

Northgate Technologies Limited
Consolidated Balance Sheet as at 31 March 2009
(all amounts in Indian rupees, except share data and otherwise stated)

SOURCES OF FUNDS	Schedule	31 March 2009	31 March 2008
Shareholders' funds			
Share capital	2	351,471,008	349,871,008
Reserves and surplus	3	2,840,222,744	3,845,455,079
		<u>3,191,693,752</u>	<u>4,195,326,087</u>
Minority interest		-	31,912,390
Loan funds			
Secured loans	4	4,730,705	7,192,300
Deferred tax liability, net	18(4)	9,614,658	77,601,072
		<u>3,206,039,115</u>	<u>4,312,031,849</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	1,929,500,203	2,037,440,791
Less: Accumulated depreciation		(867,460,300)	(270,871,055)
Net block		<u>1,062,039,903</u>	<u>1,766,569,736</u>
Capital work-in-progress		954,050	316,079,361
		<u>1,062,993,953</u>	<u>2,082,649,097</u>
Deferred tax asset, net	18(4)	6,616,706	-
Investments	6	-	159,601,894
Current assets, loans and advances			
Sundry debtors	7	385,471,396	1,168,216,596
Cash and bank balances	8	164,163,077	570,718,760
Loans and advances	9	304,922,326	572,794,332
Interest accrued on bank deposits, but not due		636,879	-
		<u>855,193,678</u>	<u>2,311,729,688</u>
Current liabilities and provisions			
Current liabilities	10	258,446,485	154,510,217
Provisions	11	862,679	87,438,613
		<u>259,309,164</u>	<u>241,948,830</u>
Net current assets		595,884,514	2,069,780,858
Profit and loss account		1,540,543,942	-
		<u>3,206,039,115</u>	<u>4,312,031,849</u>
Significant accounting policies	1		
Notes to accounts	18		

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

for **Northgate Technologies Limited**

Zubin Shekary
Partner
Membership No: 48814

Venkat S. Meenavalli
Chairman and Managing Director

K. Bhaskara Reddy
Executive Director

Place: Hyderabad
Date: 15 May 2009

Anil K. Singh
Chief Financial Officer

Shaik Gouse
Company Secretary

Northgate Technologies Limited
Consolidated Profit and Loss Account for the year ended 31 March 2009
(all amounts in Indian rupees, except share data and otherwise stated)

	Schedule	Year ended 31 March 2009	Year ended 31 March 2008
Online advertising revenue		5,603,427,361	5,512,508,663
Less: Cost of revenues	12	3,568,155,504	3,661,950,429
Gross Profit		2,035,271,857	1,850,558,234
Selling and marketing expenses	13	918,416,210	658,569,408
General and administrative expenses	14	116,321,464	174,084,147
Bad and doubtful debts written off	18(12)	1,573,401,841	6,337,721
Advances written off	18(12)	52,793,758	-
Impairment loss	18(12)	1,598,608,969	-
Fixed Assets discarded, net	18(12)	47,178,299	26,386,660
Provision for Bad and doubtful debts		205,607,030	288,040
Provision for doubtful deposits		10,200,000	-
Operating Profit before Interest, Depreciation and Amortisation		(2,487,255,714)	984,892,258
Financial expenses	15	9,940,963	348,944
Depreciation and amortisation		715,756,945	179,046,039
Operating Profit before tax		(3,212,953,622)	805,497,275
Other income, net	16	180,966,878	(6,244,243)
Profit/(Loss) before tax		(3,031,986,744)	799,253,032
Provision for tax	17	(77,219,974)	72,374,414
Profit/(Loss) after tax		(2,954,766,770)	726,878,618
Share of Minority Interest		386,612	1,587,610
Net Profit after Minority Interest		(2,954,380,158)	728,466,228
Profit brought forward from previous year		1,313,846,158	697,953,185
Amount available for appropriation		(1,640,534,000)	1,426,419,413
Appropriations:			
Proposed dividend		-	69,717,180
Tax on proposed dividend		-	11,848,435
Transfer to General Reserve		-	31,007,640
Balance carried forward		(1,640,534,000)	1,313,846,158
Earnings per share	18(5)		
Basic - par value Rs. 10 per share		(84.54)	21.53
Diluted - par value Rs. 10 per share		(84.54)	20.97

Significant accounting policies

1

Notes to accounts

18

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

for **Northgate Technologies Limited**

Zubin Shekary
Partner
Membership No: 48814

Venkat S. Meenavalli
Chairman and Managing Director

K.Bhaskara Reddy
Executive Director

Place: Hyderabad
Date: 15 May 2009

Anil K.Singh
Chief Financial Officer

Shaik Gouse
Company Secretary

Northgate Technologies Limited

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

Schedules to the Consolidated accounts (continued)**2. Share capital****31 March 2009****31 March 2008***Authorised*

50,000,000 (previous year: 50,000,000) equity shares of Rs. 10 each

500,000,000

500,000,000

Issued

36,095,190 (previous year: 36,095,190) equity shares of Rs.10 each paid-up (Note i)

360,951,900

360,951,900

Subscribed and paid-up

35,018,590 (previous year: 34,858,590) equity shares of Rs.10 each (Note ii)

350,185,900

348,585,900

Add: Forfeited share capital (Note iii)

1,285,108

1,285,108

351,471,008**349,871,008**

Notes:

(i) 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.

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

(a) Nil (previous year: 16,514,295) equity shares of Rs.10 each fully paid-up, allotted as bonus shares by capitalisation of the Securities Premium Account in the previous year.

(b) Nil (previous year: 1,830,000) equity shares of Rs.10 each fully paid-up, allotted against Nil (previous year: 3,660,000) Global Depository Receipts

(c) 160,000 (previous year: 7,800) equity shares of Rs.10 each allotted to employees of the Company on exercise of the vested stock options in accordance with the terms of exercise under the Employee Stock Option 2004 and 2005 Plans.

(iii) 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.

