-Executive Directors

Promoters Steve Ting Tuan Toon
Sudhir Narang
Independent Harrison Wang Hong She
Lakshmi G Menon
Sinnakaruppan.R

b) Details of Equity Shares held by the Directors

Name of the Director	No of shares
N.R.Panicker, Chairman & Managing Director	262,500
K.R.Chandrasekaran, Whole time Director	28,172
Lakshmi G Menon, Independent Director	2,900

c) Details in regard to attendance of Directors at Board Meetings/Shareholders Meetings, the Number of Directorship/(s) held in Indian Public Limited Companies and the position of Membership/Chairmanship of Audit Committee / Remuneration Committee / Shareholder's and Investor Grievance Committee.

Name of the Director	Category as at 31.03.11	No. of Board meetings Attended Out of 4 Meetings Held as on 31.03.11	Attendance At the last AGM held On 22.09.10	No. of Director Ship held in Indian Public Limited Companies (excluding Accel Frontline Limited)	Committee/s position as on 31.03.2011 (All companies excluding Accel Frontline Limited)	
					Member	Chairman
N.R. Panicker	Executive Chairman & M.D.	04	Yes	06	02	01
Steve Ting Tuan Toon	Non Executive Director	04	No	00	Nil	Nil
K.R. Chandrasekaran	Wholetime Director	04	Yes	03	Nil	Nil
Lakshmi G Menon	Non-executive Independent Director	04	Yes	00	Nil	Nil
Dr. Harrison Wang Hong She	Non-executive Independent Director	04	No	00	Nil	Nil
Sinnakaruppan R	Non-executive Independent Director	04	No	00	Nil	Nil
Suresh K Sharma	Non-executive Independent Director	03	No	01	Nil	Nil
Sudhir Narang	Non Executive Director	02	No	00	Nil	Nil

d) Board's functioning & Procedure

The AFL Board plays a pivotal role in ensuring good governance. Its style of functioning is democratic. The Members of the Board have always had complete freedom to express their opinion and decisions are taken on the basis of a consensus arrival at after detailed discussion. The members are also free to bring up any matter for discussion at the Board Meetings with the permission of the Chairman.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of setting corporate goals and monitoring corporate performance, it directs long term sustainable growth that translates itself into progress, prosperity and the fulfillment of stakeholders' aspirations, is accomplished. It also sets standards of corporate behavior and ensures ethical behavior at all times and strict compliance with laws and regulations.

The items placed at the Meetings of the Board include the following:

- Report on operations of the company .
- Opportunities for organic and inorganic growth;
- Business Plans and analysis of variances periodically as compared to the plans.
- The audited quarterly/half yearly financial results and the audited annual account of the company, both consolidated and on standalone for consideration for approval;
- Financial statements such as cash flow, inventories, sundry debtors and/or other liabilities or claims of substantial nature;
- Status of borrowings and details of material foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if any;
- Delegation of powers to the operational management;
- Any material default in financial obligations to any by the company including substantial non-receipt of monies due to the company.
- Review compliance of all laws applicable to the company including the requirements of listing agreement signed with the stock exchanges and steps taken by the company to rectify instances of non-compliances, if any;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property, if any;

- Sale of material nature, of investments, subsidiaries assets, which is not in normal course of business, if any;
- Information on senior appointments below the board level including the appointment/ removal of the Chief Financial Officer (CFO) and the Company Secretary;
- Proposals for joint ventures/collaborations;
- Material communication from government including show cause notices, demand, prosecution, notices and penalty notices, if any, which are materially important;
- Communication to Stock Exchanges, the shareholders and the press regarding company's performance, future plans and other decision/changes of significant importance or of price sensitive nature.

All the items on the Agenda are accompanied by notes giving information on the related subject. The Agenda and the relevant notes are sent in advance separately to each Director to enable the Board to take informed decisions.

The Minutes of the meetings of the Board are individually given to all Directors and confirmed at the subsequent Board Meeting. The Minutes of the various committees of the Board are also individually given to the Board and thereafter tabled for discussion at the subsequent Board Meeting.

e) Details of Board Meetings held during the financial year and the number of Directors present

Sr.No.	Dates on which the Board Meetings were held	Total strength of the Board	No. of Directors Present
1.	28.04.2010	08	06
2.	22.07.2010	08	08
3.	26.10.2010	08	07
4.	25.01.2011	08	08

f) Attendance of Last Annual General Meeting.

Three directors of the company attended the last Annual General meeting held on 22nd September 2010.

The dates on which the Audit Committee Meetings were held and the attendance of the Members at the said meetings are as under:

Sr.No	Dates of Meetings	Attendance record of the Members			
		Lakshmi G Menon (appointed as Chairman with effect from 11.04.06)	Steve Ting Tuan Toon (appointed as Member with effect from 11.04.06)	Suresh K Sharma (appointed as Member with effect from 11.04.06)	Harrison Wang Hong She (appointed as Member with effect from 11.04.06)
01	28.04.2010	Yes	Yes	No	Yes
02	22.07.2010	Yes	Yes	Yes	Yes
03	26.10.2010	Yes	Yes	Yes	Yes
04	25.01.2011	Yes	Yes	Yes	Yes

Internal Auditors

The company has appointed a firm of Chartered Accountants M/s Grant Thornton India as Internal Auditors to review the Internal Controls systems of the company and to report thereon. The audit committee reviews the report of the Internal Auditors.

3. Committees of the Board

a) Audit Committee

The committee was originally constituted on 28th April 2004. It was reconstituted on 11th April 2006 with the terms of reference as specified in clause 49 of the listing agreement with the stock exchanges and also fully confirms to the requirements of section 292A of the Companies Act, 1956. It addresses itself, to matters pertaining to adequacy of internal controls, reliability of financial statements/others management information, adequacy of provisions for liabilities, and whether the audit tests are appropriate and scientifically carried out and that they were aligned with the realities of the business, adequacy of disclosures, compliance with all relevant statues and other facets of the company's operations that are of vital concern to the company.

The re-constituted committee comprises of the following persons:

Name of the Member	Category	Capacity
Mrs. Lakshmi G Menon	Non Executive Independent	Chairman
Mr. Suresh K Sharma	Non Executive Independent	Member
Dr. Harrison Wang Hong She	Non Executive Independent	Member
Mr. Steve Ting Tuan Toon	Non Executive / Promoter	Member

The Chief Financial Officer, the Internal Auditor and the representatives of the Statutory Auditors are permanent invitees to the Audit Committee Meetings. The Company Secretary is the Secretary of the Committee.

b) Shareholders' / Investors' Grievance Committee

The re-constituted committee comprises of the following persons:

Name of the Member	Category	Capacity
Mrs. Lakshmi G Menon	Non Executive Independent	Chairman
Mr. K.R.Chandrasekaran	Wholetime Director	Member
Mr. R. Sinnakaruppan	Non Executive Independent	Member

The Shareholders'/Investors' Grievances Committee deals with various matters relating to:-

- Transfer / transmission / consolidation of shares
- Issue of Duplicate Share Certificates
- Review of shares dematerialized / rematerialized and all other related matters.
- Monitors expeditious redressal of Investors' grievances
- Non receipt of Annual Report and declared dividend
- All other matters related to shares
- Reviewing the performance of the Company's Registrars

Sl. No	Dates of Meetings	Attendance Record of the Members		
		Lakshmi G Menon	R Sinnakaruppan	K.R. Chandrasekaran
01	28.04.2010	Yes	Yes	Yes
02	22.07.2010	Yes	Yes	Yes
03	26.10.2010	Yes	Yes	Yes
04	25.01.2011	Yes	Yes	Yes

c) Remuneration Committee

The Remuneration Committee was constituted by our Directors vide their Board Meeting held on April 28, 2004. The Committee was reconstituted vide the Board Meeting held on April 11, 2006. The re-constituted committee comprises of the following persons.

Name of the Member	Category	Capacity
Mr. Steve Ting Tuan Toon	Non Executive	Chairman
Mr. R. Sinnakaruppan	Non Executive Independent	Member
Mr. Suresh K Sharma	Non Executive Independent	Member

The committee's goal is to ensure that the company attracts and retains qualified employees in accordance with its business plans, that our company fulfils its ethical and legal responsibilities to its employees.

The terms of reference of the Remuneration Committee are given below.

1. To review the remuneration of Managing Director/ Whole time Director, including annual increment and commissions, after reviewing their performance.
2. Review the remuneration policy followed by our Company, taking into consideration the performance of senior executives on certain parameters.
3. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Remuneration Committee.

Sl. No	Dates of Meetings	Attendance Record of the Members		
		Steve Ting Tuan Toon	R Sinnakaruppan	Suresh K Sharma
01	22.07.2010	Yes	Yes	Yes
02	26.10.2010	Yes	Yes	Yes
03	25.01.2011	Yes	Yes	Yes

Remuneration Policy:

The Remuneration committee has the powers to determine and recommend to the Board the amount of remuneration, including performance- linked bonus and perquisites , payable

to the managing Director and whole-time directors. In terms of guidelines the company ensures that the remuneration payable to the executive director by way of salary including other allowances and monetary value of perquisites should be within the overall limit as stipulated under the companies Act 1956 and approved by the shareholders. The remuneration structure of the Managing / Whole-time Director comprises of salary, performance incentive, perquisites and allowances, contributions to Provident Fund and Gratuity.

(i) The details of salary and perquisites (including contributions to Provident Fund/Superannuation Fund) paid/payable to the Managing Director / Whole time Director for the 12 months period ended March 31, 2011 is as under:

Name	N.R. Panicker, Managing Director	K.R. Chandrasekaran, Wholetime Director
	Amount in Rs.	Amount in Rs.
Salary	3,570,000	1,824,800
Perquisites	1,380,000	780,000
Commission	533,126	-
Contribution to Provident Fund	517,200	267,969
Total	6,000,326	2,872,769

(ii) Remuneration to The Non-Executive Directors.

Apart from the sitting fees, which were paid at the rate of Rs.20,000/- for Non-Executive Director for each meeting of the Board and Rs.10000/- for each Director for each committee of the Board attended by them, all the Non Executive Directors are entitled for a commission calculated at the rate of 1% of the net profits, subject to the overall limits prescribed under the Companies Act, 1956. The total amount of remuneration paid during the financial year ended 31st March 2011 is as follows:

Name	Commission		Sitting Fees	Total
	2009-10	2010-11	2010-11	
Mrs. Lakshmi G Menon	208,993	292,516	160,000	368,993
Mr.R.Sinnakaruppan	208,993	292,516	150,000	358,993
Dr.Harrison Wang Hong She	208,993	292,516	120,000	328,993
Mr. Suresh K Sharma	208,993	292,517	120,000	328,993
Total	835,972	1,170,065	550,000	1,385,972

4. Subsidiary Companies

The Company has five 100% subsidiaries operating from Singapore, Dubai, Japan and USA, which are not listed in India or abroad as of date.

The Statutory Audit Report of the Subsidiary Companies for every financial year are placed before and reviewed by the Audit Committee.

5. General Body Meetings

a) Details of location & time of holding the last three Annual General Meetings.

Year	Location	Date & Time
13th AGM- 2008	Kasturi Srinivasan Hall The Music Academy, 168 TTK Road Chennai 600014	29th September 2008 11 AM
14th AGM - 2009	Narada Gana Sabha Trust Mini Hall 314, T.T.K. Road, Chennai 600018	24th September 2009 11 AM
15th AGM - 2010	Narada Gana Sabha Trust Mini Hall 314, T.T.K. Road, Chennai 600018	22nd September 2010 11 AM

b) There was no Extraordinary General Meetings during the year under review.

c) Special resolutions passed at the last three Annual General Meetings.

During the AGM held on 22.09.2010, the following special resolutions were passed.

- To appoint Mr. N.R. Panicker, Chairman & Managing Director from 01-04-2010 for the remainder of the current five year term of his office ending on 31-10-2012, on the terms, conditions including remuneration and perquisites as approved by the shareholders in the Annual General Meeting held on 06/09/2007.
- To re-appoint Mr. K.R. Chandrasekaran, whole-time director for a period of one year with effect from 27th April 2010.
- To remunerate the Non -Executive Directors of the company, in addition to the sitting fees for attending Board / committee meetings, by way of payment of commission on net profits of the company of an amount not exceeding 1% of the net profits of the company, subject to the provisions of the Companies Act, 1956 for five financial years commencing 1st April 2009.

6. Code of Conduct

The Board of Directors has adopted the Code of Conduct for Directors and senior management personnel. The said code has been communicated to the Directors and members of the senior management. The code of Conduct has been displayed on the company's website and the Directors and Senior Management Personnel have confirmed their adherence to the same.

7. Insider Trading:

As per the amended SEBI (Prevention of Insider Trading) Regulations 1992, the company is required to have a Compliance Officer who is responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct for trading in Company's securities under the overall supervision of the Board. The Board has appointed Ms. Sweena Nair, Company Secretary as the Compliance Officer from 2nd January 2008. The Company had adopted a Code of Conduct for all the Directors on the Board as well as Senior level employees at all locations of the Company, who have affirmed the adherence of the same.

