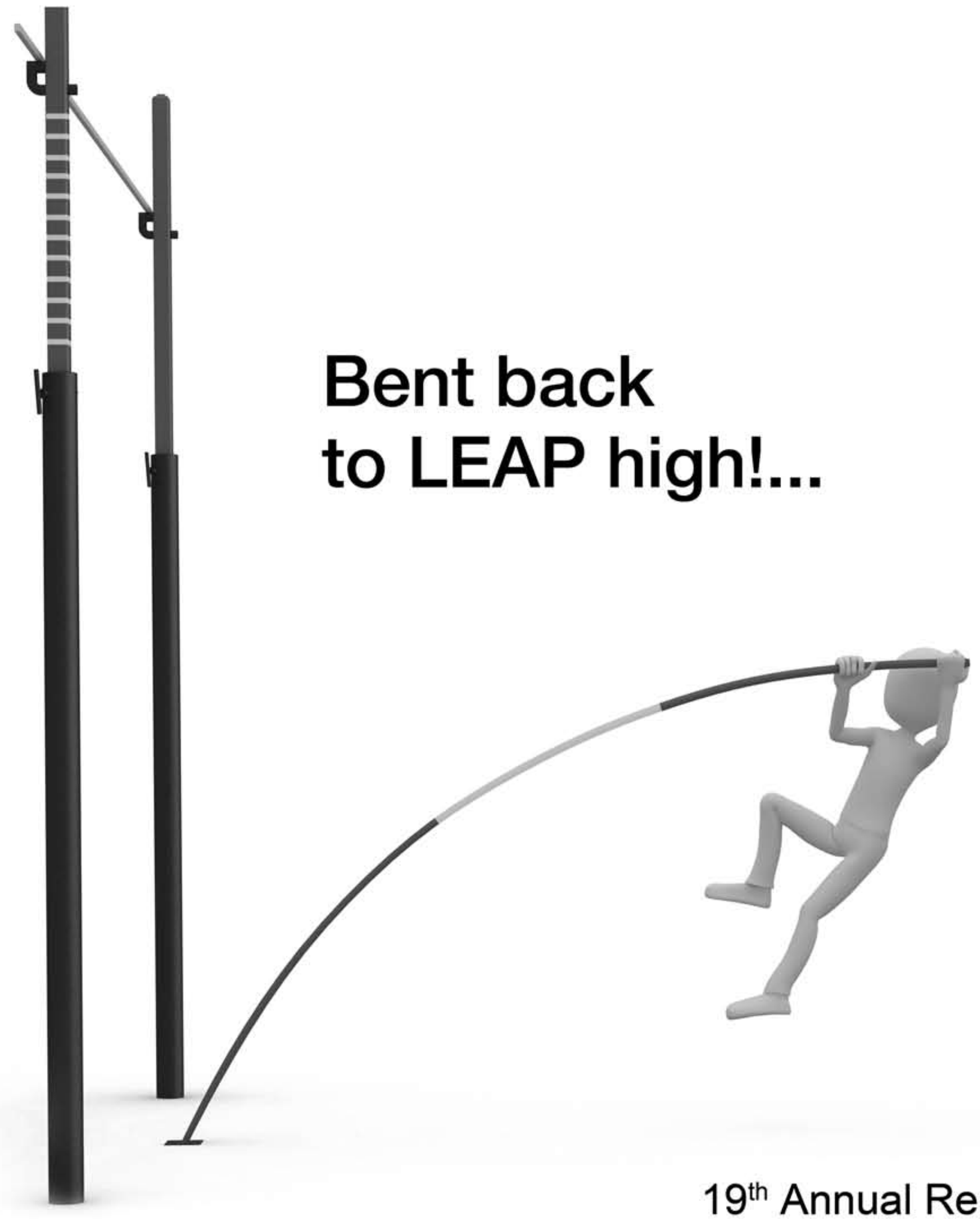
Northgate™
Technologies Limited

Bent back to LEAP high!...



19th Annual Report
2010-11

The Board of Directors

Mr. Venkata S Meenavalli	Chairman and Managing Director
Mr. P. Srinivasu	Executive Director
Mr. P. Parthasarathi	Independent Director
Mr. T. Naresh Kumar	Independent Director
Mr. Y. Ramesh	Independent Director
Mr. Anil Kumar Singh	Chief Financial Officer
Mr. Lincoln A. Babu	Company Secretary & Compliance Officer

Registered office

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

Statutory Auditors

M/s B S R and Company
Chartered Accountants
Reliance Humsafar, IV Floor,
Road No.11, Banjara Hills,
Hyderabad-500034
Tel: +91-40-6630 5000
Fax:+91-40-6630 5299

Internal Auditors

M/s Italia & Associates
Chartered Accountants
1-2-372/A &1-8-373/A
Chiran Fort Lane,
Begumpet, Hyderabad - 500003
Tel: +91-40-40031959

Share Transfer Agent

CIL Securities Limited
214, Raghava Ratna Towers,
Chirag Ali Lane
Hyderabad - 500001

Bankers

Axis Bank Limited
HSBC Limited
Bank of Baroda

TABLE OF CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of the Members of Northgate Technologies Limited will be held on **Friday the 30th day of September 2011 at 10.30 a.m. at Kalinga Cultural Trust, Plot No. 1269, Road No.12, Banjara Hills, Hyderabad – 500 034** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 and the audited Profit and Loss Account for the year ended as on that date together with the Report of the Auditors and the Board of Directors thereon.
2. To appoint a Director in place of Mr. P. Parthasarathi, Director who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Y. Ramesh, Director who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT M/s B S R and Company, Chartered Accountants, Hyderabad be and are, hereby appointed as Statutory Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration as may be mutually agreed upon between the Board of Directors and Auditors."

SPECIAL BUSINESS

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309,310,311 read with Schedule XIII to the Act, and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification, amendment or re-enactment thereof) and subject to such approvals as may be necessary, the consent, permission, and approval of the members of the company be and is hereby accorded to the re-appointment of Mr. Venkata S. Meenavalli as Chairman and Managing Director of the company, for a period of three years with effect from September 01, 2011 to discharges the functions, duties, responsibilities delegated by the Board of Directors from time to time and such other acts as may be required as per applicable Laws, Act, Regulations, at a remuneration as set out below:

   (a) Salary: Rs. 60 Lakhs (Rupees Sixty Lakhs only); per annum with an annual increment subject to 20% of salary every year, effective from such month as may be decided by the board;

   (b) Commission: Not more than one percent of the net profits of the company computed in accordance with Section 349 of the Companies Act, 1956.

   (c) Statutory Contributions, if any;

   (d) Benefits, Perquisites and Allowances:

      i. Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
      ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
      iii. Encashment of leave at the end of the tenure as per company's policy;
      iv. Leave Travel Concession for self and family as per actual per year;
      v. Medical reimbursement as per actual including medical insurance cost;
      vi. Rent Free Furnished Residential Accommodation with free use of all the facilities and amenities or house rent allowance, in lieu thereof together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishing, repairs, servants' salaries;
      vii. Provision of company owned cars and telephone for official and personal purposes;
      viii. Club fees (maximum of two clubs)."

   "RESOLVED FURTHER THAT the Board be and is hereby authorized to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. Venkata S. Meenavalli."

"RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year, the Chairman and Managing Director shall be paid remuneration as per Section II of Part II to the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) as may be applicable from time to time."

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

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310,311 read with Schedule XIII to the Act, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification, amendment or re-enactment thereof) and subject to such approvals as may be necessary, the consent, permission, and approval of the members of the company be and is hereby accorded to the appointment of Mr. P. Srinivasu as an Executive Director of the company, for a period of three years with effect from September 01, 2011 to discharge the functions, duties, responsibilities delegated by the Board of Directors from time to time and such other acts as may be required as per applicable Laws, Acts, Regulations, at a remuneration as set out below :

a) Salary: Rs. 30 Lakhs per annum with an annual increment subject to a maximum of 20% of salary every year, effective from such month as may be decided by the Board.

b) Statutory contributions, if any;

c) Benefits Benefits, Perquisites and Allowances:

   i. Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961

   ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

   iii. Encashment of leave at the end of the tenure as per company's policy;

   iv. Leave Travel Concession for self and family as per actual per year;

   v. Medical reimbursement as per actual including medical insurance cost;

   vi. Rent Free Furnished Residential Accommodation with free use of all the facilities and amenities or house rent allowance, in lieu thereof together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishing, repairs, servants' salaries;

   vii. Provision of company owned cars and telephone for official and personal purposes;

   viii. Club fees (maximum of two clubs)."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. P. Srinivasu."

"RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year, the Executive Director shall be paid remuneration as per Section II of Part II to the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) as may be applicable from time to time."

By order of the Board

Place : Hyderabad
Date : September 02, 2011

Lincoln A. Babu
Company Secretary

NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a Proxy (whether member or not) to attend and vote instead of him or her. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. Members / Proxies should bring the attendance slips filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will be closed from September 28, 2011 to September 30, 2011, inclusive of both dates.
5. Members desiring any information on financial statements are requested to inform to the Company at least seven days before the date of the meeting to keep the information available at the meeting.

Additional Information in respect of Directors Recommended for Appointment / Seeking Re-election at the ensuing Annual General Meeting.

Mr. P. Parthasarathi

Mr. P.Parthasarathi, aged 64 years, is a Commerce Graduate and CAIIB. He retired as Assistant Chief Officer from UCO Bank Limited, heading inspection and Vigilance Department at State Level. He has over 20 years of experience in various industries.

Mr. Y. Ramesh

Mr. Y. Ramesh, aged 50 years, is a Commerce Graduate and has over 12 years of entrepreneurial experience.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 are as follows:

Item No.5:

The Board of Directors on September 02, 2011 has re-appointed Mr. Venkata S. Meenavalli as Chairman and Managing Director of the Company with a remuneration on the same terms and conditions.

The remuneration committee has approved the remuneration of Mr. Venkata S. Meenavalli as Chairman and Managing Director.

The Board in its meeting held on September 02, 2011 reappointed him as per the provisions of the Companies Act, 1956. The re-appointment and remuneration requires the approval of members in General Meeting and the Central Government approval as the company has no profits/inadequate profits during the year 2010-11.

The Profile of Mr. Venkata S. Meenavalli is given below:

Mr. Venkata S. Meenavalli, aged 41 years is M.S in Computer Science from Suffield University Australia and having Certificate of Proficiency in radiotelephony from Spectrum Management Agency, Australia, Certification of Novell Certified Engineer (CNE), Microsoft Certified Engineer (MCSE), Microsoft Certified Systems Engineer + Internet (MCSE+!). He joined Northgate Technologies Limited, in 2002 as a Managing Director. He has over 18 years of experience in various fields of Information Technology, Marketing and Administration.

I. **General Information:**

(1) Nature of industry: **IT and ITES**

(2) Date or expected date of commencement of commercial production: **11.06.1991**

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. **Not Applicable**

(4) Financial performance based on given indicators: **For the FY ended March 31, 2011 Company had Net Loss of Rs. 175.31 Lakhs and as of March 31, 2011 Networth was Rs. 7,272.73 Lakhs as per Standalone financial statements.**

(5) Export performance and net foreign exchange collaborations: **Export performance of Rs. 430.24 Lakhs for the FY ended March 31, 2011.**

(6) Foreign investments or collaborators, if any. **Foreign investment of Rs. 6,952.09 Lakhs as of March 31, 2011.**

II. Information about the appointee:

(1) Background details: **M.S. in Computer Science from Suffield University, Australia and 13 years of experience in various fields of information technology, Commodity Trading and Administration.**

(2) Past remuneration: **Rs.60 Lakhs per annum with an annual increment of 20% of Salary.**

(3) Recognition or awards: **NIL**

(4) Job profile and his suitability: **Chairman and Managing Director of the Company.**

(5) Remuneration proposed: **Rs. 60 Lakhs per annum with an annual increment of 20% of Salary.**

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin): **Rs. 1 Crore to 2 Crores**

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. **Not Applicable**

III. Other information:

(1) Reasons of loss or inadequate profits: **Previous year operations were significantly scaled down and are yet to reach scale of efficiency.**

(2) Steps taken or proposed to be taken for improvement: **Restructuring of operations to optimise cost, expenses and improvement in revenues is in progress.**

(3) Expected increase in productivity and profits in measurable terms. **Through ongoing restructuring process the productivity and profits are expected to improve significantly.**

IV. Disclosures:

(1) The shareholders of the company shall be informed of the remuneration package of the managerial person: **Details are provided in the Annual Report 2010-11 for shareholders information.**

(2) The following disclosures are mentioned in the Board of director's report under the heading "Corporate governance", attached to the annual report:-

(i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors;

(ii) Details of fixed component and performance linked incentives along with the performance criteria;

(iii) Service contracts, notice period, severance fees.

The Board of Directors recommends the resolutions setout at Item No. 5 for the approval of the members. Except Mr. Venkata S. Meenavalli none of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

Item No.6:

The Board of Directors on September 02, 2011 has appointed Mr. P. Srinivasu as Executive Director of the Company with a remuneration on revised terms and conditions. The remuneration committee has approved the remuneration of Mr. P. Srinivasu.

The Board in its meeting held on September 02, 2011 appointed him as Executive Director as per the provisions of the Companies Act, 1956 the appointment and remuneration requires the approval of members in General Meeting.

The Profile of Mr. P. Srinivasu is given below:

Mr. P. Srinivasu, aged 45 years is an Engineering Graduate and has over 18 years of experience in various fields. He has more than 10 years of experience in online advertising Industry.

I. General Information:

(1) Nature of industry: **IT and ITES**

(2) Date or expected date of commencement of commercial production: **11.06.1991**

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. **Not Applicable**

(4) Financial performance based on given indicators: **For the FY ended March 31, 2011 Company had Net Loss of Rs. 175.31 Lakhs and as of March 31, 2011 Networth was Rs. 7,272.73 Lakhs as per Standalone financial statements.**

(5) Export performance and net foreign exchange collaborations: **Export performance of Rs. 430.24 Lakhs for the FY ended March 31, 2011.**

(6) Foreign investments or collaborators, if any. **Foreign investment of Rs. 6,952.09 Lakhs as of March 31, 2011.**

II. Information about the appointee:

(1) Background details: **B.E. from Nagpur University, India; 18 years of experience in various felds including 10 years of experience in Online Advertising industry.**

(2) Past remuneration: **Rs.24 Lakhs per annum**

(3) Recognition or awards: **NIL**

(4) Job profile and his suitability: **Appointee holds a B.E. Degree from Nagpur university and has over 18 years of experience in various fields including 10 years of Experience in Online Advertising Industry.**

(5) Remuneration proposed: **Rs. 30 Lakhs per annum with an annual increment of 20% of Salary.**

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin): **Rs. 25 Lakhs to 75 Lakhs.**

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. **Not Applicable**

III. Other information:

(1) Reasons of loss or inadequate profits: **Previous year operations were significantly scaled down and are yet to reach scale of efficiency.**

(2) Steps taken or proposed to be taken for improvement: **Restructuring of operations to optimise cost, expenses and improvement in revenues is in progress.**

(3) Expected increase in productivity and profits in measurable terms. **Through ongoing restructuring process the productivity and profits are expected to improve significantly.**

IV. Disclosures:

(1) The shareholders of the company shall be informed of the remuneration package of the managerial person: **Details are provided in the Annual Report 2010-11 for shareholders information.**

(2) The following disclosures are mentioned in the Board of director's report under the heading "Corporate governance", if any, attached to the annual report:-

(i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors;

(ii) Details of fixed component and performance linked incentives along with the performance criteria;

(iii) Service contracts, notice period, severance fees.

The Board of Directors recommends the resolutions set out at Item No. 6 for the approval of the members. Except Mr. P. Srinivasu none of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

By order of the Board

Place : Hyderabad
Date : September 02, 2011

Lincoln A. Babu
Company Secretary

DIRECTORS' REPORT

Dear Members,

The Board of Directors take pleasure in presenting their report for the financial year ended March 31, 2011.