3. Reserves and surplus**31 March 2009****31 March 2008***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

2,587,278,967

1,634,885,054

Add: Received during the year on issue of Global Depository Receipts

-

1,164,201,000

Add: Received during the year on exercise of employee stock options (including transfer from employee stock options outstanding)

10,579,501

-

Less: Utilised for issue of bonus shares

-

(165,142,950)

Less: Share issue expenses

-

(46,664,137)

Balance at the end of the year

2,597,858,468

2,587,278,967

Employee stock options outstanding

Balance at the beginning of the year

2,760,480

2,783,484

Add: Options granted during the year

-

Less: Options forfeited/cancelled during the year

1,801,980

23,004

Less: Options exercised during the year

958,500

-

Balance at the end of the year (A)

-

2,760,480

Northgate Technologies Limited

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

Schedules to the Consolidated accounts (continued)**3. Reserves and surplus (continued)**

	31 March 2009	31 March 2008
<i>Deferred stock compensation cost</i>		
Balance at the beginning of the year	-	(516,025)
Less: Amortisation during the year, net of forfeiture	-	516,025
Balance at the end of the year (B)	<u>-</u>	<u>-</u>
(A - B)	<u>-</u>	<u>2,760,480</u>
<i>General reserve</i>		
Balance at the beginning of the year	99,990,062	68,982,422
Add: Transferred from profit and loss account	-	31,007,640
Less: Debit balance of Profit and loss account (Note 2)	(99,990,062)	-
Balance at the end of the year	<u>-</u>	<u>99,990,062</u>
<i>Foreign Currency Translation Reserve</i>		
As at the commencement of the year	(160,091,730)	-
Add: Translation of foreign subsidiaries with non-integral operations	400,784,864	(160,091,730)
As at the end of the period	<u>240,693,134</u>	<u>(160,091,730)</u>
Balance in profit and loss account	-	1,313,846,158
	<u>2,840,222,744</u>	<u>3,845,455,079</u>

Notes:

- Capital reserve represents the capital profit earned by the Company on reissue of 1,400,000 forfeited shares.
- Debit balance of Rs. 99,990,062 (previous year: Nil) in the profit and loss account has been adjusted to the extent of balance in General Reserve (an uncommitted reserve).

4. Secured loans*From Banks*

	31 March 2009	31 March 2008
Vehicle loans	4,730,705	7,192,300
(Secured by hypothecation of the vehicles)	<u>4,730,705</u>	<u>7,192,300</u>

Northgate Technologies Limited

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

Schedules to the Consolidated accounts (continued)**6. Investments****31 March 2009****31 March 2008***Current investments**Non-trade (Quoted) investments**Equity Shares*

Nil (previous year: 1,500) shares of HKD 0.0001 each fully paid-up of Alibaba.com Limited, at cost	-	105,686
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Nil (previous year: 20,000) shares of HKD 0.10 fully paid-up of Honghua Group Limited, at cost	-	398,894
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Preferred Stock

Wells Fargo Cap XII 7.875% PFD, at cost	-	157,744,025
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Non-trade (Unquoted) investments

Nil (previous year: 7,727) units of Rs. 10 each fully paid-up of Birla SunLife Liquid Plus - Retail - Fortnightly Dividend Reinvestment, at cost	-	87,022
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Nil (previous year: 77,799) units of Rs. 10 each fully paid-up of JM Financial Arbitrage Advantage Fund - Dividend Plan, at cost	-	792,521
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Nil (previous year: 17,773) units of Rs. 10 each fully paid-up of Fidelity Multi Manager Cash Fund, at cost	-	177,866
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Nil (previous year: 14,556) units of Rs. 10 each fully paid-up of ICICI Prudential Income Optimiser, at cost	-	155,025
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Nil (previous year: 14,086) units of Rs. 10 each fully paid-up of Standard Chartered Fixed Maturity Arbitrage Fund	-	140,855
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-	159,601,894
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Aggregate cost of quoted investments	-	158,248,605
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Aggregate cost of unquoted investments	-	1,353,289
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Market value of quoted investments	-	160,148,882
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7. Sundry debtors**31 March 2009****31 March 2008***(Unsecured)*

Outstanding for more than six months	-	-
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Other debts

Considered good	385,471,396	1,168,216,596
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Considered doubtful	209,033,482	288,040
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594,504,878	1,168,504,636
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Less: Provision for bad and doubtful debts [Refer Schedule 18(13)]	(209,033,482)	(288,040)
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385,471,396	1,168,216,596
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Northgate Technologies Limited

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

Schedules to the Consolidated accounts (continued)**8. Cash and bank balances**

	31 March 2009	31 March 2008
Cash on hand	255,824	1,341,064
Cheques on hand	1,622,500	-
Balances with scheduled banks:		
- in deposit accounts	83,520,000	33,667,025
- in current accounts	11,313,079	28,950,104
- in export earners foreign currency accounts	146,171	-
- in unclaimed dividend accounts	497,805	414,845
Balances with non-scheduled banks outside India		
- in current accounts	65,928,320	39,720,487
- in deposit accounts	879,378	466,625,235
	164,163,077	570,718,760

	31 March 2009	31 March 2008
Balance outstanding at the end of the year with non-scheduled banks outside India		

On current accounts:

HSBC, Singapore	2,377,555	-
Barclays Bank Plc, United Kingdom	3,500,496	16,923,187
HSBC, United Kingdom	167,454	5,895,489
State Bank of India, Hong Kong	50,779,922	-
HSBC, Hong Kong	7,563,076	-
Commerce Bank - United States of America	1,539,817	13,884,503
United Bank of Switzerland., Singapore and Hong Kong	-	252,111
The Bank of East Asia Ltd., Singapore	-	2,765,197
	65,928,320	39,720,487

On deposit accounts:

United Bank of Switzerland., Singapore and Hong Kong	520,861	91,958,799
Barclays Bank Plc, United Kingdom	358,517	374,666,436
	879,378	466,625,235

9. Loans and advances*(Unsecured)**Considered good*

	31 March 2009	31 March 2008
Advances recoverable in cash or in kind or for value to be received, considered good	129,326,327	412,395,406
Security deposits	119,255,536	77,093,018
Prepaid expenses, considered good	14,820,764	36,763,335
MAT credit entitlement [net of provision for tax Rs. 29,471,000 (previous year: Rs.2,600,000)]	18,529,000	45,400,000
Advance tax [net of provision for tax Rs. 1,182,267 (previous year: Rs. 1,877,287)]	22,594,499	1,076,682
Staff loans and advances	396,200	65,891
<i>Considered doubtful</i>		
Security deposits	10,200,000	-
	315,122,326	572,794,332
Less: Provision for doubtful deposits	(10,200,000)	-
	304,922,326	572,794,332