8 Disclosurers

a) Disclosure on materially significant related party transaction that may have potential conflict with the interests of the company at large.

The particulars of transactions between the Company and its related parties as per the Accounting Standard 18 "Related Party Disclosures" referred under section 211(3(c)) of the Companies Act, 1956 are set out in the notes to Accounts for the Annual Report. There have been no materially significant related party transactions, which may have potential conflicts with the interest of the company.

b) Disclosures of Accounting treatment

In the preparation of the financial statements, the company has followed the Accounting Standards referred to under section 211(3)(c) of the companies act 1956. The significant accounting policies that are consistently applied have been set out in the Notes to the Accounts.

c) Risk management

Business risk evaluation and management is an ongoing process within the Organization. During the period under review an exercise on Business Risk Management (BRM) was carried out covering the entire gamut of business operations and the Board was informed about the same.

d) Details of non-compliance by the company, penalties etc

No strictures/penalties have been imposed on the Company by the Stock Exchanges or the Securities and Exchange Board of India (SEBI) or any statutory authority on any matters related to capital markets after the listing of shares on 30th October 2006 to 31st March, 2011.

e) Mandatory and Non-mandatory requirements

The Company has complied with all the applicable mandatory requirements as provided in Revised clause 49 of the Listing Agreement entered into with the stock Exchanges where company's shares are listed.

Revised SEBI Guidelines on Corporate Governance

SEBI had notified on October 29, 2004, a revised / updated set of guidelines relating to Corporate Governance which have been incorporated in the Company's Listing Agreement with the Stock Exchanges. The compliance with the earlier guidelines here declared adequate upto March 31, 2005 (since extended upto December 31, 2005). The revised Guidelines came into effect from January 1, 2006.

The Company is fully compliant with the revised SEBI Guidelines.

As per the latest directive from Securities and Exchange Board of India (SEBI), the transferor and the transferee have to provide documentary evidence of their PAN to effect the Share Transfers.

9. Means of Communication

The unaudited quarterly / half yearly results are announced within forty five days of the end of the quarter as stipulated under the Listing Agreement with the Stock Exchanges. The aforesaid financial results are taken on record by the Board of Directors and are communicated to the Stock Exchanges where the Company's securities are listed. Once the Stock Exchange has been intimated, these results are published in two leading daily newspapers.

The Company also informs by way of intimation to the Stock Exchanges all price sensitive matters or such other matters which in its opinion are material and of relevance to the share holders and subsequently issues a press release on the said matters.

The quarterly/half yearly annual results as well as the press releases of the company are put on the company's website: www.accelfrontline.in.

10. Investor Services

- (i) Investor Complaints received and replied during the year 2010 - 2011

Nature of queries	Received	Replied	Pending
Non-Receipt of warrant Dividend/ Interest/ redemption warrant	07	07	0
Non-Receipt of Share Certificates	01	01	0
Non-Receipt of Rejected DRFs	01	01	0
Total	09	09	0

As at 31st March 2011 NIL investor complaints were pending. Also as at 31st March 2011, NIL Share Transfers and NIL Demat requests were pending.

- (ii) The Aggregate Promoters and Non-Promoters shareholding of the Company as at 31st March, 2011 is as shown below.

Category	No. of Shares	% to total paid up capital
Promoters	16116378	71.60
Non-Promoters	6392622	28.40
Total	22509000	100.00

11. General Information for Shareholders

- a) Annual General Meeting

Date	29.09.2011
Time	3.00 PM
Venue	Rajah Sir Annamalai Chettiar Memorial Trust Hall (Rani Seethai Hall) Mount Road, Chennai

- b) Financial Year : April to March

Financial Calendar (Tentative)

Results for quarter ending 30th June 2011	End July 2011
Results for quarter ending 30th September 2011	End October 2011
Results for quarter ending 31st December 2011	End January 2012
Results for year ending 31st March 2012	End July 2012
17th Annual General Meeting (i.e. next year)	September 2012

- c) Date of Book Closure. The Register of Members and Share Transfer Books of the Company shall remain closed from 23.09.2011 to 29.09.2011 (Both days inclusive)
- d) Dividend payment Date. on or before 28th October 2011
- e) Listing on Stock Exchanges and Stock Code / Symbol

Name of Stock Exchange	Stock Code / Symbol
The National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400051	AFL
The Bombay Stock Exchange Ltd Phiroze Jeebhoy Towers, Dalal Street, Mumbai 400001	532774
ISIN Number – INE020G01017	

The Annual Listing fees for the year 2011-2012 have been paid to the concerned stock exchanges.

The Company has also paid the annual custody fee for the year 2011-2012 to both the Depositories namely National Securities Depository Limited (NSDL) and Central Depository Limited (CDSL).

Details of shareholding in Demat suspense Account titled "Accel Frontline Limited" opened for shares lying unclaimed in the Escrow Account.

Aggregate No. of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	No. of shareholders who approached issuer for transfer of shares from suspense account during the year	No. of Shareholders to whom shares were transferred from suspense account during the year	Aggregate No. of shareholders and the outstanding shares in the suspense account during the year	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares
(i)	(ii)	(iii)	(iv)	(v)
6 shareholders holding 894 shares	Nil	Nil	6 shareholders holding in aggregate 894 shares	The company ensures that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares

f) Market Price

Month	BSE		NSE	
	High	Low	High	Low
April 2010	53.00	47.25	53.20	47.05
May 2010	65.00	45.00	64.60	44.50
June 2010	72.75	49.15	72.90	51.50
July 2010	52.35	47.45	52.20	47.10
August 2010	53.40	48.30	53.00	48.50
September 2010	54.45	49.05	55.90	48.40
October 2010	52.30	47.30	52.00	47.15
November 2010	72.15	45.00	65.50	47.60
December 2010	54.00	44.10	51.90	48.65
January 2011	54.00	44.55	51.80	47.60
February 2012	51.70	39.90	47.00	41.45
March 2011	43.40	38.80	45.95	41.00

g) Distribution of Shareholding

Distribution of Shareholding as on 30th June 2011 is as under.

No. of Equity Shares	Shareholders		Shares	
	No.	%	No.	%
Upto 500	6082	89.34	813997	3.62
501 - 1000	347	5.10	293746	1.30
1001 - 2000	171	2.51	264060	1.17
2001 - 3000	69	1.01	179655	0.80
3001 - 4000	25	0.37	91779	0.41
4001 - 5000	26	0.38	120520	0.54
5001 - 10000	43	0.63	298825	1.33
10001 and above	45	0.66	20446418	90.83
Total	6808	100.00	22509000	100.00

h) Shareholding Pattern under clause 35

Name of the Company:		ACCEL FRONTLINE LIMITED						
Scrip Code: BSE 532274 NSE : AFL	Quarter ended:	30.06.2011						
Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	No of shares	As a percentage
(A)	Shareholding of Promoter and Promoter Group							
-1	Indian							
(a)	Individuals/ Hindu Undivided Family	1	262,500	262,500	1.17	1.17	0	0.000
(b)	Central Government/ State Government(s)	-	-	-	-	-		
(c)	Bodies Corporate	1	4,375,390	4,375,390	19.44	19.44	1088000	24.87
(d)	Financial Institutions/ Banks	-	-	-	-	-		
(e)	Any Other (specify)	-	-	-	-	-		
	Sub-Total (A)(1)	2	4,637,890	4,637,890	20.60	20.60	1088000	23.46
-2	Foreign							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	-	-	-	-	-		
(b)	Bodies Corporate	1	11,478,488	11,478,488	-	-	0	0.000
(c)	Institutions	-	-	-	-	-		
(d)	Any Other (specify)	-	-	-	-	-		
	Sub-Total (A)(2)	1	11,478,488	11,478,488				
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	3	16,116,378	16,116,378	71.60	71.60	1088000	6.75
(B)	Public shareholding							
-1	Institutions							
(a)	Mutual Funds/ UTI	-	-	-	0.00	0.00		
(b)	Financial Institutions/ Banks	1	229,971	229,971	1.02	1.02		
(c)	Central Government/ State Government(s)	-	-	-	-	-		
(d)	Venture Capital Funds	-	-	-	-	-		
(e)	Insurance Companies	-	-	-	0.00	0.00		
(f)	Foreign Institutional Investors	-	-	-	0.00	0.00		
(g)	Foreign Venture Capital Investors	-	-	-	-	-		
(h)	Any Other (specify)	-	-	-	-	-		
	1 Foreign Company				-	-		
	Sub-Total (B)(1)	1	229,971	229,971	1.02	1.02	0	0
-2	Non-institutions				0.00	0.00		
(a)	Bodies Corporate	174	3,614,757	3,614,757	16.06	16.06		
(b)	Individuals				0.00	0.00		
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	6,499	1,772,017	1,684,642	7.87	7.87		
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	27	614,696	580,696	2.73	2.73		
(c)	Any Other (specify)				0.00	0.00		
	1.Clearing Member	52	18,069	18,069	0.08	0.08		
	2.Market Maker	-	-	-	0.00	0.00		
	3.NRIs (Repat)	47	121,310	105,260	0.54	0.54		
	4.NRIs (Non Repat)	4	21,702	21,702	0.10	0.10		
	5.Foreign Companies	-	-	-	0.00	0.00		
	6.Trusts	1	100	100	0.00	0.00		
		-	-	-	0.00	0.00		
	Sub-Total (B)(2)	6,804	6,162,651	6,025,226	27.38	27.38	0	0
	Total Public Shareholding (B)= (B)(1)+(B)(2)	6,805	6,392,622	6,255,197	28.40	28.40		
	TOTAL (A)+(B)	6,808	22,509,000	22,371,575	100.00	100.00	1088000	4.83
(C)	Shares held by Custodians and against which Depository Receipts have been issued							
	1.Promoter and Promoter Group				-	-		
	2.Public				-	-		
	Sub-Total (C)1+(C)2	0	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	6,808	22,509,000	22,371,575	100.00	100.00	1088000	4.83

i) Dematerialization of Shares and liquidity as on 30th June 2011

The Shares of the company are compulsorily traded in Dematerialized form and are available for trading on both the depositories in India i.e. NSDL & CDSL. As on 30th June 2011, 99.40% equity shares of the company are held in Dematerialized form.

The company's shares are regularly traded on the NSE and BSE in electronic form.

J) Address for Correspondence

Shareholders desiring to communicate with the company on any matter relating to the shares of the company may either visit in person or write quoting their folio / demat account number at the following address:

Registrars & Share Transfer Agents	Company
Link Intime (India) Pvt. Limited C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup (West) Mumbai 400078 Telephone: 022 25963838 Email: mumbai@linkintime.co.in	The Company Secretary Accel Frontline Limited 75, Nelson Manickam Road Aminjikarai, Chennai 600029 Telephone: 044-42252000 Email: sweena.nair@accelfrontline.in

Share holders who hold shares in Dematerialized form should correspond with the Depository participant with whom they have opened Demat Account/s, for their queries relating to shareholding, change of address, ECS facility for dividend, etc. However for enquiries relating to non-receipt of dividend, Annual Reports, Notices, etc. the shareholders should communicate with the Registrar / Company.

k) Share Transfer System and other related matters

i) Share Transfer

The Share Transfer in physical form is presently processed and the share certificates are generally returned to the respective holders with 30 days from the date of receipt.

ii) Nomination facility for shareholding

As per the provisions of the amended Companies Act, 1956, facility for making nomination is available for shareholders in respect of shares held by them. Nomination forms can be obtained from the Registrars and Transfer Agents or from the Company.

12. Compliance certificate of the auditors

The statutory auditors have certified that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing agreement with the stock exchange and the same is annexed to the Directors' report and management Discussions & Analysis.

DECLARATION

As provided under Clause 49 of the listing agreement with the stock exchanges, all Board members & Senior Management Personnel have affirmed compliance with Accel Frontline Limited's Code of Conduct for the year ended 31st March 2011.

For Accel Frontline Limited

N.R.Panicker
Chairman & Managing Director

Place: Chennai
Date: July 27, 2011

**Annexure IV to the Director's Report
Auditors certificate on corporate governance**

**The Members of Accel Frontline Limited.
75, Nelson Manickam Road
Aminjikarai
Chennai-600029**

We have examined the compliance of conditions of Corporate Governance by Accel Frontline Limited for the year ended 31st March 2011 as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges

The Compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance conditions of the 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 explanation given to us, we certify that the Company has complied with the conditions of the corporate Governance as stipulated in the above mentioned Listing Agreement

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

For and behalf of
K.S. Aiyar & Co
Chartered Accountants

S.Kalyanaraman
Partner (M.No. 200565)

Place: Chennai
Date: July 27, 2011

Annexure V to the Director's Report

Directors' Responsibility Statement

Pursuant to Sub-Section 2AA of section 217 of the Companies Act 1956, the Directors confirm that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed.
2. Appropriate Accounting Policies have been selected and applied consistently by the company and that the judgments and the estimates made thereat are prudent and reasonable so as to give a true and fair view of the state of affairs of the company as at March 31, 2011 and of the profit of the company for the year ended March 31, 2011
3. Proper and sufficient care has been taken in maintaining adequate accounting records of the company in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and
4. The Annual Accounts of the company as aforesaid have been prepared on a going concern basis.

