

Northgate Technologies Limited

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	2,599,529,610	3,628,557,939
		<u>2,951,000,618</u>	<u>3,978,428,947</u>
Loan fund			
Secured loan	4	3,675,173	5,637,426
Deferred tax liability, net	17(3)	-	2,100,000
		<u>2,954,675,791</u>	<u>3,986,166,373</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	95,747,226	123,563,285
Less: Accumulated depreciation		(56,823,324)	(54,416,973)
Net block		<u>38,923,902</u>	<u>69,146,312</u>
Capital work-in-progress		954,050	5,041,550
		<u>39,877,952</u>	<u>74,187,862</u>
Deferred tax asset, net	17(3)	4,976,086	-
Investments	6	1,286,124,027	1,459,118,354
Current assets, loans and advances			
Sundry debtors	7	53,423,814	62,834,603
Cash and bank balances	8	28,455,467	37,990,967
Loans and advances	9	57,148,155	2,453,766,048
Interest accrued on bank deposits, but not due		19,265	5,021
		<u>139,046,701</u>	<u>2,554,596,639</u>
Current liabilities and provisions			
Current liabilities	10	8,662,341	17,033,719
Provisions	11	552,129	84,702,763
		<u>9,214,470</u>	<u>101,736,482</u>
Net current assets		129,832,231	2,452,860,157
Profit and loss account		1,493,865,495	-
		<u>2,954,675,791</u>	<u>3,986,166,373</u>
Significant accounting policies	1		
Notes to accounts	17		

The Schedules referred to above form an integral part of the 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

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
Revenues from Information Technology services		129,971,153	619,433,947
Less: Cost of revenues	12	<u>51,732,618</u>	<u>82,114,549</u>
Gross Profit		78,238,535	537,319,398
Selling and marketing expenses	13	665,984	3,983,958
General and administrative expenses	14	27,185,309	47,610,585
Provision for decline in the value of long term investments	17(12)	2,627,736,657	-
Loss on abandonment of assets	17(13)	29,089,164	47,062
Loss on sale of long term investment		<u>-</u>	<u>72,009,599</u>
Operating Profit before Interest, Depreciation and Amortisation		(2,606,438,579)	413,668,194
Interest expense		415,366	211,968
Depreciation and amortisation		<u>16,120,259</u>	<u>19,466,188</u>
Operating Profit before tax		(2,622,974,204)	393,990,038
Other income	15	<u>102,510,349</u>	<u>17,155,938</u>
Profit/(Loss) before tax		(2,520,463,855)	411,145,976
Income tax expense	16	10,218,366	(2,313,618)
Provision for wealth tax		30,622	24,396
Profit/(Loss) after tax		(2,530,712,843)	413,435,198
Profit brought forward from previous year		<u>936,857,286</u>	<u>635,995,343</u>
Amount available for appropriation		<u>(1,593,855,557)</u>	<u>1,049,430,541</u>
Appropriations:			
Proposed dividend		-	69,717,180
Tax on proposed dividend		-	11,848,435
Transfer to General Reserve		<u>-</u>	<u>31,007,640</u>
Balance carried forward		<u>(1,593,855,557)</u>	<u>936,857,286</u>
Earnings per share	17(8)		
Basic - par value Rs. 10 per share		(72.42)	12.22
Diluted - par value Rs. 10 per share		(72.42)	11.90
Significant accounting policies	1		
Notes to accounts	17		

The Schedules referred to above form an integral part of the 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

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Executive Director

Place: Hyderabad
Date: 15 May 2009

Anil K.Singh
Chief Financial Officer

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Company Secretary

Northgate Technologies Limited

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

Schedules to the 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 transfers 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

Deferred stock compensation cost

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)

-

-

(A - B)

-

2,760,480

Northgate Technologies Limited

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

Schedules to the accounts (continued)**3. Reserves and surplus (continued)****31 March 2009****31 March 2008***General reserve*

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	-	99,990,062
Balance in profit and loss account	-	936,857,288
	2,599,529,610	3,628,557,939

Notes:

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

2. 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 loan**31 March 2009****31 March 2008***From Bank*

Vehicle loan	3,675,173	5,637,426
(Secured by hypothecation of the vehicle)	-	-
	3,675,173	5,637,426

Northgate Technologies Limited

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

Schedules to the accounts (continued)**9. Loans and advances****31 March 2009****31 March 2008***(Unsecured and considered good)*