Note:

Loans to an officer of the Company Rs.Nil (previous year: Rs. Nil)

[Maximum amount outstanding at anytime during the year Rs. Nil (previous year: Rs.Nil)]

Northgate Technologies Limited

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

Schedules to the Consolidated accounts (continued)**10. Current liabilities**

	31 March 2009	31 March 2008
Sundry creditors		
- total outstanding dues of micro enterprises and small enterprises	-	-
- total outstanding dues of creditors other than micro enterprises and small enterprise	232,188,942	140,574,270
Book overdraft	8,999	-
Advance from customers	8,185,825	-
Unclaimed dividend	497,805	414,845
Other liabilities	17,564,914	13,521,102
	<u>258,446,485</u>	<u>154,510,217</u>

Note: Investor Education and Protection Fund is required to be credited by Rs. 6,354 as at 31 March 2009 (previous year: Rs. Nil)

11. Provisions

	31 March 2009	31 March 2008
Leave encashment	214,851	1,627,746
Gratuity	503,034	2,101,273
Income tax [net of advance tax Rs. 800,000 (previous year; Rs. 514,580)]	114,172	2,119,583
Wealth tax [net of advance tax Rs. Nil (previous year: Rs. Nil)]	30,622	24,396
Proposed Dividend	-	81,565,615
	<u>862,679</u>	<u>87,438,613</u>

Schedules to the Consolidated accounts (continued)

12. Cost of revenues	Year ended 31 March 2009	Year ended 31 March 2008
Traffic acquisition cost	3,079,025,848	3,474,081,066
Subcontracting charges	238,606,351	-
Content cost	12,405,507	22,516,229
Salaries	117,162,370	76,586,957
Contribution to provident and other funds	1,531,338	3,555,563
Staff welfare expenses	3,629,195	1,622,888
Employee stock compensation expense	(1,025,670)	443,679
Communication expenses	15,594,844	698,235
Bandwidth Expenses	17,128,531	30,515,954
Rent	45,949,824	16,256,489
Travelling expenses	1,375,121	4,931,871
Datacentre charges	25,186,140	16,072,712
Computer maintenance expenses	357,400	468,615
Repairs and Maintenance		
- Buildings	1,118,578	155,127
- Others	297,341	142,469
Printing and Stationary	9,284	36,049
Subscriptions, books and periodicals	50,227	9,750
Power and Fuel	1,736,220	1,515,800
Software development expenses	7,617,962	1,024,781
Legal and professional charges	200,000	635,630
Telecommunication inventory written off	-	9,540,190
Miscellaneous expenses	199,093	1,140,375
	<u>3,568,155,504</u>	<u>3,661,950,429</u>

13. Selling and Marketing expenses	Year ended 31 March 2009	Year ended 31 March 2008
Salaries	82,648,727	79,908,103
Contribution to provident and other funds	1,665,841	1,801,118
Staff welfare expenses	7,948,031	1,216,049
Employee stock compensation expense	(588,114)	8,473
Rent	5,703,929	4,007,224
Travelling Expenses	10,313,116	14,738,306
Advertisement expenses	810,724,680	556,803,449
Miscellaneous expenses	-	86,686
	<u>918,416,210</u>	<u>658,569,408</u>

Northgate Technologies Limited

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

Schedules to the Consolidated accounts (continued)

	Year ended 31 March 2009	Year ended 31 March 2008
14. General and Administrative expenses		
Salaries	31,306,751	15,543,559
Contribution to provident and other funds	103,535	1,062,171
Employee stock compensation expense	(188,196)	40,869
Staff welfare expenses	5,821,469	3,935,490
Rent	11,483,561	8,062,993
Legal and Professional charges	21,760,665	73,102,307
Power and Fuel	2,448,601	1,318,187
Insurance	2,137,595	3,548,391
Travelling expenses	8,405,777	5,622,993
Rates and Taxes	5,021,017	8,907,225
Repairs and Maintenance		
- Buildings	503,299	2,427,082
- Others	2,528,237	1,204,605
Printing and Stationary	512,294	7,266,640
Subscriptions, books and periodicals	23,550	1,332,519
Communication expenses	1,599,078	4,161,888
Auditors' remuneration		
- Audit fee	5,756,802	4,773,480
- Tax audit fee	275,750	450,000
- Fee for other services	202,248	10,330,000
- Reimbursement of out-of-pocket expenses	8,680	62,159
Donations	145,000	45,250
Bank Charges	4,550,764	5,228,810
Staff recruitment expenses	-	2,593,500
Miscellaneous expenses	11,914,987	13,064,029
	116,321,464	174,084,147
15. Financial expenses		
Interest	8,868,729	348,944
Finance charges	1,072,234	-
	9,940,963	348,944
16. Other Income, net		
Foreign exchange gain/(loss), net	224,323,450	(17,948,250)
Liabilities written back	24,769,184	-
Dividend income	2,466,520	4,532,818
Interest on deposits, Gross (Tax deducted at source Rs. 156,025) (previous year : Rs. 595,912)	2,420,655	15,866,069
Interest on foreign tax credit	648,510	-
Miscellaneous income	436,739	161,505
Loss on sale of current investments	(74,098,180)	(8,856,385)
	180,966,878	(6,244,243)
17. Provision for tax		
Current tax expense	12,151,796	6,233,829
Deferred tax (benefit)/expense	(80,740,016)	64,486,544
Fringe benefit tax	1,274,659	1,654,041
Foreign tax credit	(9,937,035)	-
Provision for wealth tax	30,622	-
	(77,219,974)	72,374,414

Northgate Technologies Limited

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

Schedules to the Consolidated accounts (continued)