Financial Highlights

(Amount Rs. In lakhs)

Particulars	Consolidated		Standalone	
	For the Year ended March 31			
	2011	2010	2011	2010
Revenues	12,967.26	7,446.34	430.25	795.64
Cost of Revenues	11,733.88	8,410.85	212.22	394.12
Gross Profit	1,233.38	(964.51)	218.03	401.52
Selling and Marketing Expenses	102.75	2,205.49	5.88	8.98
General and Administrative Expenses	570.15	1,089.60	124.69	263.98
Bad and doubtful debts written off	101.64	1,873.41	-	-
Advances written off	-	75.44	158.04	34.66
Impairment loss	-	6,136.99	-	-
Fixed assets discarded, net	0.61	81.94	0.47	81.93
Provision for bad and doubtful debts	91.93	151.85		-
Provision for decline in the value of long term investments	-	-	-	9,433.11
Operating Profit/(Loss) before interest, depreciation and amortization	366.30	(12,579.23)	(71.05)	(9,421.14)
Financial Expenses	84.81	24.38	101.65	87.89
Depreciation and Amortization	353.48	2,940.83	54.51	112.12
Operating Profit / (Loss) before tax	(71.99)	(15,544.44)	(227.21)	(9,621.15)
Gain on Disposal of Subsidiary	16.31	-	-	-
Other Income, Net	215.91	1,190.97	52.24	0.84
Profit/(Loss) before Tax	160.23	(14,353.47)	(174.97)	(9,620.31)
Provision for taxes	18.68	278.56	0.33	256.65
Deferred	0.36	-	-	-
Profit/(Loss) after Tax before prior period expenses	141.19	(14,632.03)	(175.30)	(9,876.96)
Prior period expenses	-	66.41		-
Profit/(Loss) after prior period expenses	141.19	(14,698.44)		(9,876.96)
Share of Minority Interest	(36.07)	-		-
Net Profit	105.12	(14,698.44)		(9,876.96)
Earnings per share (Rs.)				
- Basic	0.26	(41.97)	(0.44)	(28.20)
- Diluted	0.26	(41.97)	(0.44)	(28.20)
Dividend Rate	-	-	-	-
Paid up Equity Share Capital	4,914.71	3,514.71	4,914.71	3,514.71

Financial Overview

During the financial year (FY) under review, the Company achieved revenues of Rs.12,967 Lakhs as against Rs.7,446 Lakhs in the previous year on consolidated basis. The Company's consolidated Net Profit for the year was Rs.105 Lakhs as against Rs.(14,698) Lakhs for the previous financial year. Management Discussion and Analysis forming part of this director's report includes detailed review of the financial performance of the Company.

The revenues of the group derived from its online advertising segment increased to Rs.4,875 Lakhs during the FY, as compared to Rs.3,305 Lakhs in the previous year. Further, the group has commenced new business segment of Commodity Trading from September 20, 2010 by acquiring 51% shareholding of Green Fire Agri Commodities Private Limited. The revenues from commodities trading segment was Rs. 8,041 Lakhs for the FY ended March 31, 2011. The Securities and Derivatives Trading segment has been discontinued effective from November, 2010 by sale of 100% equity share of VAR Quant Tech Securities Private Limited. The Revenues from Securities and Derivatives segment for the year ended March 31, 2011 was Rs. 50 Lakhs.

Restructuring

The Group has as part of its restructuring envisaged the segregation of its internet and commodity trading operations. The group believes that the restructuring will result benefits of; (a) Efficient and focused management on each segment; (b) Unlocking value for the shareholders of Northgate; and (c) Operating and Administrative efficiencies. Accordingly, the Board of Directors of the Company at their meeting held on May 19, 2011, considered and approved the Composite Scheme of Arrangement and Amalgamation between Northgate Technologies Limited ("NTL") and Northgate Com Tech Limited ("Northgate Com") and Green Fire Agri Commodities Private Limited ("Green Fire") and their respective shareholders and Creditors ("Scheme") under Section 391-394 read with Sections 100-103 of the Companies Act, 1956.

The Scheme is subject to the consent, approval of requisite majority of shareholders and creditors of NTL, Northgate Com and Green Fire, sanction of the High court of Andhra Pradesh and all other regulatory approvals as may be necessary for the implementation of the Scheme.

The Salient features of the Scheme are:

a) The appointed date of the Scheme is 1 April, 2011;

b) The Scheme involves the demerger of the Internet Business Undertaking of NTL into Northgate Com and Merger of Green Fire into NTL;

c) Based on Independent Valuation and fairness opinion, the Board approved and recommended the share entitle ratio as follows:

   "1 (one) fully paid equity shares of Rs. 10 each of Northgate Com shall be issued and allotted for every 1 (one) equity share of Rs. 10 each held in NTL"

   "158 (One hundred and fifty eight) fully paid equity shares of Rs. 10 each of NTL shall be issued and allotted for every 1 (one) fully paid equity shares of Rs. 10 each held in Green Fire (except in respect of shares held by NTL in Green Fire)."

d) Consequent to the demerger of the Internet business of NTL into Northgate Com, the equity shares of the Northgate Com will be listed on the National Stock Exchange of India ; and

e) Consequent to the Merger of Green Fire into NTL, the name of the NTL will be Changed to "Green Fire Agri Commodities Limited and the face value and the paid up value of the equity shares of the NTL together with the new shares issued and allotted on merger will be reduced by Rs. 9 without payment to the holders of such equity shares of NTL. The shares of NTL will continue to list on National Stock Exchange of India.

Dividend

No Dividend for the financial year ended March 31, 2011 has been recommended by the Board of Directors. No amount is transferred to the reserves on standalone basis, as the company has incurred losses for the financial year ended March 31, 2011.

Directors

During the year under review the Board has re appointed Mr. Venkata S. Meenavalli, as Chairman and Managing Director for a period of three years on the same terms and conditions with effect form September 1, 2011 and Mr. P. Srinivasu, Executive Director of the Company for a period of three years with effect from September 1, 2011 on revised terms and conditions as stated in the resolution. The Board of Directors commends for passing of the respective resolutions prposed in the Notice of Annual General Meeting.

Mr. P. Parthasarathi and Mr. Y.Ramesh, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Human Resources

As of March 31, 2011, the Company and its wholly owned subsidiaries employed 80 people out of which 73 people were located in India. We take adequate steps to ensure that compensation and benefits packages, working environment, professional and personal development are of global standards and are in line with organizational objective.

Fixed Deposits

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

Auditors

The Statutory Auditors M/s B S R and Company retires at this Annual General Meeting. The Board of Directors recommends appointment of M/s. B S R and Company, as Statutory Auditors of the Company for the FY 2011-12.

Auditors' Report

The Management has applied to the RBI for condoning of such non compliance and believes that the RBI would condone the non-compliance and that there would be no financial penalties imposed. Revenues and the Cost of Revenues for this segment for the year ended March 31, 2011 is Rs. 50.95 lakhs and Rs. 52 lakhs respectively. The company sold 100% shareholding of VAR Quant Tech Securities Private Limited on November 11, 2010. Pursuant to the Share Sale Agreement dated November 11, 2010 for sale of 100% equity share of VAR Quant Tech Securities Private Limited, the Securities and Derivatives Trading has been discontinued and the gain on sale of the subsidiary of Rs 16.32 lakhs has been recorded under exceptional item.

Listing

The Shares of the Company is listed on National Stock Exchange of India Limited (NSE). The equity shares of the Company are permitted for trading with Bombay Stock Exchange Limited under INDONEXT. The listing fee for the year 2011-12 has already been paid to the NSE.

Wholly Owned Subsidiaries (WOS)

Northgate Investments Pte Limited (NIPL)

NIPL is a Singapore based group Investment holding Company and carries no other business activities.

Globe7 Pte Limited (GPL)

GPL carries online advertising business activities. GPL is a Singapore based wholly owned subsidiary of NIPL. For the FY'11 GPL recorded revenues of Rs. 1,615.24 lakhs and Net Loss of Rs. 15,126.74 lakhs.

Axill Europe Limited, UK (AEL)

AEL is a London based wholly owned subsidiary of GPL and is under the process of voluntary liquidation.

Globe7 HK Limited, Hongkong (GHL)

GHL is a Hong Kong based wholly owned subsidiary of GPL. During the year no operations were carried out.

Social Media India Limited (SMIL)

SMIL is a India based wholly owned subsidiary of GPL. For the FY'11 SMIL recorded revenues of Rs. 3,260.02 lakhs and achieved net profit of Rs. 576.04 Lakhs.

Globe 7Americas Inc., USA

Globe 7 Americas Inc., is a wholly owned subsidiary of GHL which was voluntarily liquidated during the year.

VAR Quant Tech Securities Private Limited (VAR)

The Company sold 100% shareholding of VAR Quant Tech Securities Private Limited on November 11, 2010.

Globe 7 UK Limited (Globe 7 UK)

Globe 7 UK was incorporated on April 8, 2010. Globe 7 UK owns group server farm located at Bournemoth, UK. Globe 7 UK recorded revenues of Rs. 157.25 Lakhs for the year ended March 31, 2011 with a loss of Rs. 5.38 Lakhs.

Particulars under Section 212 of the Companies Act, 1956

The Ministry of Corporate Affairs has granted exemption from complying with the provisions of Section 212 of the Companies Act, 1956 as the audited consolidated financial statements is presented in the Annual Report. Accordingly, the Annual Report does not contain the financial statements of the subsidiaries. The audited financial statements and related information of subsidiaries, wherever applicable, will be provided to the members upon request. Also the documents as per Section 212 of the Companies Act, 1956 is available for inspection during business hours at the registered office at Hyderabad, India, for the members of the company.

Employee Particulars

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

Employee Stock Option Plans

Disclosures in accordance with Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 are provided in the Annexure 'A' forming part of this report.

Corporate Governance

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

Director's Responsibility Statement

We the Directors of Northgate Technologies Limited, confirm the following:

(i) that in the preparation of the annual accounts, applicable accounting standards had been followed along with the proper explanation relating to material departures;

(ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period:

(iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records 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;

(iv) that the Directors had prepared the annual accounts on a going concern basis.

Conservation of energy, research and development, technology absorption and foreign exchange earnings and outgo

The particulars 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) Rules, 1988 are provided in the Annexure 'B' forming part of this report.

Acknowledgements

Your Directors thank all the members, investors, business associates, service providers, banks, customers and regulatory and Governmental authorities for their continued support. Your Directors place on record their appreciation of the contributions made by every employee of the Company.

For and on behalf of the Board

Place : Hyderabad
Date : September 02, 2011

Venkata S Meenavalli
Chairman and Managing Director

ANNEXURE – A

Disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, are set below.

Sl.No.	Particulars	ESOP-2006 and RSOP-2007
a.	Options outstanding at the beginning of the year	16,94,500
	Options granted during the year	0
b.	Pricing formula	The Exercise Price of the option shall be the closing market price of the equity share preceding the date of grant of options on the Stock Exchange on which the shares of the company are listed.
c.	Options vested till March 31, 2010	Nil
d.	Options exercised	Nil
e.	Total number of equity shares arising as a result of exercise of options.	Nil
f.	Options lapsed during the year	Nil
g.	Variation in terms of options	None
h.	Money realized on exercise of options (Rs. In lakhs)	NA
i.	Total number of options in force	10,59,500
j.	Employee wise options granted to:	
	• Senior Management	Nil
	• any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil
	• employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the company at the time of grant	Nil
k.	Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 'Earnings per Share.	Rs.(0.44)
l.	Description of method and significant assumptions used to estimate the fair value of options	The fair value of the options granted has been estimated using the Black-Scholes option pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation. The assumptions used in the estimation of the same has been detailed below:

For and on behalf of the Board

Place: Hyderabad
Date: September 02, 2011

Venkata S Meenavalli
Chairman and Managing Director

ANNEXURE – B

A. Conservation of Energy: The Company uses electric energy for its operations such as air conditioner, computer terminals, lighting and utilities in the work premises. All possible measures have been taken to conserve the energy.

B. Research and Development: Your Company has a modern R&D facility with a state-of-the-art Technology centre working on various R&D project.

C. Technology absorption, Adaptation and Innovation: Your Company continues to use state-of-art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, the company continues to invest in the latest hardware and software.

D. Foreign Exchange Earnings and Outgo

(Rs. in lakhs)

	For the Year ended March 31	
	2011	**2010**
Foreign Exchange Earnings	430.24	795.64
Foreign Exchange outgo	8.07	20.39

For and on behalf of the Board

Place : Hyderabad
Date : September 02, 2011

Venkata S Meenavalli
Chairman and Managing Director

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Philosophy of Northgate Technologies Limited on corporate governance envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its operations and in its interaction with its stakeholders including the members, shareholders, employees, the Government and other regulatory authorities. Northgate is committed to achieving the highest standards of corporate governance. Northgate believes that all its operations and actions must serve the underlying goal of enhancing the overall shareholders value, on a continuous basis.

2. BOARD OF DIRECTORS

The Board of directors of the company has an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors. The company has an Executive Chairman and more than 50% of the Board consisting of independent and Non-Executive Directors.

(a) Composition and Category of Board of Directors

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

b) Attendance of each Director at the Board Meetings held during FY 2010-11 and at the Last Annual General Meeting

The Board of Directors met Tewlve times during the year 2010-11 on April 15, 2010; May 06, 2010; May 26, 2010; June 16, 2010; June 21, 2010; August 4, 2010; September 01, 2010; September 20, 2010; October 27, 2010; November 12, 2010; November 16, 2010; and February 9, 2011.

Name and Designation of the Director	No. of Board Meetings Attended during the year	Attendance at last AGM (Yes\No)
Mr. Venkata S Meenavalli, Chairman and Managing Director	12	Yes
*Mr. K. Bhaskara Reddy Executive Director	03	Yes
Mr. P. Parthasarathi Independent Director	11	Yes
Mr. T. Naresh Kumar Independent Director	12	Yes
Mr. Y. Ramesh Independent Director	12	Yes
Mr. P. Srinivasu Executive Director	11	N.A.

**Mr. K. Bhaskara Reddy resigned from the Board with effect from June 19, 2010 .*

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

	Board@		Committee	
Name of the Director	Chairman	Director	Chairman	Member
Mr. Venkata S Meenavalli	Nil	03	Nil	Nil
*Mr. K. Bhaskara Reddy	Nil	01	Nil	Nil
Mr. P. Parthasarathi	Nil	03	03	03
Mr. T. Naresh Kumar	01	03	03	03
Mr. Y.Ramesh	Nil	Nil	03	03
Mr. P.Srinivasu	Nil	02	Nil	Nil

@Directorships in Foreign Companies are excluded

** Resigned from the Board with effect from June 19, 2010 .*

3. Audit Committee

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

(a) Brief description of terms of reference;

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

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

(b) Composition, name of members and Chairperson

The Composition of the Audit Committee is as follows:

Mr. P. Parthasarathi	Chairman
Mr. T. Naresh Kumar	Member
Mr. Y. Ramesh	Member

(c) Meetings and attendance during the year

During the financial year 2010-11, the Audit Committee met 4 times on May 26, 2010; August 4, 2010; November 12, 2010 and February 9, 2011. Mr. P. Parthasarathi, Chairman of the Committee attended the last Annual General Meeting and addressed the queries of shareholders.

Name of the Director	No. of meetings attended
Mr. P. Parthasarathi	3
Mr. T. Naresh Kumar	4
Mr. Y. Ramesh	4

4. Compensation / Remuneration Committee

(a) Brief description of terms of reference;

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

(b) Composition, name of members and Chairperson:

The Composition of Remuneration Committee is as follows:

Name of the Director	
Mr. P. Parthasarathi	Chairman
Mr. Y. Ramesh	Member
Mr. T. Naresh Kumar	Member

(c) Meetings and Attendance during the year

During the financial year 2010-11, the Compensation Committee met once on September 02, 2011

Name of the Director	Meetings attended
Mr. Y. Ramesh	01
Mr. P. Parthasarathi	01
Mr. T. Naresh Kumar	01

(d) Remuneration policy

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

(e) Details of Remuneration to Directors

The Non-Executive Directors has not been paid any remuneration except sitting fees for attending the Board Meetings. The details of remuneration paid to the Whole time Directors including the Managing Director is Rs. 54 Lakhs for the year ended March 31, 2011. None of the Whole-time Directors are related to any other Members of the Board of Directors of the Company.

5. Shareholders / Investor Grievance Committee:

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

The details of investor's complaints received and resolved during the financial year 2010-11 is as under.

No. of Investor's Complaints received during the FY 2010-11	No. of Investor's Complaints resolved during the FY 2010-11	Investor Complaints pending at the end of FY 2011
04	04	None

6. General Body Meeting

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

Financial year ended	Date	Venue	Time	No. of Special Resolutions
March 31, 2010	30.09.2010	Bhaskara Auditorium, BM Birla Museum, Adarsh Nagar, Hyderabad - 500063	4.30 p.m.	Two
March 31, 2009	30.09.2009	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad	11.00 A.M.	One
March 31, 2008	30.09.2008	Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad	11.00 A.M	Six

(b) Details date, time and venue of the last Extra Ordinary General Meetings of the Company

No Extraordinary General Meetings of the Company were held during year.