Advances recoverable in cash or in kind or for value to be received	3,500,351	6,389,978
Security deposits	5,627,557	19,267,351
Share Application Money, pending allotment	-	772,858,000
Prepaid expenses	271,893	250,930
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)]	10,728,657	1,076,682
Advances to subsidiaries	18,094,497	1,608,457,216
Staff loans and advances	396,200	65,891
	57,148,155	2,453,766,048

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)]

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	7,411,868	12,560,152
Amount payable to subsidiary	-	2,526,418
Unclaimed dividend	497,805	414,845
Other liabilities	752,668	1,532,304
	8,662,341	17,033,719

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	172,182	1,480,419
Gratuity	349,325	1,632,333
Wealth tax	30,622	24,396
Proposed Dividend	-	81,565,615
	552,129	84,702,763

Schedules to the accounts (continued)

	Year ended 31 March 2009	Year ended 31 March 2008
12. Cost of revenues		
Salaries	35,540,297	59,157,547
Rent	8,075,712	5,751,099
Communication expenses	3,479,220	5,798,439
Power and Fuel	1,736,220	1,515,800
Repairs and Maintenance		
- Buildings	1,118,578	155,127
- Others	297,341	142,469
Travelling expenses	1,076,009	2,390,846
Staff welfare expenses	868,730	1,622,888
Legal and professional charges	200,000	635,630
Miscellaneous expenses	199,091	145,605
Contribution to provident and other funds	87,355	3,284,840
Subscriptions, books and periodicals	50,227	9,750
Software development expenses	20,224	1,024,781
Printing and Stationary	9,284	36,049
Employee stock compensation expense	(1,025,670)	443,679
	51,732,618	82,114,549
13. Selling and marketing expenses		
Advertisement expenses	1,130,612	2,217,121
Salaries	100,478	1,129,281
Rent	21,476	109,825
Staff welfare expenses	1,300	414,921
Contribution to provident and other funds	232	62,728
Miscellaneous expenses	-	41,609
Employee stock compensation expense	(588,114)	8,473
	665,984	3,983,958
14. General and administrative expenses		
Salaries	9,989,458	5,620,135
Legal and Professional charges	7,723,676	10,711,027
Rates and Taxes	2,716,517	5,519,787
Auditors' remuneration		
- Audit fee	882,400	1,250,000
- Tax audit fee	275,750	250,000
- Fee for other services	-	10,315,000
- Reimbursement of out-of-pocket expenses	-	62,159
Rent	1,590,562	529,761
Travelling expenses	1,230,788	2,758,924
Staff welfare expenses	1,011,333	645,040
Communication expenses	553,392	1,355,701
Repairs and Maintenance		
- Buildings	503,299	869,057
- Others	87,354	433,477
Printing and Stationary	289,463	416,915
Donations	145,000	45,250
Power and Fuel	129,618	596,434
Insurance	120,105	76,586
Bank Charges	84,035	1,335,369
Subscriptions, books and periodicals	23,550	703,022
Contribution to provident and other funds	17,205	302,840
Provision for bad and doubtful debts	-	288,040
Miscellaneous expenses	-	3,485,192
Employee stock compensation expense	(188,196)	40,869
	27,185,309	47,610,585

Northgate Technologies Limited

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

Schedules to the accounts (continued)

	Year ended 31 March 2009	Year ended 31 March 2008
15. Other Income		
Foreign exchange gain/(loss), net	81,951,122	(16,167,262)
Interest income on loan to subsidiary [Tax deducted at source Rs. 4,310,795 (previous year : Rs. 175,157)]	19,023,804	755,327
Interest on foreign tax credit	648,510	-
Interest on deposits (Gross) [Tax deducted at source Rs. 51,722] (previous year : Rs. 425,175)]	414,363	4,199,693
Dividend income	337,986	3,082,237
Miscellaneous income	94,694	86,000
Profit on sale of current investments	39,870	6,402,865
Profit on sale of fixed assets, net	-	18,797,078
	102,510,349	17,155,938
16. Income tax expense		
Current tax expense	26,871,000	2,600,000
Deferred tax benefit	(7,076,086)	(6,041,417)
Fringe benefit tax	360,487	1,127,799
Foreign tax credit	(9,937,035)	-
	10,218,366	(2,313,618)