5. Fixed assets

Particulars	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET B
	As at 1 April 2008	Additions during the year	Foreign exchange adjustments	Deletions during the year	As at 31 March 2009	As at 1 April 2008	Charge for the year	Foreign exchange adjustments	On deletions	As at 31 March 2009	As at 31 March 2009
Tangible assets											
Plant and machinery	53,780,211	10,061,800	939,141	783,878	63,997,274	2,185,488	4,814,835	368,605	78,411	7,290,517	56,706,757
Computers	583,606,595	357,012,450	171,368,861	540,970,122	571,017,784	69,596,437	161,587,863	11,179,089	7,495,941	234,867,448	336,150,336
Office equipment	24,615,961	4,607,575	3,428,211	19,955,829	12,695,918	3,461,169	4,318,330	946,478	6,591,606	2,134,371	10,561,547
Furniture and fixtures	7,947,650	3,361,457	14,535,608	8,130,490	17,714,225	2,081,459	3,746,615	9,075,436	593,243	14,310,267	3,403,958
Leasehold improvements	36,189,704	11,837,485	1,893,500	16,081,974	33,838,715	7,586,447	6,321,492	410,408	8,694,097	5,624,250	28,214,465
Vehicles	13,838,001	39,395	77,229	228,915	13,725,710	2,076,042	1,332,422	34,433	-	3,442,897	10,282,813
Total (A)	719,978,122	386,920,162	192,242,550	586,151,208	712,989,626	86,987,042	182,121,557	22,014,449	23,453,298	267,669,750	445,319,876
Intangible assets											
Goodwill	16,382,330	-	-	-	16,382,330	16,382,330	-	-	-	16,382,330	-
Software	1,301,080,339	1,001,178,023	106,043,225	1,208,173,340	1,200,128,247	167,501,683	533,635,388	12,396,681	130,125,532	583,408,220	616,720,027
Total (B)	1,317,462,669	1,001,178,023	106,043,225	1,208,173,340	1,216,510,577	183,884,013	533,635,388	12,396,681	130,125,532	599,790,550	616,720,027
Total (A+B)	2,037,440,791	1,388,098,185	298,285,775	1,794,324,548	1,929,500,203	270,871,055	715,756,945	34,411,130	153,578,830	867,460,300	1,062,039,903
Previous year	361,085,030	1,754,532,033	(13,693,656)	64,482,616	2,037,440,791	123,606,908	183,620,551	(4,574,512)	31,781,892	270,871,055	1,766,569,736

Notes:

1. Deletions during the year represents assets discarded by the Company on closure of operations and the fixed assets on which impairment has been provided, refer Schedule 18(12)
2. Foreign exchange adjustments represents exchange differences resulting from translation of fixed assets relating to non integral foreign operations.
3. Software includes "computer software" and "web portals" owned by the Group.
4. Computers includes "server farms".

LOCK
As at 31 March 2008
51,594,723
514,010,158
21,154,792
5,866,191
28,603,257
11,761,959
632,991,080
-
1,133,578,656
1,133,578,656
1,766,569,736
237,478,122

Northgate Technologies Limited
Consolidated Cash flow statement for the year ended 31 March 2009
(All amounts in Indian rupees thousands)

	31 March 2009	31 March 2008
Cash flows from operating activities		
Profit/(loss) before tax	(3,031,986,744)	799,253,032
Adjustments:		
Depreciation and amortisation	715,756,945	179,046,039
Bad and doubtful debts written off	1,573,401,841	6,337,721
Advances written off	52,793,758	-
Provision for doubtful deposits	10,200,000	-
Provision for Bad and doubtful debts	205,607,030	288,040
Interest expense	9,940,963	348,944
Fixed assets discarded, net	47,178,299	26,386,660
Impairment loss	1,598,608,969	-
Interest income	(2,420,655)	(15,866,069)
Dividend income	(2,466,520)	(4,532,818)
Loss on sale of current investments	74,098,180	8,856,385
Provisions written Back	(24,769,184)	-
Employee stock compensation expense	(1,801,980)	493,021
Unrealised foreign exchange (gain)/loss	(972,021)	132,975
Operating cash flow before working capital and other changes	1,223,168,881	1,000,743,930
Increase/(Decrease) in sundry debtors	(812,992,009)	186,668,145
Increase/(Decrease) in loans and advances	263,245,273	(526,437,666)
Decrease in current liabilities and provisions	100,927,202	11,506,409
Cash generated from operations	774,349,347	672,480,818
Taxes paid	5,970,849	(63,027,058)
Net cash provided by operating activities	780,320,196	609,453,760
Cash flows from investing activities		
Purchase of fixed assets	(1,077,578,791)	(1,705,823,061)
Proceeds from sale of current investments	172,126,165	224,042,755
Purchase of current investments	(86,611,024)	(150,928,630)
Interest income on deposits and unsecured loan	1,783,776	15,866,069
Dividend Income	2,466,520	4,532,818
Interest expenses	(9,940,963)	(348,944)
Net cash used in investing activities	(997,754,317)	(1,612,658,993)
Cash flows from financing activities		
Proceeds from issue of shares (net of share issue expenses)	11,221,001	1,135,875,863
Share Application Money	-	33,500,000
Proceeds from long term borrowings	-	7,947,000
Repayment of share application money of minority interest	(23,500,000)	-
Acquisition of minority interests	(9,955,563)	-
Repayment of long term borrowings	(2,474,724)	(754,698)
Payment of Dividend (including tax on distributed profits)	(81,482,655)	(77,191,510)
Net cash provided by financing activities	(106,191,941)	1,099,376,655
Net increase in cash and cash equivalents	(323,626,062)	96,171,422
Cash and cash equivalents at the beginning of the year	570,718,760	496,382,246
Effect of exchange gain/(loss) on cash and cash equivalents	(82,929,621)	(21,834,908)
Cash and cash equivalents at the end of the year	164,163,077	570,718,760

Northgate Technologies Limited
Cash flow statement for the year ended 31 March 2009
 (All amounts in Indian rupees thousands)

Notes:

1. Components of cash and cash equivalents as at	31 March 2009	31 March 2008
Cash on hand	255,824	1,341,064
Balances with scheduled banks:		
- on deposit accounts	83,520,000	33,667,025
- on current accounts	12,935,579	28,950,104
- on export earners foreign currency accounts	146,171	-
- on unclaimed dividend accounts	497,805	414,845
- on deposit accounts (with non scheduled banks)	879,378	466,625,235
- on current accounts (with non scheduled banks)	65,928,320	39,720,487
	<u><u>164,163,077</u></u>	<u><u>570,718,760</u></u>

As per our report attached
 for **B S R and Company**
 Chartered Accountants

for **Northgate Technologies Limited**

Zubin Shekary
 Partner
 Membership No: 48814

Venkat S. Meenavalli
 Chairman and Managing Director

K.Bhaskara Reddy
 Executive Director

Place: Hyderabad
 Date: 15 May 2009

Anil K.Singh
 Chief Financial Officer

Shaik Gouse
 Company Secretary

Northgate Technologies Limited

Schedule 1: Significant accounting policies

a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, 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 (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.