(c) Details of Special Resolutions passed at the last Annual General Meeting of the Company:

At the Annual General Meeting held on September 30, 2010, Two Special Resolution were passed:

1. For appointment of Mr. P. Srinivasu as an Executive Director;
2. For issue and allot equity shares on preferential basis for QIPs pursuant to Section-81(1A) of the Companies Act, 1956

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

7. Disclosures

(a) The summary of the materially significant relating party transactions is given in the Notes to the Accounts appearing in this Annual Report. However, none of the related party transactions have potential conflict with the interests of the Company at large, as all the transactions were entered into on an arms-length basis.

(b) The Company has complied with all the requirements of the Listing Agreement of the Stock exchanges as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years. There were no non-compliances by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority, on any matter related to Capital Market during the last three financial years.

(c) The Company has complied with the requirements relating to Corporate Governance as mandated by Listing Agreements with the Stock Exchanges and also with the non–mandatory requirements as Remuneration Committee, Disclosures, Communication and General Information to the shareholders.

8. Means of Communication

Quarterly Results

All vital information relating to the Company including its financial performance are posted on the Company's website www.northgatetech.com.

The quarterly un-audited/ audited financial results of the company are generally published in two financial news papers (Financial Express and Andhra Prabha) in English and a vernacular newspaper.

The Company has a dedicated help desk with email ID investorcare@northgatetech.com, in the Secretarial Department for providing necessary information to the investors.

9. General Shareholders Information

(a)	Annual General Meeting		
	Date	:	30th September, 2011
	Time	:	10.30 a.m.
	Venue	:	Kalinga Cultural Trust, 1269, Road No.12, Banjara Hills, Hyderabad - 500034
(b)	Financial Year	:	1 April to 31 March
(c)	Date of Book Closure	:	From September 28, 2011 to September 30, 2011 (inclusive of both days)
(d)	Listing on Stock Exchange	:	The National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai - 400051
(e)	Stock Code	:	NORTHGATE

(f) Market price data: High / Low during the each month in the financial year 2010-11 and performance in comparison to broad based indices, NIFTY and Sensex (BSE) etc.,

Month & Year	**NSE (in Rs. per share)**		**NIFTY**		**BSE (in Rs. per share)**		**Sensex**	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
April 2010	20.70	17.00	5399.65	4935.35	21.15	17.10	18047.86	17276.80
May 2010	19.65	15.00	5278.70	5160.90	19.70	15.10	17536.86	15960.15
June 2010	18.75	15.05	5366.75	4786.45	18.65	15.10	17919.62	16318.39
July 2010	17.35	15.00	5477.50	4961.05	17.90	15.10	18237.56	17395.58
August 2010	23.40	14.90	5549.8	5225.60	23.50	15.00	18475.27	17819.99
September 2010	23.45	19.50	6073.50	5403.05	22.80	19.20	20267.98	18027.12
October 2010	22.70	16.25	6284.10	5937.10	22.75	17.25	20854.55	19768.96
November 2010	31.00	17.65	6338.50	5690.35	31.00	17.70	21108.64	18954.82
December 2010	20.25	18.10	6147.30	5721.15	20.20	15.65	20552.03	19074.57
January 2011	15.55	13.75	6181.05	5416.65	18.30	13.65	20664.80	18038.48
February 2011	17.70	12.10	5599.25	5177.70	17.28	12.00	18690.97	17295.62
March 2011	16.20	12.80	5872.00	5348.20	16.00	12.90	19575.16	17792.17

(g) Registrar and Transfer Agent:

M/s. CIL Securities Ltd
214, Raghava Ratna Towers, Chirag Ali Lane,
Hyderabad-500 001.
Phone: 91-40 2320 2465, 2320 3155 Fax: 91-40 2320 3028
Email: cilsec@hotmail.com

(h) Share Transfer System

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

(i) Distribution of shareholding

Category	**Number of Members**	**(%) of Total Members**	**Number of Equity Shares**	**(%) of Total Shareholding**
0-5000	19379	96.54	10672270	21.77
5001-10000	354	1.76	2615855	5.34
10001-20000	168	0.84	2389774	4.88
20001-30000	55	0.27	1364232	2.78
30001-40000	32	0.16	1147696	2.34
40001-50000	25	0.13	1158008	2.36
50001-100000	31	0.15	2325389	4.74
100001-above	30	0.15	27345366	55.79
Total	**20074**	**100.00**	**49018590**	**100.00**

(j) Dematerialization of shares and Liquidity

As on March 31, 2011, 99.96% of the paid up equity capital of the Company is in dematerialized form. The trading of Equity shares in the Stock Exchanges is under compulsory dematerialization. The ISIN of the scrip is INE217G01019.

(k) As on March 31, 2011, total 118000 Number of Global Depository Receipts are outstanding. The Global Depository Receipts are listed on Luxembourg Stock Exchange.

Depository for GDRs	:	Citibank N.A. New York
ISIN No:	:	US6664432050

(l) Address for correspondence

Lincoln A. Babu
Company Secretary and Compliance Officer
Northgate Technologies Limited
SDE Serene Chambers,
8-2-334, 1st Floor,
South Eastern Wing,
Road No.7, Banjara Hills,
Hyderabad – 500034
Andhra Pradesh, India
Tel: +91-40-23548353/8536
Fax:+91-40-23548537
email: investorcare@northgatetech.com
Website: www.northgatetech.com

10. Code of Conduct

The Board has laid down a Code of Conduct for all Board members and Senior Management of the company. The code of conduct is available on the website of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. The Chief Executive Officer (CEO) has signed a declaration to this effect, which is enclosed at the end of this report.

11. Management Discussion and Analysis

The Management Discussion and Analysis is enclosed to this report.

Declaration by Chairman and Managing Director of the Company on Code of Conduct

I hereby declare that:

1. Code of conduct for the Board Members and senior management of the Company was approved by the Board of Directors in the Board Meeting held on November 30, 2005 and the same was adopted by the Company.
2. Code of conduct adopted by the Company was circulated to the members of the Board and senior management of the Company and also posted in the website of the Company.
3. All the members of the Board and senior management of the Company have complied with all the provisions of the code of conduct.

for Northgate Technologies Limited

Place : Hyderabad
Date : May 19, 2011

Venkata S Meenavalli
Chairman and Managing Director

Certificate on Corporate Governance to the Members of Northgate Technologies Limited

To
The Members,
Northgate Technologies Limited

I have examined the compliance condition of Corporate governance by Northgate Technologies Limited for the year ended on March 31, 2011 as stipulated in Clause 49 of the listing agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Certificate of Corporate Governance as stipulated in the said clause. It was neither an audit nor was it conducted to express an opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and explanations given to us, the representation made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate governance as stipulated in clause 49 of the above mentioned listing agreement.

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

S. Sarveswar Reddy
Practicing Company Secretary
C.P.No: 7478

Place : Hyderabad
Date : September 02, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is engaged into Internet and Commodity Trading segment. The new segment of Commodity Trading started effective from September 2010. The Securities and Derivatives Trading Segment was discontinued effective from November 2010. Hence the financial performance of the Company is comparable to the previous financial year to the extent of Online Advertising Segment operations only.

We aggregate internet advertising traffic through own and third party websites. Our key own web properties include globe7.com, Bharatstudent.com and Ziddu.com. In year 2010, Bharatstudent.com was ranked # 3 social networking website in India for the third consecutive year since its launch (Source: ComScore). Ziddu.com is ranked among worlds' top 200 websites. We generate revenues through internet advertising by positioning internet advertisement on our websites or on partnered websites. Our online advertising revenues are mostly from display advertising services on the internet.

Our Commodity Trading segments includes high end Electronic Communication Network (ECN) for global commodities by connecting to Multiple Future, Spot exchanges, e-auction platforms, Trade bots, Processors and retailers across the globe in real time using Global Grid Matrix (GGM), High Frequency Trading (HFT) algorithms.

Consolidated Financial Performance

(Amount Rs. In lakhs)

Particulars	**For the Year ended March 31** 2011	2010
Revenues	12,967.26	7,446.34
Cost of Revenues	11,733.88	8,410.85
Gross Profit	1,233.38	(964.51)
Selling and Marketing Expenses	102.75	2,205.49
General and Administrative Expenses	570.15	1,089.60
Bad and doubtful debts written off	101.64	1,873.41
Advances written off	-	75.44
Impairment loss	-	6,136.99
Fixed assets discarded, net	0.61	81.94
Provision for bad and doubtful debts	91.93	151.85
Operating Profit/(Loss) before interest, depreciation and amortization	366.30	(12,579.23)
Financial Expenses	84.81	24.38
Depreciation and Amortization	353.48	2,940.83
Operating Profit / (Loss) before tax	(71.99)	(15,544.44)
Gain on Disposal of Subsidiary	16.31	-
Other Income, Net	215.91	1,190.97
Profit/(Loss) before Tax	160.23	(14,353.47)
Provision for taxes	18.68	278.56
Deferred	0.36	-
Profit/(Loss) after Tax before prior period expenses	141.19	(14,632.03)
Prior period expenses	-	66.41
Profit/(Loss) after prior period expenses	141.19	(14,698.44)
Share of Minority Interest	(36.07)	-
Net Profit	105.12	(14,698.44)
Earnings per share (Rs.)		
- Basic	0.26	(41.97)
- Diluted	0.26	(41.97)
Dividend Rate	-	-
Paid up Equity Share Capital	4,914.71	3,514.71

Revenues

The consolidated revenues increased to Rs. 12,967 lakhs in FY' 11 from Rs. 7,446 lakhs in FY' 10. The revenues from online advertisement segment increased to Rs. 4,875.25 lakhs from Rs. 3,305.94 lakhs. The revenues from commodity trading segment was Rs. 8,041.06 lakhs.

Cost of Revenues

Cost of revenues for FY' 11 was Rs.11,733 lakhs as compared to Rs.8,410 lakhs in FY'10 in proportion to increase in revenues.

Selling and Marketing Expenses

Selling and Marketing Expenses decreased by 95% from Rs.2,205 lakhs in FY'10 to Rs.102 lakhs in FY'11 due to reduced operations and less spending on marketing activities.

Bad and doubtful debts written off

An amount of Rs. 102 lakhs in FY'11 was expensed due to non receipt of receivables from customers as the end advertisers defaulted on payment to our customers.

Provision for bad and doubtful debts

Based on the review of the recoverability of long outstanding sundry debtors, an amount of Rs.92 lakhs was expensed in FY' 11.

Depreciation and Amortisation

Depreciation and amortisation expenses was Rs.353 lakhs in FY' 11 against Rs.2,940 lakhs in FY' 10. The decrease in depreciation charges is due to the impairment of UK based Server farm in previous year.

Financial Expenses

Financial expenses increased to Rs.84 lakhs during FY'11 as compared with Rs.24 lakhs during FY'10, mainly due to increase in interest expense.

Provision for Taxes

Income tax expense comprises current income tax, net change in deferred tax assets and liabilities in the respective years. Current tax expense was Rs.18 lakhs in FY'11 compared to Rs.6 lakhs in FY'10.

Net Profit

In FY'11 Net Profit of Rs.105 lakhs were recorded against net loss of Rs.14,698 lakhs of the previous year.

EPS

During FY'11, Basic Earnings Per Share (EPS) was Rs.0.26 compared to Rs. (41.97) in FY'10.

Profit and Loss Account

As of March 31, 2011 the Profit and L oss Account balance stood at Rs.(29,998) lakhs.

Deferred Tax

Deferred tax assets/liabilities represent timing differences in the financial and tax books arising from deprecation on assets, provision for sundry debtors and provision for retirement benefits.

Fixed Assets

Your Company has made net additions of Rs.15 lakhs to the gross block and discarded assets worth Rs. 309 lakhs during the FY'11.

Sundry Debtors

As on March 31, 2011, sundry debtors (considered good) stood at Rs.2,536 lakhs as against Rs. 788 lakhs as on March 31, 2010, which is in proportion to increase in revenues.

Cash & Bank Balances

As on March 31, 2011, your company has a cash balance of Rs.710 lakhs compared to Rs. 279 lakhs as on March 31, 2010.

Loans and Advances

Loans and Advances as on March 31, 2011 was Rs.2,114 lakhs compared to Rs. 1,163 lakhs as on March 31, 2010. Significant items of loans and advances includes advances recoverable in cash or in kind or for value to be received of Rs.1,183 lakhs, (previous year Rs. 156 lakhs) on account of expenses and security deposits of Rs. 397 lakhs (previous year Rs. 348 lakhs).

Current Liabilities

Current liabilities increased by 61% to Rs.1,264 lakhs during FY'11 from Rs.782 lakhs during FY'10.

CMD and CFO Certificate

We, Venkata S Meenavalli, Chairman and Managing Director and Anil Kumar Singh, Chief Financial Officer of Northgate Technologies Limited certify that:

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

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

Place : Hyderabad	Venkata S Meenavalli	Anil Kumar Singh
Date : May 19, 2011	Chairman and Managing Director	Chief Financial Officer

Auditors' Report to the Board of Directors of Northgate Technologies Limited on the Consolidated Financial Statements of Northgate Technologies Limited and its Subsidiaries

1 We have audited the attached consolidated Balance Sheet of Northgate Technologies Limited ("the Company") and its subsidiaries (collectively referred to as the "Northgate Group") as at 31 March 2011, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date together known as " consolidated financial statements" annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006.

4 As set out in the note 14 to schedule 17 of the accompanying consolidated financial statements, during the previous year, the Northgate Group had inadvertently failed to obtain prior approval of the Reserve Bank of India (RBI) in relation to the securities trading activities of VAR Quant Tech Securities Private Limited, a fully owned subsidiary of the Company and such activities were carried out in contravention of the RBI guidelines. Though securities and trading activities were suspended during the quarter ended 30 September 2010, the consolidated financial results include revenue from the securities trading activities amounting to Rs.50.95 lakhs and cost of revenues amounting to Rs.52 lakhs which are in contravention of the RBI guidelines. Pending the receipt of the regulatory approvals and/or condonation of such non-compliance, there exists an uncertainty over the financial penalties that may fall due, which is currently not quantifiable. Subsequently, on 11 November 2010, the Group has disposed off the investment in VAR Quant Tech Securities Private Limited.