Annexure VI to the Director's Report

Certification by managing director and chief financial officer to the board.

We, N.R. Panicker, Chairman & Managing Director and K.R. Chandrasekaran, Chief Financial Officer of Accel Frontline Limited, certify that:

1. We have reviewed the financial statements and cash flow statement 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 together present a true and fair view of the state of affairs of the Company and are in compliance with the existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for the Company's internal control system for financial reporting. We have periodically evaluated the effectiveness of the internal control systems of the company and have disclosed to the auditors and the audit committee deficiencies in the designs or operation of the Internal controls, if any. We have also take effective steps to rectify those deficiencies, if any.
4. We indicate to the auditors and to the Audit Committee:
 - a) Significant changes in internal control over financial reporting during the year;
 - b) Significant changes in accounting policies during the year;
 - c) Instances of significant fraud of which we have become aware of and which involve management or other employees, who have significant role in the Company's internal control system over financial reporting.

N.R. Panicker
Chairman & Managing Director

K.R.Chandrasekaran
Chief Financial Officer

Date: July 27, 2011
Place: Chennai

Annexure VII to the Director's Report

Statement of particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) (Amendment rules 1988 and forming part of Directors' report for the year ended March 31, 2011

The particulars required pursuant to sec 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975 as amended, are not included as an annexure to the Director's Report . However any shareholder interested in obtaining a copy of the said annexure may write to the company secretary for a copy.

Annexure VIII to the Director's Report

2. Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in subsidiary companies

	Name of Subsidiary Company	ACL Systems & Technologies Pte Ltd., Singapore	Accel Frontline FZE, Dubai	Network Programs Japan Inc.	Network Programs USA Inc.	Network Programs Japan KK
1	The Financial Year of Subsidiary Companies ended on	April 2010 to March 2011	April 2010 to March 2011	April 2010 to March 2011	April 2010 to March 2011	April 2010 to March 2011
2A	No. of shares held by Accel Frontline Ltd with its nominee in the subsidiary at the end of the Financial Year of the Subsidiary Companies.	300,000 shares of SGD 1 per share.	1 share of 1 million AED	1,500 equity shares without par value	1,000 equity shares of USD 1 each.	212 shares of 50,000 JY each.
2B	Extent of interest of holding company at the end of the financial year of the subsidiary companies	100%	100%	100%	100%	100%
3	The net aggregate of the Subsidiary companies (profit/loss) so far as it concerned the members of the holding company					
A	Not dealt with in the Holding company's account					
I	For the financial year ended 31st March 2011	SGD 4,541 INR 155,576/-	AED 3,800,155 INR 47,186,527	USD (148,453) INR (6,773,387)	USD 7,596 INR 346,476	JPY (5,191,212) INR (2,767,955)
II	For the previous financial year of the subsidiary company's subsidiaries	SGD 6,838 INR 228,733/-	AED (1,484,863) INR (19,330,220)	USD 288,556/- INR 13,780,674/-	USD 355,377/- INR 16,971,641/-	JPY (188,149) INR(96,758)
B	Dealt within holding company's account					
I	For the financial year ended 31st March, 2011	Nil	Nil	Nil	Nil	Nil
II	For the previous financial year of the subsidiary companies they become the holding company's subsidiaries.	Nil	Nil	Nil	Nil	Nil

By Order of the Board

N.R. Panicker
Chairman & Managing Director

Pursuant to the general exemptions granted by the Ministry of Corporate Affairs, Government of India, the parent company is publishing the consolidated and standalone financial statements of Accel Frontline Limited and its subsidiaries. The financial statements and Auditor's Report of the Individual subsidiaries are available for inspection by the shareholders at the registered office and that of the subsidiary companies concerned. The details of the accounts of the individual subsidiaries is also available on the company's website. The information in aggregate on capital, reserves, total assets, total liabilities, details of investment, turnover, Profit Before Taxation, Profit After Taxation and proposed dividend for each subsidiary are as follows.

Particulars	ACL Systems & Technologies Pte Ltd., Singapore	Accel Frontline Fze, Dubai	Network Programs Japan INC., USA	Network Programs USA Inc. USA	Network Programs KK, Japan
Share Capital (including share applicable money)	10,762,860	12,327,800	6,792,810	2,264,270	15,779,019
Reserves & Surplus / Profit & Loss Account (Debit Balance)	(11,427,467)	79,247,164	(1,171,191)	(13,341,961)	(3,788,791)
Total Assets (Fixed Assets + Capital WIP + Current Assets)	230,002	443,235,297	9,772,569	10,159,689	10,663,482
Total Liabilities (Debts + Current Liabilities + Deferred Tax Liability)	894,609	351,660,333	4,150,950	21,237,380	(1,326,746)
Investment	-	-	-	-	-
Turnover	2,367,496	627,793,797	3,860,607	18,506,938	10,626,545
Profit / (Loss) before taxation	155,576	47,186,527	(6,773,387)	346,476	(2,767,955)
Provision for Taxation	-	-	-	-	-
Profit / (Loss) after Taxation	155,576	47,186,527	(6,773,387)	346,476	(2,767,955)
Proposed Dividend	-	-	-	-	-
Exchange rate					
a. P&L items average rate	34.2604	12.4170	45.6164	45.6164	0.5332
b. Balance sheet items closing rate	35.8762	12.3278	45.2854	45.2854	0.5465

Auditors' Report

To

The Board of Directors of
Accel Frontline Limited
Chennai

On the consolidated financial statements of Accel Frontline Limited and Its subsidiaries -

1. We have examined the attached consolidated balance sheet of Accel Frontline Limited and its subsidiaries as at 31st March 2011, the consolidated Profit & Loss Accounts for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year on that date, 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 consolidated financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on test basis evidence supporting the amount and disclosure in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.
3. We did not audit the financial statement of subsidiaries, whose financial statements reflect total assets (Net) of Rs. 99,549,830 as of 31st March 2011, total revenue of Rs. 663,155,385 and net cash flows from operating activity amounting to Rs. 56,284,373. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Accel Frontline Limited's management in accordance with the requirements of Accounting Standard (AS) 21, consolidated financial statements, Accounting Standard 23, Accounting for investment in Associates in Consolidated financial Statements.
5. Based on our audit and on the consideration of the reports of the other auditors on separate Financial Statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion, that the attached Consolidated Financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. In the case of the consolidated balance sheet, of the consolidated state of affairs of Accel Frontline Limited and its subsidiaries as at March 31, 2011.
 - ii. In case of the consolidated profit and loss account, of the consolidated results of operations of Accel Frontline Limited and its subsidiaries for the year ended on that date and
 - iii. In the case of the consolidated cash flow statement, of the consolidated cash flows of Accel Frontline Limited and its subsidiaries for the year ended on that date.

Place: Chennai - 16
Date : July 27, 2011

K.S.AIYAR & CO.
Chartered Accountants
(Firm Regn No: 100186W)

(S.Kalyanaraman)
Partner
(M No: 200565)

Consolidated Balance Sheet

(All amounts are in Indian Rupees, unless otherwise stated)

	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' funds:			
Share capital	1	225,090,000	225,090,000
Reserves and surplus	2	925,278,476	864,443,433
		1,150,368,476	1,089,533,433
Loan funds:			
Secured loans	3	906,670,570	441,001,047
Deferred tax liability	4	28,693,836	48,357,573
		2,085,732,882	1,578,892,053
APPLICATION OF FUNDS			
Goodwill on consolidation		64,923,554	64,974,614
Fixed assets:			
Gross block	5	427,931,710	428,058,948
Less : Accumulated depreciation		228,011,263	186,559,458
Net block		199,920,447	241,499,490
Capital work-in-progress		-	1,300,000
Investments	6	3,000,000	3,000,000
Current assets, loans and advances:			
Inventories	7	269,687,987	199,970,623
Sundry debtors	8	1,573,712,767	997,000,459
Cash and bank balances	9	289,335,073	357,654,792
Loans and advances	10	543,531,350	373,018,514
		2,676,267,177	1,927,644,388
Less : Current liabilities and provisions			
Current liabilities	11	791,076,974	645,357,644
Provisions	12	67,301,322	14,168,795
		858,378,296	659,526,439
Net current assets		1,817,888,881	1,268,117,949
		2,085,732,882	1,578,892,053

Notes to the financial statements 19

The schedules 1 to 12 and 19 form an integral part of the financial statements

This is the balance sheet referred to in our report of even date

For and on behalf of the Board of Directors

K.S. AIYAR & CO

Chartered Accountants
Firm's registration no:100186W

N.R. Panicker

Chairman & Managing Director

Steve Ting Tuan Toon

Director

S. Kalyanaraman

Partner
Membership No. 200565

K.R. Chandrasekaran

Director & CFO

Sweena Nair

Company Secretary

Place: Chennai

Date: July 27, 2011

Consolidated Profit and Loss account

(All amounts are in Indian Rupees, unless otherwise stated)

	Schedule	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
- Income from Operations	13	3,948,132,884	2,651,878,682
- Other Income	14	12,360,021	63,612,535
		<u>3,960,492,905</u>	<u>2,715,491,217</u>
EXPENDITURE			
Cost of Sales & Services	15	2,907,490,875	1,784,768,265
Employee cost & Benefits	16	462,859,926	465,524,436
Operating expenses	17	337,402,921	290,126,754
Financial Charges	18	66,600,402	42,612,492
Depreciation		58,780,069	57,821,711
		<u>3,833,134,193</u>	<u>2,640,853,658</u>
Profit before tax		127,358,712	74,637,559
Provision for taxes on Income:			
- Current		44,258,977	18,722,546
- Foreign operations		804,263	1,080,980
- Wealth tax		18,225	22,275
- Deferred tax		(19,663,738)	(4,217,938)
Net profit		101,940,985	59,029,696
Less : Taxes relating to earlier years			
- Income tax		-	584,881
- Fringe benefit tax		-	(96,562)
Add : Provision for compensated absences reversed		7,463,540	862,959
Add : Balance carried forward from previous year		291,462,849	276,560,120
Profit available for appropriation		400,867,374	335,964,456
Appropriations:			
Proposed dividend		45,018,000	33,763,500
Tax on dividend		7,476,927	5,738,107
Transfer to general reserve		5,000,000	5,000,000
Balance carried forward to balance sheet		343,372,447	291,462,849
		<u>400,867,374</u>	<u>335,964,456</u>
Net profit available to equity shareholders		101,940,985	59,029,696
Weighted average number of shares		22,509,000	22,509,000

Basic and diluted earnings per share(equity shares, par value Rs. 10 each)

4.53

2.62

Notes to the financial statements

19

The schedules 13 to 19 form an integral part of the financial statements

This is the profit & Loss account referred to in our report of even date

For and on behalf of the Board of Directors

K.S. AIYAR & CO

Chartered Accountants

Firm's registration no:100186W

N.R. Panicker

Chairman & Managing Director

Steve Ting Tuan Toon

Director

S. Kalyanaraman

Partner

Membership No. 200565

K.R. Chandrasekaran

Director & CFO

Sweena Nair

Company Secretary

Place: Chennai

Date: July 27, 2011

Consolidated Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
1 Share capital		
Authorised		
30,000,000 equity shares of Rs.10/- each	300,000,000	300,000,000
(Previous year - 30,000,000 equity shares of Rs.10/- each)		
Issued, subscribed and paid-up :		
22,509,000 equity shares of Rs.10/- each fully paid		
(Previous year - 22,509,000 equity shares of Rs 10/- each fully paid)	225,090,000	225,090,000
(out of the above 11,478,488 equity shares of Rs.10/-each fully paid is held by BT Frontline Pte Ltd, Singapore, the holding company)		
2 Reserves and surplus		
General reserve		
Balance, beginning of the year	82,807,587	77,807,587
Add : Transferred from Profit & Loss account	5,000,000	5,000,000
Balance, end of the year	87,807,587	82,807,587
Securities Premium	493,233,527	493,233,527
Currency translation reserve	864,915	(3,060,530)
Accumulated profits	343,372,447	291,462,849
	<u>925,278,476</u>	<u>864,443,433</u>
3 Secured loans *		
Working capital facilities	902,795,254	438,851,442
Vehicle loan from banks	3,875,316	2,149,605
	<u>906,670,570</u>	<u>441,001,047</u>
* Refer note 19.04 for details of security		
4 Deferred tax Liability, net		
Depreciation	41,512,191	53,430,713
Others	(12,818,355)	(5,073,140)
	<u>28,693,836</u>	<u>48,357,573</u>

Schedules to the consolidated financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

5. Fixed Assets

Description of assets	Gross block				Depreciation				Net block	
	As at April 01, 2010	Additions	Deletions	As at March 31, 2011	For the year	Deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010	
Goodwill	4,999,509	-	-	4,999,509	999,902	-	4,899,605	99,904	1,099,806	
Plant and machinery	8,254,335	-	-	8,254,335	392,081	-	3,211,859	5,042,476	5,434,557	
Office equipment	21,426,501	1,138,482	239,178	22,325,805	1,078,654	211,348	6,723,889	15,601,916	15,569,918	
Furniture and fixtures	25,272,377	706,496	137,484	25,841,389	1,508,649	137,484	15,927,747	9,913,643	10,715,795	
Leasehold improvements	53,333,168	1,302,217	1,719,016	52,916,369	9,108,788	1,719,017	30,208,171	22,708,198	30,514,768	
Computers - hardware	75,961,439	10,318,309	11,980,083	74,299,665	11,758,517	11,980,083	36,492,611	37,807,054	39,247,262	
Computer - software	227,854,807	312,330	1,963,646	226,203,491	32,641,885	1,963,645	127,419,434	98,784,058	131,113,613	
Vehicles *	12,688,247	4,619,777	2,526,371	14,781,653	1,289,450	1,345,350	4,966,521	9,815,131	7,665,825	
Total	429,790,383	18,397,611	18,565,778	429,622,216	58,777,925	17,356,927	229,849,837	199,772,380	241,361,544	
Exchange Adjustment	(1,731,435)			(1,690,506)	2,144		(1,838,574)	148,068	137,946	
Grand Total	428,058,948	18,397,611	18,565,778	427,931,710	58,780,069	17,356,927	228,011,263	199,920,447	241,499,490	
Previous year	407,285,832	39,397,961	18,170,180	428,058,948	57,821,711	17,642,584	186,559,458	241,499,490		

* Vehicles include Rs. 4,573,230 (previous year Rs. 6,154,237 (net book value - Rs. 3,231,056; previous year - Rs. 4,387,246)) acquired through hypothecation loans from banks / others.