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.

Northgate Technologies Limited

Schedule 1: Significant accounting policies (continued)

- 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 the cost of acquisition or construction, less accumulated depreciation. The cost of fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Advances paid towards the acquisition of the 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 under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method at the rates specified in schedule XIV to the Companies' Act, 1956 or based on the useful lives of the assets as estimated by Management, whichever is higher. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

The Management's estimates of the useful lives for various categories of fixed assets are given below:

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

Leasehold improvements are being amortised or depreciated over the primary period of the lease or estimated useful lives.

Northgate Technologies Limited

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.

	<u>Years</u>
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.

Gain/loss, on investments in options and futures, both equity stock and index, being the difference between the contracted rate and the rate on the settlement or sale date, whichever is earlier is recognized in the Profit and Loss Account on settlement/sale. The open contracts as at the year end are marked-to-market and the resultant loss, if any, is charged to the Profit and Loss Account.

The methods of determining cost of various categories of inventories are as follows:

g) Employee benefits

Contributions payable to an approved gratuity fund (a defined benefit plan) are determined by independent actuaries at the balance sheet date are charged to the profit and loss account. Provision for compensated absences cost is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

Contributions payable to the recognised provident fund and employee state insurance scheme, which are defined contribution schemes, are charged to the profit and loss account. All actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year.

Northgate Technologies Limited

Schedule 1: Significant accounting policies (continued)

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.

The Company's foreign branches have been identified as an integral operation of the Company, in accordance with the requirements of AS-11 (Revised 2003). The financial statements of these foreign integral branches are translated into Indian rupees as follows:

- Revenue items are translated at the respective monthly average rates. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is calculated.
- Monetary items are translated using the closing rate.
- Non-monetary items, are translated using the exchange rate at the date of transaction i.e., the date when they were acquired.
- The net exchange difference resulting from the translation of items in the financial statements of foreign integral operations is recognised as income or as expense for the year.
- Contingent liabilities, if any are translated at the closing rate.

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 Effect of Changes in Foreign Exchange rates”, 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.

Northgate Technologies Limited

Schedule 1: Significant accounting policies (continued)

i) Revenue recognition

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

The Group’s revenues are derived principally from display advertising services (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. The Group recognizes revenues from CPA, based on the specified number of defined actions resulting from the advertisement, i.e., whether a 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, the 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 the 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 revenues the fees charged from advertisers each time an advertisement is displayed on television in accordance with the terms of the related agreements.

Revenues realized through CPA advertisements and television advertisements were not material in any of the years presented.

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

Northgate Technologies Limited

Schedule 1: Significant accounting policies (continued)

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

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.

Northgate Technologies Limited

Schedule 1: Significant accounting policies (continued)

Fringe benefit tax

Consequent to the introduction of Fringe Benefit Tax (“FBT”) effective 1 April 2005, the Company provides for and discloses the FBT in accordance with the provisions of Section 115 WC of the Income Tax Act, 1961 and guidance note on FBT issued by the ICAI.

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.

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.

Northgate Technologies Limited

Schedule 1: Significant accounting policies (continued)

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

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.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

1. Overview

Northgate Technologies Limited (“NGTL / the Company”) together with its subsidiaries (collectively referred to as “the Group” or “NGTL’s Group”) is a leading online advertising service provider. Through this service, the Group aggregates, position 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 National stock exchanges in India and on the Luxemburg Stock Exchange from October 2007.

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

Entity	Country of incorporation	Percentage holding as at 31 March 2009
<u>Subsidiaries</u>		
Northgate Investments Pte Limited	A Company organised under the laws of Singapore	100
<u>Step-down subsidiaries</u>		
Globe7 Pte Limited	A Company organised under the laws of Singapore	100
Axill Europe Limited	A Company organised under the laws of United Kingdom	100
Social Media India Limited	A Company organised under the laws of India	100
Globe7 HK Limited	A Company organised under the laws of Hong Kong	100
Globe7 Inc	A Company organised under the laws of United States of America	100
Globe7 Americas Inc	A Company organised under the laws of United States of America	100

On 2 July 2008, the Board of Directors of the Company entered into a ‘Share Purchase Agreement’ with certain specified shareholders of Social Media India Limited (“SMIL”), for the transfer of their shareholding in SMIL for consideration of Rs. 10,000,000 settled in cash.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

Subsequently on the same date, the Company as part of its restructuring plan approved by the Board during the year ended 31 March 2008, transferred all of its shares held in SMIL, including those acquired during the year, to Globe7 Pte Limited, for a consideration of Rs. 250,000,000 which was received during the year. No gain/loss has been recorded on this transaction, since the sale consideration equals the carrying amount.

During the current year, the Company closed the operations of Globe7 Inc. The certificate for dissolution with the State of New Jersey, the Department of Treasury of the United States of America was received on 4 February 2009.