5 In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements, *subject to our comments in Paragraph 4 above,* give a true and fair view in conformity with the accounting principles generally accepted in India:

a. in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Northgate Group as at 31 March 2011;

b. in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Northgate Group for the year ended on that date; and

c. in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Northgate Group for the year ended on that date.

for **B S R and Company**
Chartered Accountants
Firm Registration No:128900W

Zubin Shekary
Partner
Membership No: 48814

Place : Hyderabad
Date : May 19, 2011

Consolidated Balance Sheet as at 31 March 2011

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

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	491,471,008	351,471,008
Reserves and surplus	3	2,907,488,209	2,833,802,468
Share application money pending allotment		25,000,000	-
		3,423,959,217	3,185,273,476
Minority interest		4,838,289	-
Loan funds			
Secured loans	4	74,635,340	26,363,222
Deferred tax liability, net.	17(4)	35,532	-
		3,503,468,378	**3,211,636,698**
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)			
Gross block	5	1,510,834,918	1,477,263,539
Less: Accumulated depreciation and amortisation		1,473,839,740	1,400,029,580
Net block		36,995,178	77,233,959
Goodwill		78,752,140	-
Current assets, loans and advances			
Inventories		2,074,740	-
Sundry debtors	6	253,668,317	78,824,883
Cash and bank balances	7	71,052,825	27,978,865
Loans and advances	8	211,488,686	116,389,181
		538,284,568	223,192,929
Current liabilities and provisions			
Current liabilities	9	126,459,895	78,274,852
Provisions	10	23,979,833	20,903,576
		150,439,728	99,178,428
Net current assets		387,844,840	124,014,501
Profit and loss account		2,999,876,220	3,010,388,238
		3,503,468,378	**3,211,636,698**
Significant accounting policies	1		
Notes to accounts	17		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report attached
for B S R and Company
Chartered Accountants
Firm Registration No:128900W

for Northgate Technologies Limited

Zubin Shekary
Partner
Membership No: 48814

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Place : Hyderabad
Date : May 19, 2011

Anil K. Singh
Chief Financial Officer

Lincoln Babu
Company Secretary

Consolidated Profit and Loss Account for the year ended 31 March 2011

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

	Schedule	Year Ended 31 March 2011	Year Ended 31 March 2010
Revenue		1,296,726,413	744,634,310
Less: Cost of revenues	11	1,173,388,389	841,085,568
Gross Profit		**123,338,024**	**(96,451,258)**
Selling and marketing expenses	12	10,275,004	220,549,271
General and administrative expenses	13	57,015,619	108,960,438
Bad and doubtful debts written off	17(13)	10,163,141	187,341,712
Advances written off	17(13)	-	7,543,763
Impairment loss		-	613,699,393
Fixed assets discarded, net		61,329	8,193,079
Provision for bad and doubtful debts		9,192,709	15,184,755
Operating profit before interest, depreciation and amortisation		**36,630,222**	**(1,257,923,669)**
Interest expenses	14	8,480,946	2,438,202
Depreciation and amortisation	5	35,348,760	294,082,834
Operating Profit/(Loss) before tax		**(7,199,484)**	**(1,554,444,705)**
Gain on disposal of subsidiary		1,631,619	-
Other income, net	15	21,591,264	119,097,299
Profit/(Loss) before tax		**16,023,399**	**(1,435,347,406)**
Provision for taxes	16	1,903,616	27,855,626
Profit/(Loss) after tax before prior period expenses		**14,119,783**	**(1,463,203,032)**
Prior period expenses		-	6,641,264
Profit/(Loss) after prior period expenses		**14,119,783**	**(1,469,844,296)**
Share of Minority Interest		(3,607,765)	**-**
Net Profit		**10,512,018**	**(1,469,844,296)**
Loss brought forward from previous year		(3,010,388,238)	(1,540,543,942)
Balance carried forward		**(2,999,876,220)**	**(3,010,388,238)**
Earnings per share	17(6)		
Basic - par value Rs. 10 per share		0.26	(41.97)
Diluted - par value Rs. 10 per share		0.26	(41.97)
Significant accounting policies	1		
Notes to accounts	17		

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report attached
for B S R and Company
Chartered Accountants
Firm Registration No:128900W

for Northgate Technologies Limited

Zubin Shekary
Partner
Membership No: 48814

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Place : Hyderabad
Date : May 19, 2011

Anil K. Singh
Chief Financial Officer

Lincoln Babu
Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March 2011

(All amounts in Indian rupees)

	31 March 2011	31 March 2010
Cash flows from operating activities		
Profit/(loss) before tax	16,023,399	(1,435,347,406)
Adjustments:		
Depreciation and amortisation	35,348,760	294,082,834
Bad and doubtful debts written off	10,163,141	187,341,712
Advances written off	-	7,543,763
Provision for bad and doubtful debts	9,192,709	15,184,755
Interest expense	8,480,946	2,438,202
Fixed assets discarded, net	61,329	8,193,079
Impairment loss	-	613,699,393
Interest income	(204,056)	(1,815,421)
Prior period expenses	-	(6,667,963)
Provision for loss on equity index option	(28,057)	26,699
Consolidation adjustments	13,891,046	8,247,445
Operating cash flow before working capital and other changes	92,929,217	(307,072,908)
(Increase)/Decrease in sundry debtors	(190,594,232)	168,744,866
(Increase)/Decrease in loans and advances	(78,169,518)	189,448,377
Increase/(Decrease) in current liabilities and provisions	47,863,834	(180,344,003)
Cash used in operations	(127,970,699)	(129,223,668)
Taxes paid	(2,005,284)	(17,965,526)
Net cash used in operating activities	***(129,975,983)***	***(147,189,194)***
Cash flows from investing activities		
Purchase of fixed assets	(1,365,615)	(4,735,989)
Proceeds from sale of fixed assets	(72,447,607)	-
Interest received on deposits and unsecured loan	1,256,317	1,335,500
Interest paid	(8,478,529)	(2,438,202)
Payment for acquisitions, net of cash acquired	(79,367,079)	-
Net cash used in investing activities	***(160,402,513)***	***(5,838,691)***
Cash flows from financing activities		
Proceeds from issue of shares including share premium (net of share issue expenses)	275,364,144	-
Proceeds from share application money	9,787,420	-
Proceeds from long term borrowings	48,272,118	21,615,536
Net cash proceeds by financing activities.	***333,423,682***	***21,615,536***
Net increase in cash and cash equivalents	43,045,186	(131,412,349)
Cash and cash equivalents at the beginning of the year	27,978,865	164,163,077
Effect of exchange gain/(loss) on cash and cash equivalents	28,774	(4,771,863)
Cash and cash equivalents at the end of the year (Schedule 7)	**71,052,825**	**27,978,865**

Consolidated Cash Flow Statement for the year ended 31 March 2011 (Continued)

(All amounts in Indian rupees)

Notes:

1. **Components of cash and cash equivalents as at**	**31 March 2011**	**31 March 2010**
Cash on hand	4,676,824	292,668
Balances with scheduled banks:		
- in deposit accounts	23,759,389	17,265,000
- in current accounts	14,175,000	1,160,015
- in export earners foreign currency accounts	9,372,880	596,942
- in unclaimed dividend accounts	449,895	480,824
Balances with non-scheduled banks outside India		
- in current accounts	18,618,837	8,183,416
	71,052,825	**27,978,865**

As per our report attached
for B S R and Company
Chartered Accountants
Firm Registration No:128900W

for Northgate Technologies Limited

Zubin Shekary
Partner
Membership No: 48814

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Place : Hyderabad
Date : May 19, 2011

Anil K. Singh
Chief Financial Officer

Lincoln Babu
Company Secretary

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

	As at 31 March 2011	As at 31 March 2010
2. Share capital		
Authorised		
50,000,000 (previous year: 50,000,000) equity shares of Rs. 10 each	500,000,000	500,000,000
Issued		
49,018,590 (previous year: 35,018,590) equity shares of Rs.10 each (Note i & ii)	490,185,900	350,185,900
Subscribed and paid-up		
49,018,590 (previous year: 35,018,590) equity shares of Rs.10 each (Note iii)	490,185,900	350,185,900
Add: Forfeited share capital (Note iv)	1,285,108	1,285,108
	491,471,008	**351,471,008**

Notes:

(i) Issued share capital includes 14,000,000 (previous year: Nil) equity shares of Rs.10 each allotted at a premium of Rs.10.50 during the year.

(ii) Issued share capital includes 1,076,600 (previous year: 1,076,600) equity shares of Rs.10 each, which were forfeited and cancelled in earlier years.

(iii) Subscribed and paid-up share capital includes:

- (a) 16,514,295 Equity shares of Rs.10 each allotted in 2007-2008 as fully paid bonus shares in ratio of 1:1 by way of capitalisation of Rs. 165,142,950 from Securities Premium account.
- (b) 1,830,000 Equity shares of Rs. 10 each fully paid-up, allotted against 3,660,000 Global Depository Receipts in the year 2007-2008.
- (c) 497,650 Equity shares of Rs. 10 each allotted to the employees of the Company during the earlier years on exercise of the vested stock options in accordance with the terms of exercise under the Employees Stock Option 2004 and 2005 Plan.

(iv) Represents amount paid up on 1,076,600 (previous year: 1,076,600) equity shares of Rs. 10 each, forfeited due to non payment of call money.

Schedules to the Consolidated Accounts (continued)

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

	As at 31 March 2011	As at 31 March 2010
3. Reserves and surplus		
Capital reserve		
Balance at the beginning and end of the year (Note 1)	1,671,142	1,671,142
Securities premium account		
Balance at the beginning of the year	2,597,858,468	2,597,858,468
Add: additions during the year (Refer note 5 of Schedule 17)	147,000,000	-
Less: shares issue expenses (Refer note 5 of Schedule 17)	11,635,856	-
Balance at the end of the year	2,733,222,612	2,597,858,468
Foreign currency translation reserve		
As at the commencement of the year	234,272,858	240,693,134
Add: Translation of foreign subsidiaries with non-integral operations	(61,678,403)	(6,420,276)
As at the end of the year	172,594,455	234,272,858
	2,907,488,209	**2,833,802,468**

Note:

1. Capital reserve represents the capital profit earned by the Company on reissue of 1,400,000 forfeited shares.

4. Secured loans

From Banks

	As at 31 March 2011	As at 31 March 2010
Vehicle loans	-	2,038,149
(Secured by hypothecation of the vehicles)		
Bank overdraft	74,635,340	24,325,073
(Secured by book debts and corporate guarantee of the Company)		
	74,635,340	**26,363,222**

Schedules to the Consolidated Accounts (continued)
(all amounts in Indian rupees, except share data and otherwise stated)

5. Fixed Assets

	GROSS BLOCK					ACCUMULATED DEPRECIATION						NET BLOCK	
Particulars	As at 1 April 2010	Additions during the year	Foreign exchange adjustment	Deletions during the year	As at 31 March 2011	As at 1 April 2010	For the year	Foreign exchange adjustment	On Deletions	Impairment	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible assets													
Plant and Machinery	63,220,274	-	-	-	63,220,274	61,061,783	149,736	-	-	-	61,211,519	2,008,755	2,158,491
Computers	122,963,944	255,113	5,239,990	26,256,274	102,202,773	108,826,038	2,975,545	4,714,086	24,462,059	-	92,053,610	10,149,163	14,137,906
Office Equipment	12,923,354	350,782	35,985	214,543	13,095,578	4,692,084	3,973,029	27,819	143,107	-	8,549,825	4,545,753	8,231,270
Furniture and Fixtures	6,849,622	365,230	26,840	-	7,241,692	2,426,008	1,677,908	19,428	-	-	4,123,344	3,118,348	4,423,614
Leasehold Improvements	25,103,896	-	162,019	-	25,265,915	20,296,725	4,807,170	162,020	-	-	25,265,915	-	4,807,171
Vehicles	13,817,410	-	-	1,744,518	12,072,892	4,617,182	1,218,443	-	1,452,969	-	4,382,656	7,690,236	9,200,228
Total (A)	**244,878,500**	**971,125**	**5,464,834**	**28,215,335**	**223,099,124**	**201,919,820**	**14,801,831**	**4,923,353**	**26,058,135**	**-**	**195,586,869**	**27,512,255**	**42,958,680**
Intangible assets													
Goodwill	16,382,330	-	-	-	16,382,330	16,382,330	-	-	-	-	16,382,330	-	-
Software	1,216,002,709	559,770	57,522,337	2,731,352	1,271,353,464	1,181,727,430	20,546,929	62,297,001	2,700,819	-	1,261,870,541	9,482,923	34,275,279
Total (B)	**1,232,385,039**	**559,770**	**57,522,337**	**2,731,352**	**1,287,735,794**	**1,198,109,760**	**20,546,929**	**62,297,001**	**2,700,819**	**-**	**1,278,252,871**	**9,482,923**	**34,275,279**
Total (A+B)	**1,477,263,539**	**1,530,895**	**62,987,171**	**30,946,687**	**1,510,834,918**	**1,400,029,580**	**35,348,760**	**67,220,354**	**28,758,954**	**-**	**1,473,839,740**	**36,995,178**	**77,233,959**
Previous Year	**1,929,500,202**	**4,735,989**	**(116,653,425)**	**340,319,227**	**1,477,263,539**	**867,460,301**	**294,082,835**	**(44,034,352)**	**331,178,597**	**613,699,393**	**1,400,029,580**	**77,233,959**	**-**

Schedules to the Consolidated Accounts (continued)
(all amounts in Indian rupees, except share data and otherwise stated)

	As at 31 March 2011	As at 31 March 2010
6. Sundry debtors		
(Unsecured)		
Outstanding for more than six months		
Considered good	8,627,226	14,720,822
Considered doubtful	233,410,945	224,218,237
	242,038,171	238,939,059
Other debts	245,041,091	64,104,061
	487,079,262	303,043,120
Less: Provision for bad and doubtful debts [Refer note 13 of Schedule 17]	(233,410,945)	(224,218,237)
	253,668,317	**78,824,883**

7. Cash and bank balances

Cash on hand	4,676,824	292,668
Balances with scheduled banks		
- in deposit accounts	23,759,389	17,265,000
- in current accounts	14,175,000	1,160,015
- in export earners foreign currency accounts	9,372,880	596,942
- in unclaimed dividend accounts	449,895	480,824
Balances with non-scheduled banks outside India		
- in current accounts	18,618,837	8,183,416
	71,052,825	**27,978,865**

Balance at the end of the year and maximum amount outstanding at any time during the year with non-scheduled banks outside India

In current accounts:		
HSBC, Singapore	17,183,524	1,028,763
Barclays Bank Plc, United Kingdom	741,695	1,470,270
HSBC, United Kingdom	667,325	426,276
HSBC, Hong Kong	26,293	5,258,107
	18,618,837	**8,183,416**

Schedules to the Consolidated Accounts (continued)

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

	As at 31 March 2011	As at 31 March 2010
8. Loans and advances		
(Unsecured)		
Considered good		
Advances recoverable in cash or in kind or for value to be received	118,326,499	15,646,068
Security deposits	39,744,007	34,852,642
Prepaid expenses	2,169,777	16,307,977
MAT credit entitlement	9,100,000	9,100,000
Advance tax [net provision for tax Rs.31,260,140 (previous year: Rs. 31,260,140)]	42,083,864	39,365,694
Interest accrued on bank deposits, but not due	64,539	1,116,800
Considered doubtful		
Security deposits	10,200,000	10,200,000
	221,688,686	126,589,181
Less: Provision for doubtful deposits	(10,200,000)	(10,200,000)
	211,488,686	**116,389,181**

	As at 31 March 2011	As at 31 March 2010
9. Current liabilities		
Sundry creditors		
- total outstanding dues of micro enterprises and small enterprises (Refer note 12 to Schedule 17)	-	-
- others	97,136,561	60,091,340
Unclaimed dividend	449,895	480,824
Other liabilities	28,873,439	17,702,688
	126,459,895	**78,274,852**

	As at 31 March 2011	As at 31 March 2010
10. Provisions		
Compensated absences	218,624	118,604
Gratuity	805,197	409,930
Provision for tax [net of advance tax Rs.6,056,451 (previous year: Rs. 6,800,000)]	22,922,817	20,344,384
Wealth tax [net of advance tax Rs. Nil (previous year: Rs. Nil)]	33,195	30,658
	23,979,833	**20,903,576**

Schedules to the Consolidated Accounts (continued)

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

	Year ended 31 March 2011	Year ended 31 March 2010
11. Cost of revenues		
Traffic acquisition cost	320,396,263	271,039,323
Cost of securities	5,150,118	414,299,036
Cost of commodities	786,298,629	-
Salaries	42,324,946	61,368,697
Contribution to provident and other funds	1,274,179	1,108,792
Staff welfare expenses	309,356	680,630
Communication expenses	1,298,264	4,099,107
Bandwidth expenses	30,664	7,753,939
Rent expenses	2,068,570	41,619,544
Travelling expenses	235,492	2,706,704
Data centre charges	11,345,403	32,661,604
Repairs and maintenance		
- Others	542,755	1,997,328
Printing and stationary	69,561	28,973
Subscriptions, books and periodicals	29,878	-
Power and fuel	1,910,864	1,083,224
Miscellaneous expenses	103,447	638,667
	1,173,388,389	**841,085,568**

	Year ended 31 March 2011	Year ended 31 March 2010
12. Selling and marketing expenses		
Salaries	6,231,717	22,447,285
Contribution to provident and other funds	120,033	407,983
Staff welfare expenses	148,821	3,088,383
Rent expenses	97,026	95,675
Travelling expenses	102,715	1,245,729
Advertisement expenses	3,574,692	193,264,216
	10,275,004	**220,549,271**

Schedules to the Consolidated Accounts (continued)

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

	Year ended 31 March 2011	Year ended 31 March 2010
13. General and Administrative expenses		
Salaries	10,584,146	12,544,205
Contribution to provident and other funds	824,831	231,076
Staff welfare expenses	625,580	3,305,887
Rent expense	14,489,543	10,527,589
Legal and professional charges	6,870,444	23,477,815
Power and fuel	1,947,926	2,050,789
Travelling expenses	1,242,968	3,503,306
Rates and taxes	2,244,275	3,641,998
Repairs and maintenance		
- Others	2,140,723	2,345,012
Printing and stationary	544,067	1,299,679
Subscriptions, books and periodicals	395,195	816,183
Communication expenses	1,471,401	2,329,023
Auditors' remuneration		
- Audit fee	2,021,888	3,779,708
- Tax audit fee	310,300	198,540
- Fee for other services	436,788	191,371
- Out-of-pocket expenses	105,702	213,661
Bank charges	4,614,192	1,631,325
Provision for loss on equity index options	-	26,699
Loss on commodity derivative trading	280,231	-
Foreign exchange gain/(loss), net	3,930,295	30,392,795
Miscellaneous expenses	1,935,124	6,453,777
	57,015,619	**108,960,438**