Schedules to the consolidated financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
6. Investments - Long term		
Trade Investments - unquoted		
96,374 shares of Rs. 10/- each fully paid in M/s. Telesis Global Solutions Limited (PY : 96,374)	3,000,000	3,000,000
Total Investments	<u>3,000,000</u>	<u>3,000,000</u>
7. Inventories		
Service spares	169,923,888	161,828,317
Finished goods		
- Trading	99,764,099	35,157,847
- Stock In Trade	-	2,984,459
	<u>269,687,987</u>	<u>199,970,623</u>
8 Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	292,919,460	203,694,099
Considered doubtful	17,984,296	14,051,861
Other debts		
Considered good	1,280,793,307	793,306,360
	<u>1,591,697,063</u>	<u>1,011,052,320</u>
Less: Provision for doubtful debts	(17,984,296)	(14,051,861)
	<u>1,573,712,767</u>	<u>997,000,459</u>

Schedules to the consolidated financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
9. Cash and bank balances		
Cash on hand and remittances in transit	731,220	553,959
Balances with Scheduled banks :		
- current accounts	116,218,408	270,599,711
- deposit accounts	171,906,497	86,157,510
- Unpaid dividend account	478,948	343,612
	289,335,073	357,654,792
10. Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	225,110,897	129,083,865
Dues from related parties	9,624,098	2,786,323
Advance payment of tax, net of provision	196,926,656	157,620,883
Balance with government authorities	6,175,122	3,253,590
Deposits - leased office premises	32,375,102	29,540,200
Other deposits	73,319,475	50,733,653
	543,531,350	373,018,514
11. Current liabilities		
Sundry creditors	471,004,515	452,499,057
Interest accrued but not due	2,719,957	4,863,565
Advances from customers	121,709,732	50,446,680
Other liabilities	195,642,770	137,548,342
	791,076,974	645,357,644
12. Provisions		
Proposed dividend	45,018,000	-
Tax on dividend	7,476,927	-
Provision for compensated absence	6,238,913	13,702,453
Provision for gratuity	8,567,482	466,342
	67,301,322	14,168,795

Schedules to the consolidated financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
13. Income from operations		
- Income from sales	2,876,990,463	1,725,819,705
- (Less) : Sales Tax	(84,178,704)	(51,916,994)
	<u>2,792,811,758</u>	<u>1,673,902,711</u>
- Income from services includes service packs	1,266,080,275	1,068,361,189
- Lease rentals	10,678,477	10,156,266
- Finance and service income - leased assets	-	238,707
- (Less) : Service tax and sales tax on services	(121,437,627)	(100,780,191)
	<u>3,948,132,884</u>	<u>2,651,878,682</u>
14. Other income		
- Interest income (Gross)	9,589,926	5,197,427
(Tax deducted at source - Rs. 806,577; Previous year - Rs. 798,222)		
- Miscellaneous receipts	1,732,551	2,103,708
- Profit on sale of fixed assets	-	4,513
- Gain on exchange fluctuation	572,820	19,526,879
- Bad debts recovered	427,749	3,026,015
- Liabilities written back	36,975	33,753,993
	<u>12,360,021</u>	<u>63,612,535</u>
15. Cost of sales & services		
Opening Stock	199,970,831	221,243,242
Purchase - IT products	2,977,244,048	1,763,496,656
Less : Closing Stock	(269,724,005)	(199,971,633)
	<u>2,907,490,875</u>	<u>1,784,768,265</u>
16. Employee cost & benefits		
Salaries wages and allowances	422,248,025	438,129,851
Contribution to employee benefit plans	31,545,780	17,548,679
Staff welfare expenses	9,066,121	9,845,906
	<u>462,859,926</u>	<u>465,524,436</u>

Schedules to the consolidated financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
17. Operating & administrative expenses		
Rent	53,603,935	55,731,000
Electricity	11,696,356	10,541,069
Repairs and maintenance		
-- buildings	3,002,297	2,413,835
-- others	14,194,000	13,555,844
Insurance	5,409,563	7,127,105
Rates and taxes	2,382,338	1,630,543
Printing and stationery	6,284,580	4,574,809
Communication expenses	13,158,035	17,356,190
Travelling and conveyance	71,172,402	62,480,270
Security charges	3,198,478	3,014,279
Consultancy and professional charges	27,633,418	17,230,951
Fees for independent directors	2,559,979	630,000
Bad debts and liquidated damages	28,108,888	38,328,059
Loss on sale of fixed assets	499,375	369,817
Provision for doubtful debts	15,431,428	11,422,628
Loss on exchange fluctuation	5,918,793	-
Advertisement and sales promotion	7,998,064	8,034,069
Sales discounts	264,626	662,410
Clearing and forwarding expenses	22,020,121	11,798,100
Other expenses	42,866,245	23,225,777
	337,402,921	290,126,754
18. Financial Charges		
On working capital	29,621,421	16,331,979
Others	36,978,981	26,280,513
	66,600,402	42,612,492

Schedules to the Consolidated Financial Statements (Continued)

(All amounts are Indian Rupees, unless otherwise stated)

19.00 Notes to significant accounting policies to the consolidated financial statements

19.01 Background

Accel Frontline Limited ("Accel" or the Company) was incorporated in Chennai in 1995. The company's principal lines of business include, providing system integration solutions comprising network design, hardware software and website development and the sale and implementation of customized software products. The company also provides IT Infrastructure management solutions, after sales services support relating to asset maintenance services for the company's own and third party products. The company has the following wholly owned subsidiaries.

Name	Holding	Country of incorporation/origin
ACL Systems & Technologies Pte. Ltd., Singapore.	100%	Incorporated under the laws of Singapore as a wholly owned subsidiary since 15.04.2000
Accel Frontline FZE, Dubai	100%	Established as a wholly owned subsidiary enterprise as per the license by Jebel Ali Free Zone, Dubai since October 4, 2002 and the same has been moved to Dubai Airport Free Zone Authority effective March 21, 2010
Network Programs (USA), Inc. USA	100%	Incorporated under the laws of the State of Delaware, USA..
Network Programs (Japan), Inc. USA	100%	Incorporated under the laws of the State of Delaware, USA.
Network Programs KK . Japan	100%	Incorporated under the law of Japan in Tokyo, Japan.

19.02 Statement of significant accounting policies

(a) Basis of preparation of financial statements

The consolidated financial statements of Accel Frontline Limited and its subsidiaries (collectively referred to as "Accel Frontline" or "the group") have been prepared under the historical cost convention on an accrual and going concern basis.

All figures are in Indian Rupees (INR) except where expressly stated.

The consolidated financial statements include the financial statements of Accel Frontline Limited and its foreign subsidiaries. The financial statements are prepared in accordance with the principals and procedures for the preparation and presentation of consolidated financial statements as laid down in Accounting Standard 21 issued by the Institute of Chartered Accountants of India (ICAI) All material inter-company transactions and accounts are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies of the group.

Incase of foreign subsidiaries revenue items are consolidated at the average exchange rate prevailing during the year. The

opening balance in Profit & Loss account and the opening balances in reserves and surplus have been converted at the rates prevailing as at the respective balance sheet dates. All assets and liabilities as at the year-end are converted at the rates prevailing as at the end of the year. Any exchange difference arising on consolidation is shown under currency translation reserve on consolidation.

The financial statements of subsidiaries used in the consolidation are drawn upto the same reporting date as that of the company

The excess of cost to the company of its investment in the subsidiaries over the company's portion of equity, as at the date of making the investment, is recognized in the financial statements as goodwill.

Goodwill arising out of consolidation is not amortised. The movement in the value of goodwill is on account of exchange fluctuation recognized during the current year.

Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes the estimates are prudent and reasonable. Future results could differ from these estimates.

(b) Fixed Assets, Depreciation and Amortization

- i) Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost includes all expenses attributable to bringing the asset to its working condition for its intended use.
- ii) The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of the recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

(c) Depreciation

Depreciation on fixed assets is provided for, on a straight-line basis, at the higher of the rates as specified in Schedule XIV to the Act or the rates derived based on the economic useful life of the asset as determined by management. Computer software, being application software is amortized over a period of 7 years or its realizable useful life, whichever is lower. Fixed assets individually costing Rs 5,000 or less are fully depreciated on purchase during the relevant year.

Capital work in progress: Software products/solutions developed and/or under developments are stated at cost and pending capitalization of the same are treated as capital work in progress. The development cost consists of proportionate cost of employee compensation and other direct costs involved. Software development cost incurred on products/solutions ready for marketing are capitalised and amortised over a period of seven years based on managements' evaluation of the products' life cycle.

(d) Investments

Investments in subsidiaries are classified as long-term investments and are stated at cost. Adjustments are made for any diminution if any, in value of the investments that is other than temporary.

(e) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition and is computed on the basis of weighted average cost. Inventories of components and spares primarily held and used for the purpose of asset maintenance services are amortized over a period of seven years.

(f) Revenue recognition

Sales

Sales are recognized when significant risks and rewards of ownership are passed to the buyer, which generally coincides with the dispatch of goods.. All sales are reported exclusive of excise duty and sales tax.

Service income

Service income comprising income from Infrastructure Management Services (IMS) contracts are recognized ratably over the period of the underlying maintenance agreement. Incomes from services are reported exclusive of service tax.

Revenue from software development and implementation on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on the percentage of completion basis.

Assets sold on finance lease arrangements are recognized as a sale at the inception of the lease, and the related finance income is recognized on a time proportion basis over the period of the lease.

Dividend income from investments is recognized when the right to receive the dividend is established

(g) Employee benefit plans

The company makes contributions to the "Accel ICIM Employees Provident Fund Trust", which is defined contribution plan. The company's contribution towards the Provident Fund is charged to the Profit and Loss Account. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and the short fall, if any, shall be made good by the company.

The company also provides for retirement benefits in the form of gratuity as per the provisions of

"The Payment of Gratuity Act, 1972", which is a defined benefit plan. The liability in respect of contribution to the gratuity fund is provided for based on actuarial valuation carried out in accordance with revised Accounting Standard AS -15 as at the end of the year.

The liability is actuarially determined at the end of each financial year and any shortfall in the fund size maintained by the trust set up by the company with Life Insurance Corporation of India is additionally provided for.

Compensated absences

The company's policy towards leave for their employees stipulates that the employees can only carry forward their earned leave to the extent allowed as per policy from time to time, without any encashment options. As per revised Accounting Standard AS 15, the company has provided for compensated absences that are expected to be availed. The liability for compensated absences is determined on the basis of actuarial valuation at the end of the financial year. Any gain or loss arising out of such valuation is recognized in the profit and loss account, as the case may be.

(h) Earnings per share

The earnings considered in ascertaining the company's basic and diluted earnings per share comprise of the net profit/loss after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares.

(i) Taxation

Provision for income tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

(j) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rate specified by customs authorities on a monthly basis. Current assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the date of the balance sheet. All exchange differences arising on the conversion/settlement of foreign currency transactions are included in the profit and loss account except in the cases where they relate to the acquisition of fixed assets, in which case they are adjusted to the cost of the corresponding asset.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date. The premium or discount on all such contracts arising at the inception of the contract is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the year. The exchange difference is calculated and recorded in accordance with AS-11.