2. Commitments and contingent liabilities

		31 March 2009	31 March 2008
(i)	Guarantees issued by banks	8,229,111	3,600,000
(ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	10,352,748

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
2004 ESOP Plan	28 September 2004	1,000,000	3 years	30% at the end of first year 30% at the end of second year 40% at the end of third year
2005 ESOP Plan	21 September 2005	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
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 2004 ESOP Plan, is defined as the average of the weekly high and low of the closing price of the underlying equity shares, during the six months preceding the date of grant, on the stock exchange having the highest trading volume of such shares, or closing price on the same stock exchange on the date of grant whichever is lower.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)**18. Notes to accounts**

The exercise price of the options granted under the other 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 capitalising 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 2009 and 31 March 2008 are given below:

	Year ended 31 March 2009			
	(Number of options)			
	<i>2004 ESOP Plan</i>	<i>2005 ESOP Plan</i>	<i>2006 ESOP Plan</i>	<i>2007 ASOP-RSU Plan</i>
Outstanding at the beginning of the year	288,000	929,500	110,000	-
Granted during the year	-	-	1,200,000	1,000,000
Forfeited during the year	-	67,200	51,000	-
Cancelled during the year	188,000	802,300	-	-
Exercised during the year	100,000	60,000	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	1,149,000	1,000,000
Exercisable at the end of the year	-	-	-	-

	Year ended 31 March 2008			
	(Number of options)			
	<i>2004 ESOP Plan</i>	<i>2005 ESOP Plan</i>	<i>2006 ESOP Plan</i>	<i>2007 ASOP-RSU Plan</i>
Outstanding at the beginning of the year	290,400	906,300	-	-
Granted during the year	-	31,000	110,000	-
Forfeited during the year	2,400	-	-	-
Exercised during the year	-	7,800	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	288,000	929,500	110,000	-
Exercisable at the end of the year	288,000	335,400	-	-

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

On 18 October 2008, the Compensation Committee of the Board of Directors decided to cancel all the unexercised stock options outstanding as on that date, under the 2004 ESOP Plan and the 2005 ESOP Plan, resulting out of the significant fall in the stock market price of the Company's shares, which was detrimental to the interest of option holders.

Accordingly 188,000 and 802,300 number of options under the 2004 ESOP Plan and the 2005 ESOP Plan, respectively have been cancelled which includes 188,000 number of vested options. The cancellation of vested options, the cost for which has been recognised in the previous periods, has been recorded as a credit to the current year stock compensation expense amounting to Rs.1,801,980, in accordance with the guidelines issued by Securities Exchange Board of India.

4. Deferred taxation

Net Deferred tax asset / (liability) included in the balance sheet comprises the following:

	31 March 2009	31 March 2008
Deferred tax assets		
Excess of depreciation in accounts, over depreciation allowable under the Income-tax laws	3,805,010	-
Carried forward losses	3,881,703	64,227,830
Provision for expenses	1,346,638	744,108
Total	9,033,351	64,971,938
Deferred tax liabilities		
Excess of depreciation allowable under the Income tax laws, over the depreciation provided in accounts	12,031,303	142,573,010
Total	12,031,303	142,573,010
Deferred tax asset / (liability), net	(2,997,952)	(77,601,072)

As at 31 March 2009, the Company has long term capital losses amounting to Rs.1,883,273, which are eligible to be carried forward, to be set off against future taxable income under the head "Capital Gains", as defined in the Income Tax Act, 1961. No deferred tax asset has been recognized in the absence of virtual certainty supported by convincing evidence that there will be future taxable income against which, such loss can be set off.

As at 31 March 2009, Globe7 HK Limited had unabsorbed tax losses of approximately Rs.842,889,870 on which no deferred tax asset has been recognized in the absence of virtual certainty supported by convincing evidence that there will be future taxable income against which, such loss can be set off.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)**18. Notes to accounts****5. Earnings per share (EPS)**

The computation of EPS is set out below:

	Year ended 31 March 2009	Year ended 31 March 2008
<i>Earnings (Rs.)</i>		
Net Profit/(Loss) for the year	(2,954,380,158)	728,466,228
<i>Shares</i>		
Number of shares at the beginning of the year	34,858,590	33,020,790
<i>Add:</i> No. of equity shares issued on exercise of vested stock options	160,000	1,837,800
Total number of equity shares outstanding at the end of the year	35,018,590	34,858,590
Weighted average number of equity shares outstanding during the year – Basic	34,945,385	33,833,153
<i>Add:</i> Weighted average number of equity shares arising out of outstanding stock options (net of stock options forfeited) that have dilutive effect on EPS	-	909,805
Weighted average number of equity shares outstanding during the year – Diluted	34,945,385	34,742,958
Basic Earnings per share - Par value of Rs.10 (Rs.)	(84.54)	21.53
Diluted Earnings per share - Par value of Rs.10 (Rs.)	(84.54)	20.97

As the Company incurred a net loss for the year ended 31 March 2009; 86,036 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.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)**18. Notes to accounts****6. Related party disclosures****A) Other related parties**

S. No.	Name of the party	Relationship
1.	Stampede Holdings Private Limited, India	Enterprises in which Chairman and Managing Director is a Director
2.	Brilliant Securities Limited, India	Enterprises significantly influenced by key management personnel
3.	VAR Quant Technologies Private Limited, India	Enterprises significantly influenced by key management personnel
4.	KBR Holdings Private Limited, India	Enterprises owned by key management personnel and their relatives

B) Key managerial personnel with whom transactions have taken place during the year

S. No.	Name of the Personnel	Relationship
1.	Venkat S. Meenavalli	Chairman and Managing Director
2.	K. Bhaskara Reddy	Executive Director
3.	Yogesh Patel	Director in step down subsidiary
4.	B. Lokesh	Director in step down subsidiary
5.	P. Dorababu	Director in step down subsidiary

Details of remuneration paid and recovery of excess remuneration paid, to the Directors are given in Note 8 of Schedule 18.

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.	T Naresh Kumar	Independent Director
3.	Y. Suresh Kumar Reddy	Independent Director
4.	V. Sree Hari Rao	Additional Director
5.	Y. Ramesh	Independent Director

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

7. Segmental information

The Company is engaged in the provision of advertising revenues, both on the world wide web and on television which constitutes as one business segment. Primary reportable segment information based on geographical location of assets is given.