	Year ended 31 March 2011	Year ended 31 March 2010
14. Interest expenses		
Interest	8,480,946	1,649,309
Finance charges	-	788,893
	8,480,946	**2,438,202**

	Year ended 31 March 2011	Year ended 31 March 2010
15. Other income, net		
Liabilities written back	4,958,665	78,303,411
Interest on deposits [Tax deducted at source Rs. 6,451 (previous year: Rs. 17,075)]	204,056	84,234
Provision for loss on equity index option written back	28,057	-
Recovery from bad debts written off earlier	-	35,716,698
Miscellaneous income	16,400,486	4,992,956
	21,591,264	**119,097,299**

	Year ended 31 March 2011	Year ended 31 March 2010
16. Provision for tax		
Current tax expense	1,868,084	620,186
Deferred tax charge/written-off	35,532	4,976,086
Minimum alternate tax credit written-off	-	22,259,354
	1,903,616	**27,855,626**

Schedules to Consolidated Financial Statements
Schedule 1 - Significant Accounting Policies

Overview

Northgate Technologies Limited ("NGTL / the Company") together with its subsidiaries (collectively referred to as "the Group" or "NGTL's Group") is an online advertising service provider. Through this service, the Group aggregates, positions and tracks internet advertisements for online advertising agencies and other advertisers on websites owned by third parties or by the Group (collectively, "publishers") with the goal of increasing awareness and actions through the Internet in respect of the advertised products. The Company's shares trade on the National Stock Exchange in India and the Global Depository Receipts (GDR's) are traded on the Luxemburg Stock Exchange from October 2007.

a) Basis of preparation of consolidated financials statements

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

b) Use of estimates

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

c) Principles of consolidation

The consolidated financial statements include the financial statements of Northgate Technologies Limited ("NGTL / the Company"), the parent company and all of its subsidiaries and step-down subsidiaries as given below (collectively referred to as "the Group" or "NGTL's Group"), in which the Company has more than one-half of the voting power of an enterprise or where the Company controls the composition of the board of directors.

NGTL's subsidiaries and step-down subsidiaries are listed below:

Entity	Country of Incorporation	Percentage holding as at 31 March 2011	Percentage holding as at 31 March 2010
Subsidiaries			
Northgate Investments Pte Limited	A Company organised under the laws of Singapore	100	100
Green Fire Agri Commodities Private Limited	A Company organised under the laws of India (w.e.f. 20 September 2010)	51	-
Globe7 UK Limited	A Company organised under the laws of United Kingdom	100	100
VAR Quant Tech Securities Private Limited	A Company organised under the laws of India	-	100
Step-down subsidiaries			
Globe7 Pte Limited	A Company organised under the laws of Singapore	100	100
Axill Europe Limited	A Company organised under the laws of United Kingdom	100	100
Social Media India Limited	A Company organised under the laws of India	100	100
Globe7 HK Limited	A Company organised under the laws of Hong Kong	100	100

Schedule 1 - Significant Accounting Policies (continued)

During the current year, the Company sold its 100% investment in VAR Quant Tech Securities Private Limited for a consideration of Rs 1,000,000. Further, a subsidiary of the Company, Axill Europe Limited, is under liquidation as at the balance sheet date.

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

- The financial statements of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.
- The excess / deficit of cost to the parent company of its investment in the subsidiaries, joint ventures and associates over its portion of equity at the respective dates on which investment in such entities were made is recognised in the financial statements as goodwill / capital reserve. The parent company's portion of equity in such entities is determined on the basis of the book values of assets and liabilities as per the financial statements of such entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant transactions, up to the date of investment. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

d) Fixed assets and depreciation

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

Depreciation is provided on the straight-line method from the beginning of the month in which the asset is ready for use. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the Management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the Management's estimate of the useful life/ remaining useful life. Pursuant to this policy, depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

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

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

Schedule 1 - Significant Accounting Policies (continued)

e) Intangible assets and amortisation

Goodwill arising on account of merger has been amortized over a period of 3 years, from the date of initial recognition.

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

	Years
Acquired computer software	1 to 5 years
Internally generated software	4 years

f) Investments

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

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

g) Employee benefits

Gratuity and compensated absences, which are defined benefit schemes, are accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the profit and loss account on accrual basis.

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

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

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

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

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

Schedule 1 - Significant Accounting Policies (continued)

i) Revenue recognition

Online advertisement

Online advertisement revenues are generated from several offerings including the display of graphical advertisements ("CPM") and the display of text based links to an advertiser's website, from which leads are secured by advertisers (i.e., when an internet user provides a name, address or other information for a sales follow-up by the advertiser) or a sale is secured by the advertiser for their products or services (i.e., when an internet user makes a purchase through the advertisement displayed or other defined actions on the part of an internet user) ("CPA").

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

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

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

Television advertisement enables advertisers, operators and programmers to buy, schedule, deliver and measure advertisements on the television. The Group recognizes, as revenue the fees charged from advertisers each time an advertisement is displayed on television in accordance with the terms of the related agreements.

The Group recognizes revenue on the above mentioned arrangements, in accordance with the terms of the contract and based on the completed service contract method. In all cases, revenue is recognized only when it is measurable and the collectability of the same is reasonably assured.

Securities and derivatives trading

The Group's securities and derivatives trading activities undertaken during the year comprise intra-day purchases and sale of securities and derivatives trading carried out through VAR Quant Tech Securities Private Limited (VAR Quant), fully owned subsidiary of NGTL.

In case of the Securities trading business, the Group records the purchase and sale transactions of securities on a gross basis under "Cost of Revenues" and "Revenues" respectively. In case of derivatives trading, the Group records the purchase and sale transactions on a net basis.

Commodities Trading

During the current year, the Company acquired Green Fire Agri Commodities Private Limited ("Green Fire"). Green Fire is a global commodity investment company and currently has the membership of National Commodity & Derivatives Exchange Ltd (NCDEX), Multi Commodity Exchange of India Limited (MCX) and National Spot Exchange. Green Fire will create its own electronic communication network (ECN) for global commodities by connecting to multiple future, Spot Exchanges, e-auction Platforms, Trade bots processors and Retailers across the globe in real time using Global Grid Matrix (GGM), High Frequency Trading (HFT) algorithms.

Green fire generates revenue from sale of commodities and the revenue recognized when all significant risks and rewards of ownership of goods are passed to the buyer (ie. On Physical Delivery), in accordance with the terms and conditions of the contracts entered into by the Company with customers.

Schedule 1 - Significant Accounting Policies (continued)

j) Income-tax expense

Income tax expense comprises current tax and deferred tax.

Current tax

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

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternate Tax (MAT) Credit entitlement

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

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

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

k) Earnings per share

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

l) Employee stock option schemes

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

Schedule 1 - Significant Accounting Policies (continued)

m) Impairment of assets

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

n) Provisions and contingent liabilities

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

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

o) Leases

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

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

p) Cash flow statement

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

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

1. Commitments and Contingent Liabilities

Particulars	**As at 31 March 2011**	**As at 31 March 2010**
Guarantees issued by banks	37,500,000	5,295,000

2. The Group has as part of its restructuring envisaged the segregation of its internet and commodity trading operations. The Group believes that the restructuring will result in the following benefits:

(a) Efficient and focused management on each business segment;

(b) Unlocking value for the shareholders of Northgate; and

(c) Operating and administrative efficiencies.

The Board of Directors of the Company at their meeting held on May 19, 2011, considered and approved the Composite Scheme of Arrangement between Northgate Technologies Limited ('NTL' or 'the Company') and Northgate Com Tech Private Limited ('Northgate Com') and Green Fire Agri Commodities Private Limited ('Green Fire') ('Collectively referred to as Group') and their respective shareholders and creditors ('Scheme') under Sections 391-394 read with Sections 100-103 of the Companies Act, 1956.

The Scheme is subject to consent, approval of requisite majority of shareholders and creditors of the Company, Northgate Com and Green Fire, sanction of the High Court of Andhra Pradesh and all other regulatory approvals as may be necessary for the implementation of the Scheme.

The salient features of the Scheme are as under:

(a) The Appointed Date of the Scheme is 1 April 2011.

(b) The Scheme involves the demerger of Internet Business Undertaking of the Company into Northgate Com and merger of Green Fire into the Company.

(c) Based on an independent valuation and fairness opinion, the Board approved and recommended the Share Entitlement Ratio as follows:

"1 (One) fully paid Equity Share of Rs. 10 (Rupees Ten) each of Northgate Com shall be issued and allotted for every 1 (One) Equity Share of Rs. 10 (Rupees Ten) each held in the Company."

"158 (One Hundred fifty eight) fully paid Equity Shares of Rs. 10 (Rupees Ten) each of Northgate shall be issued and allotted for every 1 (One) fully paid Equity Share of Rs. 10 (Rupees Ten) each held in Green Fire (except in respect of shares held by the Company in Green Fire)."

(d) Consequent to the demerger of the Internet business of Northgate into Northgate Com, the shares of the Northgate Com will be listed on the National Stock Exchange of India Limited.

(e) Consequent to the merger of Green Fire into NTL, the name of NTL will be changed to "Green Fire Agri Commodities Limited" and the face value and the paid-up value of the shares of the Company together with the new shares issued and allotted on merger will be reduced by Rs. 9 without payment to the holders of such equity shares of Northgate. The shares of the Northgate will continue to list on National Stock Exchange of India Limited.

3. Employee stock option scheme

The Company has instituted the following employee stock option plans for all eligible employees, in pursuance to the respective special resolution approved by the shareholders. All the plan options shall be administered by the compensation committee, which shall determine the employees eligible for receiving options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

Plan	Shareholder's special resolution date	No. of options	Vesting period	Vesting pattern
2006 ESOP Plan	25 October 2006	1,200,000	3 years	30% at the end of first year 30% at the end of second year 40% at the end of third year
2007 ASOP –RSU Plan	01 August 2007	1,000,000	2 years	50% at the end of first year 50% at the end of second year

The exercise price of the options granted under the ESOP plans, is defined as the closing market price of the underlying equity share, preceding the date of grant of options on the stock exchange having the highest trading volume of such shares.

In the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement approved by the compensation committee, which shall not be beyond the initial exercise period, failing which they would stand cancelled.

At the Annual General Meeting held on 1 August 2007, the members of the Company approved for issue of fully paid-up bonus shares in the ratio of 1:1 i.e. one additional equity share, fully paid-up for each existing equity share held by the members, by capitalizing a part of the share premium account. The record date for such issue was 3 September 2007 and the shares were allotted on 5 September 2007. Based on the guidelines issued by Securities Exchange Board of India, the effect of this corporate action has been applied to all the outstanding options as at the date of the approval.

A summary of activity under the various option plans for the years ended 31 March 2011 and 31 March 2010 are given below:

	Year ended 31 March 2011 (Number of options)	
Particulars	*2006 ESOP Plan*	*2007 ASOP-RSU Plan*
Outstanding at the beginning of the year	848,500	846,000
Granted during the year	-	-
Forfeited during the year	503,500	131,500
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year.	345,000	714,500
Exercisable at the end of the year	345,000	714,500

	Year ended 31 March 2010 (Number of options)	
Particulars	*2006 ESOP Plan*	*2007 ASOP-RSU Plan*
Outstanding at the beginning of the year	1,149,000	1,000,000
Granted during the year	-	-
Forfeited during the year	300,500	154,000
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year.	848,500	846,000
Exercisable at the end of the year	848,500	846,000

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

4. Deferred tax

Net deferred tax assets (liability) included in the balance sheet:

	As at 31 March 2011	As at 31 March 2010
Deferred tax Assets		
Excess of depreciation in accounts, over depreciation allowable under the Income-tax laws	-	-
Carried forward losses	-	-
Provision for expenses	-	-
Deferred tax liability		
Excess of depreciation allowable under the Income tax laws, over the depreciation provided in accounts	(35,552)	-
Deferred tax asset / (liability), net	**(35,552)**	**-**

As per the Accounting Standard 22 'Accounting for taxes on income' issued by Institute of chartered accountants of India, the Company is unable to demonstrate virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised. Hence, the Company has not recognised deferred tax assets.

5. During the year, the Company has made Qualified Institutional Placements (QIP) of its 14,000,000 equity shares Rs.10 each fully paid at a premium of Rs.10.50 each per equity share. The share expenses are adjusted expenses Rs. 11,635,856 are adjusted against securities premium account.

6. Earnings per share (EPS)

The computation of EPS is set out below:

	Year Ended 31 March 2011	Year Ended 31 March 2010
Earnings (Rs.)		
Net Profit/(Loss) for the year	10,512,018	(1,469,844,296)
Shares		
Number of shares at the beginning of the year	35,018,590	35,018,590
Add: No. of equity shares issued during the year	14,000,000	-
Total number of equity shares outstanding at the end of the year	49,018,590	35,018,590
Weighted average number of equity shares outstanding during the year – Basic and diluted	40,235,028	35,018,590
Basic and Diluted Earnings per share – Par value of Rs.10 (Rs.)	0.26	(41.97)

As the Company incurred a net loss for the year ended 31 March 2010, the ordinary shares arising out of potential exercised of outstanding stock options were not included in the computation of dilutive loss per share, as their effect was anti dilutive. For the year ended 31 March 2011, as the exercise price of the option is significantly higher than the underlying value per share on at the balance sheet date, the options are underwater and do not have any intrinsic value.

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

7. Related Party Disclosures

A) Particulars of related party transactions

Following is a summary of significant related party transactions:

A) Entities where control exists

None

B) Entities with whom transactions have taken place during the year

Subsidiaries

i. Northgate Investments Pte Limited, Singapore
ii. VAR Quant Tech Securities Private Limited, India
iii. Globe7(UK) Limited, United Kingdom
iv. Green Fire Agri Commodities Private Limited, India (Formally PNM Commodities Private Limited)

Step down subsidiaries

i. Globe7 Pte Limited, Singapore
ii. Social Media India Limited, India
iii. Globe7 HK Limited, Honk Kong
iv. Axill Europe Limited, United Kingdom

C) Key Managerial Personnel (KMP)

i. Venkata S Meenavalli – Chairman and Managing Director
ii. P. Srinivasu – Executive Director (w.e.f. 30 September 2010)
iii. D.V.S.S.Lakshminarayana - Director
iv. K. Bhaskara Reddy – Executive Director (up to June 19, 2010)

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

i. Bio Ethanol Agro Industries Limited
ii. Stampede Holdings Limited
iii. Devotional Media India Private Limited
iv. Knowledge Base Technologies Private Limited
v. Shiridi Sai Power Projects Limited
vi. Sri Chakra Holdings India Private Limited

I. Particulars of related party transactions

Following is the summary of significant related party transactions:

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Bio Ethanol Agro Industries Limited		
- Sale of Commodities	218,305	-
Stampede Holdings Limited		
- Brokerage Income	218,305	-
- Unsecured loan taken	7,649,580	-
- Interest Paid on loan taken	6,108	-
- Unsecured loan repaid	7,649,580	-
Venkata S Meenavalli		
- Brokerage income	10,391	-

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

II. Particulars of related party transactions

Following is the summary of significant related party transactions:

Particulars	As at 31 March 2011	As at 31 March 2010
Venkata S Meenavalli		
- Creditor	322,095	-
Stampede Holdings Limited		
- Creditor	758,746	-
- Loans and Advances	1,700,000	-

C) Non Executive Directors and Independent Directors on the board of the Company

S. No.	Name of the Personnel	Relationship
1.	P Parthasarathi	Independent Director
2.	Y. Ramesh	Independent Director
3.	T Naresh Kumar	Independent Director

8. Segment information

The Company is engaged in the business of providing advertising services, both on the World Wide Web and on television which constitutes as one business segment, trading of shares/derivatives is another business segment and trading of commodities is another business segment. Primary reportable segment information based on business segment is given below and secondary reportable segment information based on geographic segment is also given below.

Segment revenues and expenses: All segment revenues and expenses are directly attributable to the segments.