(k) Impairment

- i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(l) Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

19.03 Cash and bank balances

Cash and bank balances in the balance sheet include cash in hand and cash at bank, margin money deposit.

19.04 Secured loans

Working capital facilities from banks are secured by a pari passu charge by way of hypothecation of current assets and the moveable properties of the company.

19.07 Segment reporting

The company's operations predominantly relate to IT related services and accordingly this is the only primary reportable segment. The geographical segment is not relevant since export sales are less than 10% of the total sales.

19.08 Related party transactions

Related parties where control exists:

Name of the Party

BT Frontline Pte Limited

Accel Limited

ACL Systems & Technologies PTE Limited

Accel Frontline FZE, Dubai

Network Programs USA Inc., USA

Network Programs (Japan) Inc., USA

Network Programs Japan KK Japan

Hypothecation loans are secured by hypothecation of the respective assets acquired.

Secured loans include Rs. 906,670,570 (previous year - Rs. 441,001,047) due within one year.

19.05 Payment to Directors

	2011	2010
Managerial remuneration:		
Salary, allowances and perquisites	7,554,800	6,589,465
Contribution to provident fund & other funds	785,169	746,262
Commission payable	533,126	-
	8,873,095	7,335,727

19.06 Contingent liabilities

	2011	2010
Sales tax matters	5,911,755	8,512,404
ESI matters	2,758,801	2,758,801
Income tax matters	56,349,070	49,000,700
Letter of credit	20,325,636	89,557,099
Bank guarantees outstanding	224,088,820	111,364,965
Claims against the company not acknowledged as debt	21,915,411	16,435,381
Service tax matters	584,433	584,433

Nature of relationship

Controlling company

Controlling Company

Subsidiary Company

Subsidiary Company

Subsidiary Company

Subsidiary Company

Subsidiary Company

Schedules to the Consolidated Financial Statements (Continued)

(All amounts are Indian Rupees, unless otherwise stated)

Other related parties with whom transactions have taken place during the year:

Name of the Party	Nature of relationship
Accel Systems Group, Inc. USA	Companies under common control
Accel Transmatic Limited	Companies under common control
Accel Frontline Services Limited	Companies under common control
Accel IT Resources Limited, Chennai	Companies under common control

Key Management Personnel

Mr. N R Panicker	Managing Director
Mr. K.R Chandrasekaran	Whole time Director

Relatives of Key Management Personnel

Mrs. Sreekumari Panicker	Wife of Managing Director
Mrs. Shanthi Chandrasekaran	Wife of K.R.Chandrasekaran

Transactions with related parties

Particulars	Controlling company	Companies under common control	Key Management personnel
Sales and other income	28,306	10,067,065	-
	(19,165)	(7,029,612)	-
Share of Expenses	-	-	-
	-	(735,736)	-
Purchases	-	143,582,546	-
	(938)	(38,745,410)	-
Rent	5,169,130	-	2,160,000
	(4,825,356)	-	(1,920,000)
Managerial remuneration	-	-	6,713,095
	-	-	(5,415,737)
Dividend	-	-	-
	(23,780,817)	-	(533,545)
Balances outstanding as at the March 31, 2011 (March 31, 2010)			
Payables	-	16,437,799	-
	-	(4,790,340)	-
Receivables	19,521	9,441,899	-
	(14,301)	(6,500,238)	-
Loans and advances	14,604	4,329,838	-
	-	(7,664,089)	(520,135)
Maximum amount outstanding at any time during the year	14,604	7,664,089	-
	-	(8,296,683)	-

Note: Item under parenthesis represent previous year figures

Schedules to the Consolidated Financial Statements (Continued)

(All amounts are Indian Rupees, unless otherwise stated)

19.09 Operating leases:

The company has taken various office premises on operating lease and the lease payments are amortized on a straight-line basis over the lease term. The total of minimum future lease payments for various periods are as follows:

	2011	2010
Not later than one year	25,135,893	22,963,306
Later than one year and not later than five years	84,653,444	79,156,997
Later than five years	29,029,222	32,114,579

The company has deposited an amount of Rs. 32,375,102/- (Previous year: Rs. 29,540,200/-) as interest free security deposits towards the above leases and the same has been included in the Loans and advances.

19.10 Comparative financial information

The previous year's balances have been regrouped/reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board of Directors

K.S. AIYAR & CO

Chartered Accountants
Firm's registration no:100186W

N.R. Panicker

Chairman & Managing Director

Steve Ting Tuan Toon

Director

S. Kalyanaraman

Partner
Membership No. 200565

K.R. Chandrasekaran

Director & CFO

Sweena Nair

Company Secretary

Place: Chennai

Date: July 27, 2011

Cash flow statement for the year ended March 31, 2011

(All amounts are in Indian Rupees, unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
Cash flow from operating activities		
Net profit before taxation	127,358,712	74,637,559
Adjustments for:		
Depreciation	58,780,069	57,821,711
(Profit) / Loss on sale of fixed assets, net	499,375	369,817
Interest and dividend income	-	(5,197,427)
Unrealized foreign exchange	5,345,973	(19,526,879)
Finance income on leased assets	-	(238,707)
Lease rentals	(10,678,477)	(10,156,266)
Financial Charges	66,600,402	42,612,492
Provision for doubtful debts	15,431,428	11,422,628
Provision no longer required written back	464,724	(36,780,008)
Bad debts written off	28,108,888	38,328,059
Operating profit before working capital changes	291,911,094	153,292,979
(Increase)/Decrease in inventories	(69,717,364)	29,638,364
(Increase)/Decrease in sundry debtors	(620,717,347)	(58,661,089)
(Increase)/Decrease in loans and advances / other current assets	(132,111,285)	(63,990,803)
Increase/(Decrease) in current liabilities	147,862,938	104,605,488
Increase/(Decrease) in Provision	8,101,140	(377,597)
Cash generated from operations	(374,670,824)	164,507,342
Income taxes paid	(83,564,750)	(10,340,354)
Net cash used in operating activities	(458,235,574)	154,166,988
Cash flows from investing activities		
Purchase of fixed assets	(18,397,611)	(26,668,659)
Proceeds from sale of fixed assets	709,476	157,778
Lease rentals	10,678,477	10,394,973
Net cash from (used in) in investing activities	(7,009,658)	(16,115,908)

Cash flow statement for the year ended March 31, 2011

(All amounts are in Indian Rupees, unless otherwise stated)

Cash flows from financing activities	March 31, 2011	March 31, 2010
Proceeds/(Repayments) from working capital facilities	463,943,812	102,884,478
Interest received on loans	-	5,197,427
Proceeds/(Repayment) of term loan for equipment leases	1,725,711	(1,994,748)
Financial charges	(68,744,010)	(41,877,759)
Dividends paid	-	(33,763,500)
Tax on dividend paid	-	(5,738,107)
Net cash from financing activities	<u>396,925,513</u>	<u>24,707,791</u>
Net cash inflow / (outflow)	<u>(68,319,719)</u>	<u>162,758,871</u>
Opening cash and cash equivalents*	357,654,792	194,895,921
Closing cash and cash equivalents*	<u>289,335,073</u>	<u>357,654,792</u>
Net increase in cash and cash equivalents	<u>(68,319,719)</u>	<u>162,758,871</u>

*Includes Rs. 171,906,497 (Previous year Rs. 86,157,510) of restricted cash balance (also refer note 19.03)

Note:

- a) The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India
- b) Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets. Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.
- c) Since fixed deposits have to be used to set off the bank borrowing to reduce the cost of funds, the net cash has been shown as negative

For and on behalf of the Board of Directors

K.S. AIYAR & CO

Chartered Accountants
Firm's registration no:100186W

N.R. Panicker

Chairman & Managing Director

Steve Ting Tuan Toon

Director

S. Kalyanaraman

Partner
Membership No. 200565

K.R. Chandrasekaran

Director & CFO

Sweena Nair

Company Secretary

Place: Chennai

Date: July 27, 2011

Auditor's Report

**The Members of
M/s. Accel Frontline Limited,
Chennai**

We have audited the attached Balance Sheet of M/s. Accel Frontline Limited, Chennai as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto incorporating the financial operations of Singapore branch which was audited by the other auditor whose report has been considered and our opinion is based on the other auditor. 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.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. These 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.
2. As required by the Companies (Auditors Report) Order, 2003 (CARO) as amended by Companies (Auditor's Report) (Amendment) order, 2004 issued by the Government of India vide GSR No.766 (E) in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to 2 above, we report that:
 - (i) 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;
 - (ii) 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
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
 - (iv) 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 Companies Act, 1956.
 - (v) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on 31st March, 2011 from being appointed as a director, in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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 31st March, 2011;
- (b) In the case of the profit and loss account, of the profit 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.

For K.S.Aiyar & Co.
(Firm Regn No: 100186W)
Chartered Accountants

(S. Kalyanaraman)
Partner
(M No.200565)

Place: Chennai - 16
Date: 27 July 2011

Annexure to the auditors' report

of M/s. Accel Frontline Limited, Chennai
Referred to in paragraph 2 of our report of even date,

- (i)(a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (i)(b) The company has a phased programme of physical verification of fixed assets which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
- (i)(c) The fixed assets disposed off during the year were not substantial, According to the information and explanation given to us; we are of the opinion that the disposal of the fixed assets has not affected the going concern status of the company.
- (ii)(a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (ii)(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. However the procedures need to be further strengthened.
- (ii)(c) In our opinion and according to the explanations given to us, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book stock has been properly dealt with in the books of account.
- (iii)(a) The company has not granted or taken any loans secured/ unsecured to/from companies, firms or other parties covered under the register maintained under sec.301 of the Companies Act, 1956. Hence, comments on sub-clauses (b), (c), (d), (e), (f) & (g) are not applicable.

Annexure to the auditors' report

- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v)(a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in sec.301 of the Companies Act, 1956 that need to be entered into the register maintained under sec.301 have been so entered.
- (v)(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rs.5 lakhs have been entered into during the financial year at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from public and hence the provisions of sec 58A and 58AA or any other relevant provisions of the companies Act 1956 and the Companies (Acceptance of deposits) Rules, 1975 with regard to the deposits accepted from the public is not applicable.
- (vii) In our opinion, the company has an internal audit system, which is commensurate with the size and nature of its business.
- (viii) Maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 is not applicable to the company.
- (ix)(a) 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, have been regularly deposited with respective authorities.
- (ix)(b) According to the records of the company, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income-tax, wealth- tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (ix)(c) According to the records of the company the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute are as follows:

Name of the statute	Nature of Dispute	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax	Income tax Assessment year 2000-01, in connection with non-compete fee disallowance	65,82,000	1999-00	DCIT, Co Cir.I (1) – Appeals
	Income tax Assessment year 2007-08, in connection with Capitalization of application software, IPO expenses, depreciation of leasehold improvement, allowance of STPI profits and allowance of goodwill	42,418,700	2006-07	Commissioner of Income tax (Appeals), Chennai
	Income tax Assessment year 2006-07, in connection with depreciation claimed on temporary wooden structures.	7,348,370	2005-06	Income tax Appellate Tribunal, Chennai Bench, Chennai
Sales Tax	Appeal filed on 14.10.04 for disputed turnover of Rs. 10, 71,720 and interest of Rs. 19,786	115,842	2001-02	Asst. Commissioner (Appeals)
	In the Assessment Order, 8% CST charged for non-submission of Form C and 4% CST charged on CVT and UPS Sales instead of 1%.	119,115	2001-02	Sales Tax Officer
	Increase in Gross Turnover and taxable AMC under WBST ACT. Disallowance of Form D submitted before S.T.O. and non-submission of Form C of other customers under CST ACT.	79,424	2002-03	Assistant Commissioner of CT
	Levy of Tax for non-production of Form F for Rs. 406,821 and Increase in taxable AMC Turnover from 10% to 20%. Under WBST ACT.	34,306	2003-04	Assistant Commissioner
	(f) Wrong imposition of Interest on late payment of Turnover Tax, Increase in Taxable AMC Turnover etc. under WBST ACT.	139,135	2004-05	Assistant Commissioner
	(g) The dispute relates to non-submission of Form F for interstate branch movement of stock, which the company has filed at the time of hearing with the appellate authorities. The Tribunal has remanded back the case to the assessing officer for fresh assessment	149,787	2002-03	Trade Tax Tribunal, Lucknow
	The dispute relates to delay in filing the tax return and Penalty was levied @50% until March 31, 2005 and @10% w.e.f. 01.04.2006	418,413	2005-06	High Court, Bangalore
	Assessment order passed without proper hearing. Appeal filed before Sr. Joint Commissioner for reopening of Sales Tax Assessment	3,293,672	2006-07	Joint Commissioner
	Dispute with regard to tax rate on ATVM-KIOSK	607,938	2007-08	Deputy Commissioner (appeals)
	Additional VAT liability due to increase in turnover, purchase tax liability, disallowance of Input Tax Credit, imposition of interest and penalty under VAT Act.	293,929	2007-08	Joint Commissioner
	CST liability on account of non-production of Form F and consideration of High SEA Sale under CST Sale and imposition tax on it.	560,072	2007-08	Joint Commissioner
	Imposition of penalty for late submission of VAT Audit Report.	100,123	2007-08	Joint Commissioner
Service Tax	Penalty for belated payment of service tax	584,433	2007-08	CESTAT, Chennai