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 geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

A) Primary segment – Geographical segments

	31 March 2009						
	India	Europe	Singapore	Hong Kong	Others	Eliminations	Total
a) Segment revenues :							
Revenues from external customers	634,763,263	-	3,367,585,251	1,601,078,847	-	-	5,603,427,361
Inter segment revenues	129,971,153	269,225,972	74,385,735	-	18,859,783	(492,442,643)	-
Total segment revenues	764,734,416	269,225,972	3,441,970,986	1,601,078,847	18,859,783	(492,442,643)	5,603,427,361
b) Segment results :	43,006,350	29,286,476	(510,812,409)	(2,041,569,180)	19,048,120	(492,442,643)	(2,953,483,286)
Financial expenses							9,940,963
Loss on sale of current investments							(74,098,180)
Interest income							3,069,165
Dividend income							2,466,520
Profit/(Loss) before tax and minority interest							(3,031,986,744)
Provision for tax							(77,219,974)
Share of Minority interest							386,612
Profit/(Loss) for the year							(2,954,380,158)
c) Segment assets	371,542,563	963,367,254	228,549,920	256,285,897	1,539,817	-	1,821,285,451
Unallocated corporate assets							103,518,886
Total assets							1,924,804,337
d) Segment liabilities	14,535,557	48,585,591	122,694,928	73,348,298	-	-	259,164,374
Unallocated corporate liabilities							14,490,153
Total liabilities							273,654,527
e) Cost incurred during the year to acquire segment fixed assets including intangible assets	23,449,030	520,946,568	5,142,301	838,560,286	-	-	1,388,098,185
f) Depreciation and Amortization	60,991,685	297,202,917	97,206,309	257,330,608	3,025,426	-	715,756,945
g) Non cash expenses other than depreciation and amortization	112,475,017	311,934	1,507,814,452	1,850,481,996	14,904,520	-	3,485,987,919

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

	31 March 2008						
	India	Europe	Singapore	Hong Kong	Others	Eliminations	Total
a) Segment revenues :							
Revenues from external customers	98,521,553	1,476,772,392	2,320,251,268	1,170,292,132	446,671,318	-	5,512,508,663
Inter Segment Revenues	619,433,947	101,599,473	15,948,732	1,488,920	151,534,909	(890,005,981)	-
Total Segment Revenues	717,955,500	1,578,371,865	2,336,200,000	1,171,781,052	598,206,227	(890,005,981)	5,512,508,663
b) Segment results :	433,460,313	373,406,695	444,370,451	364,125,375	62,702,625	(890,005,981)	788,059,478
Financial expenses							348,944
Loss on sale of current investments							(8,856,386)
Interest income							15,866,069
Dividend income							4,532,818
Profit/(Loss) before tax and minority interest							799,253,035
Provision for tax							72,374,417
Share of Minority interest							1,587,610
Profit/(Loss) for the year							728,466,228
c) Segment assets	494,649,753	947,391,886	1,075,062,557	1,118,293,525	260,050,015	-	3,895,447,736
Unallocated corporate assets							658,532,943
Total assets							4,553,980,679
d) Segment Liabilities	155,300,638	32,621,319	22,155,547	2,642,443	26,594,904	-	239,314,851
Unallocated Corporate liabilities							119,339,741
Total Liabilities							358,654,592
e) Cost incurred during the year to acquire Segment fixed assets including intangible assets	144,968,591	663,722,694	307,113,480	623,406,699	1,626,913	-	1,740,838,377
f) Depreciation and Amortisation	29,618,734	71,485,782	40,196,876	31,359,184	6,385,463	-	179,046,039
g) Non cash expenses other than depreciation and amortization	828,123	26,407,538	-	-	6,269,781	-	33,505,442

B) Secondary reportable business segment information, as stated above the Company has only one business segment of online advertising.

Northgate Technologies Limited

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Schedules to the consolidated accounts (continued)

18. Notes to accounts

C) Revenue by geographical location of customers:

	Year ended 31 March 2009	Year ended 31 March 2008
India	668,014,695	64,112,423
Singapore	163,118,559	1,064,402,696
United States of America	1,234,493,145	616,620,754
Europe	3,208,423,777	2,807,871,834
Hong Kong	323,601,569	924,407,545
Others	5,775,616	35,093,411
	5,603,427,361	5,512,508,663

8. Particulars of managerial remuneration

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

	Year ended 31 March 2009	Year ended 31 March 2008
Salaries and allowances	20,640,243	21,454,379
Other perquisites	-	2,646,307
	20,640,243	24,100,686

The Chairman and Managing Director and the Executive Director of the Company are entitled for remuneration (including commission), as per the terms of appointment approved by the members at the Annual General Meeting held on 30 September 2008, which states that in the event of loss or inadequacy of profits in any financial year, the Chairman and Managing Director and the Executive Director of the Company would be eligible for minimum remuneration as prescribed in Schedule XIII of the Companies Act, 1956. Since, the Company has incurred a loss for the year ended 31 March 2009, the limits prescribed for managerial remuneration in Schedule XIII of the Companies Act, 1956 is applicable.

The Company has paid an amount of Rs. 1,622,500 for the year ended 31 March 2009 to the Chairman and Managing Director in excess of the limits prescribed in Schedule XIII of the Companies Act, 1956, without obtaining the prior approval of the Central Government, as contemplated. However, the Company has recovered this amount by way of a cheque from the Chairman and Managing Director which has been disclosed as Cheque on hand as at 31 March 2009

9. 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. 63,137,314 (previous year Rs. 28,326,706).

Northgate Technologies Limited

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Schedules to the consolidated accounts (continued)**18. Notes to accounts**

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

	Total MLP outstanding as on 31 March 2009	Total MLP outstanding as on 31 March 2008
Due within one year	12,079,360	29,425,211
Due later than one year and not later than five years	38,753,228	43,826,973
Due after five years	-	-
	50,832,588	73,252,184

10. Gratuity

In accordance with applicable India laws, the Company provides gratuity, a defined benefit retirement plan (“Gratuity Plan”) covering certain categories of employees. The Gratuity Plan provides a lump sum payment of to vested employees at retirement or termination of employment. The amount of payment is based on the respective employee’s last drawn salary and the years of employment with the company.

The following table summarizes the components of net benefit expense recognised in the profit and loss account and the funded status of the amounts recognised in the balance sheet for the gratuity plans of NGTL.