Segment assets and liabilities: Segment assets include all operating assets used by the segment and consist principally of operating cash, debtors, loans and advances and fixed assets, net of allowances and provisions which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

Inter-segment transfers: Segment revenue, segment expenses and segment result include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

A. Primary segment for the year ended 31 March 2011 – Business segment

(a) Information about business segments for the year ended 31 March 2011 as per AS-17

	Online advertising	*Derivatives and securities trading*	*Commodities trading*	*Eliminations*	*Total*
Revenue					
External	487,525,600	5,094,781	804,106,032	-	1,296,726,413
Intra-Segment	58,750,454	-	-	(58,750,454)	-
Total	546,276,054	5,094,781	804,106,032	(58,750,454)	1,296,726,413
Result					
Operating (Loss) / Profit	(15,883,015)	(219,365)	8,902,896	-	(7,199,484)
Gain on disposal of subsidiary					1,631,619
Other income					21,591,264
Profit Before Tax					16,023,399
Less: Income tax expense					1,903,616
Less: Minority Interest					3,607,765
Profit for the year					**10,512,018**
Other information					
Segment assets	588,647,081	-	65,384,823	-	654,031,904
Unallocable assets	-	-	-	-	-
Segment liabilities	220,620,418	-	34,328,462	-	254,948,880
Unallocable liabilities	-	-	-	-	-
Capital expenditure	1,530,895				1,530,895
Depreciation (included in segment expense)	35,348,760				35,348,760
Non cash expenses (other than depreciation included in segment expense)	19,402,399				19,417,179

Schedules to the Consolidated Accounts (continued)

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

A. Primary segment for the year ended 31 March 2010 – Business segment

(b) Information about business segments for the year ended 31 March 2010 as per AS-17

	Online advertising	*Derivatives and securities trading*	*Eliminations*	*Total*
Revenue				
External	330,594,294	414,040,015	-	744,634,310
Intra-Segment	127,808,703	-	(127,808,703)	-
Total	458,402,997	414,040,015	(127,808,703)	744,634,310
Result				
Operating Loss	(1,552,289,303)	(2,276,401)	-	(1,554,565,704)
Interest income				84,234
Other income				119,134,062
Loss Before Tax				(1,435,347,389)
Less: Income tax expenses				27,855,626
Less: Prior period expenses				6,641,264
Loss for the year				**1,469,844,296**
Other information				
Segment assets	272,892,011	7,190,494	-	280,082,504
Unallocable assets	-	-	-	-
Segment liabilities	97,461,261	7,736,005	-	105,197,266
Unallocable liabilities	-	-	-	-
Capital expenditure	4,735,990	-	-	4,735,990
Depreciation (included in segment expense)	294,082,834	-	-	294,082,834
Non cash expenses (other than depreciation included in segment expense)	831,962,702	-	-	831,962,702

B) Information about geographical segment as per AS-17

Revenue by geographical location of customers

	Year Ended 31 March 2011	**Year Ended 31 March 2010**
India	935,813,326	602,875,060
Singapore	187,931,459	1,090,164
United States of America	108,936,905	70,323,012
Europe	16,872,517	20,850,634
Hong Kong	768,419	1,169,208
Others	46,403,787	48,326,232
Total	**1,296,726,413**	**744,634,310**

C) Assets and additions to fixed assets and intangible assets

Revenue by geographical location of customers

	Carrying amount of segment assets and intangible assets		**Additions to fixed assets and intangible assets**	
	31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
India	24,794,045	38,282,836	1,530,895	446,410
Singapore	9,405,605	34,007,530	-	-
United Kingdom	2,795,528	4,943,593	-	4,289,579
Total	**36,995,178**	**77,233,959**	**1,530,895**	**4,735,989**

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

9. Particulars of Managerial Remuneration

The remuneration paid to managerial personnel of the Group during the year:

	Year Ended 31 March 2011	Year Ended 31 March 2010
Salaries and allowances	13,511,984	13,902,525
Other perquisites	-	-
Total	**13,511,984**	**13,902,525**

10. Operating Lease

The Group leases offices, residential facilities and vehicles under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under those leases was Rs.16,655,139 (previous year Rs. 61,108,838).

Future minimum lease payments (MLP) under non-cancellable operating leases is as follows:

	As at 31 March 2011	As at 31 March 2010
Due within one year	-	39,210,883
Due later than one year and not later than five years	-	77,866,992
Due after five years	-	-
Total	**-**	**117,077,875**

11. Gratuity

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

	Year Ended 31 March 2011	Year Ended 31 March 2010
Obligations at the beginning of the year	1,598,305	1,440,525
Service cost	106,914	136,544
Interest cost	127,864	37,728
Benefits settled	82,520	(101,856)
Actuarial (gain)/loss	77,969	(165,520)
Obligations at the end of the year	**1,993,572**	**1,347,421**
Change in plan assets		
Plan assets at the beginning of the year, at fair value	937,491	937,491
Actuarial gain/(loss)	-	-
Expected return on plan assets	86,041	-
Contributions	164,843	-
Benefits settled	-	-
Plan assets at the end of the year, at fair value	**1,188,375**	**937,491**
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of defined benefit obligations at the end of the year	1,993,572	1,347,421
Fair value of the plan assets at the end of the year	(1,188,375)	(937,491)
Liability recognised in the balance sheet	**805,197**	**409,930**

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

Gratuity cost for the year		
Service cost	106,914	136,544
Interest cost	127,864	37,728
Expected return on plan assets	(86,041)	-
Actuarial loss/(gain)	160,489	(267,376)
Net gratuity cost	**309,226**	**(93,104)**
Assumptions		
Interest rate	8.00%	7.50%
Expected rate of salary increase	10.00%	4.00%
Attrition rate	10.00%	10.00%

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

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

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

Assumptions		
Discount rate (per annum)	8%	7.5%
Salary escalation rate (per annum)	10%	4%
Attrition rate (per annum)	10%	10%

12. Amounts payable to Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2011 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

	Year ended 31 March 2011	Year ended 31 March 2010
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year;	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

(All amounts in Indian Rupees, except share data)

17. Notes to Accounts

13. Advances, bad and doubtful debts written off

Advances written off

The management based on a review of the recoverability of long outstanding advances, has recorded an amount of Rs.Nil (previous year: Rs 7,543,763), as an expense for the year ended 31 March 2011.

Bad and doubtful debts written off

The management based on a review of the long outstanding sundry debtors has recorded an amount of Rs. 19,355,850 (previous year: Rs 187,341,712) as bad and doubtful debts written-off for the year ended 31 March 2011.

14. Sale of VAR Quant Tech Securities Private Limited

Pursuant to the Share Sale Agreement dated November 11, 2010 for sale of 100% equity share of VAR Quant Tech Securities Private Limited, the Securities and Derivatives Trading has been discontinued and the gain on sale of the subsidiary of Rs 16.32 lakhs has been recorded under exceptional item. During the previous year, Group had inadvertently failed to obtain prior approval of the Reserve Bank of India (RBI) in relation to the securities trading activities of Var Quant Tech Securities Private Limited and such activities were carried out in contravention of the RBI guidelines. The Management has applied to the RBI for condoning of such non compliance and believes that the RBI would condone the non-compliance and that there would be no financial penalties imposed. Revenues and the Cost of Revenues for this segment for the year ended March 31, 2011 is Rs. 50.95 lakhs and Rs. 52 lakhs respectively.

15. Previous year figures

Previous year figures have been regrouped / reclassified wherever necessary, to conform to current year classifications.

for B S R and Company *Chartered Accountants* Firm Registration No:128900W	*for* Northgate Technologies Limited	
Zubin Shekary *Partner* Membership No: 48814	Venkata S Meenavalli *Chairman and Managing Director*	P. Srinivasu *Executive Director*
Place : Hyderabad Date : May 19, 2011	Anil K. Singh *Chief Financial Officer*	Lincoln Babu *Company Secretary*

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies as of March 31, 2011

(Rs. in lakhs)

		Name of the Subsidiary						
Sl.No.	Particulars	Northgate Investment Pte Limited, Singapore	Globe7 Pte Limited, Singapore	Social Media India Limited, India	Globe7 HK Limited, HK	Axill Europe Limited, UK	Globe7 UK Limited, UK	Greenfire Agri Commodities Pvt Limited, India
1	Financial Period of subsidiary ended on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
2	Northgate's Interest	100%	100%	100%	100%	100%	100%	51%
3	Capital	46,044.31	46,031.61	2,944.69	508.62	2,366.92	43.01	60.82
4	Reserves and Surplus	(40,256.35)	(40,770.33)	(416.72)	(567.18)	(2,645.68)	(5.39)	37.92
5	Total Assets	5,787.29	5,642.92	3,715.37	0.44	260.69	54.09	653.85
6	Total Liabilities	(0.67)	381.63	1,187.40	59.00	539.45	16.47	555.11
7	Investments	5,787.03	3,764.65	-	-	-		-
8	Revenues	-	1,615.24	3,260.02	-	-	157.25	8,041.06
9	Net Aggregate Profit/(loss) before taxation	(18,212.05)	(15,126.74)	576.04	148.49	(4,057.67)	(5.38)	92.33
10	Provision for taxation	-	-	-	-	-	-	18.70
11	Profit after taxation	(18,212.05)	(15,126.74)	576.04	148.49	(4,057.67)	(5.38)	73.63
12	Proposed dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil
13	The Net aggregate amount of Profits / (losses) of the subsidiary for the above financial year so far as they concern the Members of Holding Company (Co.)							
	i. Dealt within the accounts of Holding Co.	(18,212.05)	(15,126.74)	576.04	148.49	(4,057.67)	(5.38)	37.55
	ii. Not dealt within the accounts of Holding Co.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
14	The Net aggregate amount of Profits / (losses) of the subsidiary for the previous financial year so far as they concern the Members of Holding Company (Co.)							
	i. Dealt within the accounts of Holding Co.	(2.19)	(2,079.11)	(994.16)	(2,070.78)	(9,213.62)	Nil	Nil
	ii. Not dealt within the accounts of Holding Co.	Nil	Nil	Nil	Nil	Nil	Nil	Nil

for Northgate Technologies Limited

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Anil K. Singh
Chief Financial Officer

Place: Hyderabad
Date: May 19, 2011

Lincoln Babu
Company Secretary

Auditors' Report to the Members of Northgate Technologies Limited

1. We have audited the attached balance sheet of Northgate Technologies Limited ("the Company") as at 31 March 2011 and the profit and loss account and the cash flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Ministry of Corporate Affairs 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 paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   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 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 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 31 March 2011;
      b. in the case of the profit and loss account, of the loss for the year ended on that date; and
      c. in the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

for **B S R and Company**
Chartered Accountants
Firm Registration No:128900W

Zubin Shekary
Partner
Membership No: 48814

Place : Hyderabad
Date : May 19, 2011

Annexure to Auditors' Report

The annexure referred to in paragraph 3 of our report of even date to the members of Northgate Technologies Limited ("the Company") for the year ended 31 March 2011. We report that:

(i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to size of the company and nature of its assets. In accordance with this program, fixed assets were verified during the year and no material discrepancies were noted on such verification.

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) The Company is a service company, primarily rendering Information Technology services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of fixed assets are for the Company's specialized requirements and similarly certain services sold are for the specialized requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transaction made in pursuance of an arrangement referred to in (a) above and exceeding the value of Rs 5 lakhs during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company. The activities of the Company do not involve sale of goods.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' state insurance, Income-Tax, Wealth tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities though there have been a slight delay in a few cases. Further as explained to us, the Company did not have any dues on account of Sales tax, Service tax, Customs duty, Excise duty and Investor Education and Protection Fund.

Further, there were no dues on account of Cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid Section comes into force has not yet been notified by the Central Government of India.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' state insurance, Income-tax, Wealth tax and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute. However, the Company disputes the following Income tax dues:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Tax/ Interest	1,580,037 (1,580,037)*	2003 -2004	Income Tax Appellate Tribunal, Hyderabad.
Income-tax Act, 1961	Tax/ Interest	101,918,628 (500,000)*	2006 -2007	Commissioner of Income Tax (Appeals), Hyderabad.

* The amounts in parenthesis represent the payment made under protest.

(x) The accumulated losses of the Company are more than fifty percent of its net worth as at 31 March 2011. However, the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to information and explanations given to us, and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R and Company**
Chartered Accountants
Firm Registration No:128900W

Zubin Shekary
Partner
Membership No: 48814

Place : Hyderabad
Date : May 19, 2011

Balance Sheet as at 31 March 2011

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

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	491,471,008	351,471,008
Reserves and surplus	3	2,734,893,754	2,599,529,610
		3,226,364,762	2,951,000,618
Loan funds			
Secured loan	4	-	1,534,368
Unsecured loan	5	117,786,690	131,840,257
		3,344,151,452	**3,084,375,243**
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		84,708,396	86,426,664
Less: Accumulated depreciation		(70,647,502)	(66,649,197)
Net block		14,060,894	19,777,467
Investments	7	775,242,140	447,836,973
Current assets, loans and advances			
Sundry debtors	8	21,208,303	106,202,086
Cash and bank balances	9	725,631	731,402
Loans and advances	10	60,458,106	37,989,260
		82,392,040	144,922,748
Current liabilities and provisions			
Current liabilities	11	4,819,198	9,329,811
Provisions	12	21,816,592	393,665
		26,635,790	9,723,476
Net current assets		55,756,250	135,199,272
Profit and loss account		2,499,092,168	2,481,561,531
		3,344,151,452	**3,084,375,243**
Significant accounting policies	1		
Notes to accounts	18		

The Schedules referred to above form an integral part of the balance sheet

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report attached
for B S R and Company
Chartered Accountants
Firm Registration No:128900W

for Northgate Technologies Limited

Zubin Shekary
Partner
Membership No: 48814

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Place : Hyderabad
Date : May 19, 2011

Anil K. Singh
Chief Financial Officer

Lincoln Babu
Company Secretary

Profit and Loss Account for the year ended 31 March 2011

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

	Schedule	Year Ended 31 March 2011	Year Ended 31 March 2010
Revenues from Information Technology services		43,024,994	79,564,094
Less: Cost of revenues	13	21,222,200	39,412,144
Gross Profit		**21,802,794**	**40,151,950**
Selling and marketing expenses	14	588,421	897,733
General and administrative expenses	15	12,469,352	26,398,193
Provision for decline in the value of long term investments		-	943,310,554
Advances written-off.		15,803,505	3,466,481
Loss on abandonment of assets		46,549	8,193,079
Operating loss before interest, Depreciation and Amortisation		**(7,105,033)**	**(942,114,090)**
Interest expense		10,165,475	8,788,595
Depreciation and Amortisation	6	5,451,273	11,212,531
Operating loss before tax.		**(22,721,781)**	**(962,115,216)**
Other income.	16	5,224,339	84,243
Loss before tax		**(17,497,442)**	**(962,030,973)**
Income tax expense	17	-	25,634,405
Provision for wealth tax		33,195	30,658
Loss after tax		**(17,530,637)**	**(987,696,036)**
Loss brought forward from previous year		(2,481,561,531)	(1,493,865,495)
Balance carried forward		**(2,499,092,168)**	**(2,481,561,531)**
Earnings per share	18(9)		
Basic and diluted - par value Rs. 10 per share		(0.44)	(28.20)
Significant accounting policies	1		
Notes to accounts	18		

The Schedules referred to above form an integral part of the balance sheet

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report attached
for B S R and Company
Chartered Accountants
Firm Registration No:128900W

for Northgate Technologies Limited

Zubin Shekary
Partner
Membership No: 48814

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Place : Hyderabad
Date : May 19, 2011

Anil K. Singh
Chief Financial Officer

Lincoln Babu
Company Secretary

Cash Flow Statement for the year ended 31 March 2011

(All amounts in Indian rupees)