- (x) The company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management the company has not defaulted in repayment of dues to banks.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us the company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) The company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) According to the records of the company, the company has not availed any term loans. Therefore, our comment in respect of the clause is not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the utilization of funds, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares to parties and companies 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) During the year the company has not raised any money from public by way of issue of shares.
- (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 K.S.Aiyar & Co.
(Firm Regn No: 100186W)
Chartered Accountants

(S. Kalyanaraman)
Partner
(M No.200565)

Place: Chennai - 16
Date: 27 July 2011

Balance sheet

(All amounts are in Indian Rupees, unless otherwise stated)

	Schedule	As at	As at
		March 31, 2011	March 31, 2010
SOURCES OF FUNDS			
Shareholders' funds:			
Share capital	1	225,090,000	225,090,000
Reserves and surplus	2	822,514,308	803,751,948
		1,047,604,308	1,028,841,948
Loan funds:			
Secured loans	3	904,565,253	441,001,047
Deferred tax liability	4	28,693,837	48,357,573
		1,980,863,398	1,518,200,568
APPLICATION OF FUNDS			
Fixed assets:			
Gross block	5	421,834,742	424,889,783
Less : Accumulated depreciation		226,725,561	185,314,808
Net block		195,109,181	239,574,975
Capital work-in-progress		-	1,300,000
Investments	6	62,397,440	61,040,765
Current assets, loans and advances:			
Inventories	7	264,709,898	199,953,944
Sundry debtors	8	1,287,490,183	962,164,287
Cash and bank balances	9	182,365,724	302,309,998
Loans and advances	10	515,819,615	379,588,353
		2,250,385,420	1,844,016,582
Less : Current liabilities and provisions			
Current liabilities	11	461,990,018	614,029,301
Provisions	12	65,038,625	13,702,453
		527,028,643	627,731,754
Net current assets		1,723,356,777	1,216,284,828
		1,980,863,398	1,518,200,568

Notes to the financial statements 19
The schedules 1 to 12 and 19 form an integral part of the financial statements

For and on behalf of the Board of Directors

K.S. AIYAR & CO
Chartered Accountants
Firm's registration no:100186W

N.R. Panicker
Chairman & Managing Director

Steve Ting Tuan Toon
Director

S. Kalyanaraman
Partner
Membership No. 200565

K.R. Chandrasekaran
Director & CFO

Sweena Nair
Company Secretary

Place: Chennai
Date: July 27, 2011

Profit and loss account

(All amounts are in Indian Rupees, unless otherwise stated)

	Schedule	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
- Income from operations	13	3,308,384,616	2,535,091,134
- Other income	14	11,763,967	34,118,440
		3,320,148,583	2,569,209,574
EXPENDITURE			
Cost of sales & services	15	2,383,853,344	1,702,699,136
Employee cost & benefits	16	409,237,399	434,119,375
Operating expenses	17	316,072,249	269,219,066
Financial charges	18	63,292,440	42,501,131
Depreciation & amortisation		58,481,676	57,605,066
		3,230,937,108	2,506,143,774
Profit before tax		89,211,475	63,065,800
Provision for taxes on Income:			
- Current		44,258,977	18,722,546
- Foreign operations		804,263	1,080,980
- Wealth tax		18,225	22,275
- Deferred		(19,663,738)	(4,217,938)
Profit after tax		63,793,748	47,457,937
Less : Taxes relating to earlier years			
- Income tax		-	584,881
- Fringe benefit tax		-	(96,562)
Add : Provision for compensated absences reversed		7,463,540	862,959
Add : Balance carried forward from previous year		227,710,833	224,379,864
Profit available for appropriation		298,968,121	272,212,441
Appropriations:			
Proposed dividend		45,018,000	33,763,500
Tax on dividend		7,476,927	5,738,107
Transfer to general reserve		5,000,000	5,000,000
Balance carried forward to balance sheet		241,473,194	227,710,833
		298,968,121	272,212,440
Net profit available to equity shareholders		63,793,748	47,457,936
Weighted average number of shares used in computing basic and diluted earnings per share		22,509,000	22,509,000
Basic and diluted earnings per share(equity shares, par value Rs. 10 each)		2.83	2.11

Notes to the financial statements 19
The schedules 13 to 19 form an integral part of the financial statements

For and on behalf of the Board of Directors

K.S. AIYAR & CO

Chartered Accountants
Firm's registration no:100186W

N.R. Panicker

Chairman & Managing Director

Steve Ting Tuan Toon

Director

S. Kalyanaraman

Partner
Membership No. 200565

K.R. Chandrasekaran

Director & CFO

Sweena Nair

Company Secretary

Place: Chennai
Date: July 27, 2011

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
1. Share capital		
Authorised		
30,000,000 equity shares of Rs.10/- each	300,000,000	300,000,000
(Previous year - 30,000,000 equity shares of Rs.10/- each)		
Issued, subscribed and paid-up :		
22,509,000 equity shares of Rs.10/- each fully paid		
(Previous year - 22,509,000 equity shares of Rs.10/- each fully paid)	225,090,000	225,090,000
(out of the above 11,478,488 equity shares of Rs.10/-each fully paid is held by BT Frontline Pte Ltd, Singapore, the holding company)		
2. Reserves and surplus		
General reserve		
Balance, beginning of the year	82,807,587	77,807,587
Add : Transferred from Profit & Loss account	5,000,000	5,000,000
Balance, end of the year	87,807,587	82,807,587
Securities Premium	493,233,527	493,233,528
Balance available in profit & loss account	241,473,194	227,710,833
	<u>822,514,308</u>	<u>803,751,948</u>
3. Secured loans *		
Working capital facilities from banks	902,795,254	438,851,442
Vehicle loans from banks	1,769,999	2,149,605
	<u>904,565,253</u>	<u>441,001,047</u>
* Refer note 19.04 for details of security		
4. Deferred tax liability, net		
on account of		
- Depreciation	41,512,191	53,430,713
- Others	(12,818,354)	(5,073,140)
	<u>28,693,837</u>	<u>48,357,573</u>

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

5. Fixed Assets

Description of assets	Gross block				Depreciation				Net block	
	As at April 01, 2010	Additions	Deletions	As at March 31, 2011	As at April 01, 2010	For the year	Deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Goodwill	4,999,509			4,999,509	3,899,703	999,902		4,899,605	99,904	1,099,806
Plant and machinery	8,254,335			8,254,335	2,819,778	392,080		3,211,858	5,042,477	5,434,557
Office equipment	20,805,109	1,072,221	197,572	21,679,758	5,578,305	1,053,493	191,648	6,440,150	15,239,608	15,226,804
Furniture and fixtures	22,540,846	706,496	137,484	23,109,858	12,404,149	1,452,052	137,484	13,718,717	9,391,141	10,136,697
Leasehold improvements	53,333,169	1,302,217	1,719,016	52,916,370	22,818,399	9,108,788	1,719,016	30,208,171	22,708,199	30,514,770
Computers - hardware	75,260,603	10,164,237	11,980,083	73,444,757	36,262,206	11,689,765	11,980,083	35,971,888	37,472,869	38,998,398
Computer - software	227,854,810	312,330	1,963,646	226,203,494	96,741,193	32,641,885	1,963,646	127,419,432	98,784,062	131,113,617
Vehicles *	11,841,402	1,039,007	1,653,748	11,226,661	4,791,074	1,143,711	1,079,045	4,855,740	6,370,921	7,050,328
Total	424,889,783	14,596,508	17,651,549	421,834,742	185,314,807	58,481,676	17,070,922	226,725,561	195,109,181	239,574,977
Previous year	403,834,989	39,224,975	18,170,181	424,889,783	145,352,327	57,605,066	17,642,584	185,314,808	239,571,975	

* Vehicles include Rs. 4,573,230 (previous year Rs. 6,154,237 (net book value - Rs. 3,231,056; previous year - Rs. 4,387,246)) acquired through hypothecation loans from banks / others.

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
6. Investments - Long term		
Equity Shares in Subsidiary companies : Trade and unquoted		
300,000 shares of Singapore dollar, 1 each fully paid in ACL Systems & Technologies Pte Limited (Previous year - 300,000 shares of Singapore \$ 1 each)	8,046,709	8,046,709
1 share of AED 1,000,000 fully paid up in Accel Frontline FZE, Dubai (Previous year - AED 1,000,000)	12,046,390	12,046,390
Network Programs Kabhushaki Kaishai, Japan (212 ordinary shares of JPY 50,000 each and JPY 18,272,861 share application money pending allotment)	11,831,775	10,475,100
Network Programs (USA) Inc., USA (1000 shares of \$50 each fully paid) (Previous year: 1000 shares fully paid)	22,397,200	22,397,200
Network Programs (Japan), Inc. USA (1500 shares of \$ 100 each fully paid) (Previous year: 1500 shares fully paid)	5,075,366	5,075,366
Trade Investments - unquoted		
96,374 shares of Rs.10/- each fully paid in M/s. Telesis Global Solutions Limited (PY : 96,374 shares)	3,000,000	3,000,000
Total long term investment (A)	62,397,440	61,040,765
7. Inventories		
Service spares	169,923,888	161,821,317
Finished goods		-
- Trading	94,786,010	35,141,168
- Stock in trade	-	2,984,459
	264,709,898	199,953,944

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
8. Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	285,300,879	187,900,954
Considered doubtful	17,984,296	14,051,861
Other debts *		
Considered good	1,002,189,304	774,263,333
	<u>1,305,474,479</u>	<u>976,216,148</u>
Less: Provision for doubtful debts	(17,984,296)	(14,051,861)
	<u>1,287,490,183</u>	<u>962,164,287</u>
9. Cash and bank balances		
Cash on hand and remittances in transit	545,029	549,778
Balances with Scheduled banks :		
- current accounts	100,593,081	216,913,417
- deposit accounts	80,748,666	84,503,191
- Unpaid dividend account	478,948	343,612
	<u>182,365,724</u>	<u>302,309,998</u>
10. Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	184,234,575	121,003,141
Dues from related parties	26,978,867	21,498,650
Dues from director	-	520,135
Advance payment of tax, net of provisions	196,926,656	157,620,883
Deposits		
Balance with government authorities	6,175,122	3,253,590
Deposits - leased office premises	32,338,119	29,540,200
Other deposits	69,166,276	46,151,754
	<u>515,819,615</u>	<u>379,588,353</u>

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	As at	As at
	March 31, 2011	March 31, 2010
11. Current liabilities		
Sundry creditors	280,420,138	438,007,078
Interest accrued but not due	2,719,957	4,863,565
Advances from customers	74,687,620	50,446,680
Other Liabilities	104,162,303	120,711,978
	461,990,018	614,029,301
12. Provisions		
Proposed dividend	45,018,000	-
Tax on dividend	7,476,927	-
Provision for compensated absence	6,238,913	13,702,453
Provision for gratuity	6,304,785	-
	65,038,625	13,702,453
	Year Ended	Year Ended
	March 31, 2011	March 31, 2010
13. Income from operations		
- Income from sales	2,305,454,839	1,656,014,613
- (Less) : Sales Tax	(84,178,704)	(51,916,994)
	2,221,276,135	1,604,097,619
- Income from services	1,197,867,631	1,021,378,733
- Lease rentals	10,678,477	10,156,266
- Finance and service income - leased assets	-	238,707
- (Less) : Service Tax, sales tax on services	(121,437,627)	(100,780,191)
	3,308,384,616	2,535,091,134
14. Other Income		
- Interest income (Gross)	9,589,926	5,190,917
(Tax deducted at source - Rs. 806,577; Previous year - Rs. 798,222)		
- Miscellaneous receipts	1,709,317	1,244,429
- Gain on exchange fluctuation	-	23,504,782
- Bad debts recovered	427,749	3,026,015
- Liabilities written back	36,975	1,152,297
	11,763,967	34,118,440

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
15. Cost of Sales & Services		
Opening stock	199,953,944	221,243,242
Purchase - IT products	2,448,609,298	1,681,409,839
Less : Closing stock	(264,709,898)	(199,953,944)
	<u>2,383,853,344</u>	<u>1,702,699,136</u>
16. Employee cost & Benefits		
Salaries wages and allowances	371,926,635	408,057,121
Contribution to employee benefit plans	28,464,400	16,236,911
Staff welfare expenses	8,846,364	9,825,343
	<u>409,237,399</u>	<u>434,119,375</u>
17. Operating and administrative expenses		
Rent	50,150,184	50,601,731
Electricity	10,693,241	10,415,559
Repairs and maintenance		
-- buildings	2,836,375	2,181,673
-- others	13,374,563	13,213,117
Insurance	4,923,239	6,460,116
Rates and taxes	1,520,691	1,132,759
Printing and stationery	6,016,023	4,413,210
Communication expenses	11,575,312	16,033,984
Travelling and conveyance	67,714,832	59,407,123
Security charges	3,136,393	3,014,279
Professional, consultancy and outsourced charges	26,229,755	16,297,554
Fees for independent directors	2,559,979	630,000
Bad debts and liquidated damages	25,230,230	33,456,847
Loss on sale of fixed assets	158,404	369,817
Loss on exchange fluctuation	5,128,101	-
Advertisement and sales promotion	6,482,563	5,990,796
Sales discounts	253,463	436,374
Clearing and forwarding expenses	22,020,121	11,772,087
Other expenses	40,713,717	21,969,411
Provision for doubtful debts	15,355,063	11,422,629
	<u>316,072,249</u>	<u>269,219,066</u>
18. Financial Charges		
On working capital	26,471,650	16,331,979
Others	36,820,790	26,169,152
	<u>63,292,440</u>	<u>42,501,131</u>

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

19.00 Notes to the financial statements

19.01 Background

Accel Frontline Limited ("Accel" or the Company) was incorporated in Chennai in 1995. The Company's principal lines of business, in IT services includes, providing system integration solutions comprising network design, hardware software and website development and the sale and implementation of customized software products and IT Infrastructure management solutions,

19.02 Statement of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared and presented on a historical cost basis in accordance with Generally Accepted Accounting Principles (GAAP) in India and comply with the mandatory accounting standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) referred to in section 211(3C) of the Companies Act, 1956 (the Act) to the extent applicable. All items of income and expenditure that have a material bearing on the financial statements are recorded on an accrual basis. The accounting policies have been consistently applied by the company and are consistent with those used in the previous year. All recently issued or revised accounting standards have been evaluated by the management on an ongoing basis.

Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes the estimates are prudent and reasonable. Future results could differ from these estimates.

(b) Fixed Assets, depreciation and amortization

Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses attributable to bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided for on a straight-line basis, at the higher of the rates as specified in Schedule XIV to the Act or the rates derived based on the economic useful life of the asset as determined by management. The rates of depreciation and amortization are as follows:

Asset	Rate of depreciation / amortization (%)
Plant and machinery	4.75
Office equipment	4.75
Furniture and fixtures	6.33
Computer hardware (except computers on lease)	16.21
Vehicles	9.5

Lease hold improvements Over the lower of estimated useful lives of the assets or the primary period of the lease.

Computer software, being application software is amortized over a period of 7 years or its realizable useful life, whichever is lower.

Fixed assets individually costing Rs 5,000 or less are fully depreciated on purchase during the relevant year.

Capital work in progress: Software products/solutions developed and/or under developments are stated at cost and pending capitalization of the same are treated as capital work in progress. The development cost consists of proportionate cost of employee compensation and other direct costs involved. Software development cost incurred on products/solutions ready for marketing are capitalized and amortised over a period of seven years based on managements' evaluation of the products' life cycle.

(c) Investments

Investments in subsidiaries are classified as long-term investments and are stated at cost. Adjustments are made for any diminution if any, in value of the investments that is other than temporary in nature.

Investments in subsidiaries

As at March 31, 2011, the Company had an aggregate investment of Rs 59,397,440 (including Rs. 7,872,675 invested in Network Programs KK, Japan for which shares are yet to be allotted) in its subsidiaries which include ACL Systems & Technologies Pte Limited (ACL) Singapore, Accel Frontline FZE, Dubai, Network Programs USA Inc, USA, (NP-US), Network Programs (Japan) Inc, USA (NPJ-US) and Network Programs KK, Japan, (NPJ-KK). The financial statements of ACL and NP-US as at March 31, 2011 reflect accumulated losses. Management believes that these investments are long term in nature and the subsidiaries are expected to continue with a profitable business in future. Accordingly, management does not consider that provision for diminution in the value of its investments in the said subsidiary is necessary at this stage.

(d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition and is computed on the basis of weighted average cost. Inventories of components and spares primarily held and used for the purpose of asset maintenance services are amortized over a period of seven years commencing from this year.

(e) Revenue recognition

Sales

Sales are recognized when significant risks and rewards of ownership are passed to the buyer, which generally coincides with the dispatch of goods. All sales are reported exclusive of taxes and duties.

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

Service income

Service income comprising Income from Infrastructure Management Services (IMS) contracts are recognized ratably over the period of the underlying maintenance agreement. Incomes from services are reported exclusive of service tax.

Revenue from software development and implementation on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of

fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on the percentage of completion basis.

Assets sold on finance lease arrangements are recognized as a sale at the inception of the lease, and the related finance income is recognized on a time proportion basis over the period of the lease.

Dividend income from investments is recognized when the right to receive the dividend is established

(f) Employee benefit plans

The company makes contributions to the "Accel ICIM Employees Provident Fund Trust", which is defined contribution plan. The company's contribution towards the Provident Fund is charged to the Profit and Loss Account. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and the short fall, if any, shall be made good by the Company.

The Company also provides for retirement benefits in the form of gratuity as per the provisions of "The Payment of Gratuity Act, 1972", which is a defined benefit plan. The Liability in respect of contribution to the gratuity fund is provided for based on actuarial valuation carried out in accordance with revised Accounting Standard AS -15 as at the end of the year.

The liability is actuarially determined at the end of each financial year and any shortfall in the fund size maintained by the trust set up by the company with Life Insurance Corporation of India is additionally provided for.

Compensated absences

The Company's policy towards leave for their employees stipulates that the employees can only carry forward their earned leave to the extent allowed as per policy from time to time, without any encashment options. As per revised Accounting Standard AS 15, the Company has provided for compensated absences that are expected to be availed. The liability for compensated absences is determined on the basis of actuarial valuation at the end of the financial year. Any gain or loss arising out of such valuation is recognized in the Profit and Loss Account, as the case may be.

(g) Earnings per share

The earnings considered in ascertaining the company's basic

and diluted earnings per share comprise of the net profit/loss after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares.

(h) Taxation

Provision for income tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

(i) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rate specified by customs authorities on a monthly basis. Current assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the date of the balance sheet. All exchange differences arising on the Conversion/settlement of foreign currency transactions are accounted for in the profit and loss account, except in the cases where they relate to the acquisition of fixed assets, in which case they are adjusted to the cost of the corresponding asset.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding periodically. The premium or discount on all such contracts arising at the inception of the contract is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the year. The exchange difference is calculated and recorded in accordance with AS-11

(j) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

k) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(l) Sundry debtors/sundry creditors/loans & advances

a) The balances stated at their values shown under sundry debtors, sundry creditors and loans & advances are subject to confirmation

b) During the year, a provision for doubtful debts was created for Rs.15,355,063 (previous year Rs. 11,422,629/-). A sum of Rs.25,230,230 (previous year Rs. 33,456,847/-) was written off as bad debts as the management felt that these are doubtful of recovery / irrecoverable.

19.03 Cash and bank balances

Cash and bank balances includes Rs.50,648,666 (Previous year Rs 49,403,191), held as Margin money for various guarantees and letters of credit issued by the company's bankers.

A balance with schedule banks in current accounts includes an amount of Rs.478,948 (previous year:Rs.343,612) representing the balances in unclaimed dividend accounts as at March 31, 2011.

Balances in current account as on March 31, 2011, include balances in foreign currency, the details of the same are given below

Name of bank	Currency	As on 31.03.2011	
		Amount in indian rupees	Amount in foreign currency
DBS Bank	USD	62,404,782	1,370,165
		(115,588,121)	(2,568,397)
DBS Bank	SGD	1,426,924	68,113
		(1,670,391)	(51,933)
State Bank of India	USD	8,554,321	188,898
		(Nil)	(Nil)
State Bank of India	SGD	172,537	4,800
		(Nil)	(Nil)

Note: Item under parenthesis represent previous year figures.

Balance in current accounts as on March 31, 2011 include an amount of Rs. 512,561 (USD 11,318) (PY: 63,521 (USD 1,411.46)) lying in the Exchange Earners Foreign Currency (EEFC) account maintained with State Bank of India in US Dollar account.

19.04 Secured loans

Working capital facilities from banks are secured by a pari passu charge by way of hypothecation of current assets and the moveable properties of the company. Hypothecation loans are secured by hypothecation of the respective assets acquired.

Secured loans include Rs. 904,565,253 (previous year – Rs. 40,106,917) due within one year.

19.05 Payment to the Managing Director & whole time Director

	March 31, 2011
	(in Rs.)
Computation of net profits in accordance with Section 349 of the Companies Act, 1956:	
Profit before taxation	89,211,475
Add: Loss on sale of fixed assets	158,404
Add: Donation	383,501
Add: Wealth tax paid	18,225
Add: Goodwill Amortised	999,902
Add: Provision for bad & doubtful debts	15,355,063
Add: Depreciation	57,481,774
Less Depreciation As per sec 350	(57,481,774)
Add: Selling commission provided	2,539,973
Add: Managerial remuneration	8,339,969
	117,006,512
Maximum managerial remuneration payable to directors @ 11%	12,870,716

	2011	2010
Managerial remuneration		
Salary, allowances and perquisites	7,554,800	6,589,465
Contribution to provident fund & other funds	785,169	746,262
Commission payable	533,126	-
	8,873,095	7,335,727

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

19.06 Disclosures in accordance with Accounting Standard (AS) – 15 on “Employee Benefits”

(a) Defined contribution plans

The Company has incurred the following amounts and charged to the Profit and Loss Account during the year

SI No	Particulars	Amount Rs. in Lakhs For the year ended March 31, 2011
1	Contribution to Employees Provident Fund	126.32
2	Contribution to Employees’ State Insurance (ESI)	51.40
Total		177.72

AS – 15 (Revised 2005) on “Employee Benefits” has been adopted by the Company and the disclosures as required by the said accounting standard are given hereunder:

The transition liability created out of the general reserve for compensated absence valuing Rs. 211.92 lakhs in the financial year 2007-08 in accordance with revised AS – 15 is getting adjusted in the subsequent financial years based on the actuarial valuation report of that year through the profit and loss account.

(b) Defined benefit plans

Particulars	Amount Rs. in Lacs	
	Gratuity (funded)	Provision for Compensated absences (Unfunded)
(I) Changes in the Present value of obligation		
(a) Present Value of Obligation as at April 01, 2010	160.54	137.02
(b) Interest cost	14.97	14.51
(c) Past service cost	-	-
(d) Current service cost	31.17	88.58
(e) Curtailment cost / (credit)	-	-
(f) Settlement cost / ((credit)	-	-
(g) Benefits Paid	(23.36)	-
(h) Actuarial (Gain) / Loss	-	(177.72)
(i) Present value of obligation as at March 31, 2011	183.32	62.39
(II) Expenses recognized in the Profit & loss account		
(a) Current service cost	101.09	88.58
(b) Past service cost	-	-
(c) Interest cost	-	14.51
(d) Curtailment cost / (credit)	-	-
(e) Settlement cost / ((credit)	-	-
(f) Net Actuarial (Gain) / Loss	-	(177.72)
(g) Employee’s contribution	-	-
(h) Total expenses recognized in Profit & loss a/c	101.09	(74.63)

(III) Following are the principal actuarial assumptions used as at the balance sheet date:

Particulars	Gratuity (funded)	Provision for compensated absence (Unfunded)
(a) Discount rate	8.00%	8.00%
(b) Salary escalation rate	5.00%	5.00%
(c) Attrition rate	1 – 3%	5.00%
(d) Mortality rates	LIC (1994-1996) ultimate	Projected Unit Credit [PUC] actuarial methods

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

19.07 Remuneration to statutory auditors

	2011	2010
Statutory audit *	1,192,822	1,163,792
For quarterly limited review	300,000	300,000
For certification and other matters	65,000	100,000
Out of pocket expenses	13,343	14,868
Service tax	144,200	147,805

* Includes foreign branch auditor fees Rs.157,822 (\$ \$4,854) (Previous year Rs.128,792 (\$ \$ 4,000))

19.08 Contingent liabilities

	2011	2010
Sales tax matters	5,911,755	8,512,404
Service tax matters	584,433	584,433
ESI matters	2,758,801	2,758,801
Income tax matters	56,349,070	49,000,700
Letters of credit outstanding	20,325,636	89,557,099
Bank Guarantees outstanding	224,088,820	111,364,965
Claims against the company not acknowledged as debt	21,915,411	16,435,381

19.09 Segment reporting

The company's operations predominantly relate to IT related services and accordingly this is the only primary reportable segment. The geographical segment is not relevant since export sales are less than 10% of the total sales.