Expense recognized in the profit and loss account

	Year ended 31 March 2009	Year ended 31 March 2008
Current service cost	431,524	142,513
Interest on defined benefit obligation	134,804	20,685
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	(2,148,412)	1,375,629
Past service cost	-	-
Net employee benefit expense	(1,582,084)	1,538,827

Amount recognized in balance sheet

	31 March 2009	31 March 2008
Present value of funded obligations	349,325	1,931,409
Fair value on plan assets	-	-
Net liability (shown under provision for gratuity)	349,325	1,931,409

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)**18. Notes to accounts****Changes in the present value of the defined benefit obligation are as follows:**

	31 March 2009	31 March 2008
Opening defined benefit obligation	1,931,409	392,582
Service cost	431,524	142,513
Interest cost	134,804	20,685
Actuarial (gain) / loss	(2,148,412)	1,375,629
Benefits paid	-	-
Benefit obligation at the end of the year	349,325	1,931,409

Actuarial assumptions:

	31 March 2009	31 March 2008
Discount rate (per annum)	7.5%	8%
Salary escalation rate (per annum)	4%	4%
Attrition rate (per annum)	10%	1%

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.

The following table summarizes the components of net benefit expense recognised in the profit and loss account and the funded status of the amounts recognised in the balance sheet for the gratuity plans of Social Media India Limited.

Expense recognized in the profit and loss account

	Year ended 31 March 2009	Year ended 31 March 2008
Current service cost	707,900	-
Interest on defined benefit obligation	189,691	-
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognized in the year	(3,273,096)	468,940
Past service cost	-	-
Net employee benefit expense	(2,375,505)	468,940

Amount recognized in Balance Sheet

	31 March 2009	31 March 2008
Present value of funded obligations	349,325	468,940
Fair value on plan assets	-	-
Net liability (shown under provision for gratuity)	349,325	468,940

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2009	31 March 2008
Opening defined benefit obligation	2,529,214	-
Service cost	707,900	-
Interest cost	189,691	-
Actuarial (gain) / loss	(3,273,096)	468,940
Benefits paid	-	-
Benefit obligation at the end of the year	153,709	468,940

Actuarial assumptions:

	31 March 2009	31 March 2008
Discount rate (per annum)	7.5%	8%
Salary escalation rate (per annum)	4%	4%
Attrition rate (per annum)	10%	1%

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.

11. Amounts payable to micro, small and medium enterprises

The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2009 has been made in the financials 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 Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

	Year ended 31 March 2009	Year ended 31 March 2008
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

12. Impairment charges

During the year, there have been certain significant adverse changes in the operations conducted at Hong Kong, Singapore and the United States of America, such as loss of key customer partnership contracts, decreased recoverability of long outstanding dues from customers, reduction in the flow of future economic benefits from fixed assets and intangible assets held, etc. In view of the above, on 5 March 2009, the management initiated a process of restructuring its operations at these locations. These efforts inter alia include operational restructuring of the business through closure of sales and marketing offices, sale of servers, reduction of sales force etc and deriving financial synergies from consolidation of other European operations which will support the existing business being conducted at each of these locations.

The Company has evaluated the requirements of AS 24 “Discontinued Operations”, and has concluded that the Company’s restructuring plan does not meet the definition of a discontinued operation as the component of the entity is not discontinued and accordingly does not lead to an initial disclosure event.

Management has initiated the process of closing the sales and marketing offices in response to market forces as the key partnership arrangements have been terminated. However, management has ensured that the other online internet advertising business operation continues and in this regard has shifted the internet content and the other web portals to Axill Europe Limited. Further, the operations such as marketing, maintenance, development, upgradation and support of the web properties are being carried out by other group Companies. Management believes that the overall restructuring plan will result in significant cost savings as the businesses would become unviable had these facilities/assets continued to be operated from Hong Kong.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

Pursuant to the revised business plan, the following costs have been considered as impairment losses:

Bad and doubtful debts written off

The management based on a review of the long outstanding sundry debtors at each of these locations, has recorded an amount of Rs.1,573,401,841; as an expense for the year ended 31 March 2009.

Assets discarded

As part the restructuring process, management has absolved its right of ownership on certain fixed assets comprising primarily of servers, held at each of these locations and has abandoned the same. Accordingly, an amount of Rs.47,178,299; representing the net carrying value of these fixed assets has been recorded for the year ended 31 March 2009.

Impairment/write down of intangibles

During the year ended 31 March 2009, there have been significant adverse changes in the technical feasibility of certain intangible assets, and certain fixed assets have been impaired as their value in use is negligible and accordingly an amount of Rs.1,598,608,969; primarily representing the net carrying value of the fixed assets and the gaming engines deployed on gaming portal www.egglad.com, has been recorded as impairment loss for the year ended 31 March 2009.

Advances written off

The management based on a review of the recoverability of long outstanding advances at each of these locations, has recorded an amount of Rs.52,793,758, as an expense for the year ended 31 March 2009.

13. Change in accounting estimate

As a result of the adverse changes in the Company's operations at Hong Kong, Singapore and United States of America, management has reviewed its provisioning policy for non recoverability of dues from debtors and accordingly has modified the same, whereby all debts outstanding for a period more than 90 days would be provided for, as compared to the previous periods where all debts outstanding for a period more than 120 days were provided for. This has resulted in an incremental expense to the current year profit and loss account by an amount of Rs.205,607,030. Had the Company not modified the provisioning policy, the charge on account of 'provision for bad and doubtful debts' and the 'loss' for the year would have been lower by Rs.205,607,030 and the corresponding net carrying value of sundry debtors as of 31 March 2009 would have been higher by a similar amount.

Northgate Technologies Limited

(All amounts in Indian Rupees, except share data)

Schedules to the consolidated accounts (continued)

18. Notes to accounts

14. Subsequent events

On 1 April 2009, M/s. Price Waterhouse auditors of the Company appointed in the annual general meeting held on 30 September 2008, vacated the office held by them by resignation resulting in a casual vacancy. Subsequently the members of the Company at their extraordinary general meeting held on 11 May 2009, appointed M/s. B S R and Company as the statutory auditors to fill such casual vacancy.

15. Previous year figures

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

for Northgate Technologies Limited

Venkat S. Meenavalli
Chairman and Managing Director

K.Bhaskara Reddy
Executive Director

Anil K.Singh
Chief Financial Officer

Shaik Gouse
Company Secretary

Place: Hyderabad
Date: 15 May 2009