	Year ended 31 March 2011	Year ended 31 March 2010
Cash flows from operating activities		
Loss before tax	(17,497,442)	(962,030,973)
Adjustments:		
Depreciation and amortisation	5,451,273	11,212,531
Provision for decline in the value of long term investments	-	943,310,554
Interest expense	10,165,475	8,788,595
Fixed assets abandoned, net	46,549	8,193,079
Interest income	(35,014)	(84,243)
Capital work in progress charged off	-	954,050
Advances written-off	15,803,505	3,466,481
Loss on sale of mutual fund	-	52,186
Unrealised foreign exchange loss	206,917	3,162,139
Operating cash flow before working capital and other changes	14,141,263	17,024,399
Decrease / (Increase) in sundry debtors	84,778,964	(55,940,048)
(Increase) / Decrease in loans and advances	(19,477,768)	4,463,539
(Decrease) / Increase in current liabilities and provisions	(3,785,491)	109,854
Cash generated from operations	75,656,968	(34,342,256)
Net taxes received / (paid)	717,777	(2,530,669)
Net cash provided by / (used in) operating activities	**76,374,745**	**(36,872,925)**
Cash flows from investing activities		
Purchase of fixed assets	(26,250)	(259,175)
Investment in subsidiaries	(327,405,167)	(105,023,500)
Sale of fixed Assets	245,001	-
Share application money (received) / paid	182,371	(7,000,000)
Interest received on fixed deposits	38,622	99,900
Interest paid on vehicle loan	(50,712)	(676,785)
Net cash used in investing activities	**(327,016,135)**	**(112,859,560)**
Cash flows from financing activities		
Proceeds from issue of shares (net of share issue expenses)	275,364,144	-
Amount received from intercorporate deposit	650,000	-
Repayment of loan to step-down subsidiary and others	(23,400,002)	124,149,586
Repayment of vehicle loan	(1,534,368)	(2,140,805)
Interest paid	(452,057)	-
Net cash provided by financing activities	**250,627,717**	**122,008,781**
Net decrease in cash and cash equivalents	(13,673)	(27,723,703)
Cash and cash equivalents at the beginning of the year	731,402	28,455,467
Effect of exchange gain/(loss) on cash and cash equivalents	7,902	(362)
Cash and cash equivalents at the end of the year (Schedule 9)	**725,631**	**731,402**
Notes:		
Components of cash and cash equivalents as at		
Cash on hand	38,476	87,847
Balances with scheduled banks:		
- in current accounts	228,700	158,533
- in export earners foreign currency accounts	8,560	4,198
- in unclaimed dividend accounts	449,895	480,824
	725,631	**731,402**

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report attached
for B S R and Company
Chartered Accountants
Firm Registration No:128900W

for Northgate Technologies Limited

Zubin Shekary
Partner
Membership No: 48814

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Place : Hyderabad
Date : May 19, 2011

Anil K. Singh
Chief Financial Officer

Lincoln Babu
Company Secretary

Schedules to the Accounts

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

	As at 31 March 2011	As at 31 March 2010
2. Share capital		
Authorised		
50,000,000 (previous year: 50,000,000) equity shares of Rs. 10 each	500,000,000	500,000,000
Issued		
49,018,590 (previous year: 36,095,190) equity shares of Rs.10 each (Note i & ii)	490,185,900	350,185,900
Subscribed and paid-up		
49,018,590 (previous year: 35,018,590) equity shares of Rs.10 each (Note iii)	490,185,900	350,185,900
Add: Forfeited share capital (Note iv)	1,285,108	1,285,108
	491,471,008	**351,471,008**

Notes:

(i) Issued share capital includes 14,000,000 (previous year: Nil) equity shares of Rs.10 each allotted at a premium of Rs.10.50 during the year

(ii) Issued share capital includes 1,076,600 (previous year: 1,076,600) equity shares of Rs.10 each, which were forfeited and cancelled in earlier years.

(iii) Subscribed and paid-up share capital includes:

(a) 16,514,295 Equity shares of Rs.10 each allotted in 2007-2008 as fully paid bonus shares in ratio of 1:1 by way of capitalization of Rs. 165,142,950 from Securities Premium account.

(b) 1,830,000 Equity shares of Rs. 10 each fully paid-up, allotted against 3,660,000 Global Depository Receipts in the year 2007-2008.

(c) 497,650 Equity shares of Rs. 10 each allotted to the employees of the Company during the earlier years on exercise of the vested stock options in accordance with the terms of exercise under the Employees Stock Option 2004 and 2005 Plan

(iv) Represents amount paid up on 1,076,600 (previous year: 1,076,600) equity shares of Rs. 10 each, forfeited due to non payment of call money.

	As at 31 March 2011	As at 31 March 2010
3. Reserves and surplus		
Capital reserve		
Balance at the beginning and end of the year (Note 1)	1,671,142	1,671,142
Securities premium account		
Balance at the beginning of the year	2,597,858,468	2,597,858,468
Add: additions during the year (Refer note 14 of Schedule 18)	135,364,144	-
Balance at the end of the year	2,733,222,612	2,597,858,468
	2,734,893,754	**2,599,529,610**

Note:

1. Capital reserve represents the capital profit earned by the Company on reissue of 1,400,000 forfeited shares.

Schedules to the Accounts (continued)

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

	As at 31 March 2011	As at 31 March 2010
4. Secured loan		
Vehicle loan	-	1,534,368
(Secured by hypothecation of vehicles)		
	-	**1,534,368**
5. Unsecured loan		
Loan from subsidiary *	117,786,690	131,840,257
	117,786,690	**131,840,257**

* Repayable within one year Rs.Nil (previous year: Rs.Nil)

Schedules to the Accounts (continued)

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

6. Fixed Assets

Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 April 2010	Additions during the year	Deletions during the year	As at 31 March 2011	As at 1 April 2010	Charge for the year	On Deletions	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible assets (Owned)										
Leasehold improvements	8,364,000	-	-	8,364,000	6,631,284	1,732,716	-	8,364,000	-	1,732,716
Computers	20,519,071	-	-	20,519,071	14,419,423	2,090,997	-	16,510,420	4,008,651	6,099,648
Air conditioners	2,715,726	-	-	2,715,726	557,235	128,541	-	685,776	2,029,950	2,158,491
Furniture and fixtures	1,214,613	-	-	1,214,613	451,745	60,120	-	511,865	702,748	762,868
Office equipments	2,056,709	26,250	-	2,082,959	877,823	263,631	-	1,141,454	941,505	1,178,886
Vehicle	11,883,599	-	1,744,518	10,139,081	4,222,017	1,003,615	1,452,968	3,772,664	6,366,417	7,661,582
Total (A)	**46,753,718**	**26,250**	**1,744,518**	**45,035,450**	**27,159,527**	**5,279,620**	**1,452,968**	**30,986,179**	**14,049,271**	**19,594,191**
Intangible assets (Owned)										
Goodwill	16,382,330	-	-	16,382,330	16,382,330	-	-	16,382,330	-	-
Software*	23,290,616	-	-	23,290,616	23,107,340	171,653	-	23,278,993	11,623	183,276
Total (B)	**39,672,946**	**-**	**-**	**39,672,946**	**39,489,670**	**171,653**	**-**	**39,661,323**	**11,623**	**183,276**
Total (A+B)	**86,426,664**	**26,250**	**1,744,518**	**84,708,396**	**66,649,197**	**5,451,273**	**1,452,968**	**70,647,502**	**14,060,894**	**19,777,467**
Previous year	**95,747,226**	**259,175**	**9,579,737**	**86,426,664**	**56,823,324**	**11,212,531**	**1,386,658**	**66,649,197**	**19,777,467**	**-**

* Software includes "computer software" and "web portals" owned by the Company.

Schedules to the Accounts (continued)

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

	As at 31 March 2011	As at 31 March 2010
7. Investments		
Non-trade, long term investments (unquoted)		
Equity in Subsidiary Companies (fully paid up)		
145,304,595 (previous year: 138,322,394) ordinary shares of SGD 1 each fully paid-up of Northgate Investments Pte Limited, at cost	4,262,121,261	4,017,884,184
Nil (previous year: 100,000) ordinary shares of Rs 10 each fully paid-up of VAR Quant Tech Securities Private Limited, at cost *	-	1,000,000
60,000 (previous year : Nil) ordinary shares of GBP 1 each fully paid-up of Globe7 UK Limited, at cost.	4,135,200	-
310,205 ordinary shares of Rs. 10 each fully paid-up of Green Fire Agri Commodities Private Limited at a premium of Rs.248 per share	80,032,890	-
Less: Provision for decline in value of long term investment	(3,571,047,211)	(3,571,047,211)
	775,242,140	**447,836,973**

* During the year, investment in VAR Quant Tech Securities Private Limited was sold for a consideration of Rs. 1,000,000

	As at 31 March 2011	As at 31 March 2010
8. Sundry debtors *		
(Unsecured, considered good)		
Outstanding for more than six months	4,307,418	71,061,467
Others	16,900,885	35,140,619
	21,208,303	**106,202,086**
*Includes amounts due from a company under the same management:		
Globe 7 Pte Limited	21,208,303	106,202,086

	As at 31 March 2011	As at 31 March 2010
9. Cash and bank balances		
Cash on hand	38,476	87,847
Balances with scheduled banks:		
- in current accounts	228,700	158,533
- in export earners foreign currency accounts	8,560	4,198
- in unclaimed dividend accounts	449,895	480,824
	725,631	**731,402**

Schedules to the Accounts (continued)

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

	As at 31 March 2011	As at 31 March 2010
10. Loans and advances		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	702,000	-
Security deposits	2,074,703	3,586,912
Prepaid expenses	215,480	397,851
MAT credit entitlement	9,100,000	9,100,000
Advance tax [net provision for tax Rs.31,260,140 (previous year:Rs.31,260,140)]	22,345,333	1,999,384
Advances to subsidiaries *	-	15,803,505
Share application money	26,020,590	7,000,000
Staff loans and advances	-	98,000
Interest accrued on bank deposits, but not due	-	3,608
	60,458,106	**37,989,260**
* Includes balances due from companies under the same management:		
Axill Europe Limited (Maximum amount outstanding during the year: Rs 7,573,677, Previous year: Rs.7,607,264)	-	7,573,677
Globe 7 HK Limited (Maximum amount outstanding during the year: Rs 8,229,827, Previous year: Rs 8,780,771)	-	8,229,827
11. Current liabilities		
Sundry creditors		
- total outstanding dues of micro enterprises and small enterprises (refer Note 16 to Schedule 18)	-	-
- others	3,138,100	7,593,049
Unclaimed dividend	449,895	480,824
Other liabilities	1,231,203	1,255,938
	4,819,198	**9,329,811**
12. Provisions		
Compensated absences	169,128	87,213
Gratuity	519,885	275,794
Provision for Tax [net advance tax of Rs. 6,050,000 (previous year: Rs. 6,800,000)]	21,094,384	-
Wealth tax	33,195	30,658
	21,816,592	**393,665**

Schedules to the Accounts (continued)
(all amounts in Indian rupees, except share data and otherwise stated)

	Year ended 31 March 2011	Year ended 31 March 2010
13. Cost of revenues		
Salaries	14,549,593	24,342,629
Contribution to provident and other funds	928,560	600,552
Rent	3,772,597	4,976,578
Communication expenses	1,266,516	3,075,242
Power and fuel	99,358	1,083,224
Repairs and maintenance		
- Others	70,960	1,758,209
Travelling expenses	178,708	2,227,442
Staff welfare expenses	301,679	680,630
Legal and professional charges	-	8,090
Subscriptions, books and periodicals	20,379	18,475
Software development expenses	-	350,431
Printing and Stationary	-	10,498
Miscellaneous expenses	33,850	280,144
	21,222,200	**39,412,144**

	Year ended 31 March 2011	Year ended 31 March 2010
14. Selling and marketing expenses		
Advertisement expenses	89,477	314,466
Salaries	374,195	467,990
Contribution to provident and other funds	23,881	11,546
Rent	97,026	95,675
Staff welfare expenses	3,842	8,056
	588,421	**897,733**

Schedules to the Accounts (continued)

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

	Year ended 31 March 2011	Year ended 31 March 2010
15. General and administrative expenses		
Salaries	4,451,437	7,727,850
Contribution to provident and other funds	271,647	186,952
Legal and professional charges	1,165,717	1,142,988
Rates and taxes	1,194,792	1,957,120
Auditors' remuneration		
- Audit fee	441,200	2,040,550
- Tax audit fee	110,300	165,450
- Fee for other services	436,788	191,371
- Reimbursement of out-of-pocket expenses	92,809	198,661
Rent	1,103,661	1,549,207
Travelling expenses	143,190	106,713
Staff welfare expenses	94,905	314,805
Communication expenses	171,049	157,654
Repairs and maintenance		
- Others	849,867	224,685
Printing and stationary	8,854	91,226
Power and fuel	824,605	44,653
Insurance	106,742	182,215
Bank charges	69,816	11,504
Subscriptions, books and periodicals	6,300	3,603
Foreign exchange loss, net	-	9,220,769
Loss on sale of current investments	-	52,186
Miscellaneous expenses	925,673	828,031
	12,469,352	**26,398,193**

16. Other income		
Foreign exchange gain, net	1,192,595	-
Interest on deposits [Tax deducted at source Rs. Nil (previous year: Rs. 17,075)]	35,014	84,243
Provisions no longer required, written back	3,458,665	-
Miscellaneous income	538,065	-
	5,224,339	**84,243**

17. Income tax expense		
Current tax expense	-	397,756
Deferred tax asset written-off	-	4,976,086
MAT credit written-off	-	20,260,563
	-	**25,634,405**

Schedule 1: Significant Accounting Policies

Overview

Northgate Technologies Limited ("NGTL" or "the Company") was incorporated as Garden Cements Private Limited on 11 June 1991. The name of the Company was subsequently changed to Northgate Technologies Limited on 28 September 2005. The Company is primarily engaged in providing web development, web maintenance and support services to its step down subsidiary, Globe7 Pte Limited, Singapore. The Company's subsidiaries and step down subsidiaries are listed below:

Entity	Country of incorporation
Subsidiaries	
Northgate Investments Pte Limited	A Company organized under the laws of Singapore
Globe7 UK Limited	A Company organized under the laws of United Kingdom
Green Fire Agri Commodities Private Limited (w.e.f. 20 September 2010)	A Company organized under the laws of India
Step-down subsidiaries	
Globe7 Pte Limited	A Company organized under the laws of Singapore
Axill Europe Limited	A Company organized under the laws of United Kingdom
Social Media India Limited	A Company organized under the laws of India
Globe7 HK Limited	A Company organized under the laws of Hong Kong

During the current year, the Company sold its 100% investment in VAR Quant Tech Securities Private limited for a consideration of Rs 1,000,000. Further, a subsidiary of the Company, Axill Europe Limited, is under liquidation as at the balance sheet date.

(a) Basis of preparation of financial statements

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

(b) Use of estimates

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

(c) Fixed assets and depreciation

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

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after 1 April 2001 are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

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

Leased assets are amortized over the lease term or the useful life, whichever is shorter.

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

Schedule 1: Significant Accounting Policies (continued)

(d) Intangible assets and amortization

Acquired intangible assets are recorded at the consideration paid for their acquisition. Internally developed intangible assets are capitalized at their cost of development, only if they meet the recognition criteria of AS 26 “Intangible Assets”. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

(e) Investments

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

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

(f) Foreign exchange transactions

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

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

(g) Revenue recognition

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

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

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

(h) Foreign currency translation

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

Monetary Current Assets and Current Liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resultant exchange differences are recognised in the profit and loss account.

(i) Employee benefits

Gratuity and compensated absences, which are defined benefit schemes, are accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the profit and loss account on accrual basis.

(j) Employee stock option schemes

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

Schedule 1: Significant Accounting Policies (continued)

(k) Earnings per share

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

(l) Taxes on income

Income tax expense comprise of current tax and deferred tax.

Current tax

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

Deferred tax

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

Minimum Alternate Tax (MAT) Credit entitlement

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

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

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

(m) Provisions and contingent liabilities

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

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

Schedule 1: Significant Accounting Policies (continued)

(n) *Impairment of assets*

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

(o) *Leases*

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

(p) *Cash flow statement*

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

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts

1. Contingent liabilities

The Company issued a corporate guarantee amounting to Rs. 80,000,000 (previous year: Rs. 80,000,000) in favour of Bank of Baroda for the cash credit facility extended by the bank to Social Media India Limited, a step-down subsidiary.

2. The Board of Directors of the Company at their meeting held on May 19, 2011, considered and approved the Composite Scheme of Arrangement between Northgate Technologies Limited ('NTL' or 'the Company') and Northgate Com Tech Private Limited ('Northgate Com') and Green Fire Agri Commodities Private Limited ('Green Fire') ('Collectively referred to as Group') and their respective shareholders and creditors ('Scheme') under Sections 391-394 read with Sections 100-103 of the Companies Act, 1956.

The Scheme is subject to consent, approval of requisite majority of shareholders and creditors of the Company, Northgate Com and Green Fire, sanction of the High Court of Andhra Pradesh and all other regulatory approvals as may be necessary for the implementation of the Scheme.