19.10 Related party transactions

Related parties where control exists:

Name of the Party	Nature of relationship
BT Frontline Pte Limited, Singapore.	Controlling Company
Accel Limited, Chennai.	Controlling company
ACL Systems & Technologies PTE Limited, Singapore	Subsidiary Company
Accel Frontline FZE, Dubai	Subsidiary Company
Network Programs USA Inc., USA	Subsidiary Company
Network Programs (Japan) Inc., USA	Subsidiary Company
Network Programs Japan KK Japan	Subsidiary Company

Other related parties with whom transactions have taken place during the year:

Name of the Party	Nature of relationship
Accel Systems Group, Inc. USA	Companies under common control
Accel Transmatic Limited, Chennai.	Companies under common control
Accel Frontline Services Limited	Companies under common control
Accel IT Resources Limited, Chennai	Companies under common control

Key Management Personnel

Mr. N.R. Panicker	Managing Director
Mr. K.R. Chandrasekaran	Whole time Director

Relative of Key Management Personnel

Mrs. Sreekumari Panicker	Wife of the Managing Director
Mrs. Shanthy Chandrasekaran	Wife of Mr. K.R. Chandrasekaran

Schedules to the financial statements

(All amounts are in Indian Rupees, unless otherwise stated)

Transactions with related parties

Particulars	Controlling company	Subsidiaries	Companies under common control	Key Management personnel
Sales and other income	28,306	18,350,874	10,067,065	-
	(19,165)	(30,676,485)	(7,029,612)	-
Share of Expenses	-	-	-	-
	-	-	(735,736)	-
Purchases	-	-	143,582,546	-
	(938)	-	(38,745,410)	-
Rent	5,169,130	-	-	2,160,000
	(4,825,356)	-	-	(1,920,000)
Remuneration	-	-	-	6,713,095
	-	-	-	(5,415,737)
Dividend	-	-	-	-
	(23,780,817)	-	-	(533,545)
Balances outstanding as at March 31, 2011 (March 31, 2010)				
Investments	-	59,397,440	-	-
	-	(58,040,765)	-	-
Payables	-	-	16,437,799	-
	-	-	(4,790,340)	-
Receivables	19,521	10,869,174	9,441,899	-
	(14,301)	(13,589,948)	(6,500,238)	-
Loans and advances	14,604	22,634,425	4,329,838	-
	-	(18,712,328)	(7,664,089)	(520,135)
Maximum amount outstanding at any time during the year	14,604	22,634,425	7,664,089	-
	-	(22,127,997)	(8,296,683)	-

Note: Item under parenthesis represent previous year figures

19.11 Operating leases:

The company has taken various office premises on operating lease and the lease payments are amortized on a straight-line basis over the lease term. The total of minimum future lease payments for various periods are as follows:

	2011	2010
Not later than one year	25,135,893	22,963,306
Later than one year and not later than five years	84,653,444	79,156,997
Later than five years	29,029,222	32,114,579

The company has deposited an amount of Rs.32,338,119 (Previous year:Rs.29,540,200/-) as interest free security deposits towards the above leases and the same has been included in the Loans and advances.

19.12 Micro small and medium Enterprise development Act 2006.

As per the stipulations and conditions referred to in the above Act, the Company is not required to register under the above Act. Further, the Company has circulated letters to its suppliers seeking information about their status as mentioned in the Act. Since the information from the suppliers has not been received, the provisioning of the interest and disclosure requirements under Schedule VI to the Companies Act, 1956 could not be complied with.

19.13 Overseas branch operation

During the year, the branch at Singapore in the name of "Accel Frontline Limited - Singapore Branch" continued its operation. The revenue and expenses of the said Branch have been included in the financials of the company against each line item, translated into INR, as applicable. The summary of the financials of the Branch is as follows:

	2011		2010	
	Rs.	US\$	Rs.	US\$
Turnover	340,618,134	7,467,010	409,097,227	8,552,462
Net Profit after tax	10,211,767	225,498	10,691,232	223,052
Sundry Debtors	75,736,053	1,675,329	30,244,936	752,346
Sundry Creditors	44,374,428	988,766	70,470,449	2,159,310
Income Tax- Provision	(653,148)	(14,318)	1,080,980	21,696

19.14 Quantitative information as per companies Act 1956

The company has not disclosed the information as required under para 3(i)(a) and 3(ii)(b) of Part II of Schedule VI pursuant to the notification released by Ministry of Corporate Affairs given vide SO 301(E) dated February 8, 2011.

19.15 Expenditure in foreign currency (on payment basis)

	2011	2010
Foreign travel	5,670,778	6,820,074
Others	19,446,244	3,781,091

19.16 CIF value of Imports

	2011	2010
Components	749,690,684	396,056,063

19.17 Amount remitted in foreign currencies towards dividend

Particulars	2011			2010		
	No of Non-resident shareholders	No of equity shares held	Rupees	No of Non-resident shareholders	No of equity shares held	Rupees
Dividend for the year	Nil	Nil	Nil	5	11,499,888	17,249,832

19.18 Earnings in foreign currency

	2011	2010
Income from services	42,263,413	68,466,425

19.19 Comparative financial information

The previous year's balances have been regrouped/reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the Board of Directors

K.S. AIYAR & CO
Chartered Accountants
Firm's registration no:100186W

N. R. Panicker
Chairman & Managing Director

Steve Ting Tuan Toon
Director

S.Kalyanaraman
Partner
Membership No. 200565

K.R. Chandrasekaran
Director & CFO

Sweena Nair
Company Secretary

Place: Chennai
Date: July 27, 2011

Cash flow statement for the year ended

(All amounts are in Indian Rupees, unless otherwise stated)

	March 31, 2011	March 31, 2010
Cash flow from operating activities		
Net profit before taxation	89,211,475	63,065,799
Adjustments for:		
Depreciation	58,481,675	57,605,065
(Profit) / Loss on sale of fixed assets, net	158,404	369,817
Interest and dividend income	-	(1,567,578)
Unrealized foreign exchange	5,128,101	(23,504,782)
Finance income on leased assets	-	(238,707)
Lease rentals	(10,678,477)	(10,156,266)
Financial Charges	63,292,440	42,501,131
Provision for doubtful debts	15,355,063	11,422,629
Provision no longer required written back	(427,749)	(1,152,297)
Bad debts written off	25,230,230	33,456,847
Operating profit before working capital changes	245,751,162	171,801,658
(Increase)/Decrease in inventories	(64,755,954)	29,655,044
(Increase)/Decrease in sundry debtors	(365,483,439)	(138,693,118)
(Increase)/Decrease in loans and advances / other current assets	(81,745,918)	(59,184,436)
Increase/(Decrease) in current liabilities	(155,023,776)	124,992,879
Increase/(Decrease) in Provision	6,304,785	(1,338,367)
Cash generated from operations	(414,953,140)	127,233,660
Income taxes paid	(99,566,809)	(10,340,354)
Net cash used in operating activities	(514,519,949)	116,893,306
Cash flows from investing activities		
Purchase of fixed assets	(13,295,135)	(26,495,673)
Proceeds from sale of fixed assets	420,850	157,779
Lease rentals	10,678,477	10,394,973
Investments	(1,356,675)	-
Net cash from (used in) in investing activities	(3,552,483)	(15,942,921)
Cash flows from financing activities		
Proceeds/(Repayments) from working capital facilities	463,943,812	102,884,478
Interest received on loans	-	1,567,578
Proceeds/(Repayment) of term loan for equipment leases	(379,606)	(1,638,269)
Financial charges	(65,436,048)	(40,812,863)
Dividends paid	-	(33,763,500)
Tax on dividend paid	-	(5,738,107)
Net cash from financing activities	398,128,158	22,499,317
Net cash inflow / (outflow)	(119,944,274)	123,449,703
Opening cash and cash equivalents*	302,309,998	178,860,295
Closing cash and cash equivalents*	182,365,724	302,309,998
Net increase in cash and cash equivalents	(119,944,274)	123,449,703

*Includes Rs. 80,748,666 (Previous year Rs. 84,503,191) of restricted cash balance (also refer note 19.03)

Cash flow statement for the year ended

(All amounts are in Indian Rupees, unless otherwise stated)

Note :

a) The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India

b) Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets. Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.

c) Since fixed deposits have to be used to set off the bank borrowing to reduce the cost of funds, the net cash has been shown as negative

For and on behalf of the Board of Directors

K.S. AIYAR & CO

Chartered Accountants

Firm's registration no:100186W

N. R. Panicker

Chairman & Managing Director

Steve Ting Tuan Toon

Director

S.Kalyanaraman

Partner

Membership No. 200565

K.R. Chandrasekaran

Director & CFO

Sweena Nair

Company Secretary

Place: Chennai

Date: July 27, 2011

Balance sheet abstract and company's general business profile

(All amounts are in Indian Rupees, unless otherwise stated)

I. Registration details

Registration number	18-31736
Balance Sheet date	March 31, 2011

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue	NIL
Bonus Issue	NIL

Rights Issue	NIL
Private Placement	NIL

Total Liabilities	1,980,863
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Total Assets	1,980,863
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Sources of funds

Paid up capital	225,090
Secured loans	904,565
Deferred tax liability	28,694

Reserves and surplus	822,514
Unsecured loans	-

Application of funds

Net fixed assets	195,109
Net current assets	1,723,357

Investments	62,397
Misc. expenditure	-

IV Performance of company (Amount in Rs.Thousands)

Sources of funds

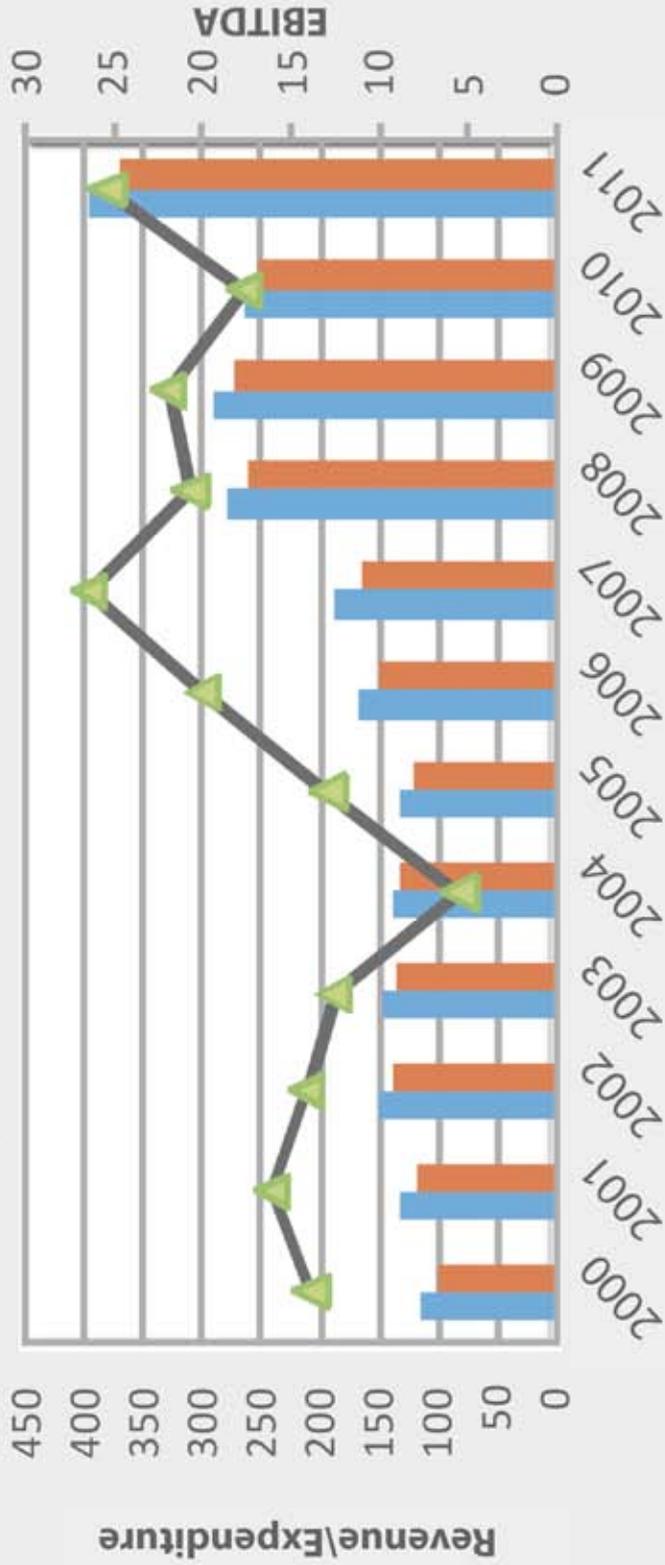
Turnover	3,320,149
Profit / (loss) before tax	89,211
Earnings per share in Rs.	2.83

Total expenditure	3,230,937
Profit / (loss) after tax	63,794
Dividend as %	20

V Generic names of three principal products / services of company (as per monetary terms)

Item code no (ITC code)	847100
Product description	Computers
Item code no (ITC code)	847193
Product description	Computer Peripherals

Historical performance since year 2000



Amount in Rs. Crores

Revenue	114	133	151	148	138	132	169	188	280	291	265	395
Expenditure	100	117	139	136	133	120	150	164	262	273	254	371
EBITDA	14	16	14	13	5	13	20	26	21	22	18	25



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