The salient features of the Scheme are as under:

(a) The Appointed Date of the Scheme is 1 April 2011.

(b) The Scheme involves the demerger of Internet Business Undertaking of the Company into Northgate Com and merger of Green Fire into the Company.

(c) Based on an independent valuation and fairness opinion, the Board approved and recommended the Share Entitlement Ratio as follows:

"1 (One) fully paid Equity Share of Rs. 10 (Rupees Ten) each of Northgate Com shall be issued and allotted for every 1 (One) Equity Share of Rs. 10 (Rupees Ten) each held in the Company."

"158 (One Hundred fifty eight) fully paid Equity Shares of Rs. 10 (Rupees Ten) each of Northgate shall be issued and allotted for every 1 (One) fully paid Equity Share of Rs. 10 (Rupees Ten) each held in Green Fire (except in respect of shares held by the Company in Green Fire)."

(d) Consequent to the demerger of the Internet business of Northgate into Northgate Com, the shares of the Northgate Com will be listed on the National Stock Exchange of India Limited.

(e) Consequent to the merger of Green Fire into NTL, the name of NTL will be changed to "Green Fire Agri Commodities Limited" and the face value and the paid-up value of the shares of the Company together with the new shares issued and allotted on merger will be reduced by Rs. 9 without payment to the holders of such equity shares of Northgate. The shares of the Northgate will continue to list on National Stock Exchange of India Limited.

3. Employee stock option scheme

The Company has instituted the following employee stock option plans for all eligible employees, in pursuance to the respective special resolution approved by the shareholders. All the plan options shall be administered by the compensation committee, which shall determine the employees eligible for receiving options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

Plan	Shareholder's special resolution date	No. of options	Vesting period	Vesting pattern
2006 ESOP Plan	25 October 2006	1,200,000	3 years	30% at the end of first year 30% at the end of second year 40% at the end of third year
2007 ASOP –RSU Plan	01 August 2007	1,000,000	2 years	50% at the end of first year 50% at the end of second year

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

The exercise price of the options granted under the ESOP plans, is defined as the closing market price of the underlying equity share, preceding the date of grant of options on the stock exchange having the highest trading volume of such shares.

In the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement approved by the compensation committee, which shall not be beyond the initial exercise period, failing which they would stand cancelled.

At the Annual General Meeting held on 1 August 2007, the members of the Company approved for issue of fully paid-up bonus shares in the ratio of 1:1 i.e. one additional equity share, fully paid-up for each existing equity share held by the members, by capitalizing a part of the share premium account. The record date for such issue was 3 September 2007 and the shares were allotted on 5 September 2007. Based on the guidelines issued by Securities Exchange Board of India, the effect of this corporate action has been applied to all the outstanding options as at the date of the approval.

A summary of activity under the various option plans for the years ended 31 March 2011 and 31 March 2010 are given below:

	Year ended 31 March 2011 (Number of options)	
Particulars	*2006 ESOP Plan*	*2007 ASOP-RSU Plan*
Outstanding at the beginning of the year	848,500	846,000
Granted during the year	-	-
Forfeited during the year	503,500	131,500
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	345,000	714,500
Exercisable at the end of the year	345,000	714,500

	Year ended 31 March 2010 (Number of options)	
Particulars	*2006 ESOP Plan*	*2007 ASOP-RSU Plan*
Outstanding at the beginning of the year	1,149,000	1,000,000
Granted during the year	-	-
Forfeited during the year	300,500	154,000
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	848,500	846,000
Exercisable at the end of the year	848,500	846,000

4. Deferred tax

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

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

5. Leases

The Company leases office facilities under cancellable and non-cancellable operating lease agreements. The Company intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was Rs. 2,270,934 (previous year: Rs. 1,856,500) and under non-cancellable portion was Rs.2,702,350 (previous year: Rs. 4,764,960), which has been disclosed as rent.

The total of future minimum lease payments (MLP) under non-cancellable operating leases is as follows:

Particulars	Total MLP outstanding as on 31 March 2011	Total MLP outstanding as on 31 March 2010
Due within one year	-	2,702,350
Due later than one year and not later than five years	-	-
Due after five years	-	-
Total	**-**	**2,702,350**

6. Earnings in foreign currency

Particulars	Year Ended 31 March 2011	Year Ended 31 March 2010
Revenues from Information Technology Services	43,024,994	79,564,094
Total	**43,024,994**	**79,564,094**

7. Expenditure in foreign currency

Particulars	Year Ended 31 March 2011	Year Ended 31 March 2010
Travelling	88,469	596,424
Other expenses	718,594	1,043,946
Expenses incurred at overseas branches	-	399,116
Total	**807,063**	**2,039,486**

8. Managerial remuneration

Particulars	Year Ended 31 March 2011	Year Ended 31 March 2010
Salary and allowances	5,400,000	6,000,000
Total	**5,400,000**	**6,000,000**

The managerial personnel are covered by the personal accident insurance policy and mediclaim insurance policy taken by the Company along with other employees of the Company. The proportionate premium paid towards insurance policies pertaining to the managerial personnel has not been included in the aforementioned disclosures as separate amounts are not available for Directors. Further the above figures do not include provision for gratuity and compensated absences payable to the Managing Director as the same are actuarially determined for the Company as a whole.

Schedules to the Accounts (continued)

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

9. **Earnings per share (EPS)**	**Year ended 31 March 2011**	**Year ended 31 March 2010**
The computation of earnings per share is set out below:		
Earnings (Rs.).		
Loss for the year	(17,530,635)	(987,696,036)
Shares		
Number of shares at the beginning of the year	35,018,590	35,018,590
Add: No. of equity shares issued during the year	14,000,000	-
Total number of equity shares outstanding at the end of the year	49,018,590	35,018,590
Weighted average number of equity shares outstanding during the year – Basic and diluted	40,235,028	35,018,590
Basic and Diluted Earnings per share – Par value of Rs.10 (Rs.)	(0.44)	(28.20)

10. Details of investments purchased and sold

Sold

During the current year, the Company has sold 100% shares of VAR Quant Tech Securities Private Limited with the approval of the Board of Directors as on 11 November 2010.

Purchased

The following table summarises the investments made by the Company during the current year.

Subsidiary	**Amount (Rs)**
Northgate Investments Pte limited	
- Further investment in 6,982,201equity shares at SGD 1 per share (Face value of SGD 1 per share).	244,237,077
Globe 7 (UK) Limited	
- New investment in 60,000 equity shares at GBP 1 per share (Face value GBP 1 per share)	4,135,200
Green Fire Agri Commodities Private Limited	
- New investment in 310,205 equity shares at Rs.258 per share (Face value of Rs. 10 per share)	80,032,890
- Share application money pending allotment	26,020,590

11. Segment information

The Company is in the business of providing Information Technology Services to its step down subsidiary. The Company does not make any distinction amongst the services rendered or the geographical areas to which services are rendered and accordingly, there is only one business and geographical segment.

Pursuant to the Accounting Standard Interpretation (ASI) 20 (Revised) – Disclosure of Segment Information issued by the ICAI, no segment disclosure has been made in these financial statements, as the Company has only one geographical and business segment.

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

12. Related parties

A) Entities where control exists

None

B) Entities with whom transactions have taken place during the year

Subsidiaries

i. Northgate Investments Pte Limited, Singapore
ii. VAR Quant Tech Securities Private Limited, India
iii. Globe7(UK) Limited, United Kingdom
iv. Green Fire Agri Commodities Private Limited, India (Formally PNM Commodities Private Limited)

Step down subsidiaries

i. Globe7 Pte Limited, Singapore
ii. Social Media India Limited, India
iii. Globe7 HK Limited, Honk Kong
iv. Axill Europe Limited, United Kingdom

C) Key Managerial Personnel (KMP)

i. Venkata S Meenavalli – Chairman and Managing Director
ii. P. Srinivasu – Executive Director (w.e.f. 30 September 2010)
iii. D.V.S.S.Lakshminarayana - Director
iv. K. Bhaskara Reddy – Executive Director (up to June 19, 2010)

Particulars of related party transactions

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

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Revenue from information Technology Services to subsidiary		
Globe7 Pte Limited	43,024,994	79,564,094
Additional investments in subsidiaries		
Northgate Investments Pte Limited.	244,237,077	104,023,500
Green Fire Agri Commodities Private Limited.	80,032,890	-
VAR Quant Tech Securities Private Limited.	-	1,000,000
Globe7 (UK) Limited	4,135,200	-
Sale of investment in subsidiary		
VAR Quant Tech Securities Limited.	1,000,000	-
Share application money (pending allotment)		
Green Fire Agri Commodities Private Limited.	26,020,590	-
VAR Quant Tech Securities Private Limited.	-	7,000,000
Loan taken from step down subsidiary		
Social Media India Limited.	12,250,000	125,300,000
Repayment of loan to step down subsidiary		
Social Media India Limited.	35,000,000	-

Schedules to the Accounts (continued)

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

Interest accrued on loan taken (Gross)		
Social Media India Limited	9,662,702	8,551,780
Operating expenses paid by the Company, written off		
Axill Europe Limited	7,573,677	-
Globe7 (HK) Limited	8,229,827	-
Expenses incurred by subsidiary		
Globe7 Pte Limited	199,792	399,116
Expenses incurred by the Company on behalf of		
Globe7 Pte Limited	62,318	-
Social Media India Limited	102,790	-
Security deposit paid on behalf of the Company		
Social Media India Limited	1,056,000	-
Key managerial personnel		
Managerial remuneration	5,400,000	6,000,000

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

Particulars	**As at 31 March 2011**	**As at 31 March 2010**
Sundry debtors		
Globe7 Pte Limited	21,208,303	106,202,086
Loans and advances		
Due from subsidiaries and step down subsidiaries	-	15,803,504
Green Fire Agri Commodities Private Limited	26,020,590	-
Loan funds (including interest, net of TDS)		
Social Media India Limited	117,786,693	131,840,257
Investments		
Northgate Investments Pte Limited	4,262,121,261	4,017,884,184
Green Fire Agri Commodities Private Limited	80,032,890	-
Globe7 (UK) Limited	4,135,200	-
VAR Quant Tech Securities Limited	-	1,000,000
Current liabilities		
Social Media India Limited	953,210	-
Globe7 Pte Limited	536,590	399,116

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

13. Gratuity

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

Particulars	As at March 31, 2011	As at March 31, 2010
Obligations at the beginning of the year	**1,464,169**	**1,286,816**
Service cost	48,989	65,789
Interest cost	117,133	26,200
Benefits settled	-	-
Actuarial (gain) / loss	77,969	(165,520)
Obligations at the end of the year	**1,708,260**	**1,213,285**
Change in plan assets		
Plan assets at the beginning of the year, at fair value	937,491	937,491
Actuarial gain / (loss)	-	-
Expected return on plan assets	86,041	-
Contributions	164,843	-
Benefits settled	-	-
Plan assets at the end of the year, at fair value	**1,188,375**	**937,491**
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of defined benefit obligations at the end of the year	1,708,260	1,213,285
Fair value of the plan assets at the end of the year	(1,188,375)	(937,491)
Liability recognised in the balance sheet	**519,885**	**275,794**
Gratuity cost for the year		
Service cost	48,989	65,789
Interest cost	117,133	26,200
Expected return on plan assets	(86,041)	-
Actuarial loss / (gain)	77,969	(165,520)
Net gratuity cost	**158,050**	**(73,531)**
Assumptions		
Interest rate	8.00%	7.50%
Expected rate of salary increase	10.00%	4.00%
Attrition rate	10.00%	10.00%

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

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

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

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

14. During the year, the Company raised an amount of Rs. 287,000,000 by issue of 14,000,000 equity shares through Qualified Institutional Placements (QIP) with a face value of Rs.10 per share at a premium of Rs 10.50 per share. The expenses amounting to Rs.11,635,856 relating to the QIP have been deducted from the share premium received.

15. Disclosure as per Clause 32 of the Listing Agreement

During the year ended 31 March 2011, no loans and advances in the nature of loans were given to any subsidiary Company.

16. Amounts payable to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2011 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	Year Ended 31 March 2011	Year Ended 31 March 2010
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

17. Quantitative details

The Company is engaged in the business of providing “Information Technology Services”. These activities are not capable of being expressed in any generic form. Consequently, the quantitative details of sales and the particulars required under paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 have not been disclosed.

(All amounts in Indian Rupees, except share data)

18. Notes to Accounts (continued)

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

Particulars	As at 31 March 2011 In USD	As at 31 March 2010 In USD	As at 31 March 2011 In INR	As at 31 March 2010 In INR
Sundry debtors.	475,659	2,365,566	21,208,303	106,202,084
Globe 7 Pte Limited.	(13,025)	(8,580)	(536,590)	(399,116)

19. Transfer pricing

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act. Since the law required existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by 30 September 2011, as required by law. The Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

20. Previous year figures

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

As per our report attached
for B S R and Company
Chartered Accountants
Firm Registration No:128900W

for Northgate Technologies Limited

Zubin Shekary
Partner
Membership No: 48814

Venkata S Meenavalli
Chairman and Managing Director

P. Srinivasu
Executive Director

Place : Hyderabad
Date : May 19, 2011

Anil K. Singh
Chief Financial Officer

Lincoln Babu
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I	**Registration Details**	
	Registration Number	39,113
	State Code	1
	CIN Number.	L70900AP2002PLC039113
	Balance Sheet Date	March 31, 2011
II	**Capital Raised during the year (Amounts in Rs. Thousands)**	
	Public Issue	Nil
	Rights Issue	Nil
	Bonus Issued	Nil
	Private Placement (including premium).	287,000
III	**Position of Mobilization and Deployment of funds (Amount in Rs. In Thousands)**	
	Total Liabilities	3,344,151
	Total Liabilities	3,344,151
	Source of Funds	
	Paid-up Share Capital	491,471
	Reserves and Surplus	23,580
	Secured Loans	Nil
	Un-secured Loans	117,787
	Application of Funds	
	Net Fixed Assets	14,061
	Investments	775,242
	Net Current Assets.	55,756
	Miscellaneous Expenditure	Nil
IV	**Performance of the Company (Amount Rs. In Thousands)**	
	Turnover	43,025
	Total Expenditure	65,714
	Profit/Loss Before Tax	(17,497)
	Profit/Loss After Tax	(17,531)
	Earnings Per Share in Rs. 9 (Basic)	(0.44)
	Dividend Rate%	Nil
V	**Generic Names of Three Prinicipals Products/Services of the Company**	
	As per monetary terms/ Item Code No. (ITC code)	85249113
	Product Description.	IT Services

for Northgate Technologies Limited

Venkata S. Meenavalli *Chairman and Managing Director*	P. Srinivasu *Executive Director*
Anil K. Singh *Chief Financial Officer*	Lincoln Babu *Company Secretary*

Place : Hyderabad
Date : May 19, 2011

Notes

Notes

Notes

Northgate™
Technologies Limited

Regd. Office: SDE Serene Chambers, 8-2-334, 1st Floor, South Eastern Wing, Road No. 7, Banjara Hills, Hyderabad - 500 034

PROXY FORM

Nineteenth Annual General Meeting – September 30, 2011

Folio No./ DP and Client ID

I/We……………………………………………………………of……………………………in the district of………………………being a member(s) of the Company hereby appoint………………………………….of……………………in the district of…………………….or failing him / her………………………..of in the district of …………………………..as my / our proxy to vote for me / us on my / our behalf at the Nineteenth Annual General Meeting of the Company to be held on Friday, September 30, 2011 at 10.30.a.m. at Kalinga Cultural Trust, Plot No. 1269, Road No. 12, Banjara Hills, Hyderabad - 500 034 and at any adjournment(s) thereof.

Signed this ……………………………..day of ………………………..2011.

Affix 15 ps Revenue Stamp

……………………………….

Signature of Member

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

Northgate™
Technologies Limited

Regd. Office: SDE Serene Chambers, 8-2-334, 1st Floor, South Eastern Wing, Road No. 7, Banjara Hills, Hyderabad - 500 034

ATTENDANCE SLIP

Nineteenth Annual General Meeting – September 30, 2011

Folio No./ DP and Client ID

Number of Shares held

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

I hereby record my presence at the Nineteenth Annual General Meeting of the Company at on Friday, September 30, 2011 at 10.30.a.m.

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

. . . .
Signature of Member / Proxy

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

BOOK-POST

Northgate™

Technologies Limited

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