Northgate Technologies Limited

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

Schedules to the accounts (continued)
5. Fixed assets

Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 April 2008	Additions during the year	Deletions during the year	As at 31 March 2009	As at 1 April 2008	Charge for the year	On deletions	As at 31 March 2009	As at 31 March 2009	As at 31 March 2008
Tangible assets										
Leasehold improvements	16,537,099	8,310,737	8,173,099	16,674,737	5,686,483	4,560,042	5,739,503	4,507,022	12,167,714	10,850,616
Computers	46,848,857	200,725	26,530,511	20,519,071	14,893,802	4,833,716	7,495,938	12,231,579	8,287,492	31,955,055
Air conditioners	3,499,604	777,000	783,878	3,492,726	369,282	147,733	78,411	438,604	3,054,122	3,130,322
Furniture & fixtures	2,975,781	-	1,761,168	1,214,613	541,621	87,914	237,910	391,625	822,988	2,434,160
Office equipments	2,373,574	657,000	512,865	2,517,709	496,793	300,654	162,145	635,302	1,882,407	1,876,781
Vehicle	11,655,424	-	-	11,655,424	1,988,116	1,106,349	-	3,094,464	8,560,960	9,667,308
Total (A)	83,890,339	9,945,462	37,761,521	56,074,280	23,976,096	11,036,408	13,713,907	21,298,597	34,775,683	59,914,243
Intangible assets										
Goodwill	16,382,330	-	-	16,382,330	16,382,330	-	-	16,382,330	-	-
Software	23,290,616	-	-	23,290,616	14,058,547	5,083,851	-	19,142,397	4,148,219	9,232,069
Total (B)	39,672,946	-	-	39,672,946	30,440,877	5,083,851	-	35,524,727	4,148,219	9,232,069
Total (A+B)	123,563,285	9,945,462	37,761,521	95,747,226	54,416,973	16,120,259	13,713,907	56,823,324	38,923,902	69,146,312
Previous year	151,882,976	26,336,146	54,655,837	123,563,285	66,057,373	19,466,188	31,106,588	54,416,973	69,146,312	85,825,603

Notes :

1. Deletions during the year represents assets abandoned by the Company on closure of operations, refer Schedule 17(13)
2. Software includes "computer software" and "web portals" owned by the company.

Northgate Technologies Limited
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	(2,520,463,855)	411,145,976
Adjustments:		
Depreciation and amortisation	16,120,259	19,466,188
Provision for decline in the value of long term investments	2,627,736,657	-
Interest expense	415,366	211,968
Fixed assets discarded, net	29,089,164	47,062
Loss on sale of long term investment	-	72,009,599
Interest income	(19,438,167)	(4,955,020)
Dividend income	(337,986)	(3,082,237)
Profit on sale of current investments	(39,870)	(6,402,865)
Profit on sale of fixed assets	-	(18,797,078)
Employee stock compensation expense / (reversal)	(1,801,980)	493,021
Unrealised foreign exchange (gain)/loss	553,231	(208,132)
Operating cash flow before working capital and other changes	131,832,819	469,928,482
Decrease in sundry debtors	8,478,088	120,195,905
Decrease / (increase) in loans and advances	1,546,540,868	(775,386,620)
Increase / (decrease) in current liabilities and provisions	(11,250,663)	9,631,108
Cash generated from operations	1,675,601,112	(175,631,125)
Net taxes paid	(99,823)	(55,719,791)
Net cash provided by/(used in) operating activities	1,675,501,289	(231,350,916)
Cash flows from investing activities		
Purchase of fixed assets	(10,899,515)	(28,517,391)
Purchase of long term investments	(1,931,884,330)	(2,566,123,222)
Loan to subsidiary	(100,000,000)	(60,000,000)
Repayment of loan by subsidiary	160,000,000	-
Proceeds from sale of long term investments	250,000,000	468,955,800
Proceeds from sale of current investments	75,539,870	746,233,248
Share application money paid	-	772,858,000
Purchase of current investments	(75,500,000)	(335,608,132)
Interest income on deposits and unsecured loan	19,423,923	4,955,020
Dividend Income	337,986	3,082,237
Interest expenses	(415,366)	(211,968)
Net cash used in investing activities	(1,613,397,432)	(994,376,408)
Cash flows from financing activities		
Proceeds from issue of shares (net of share issue expenses)	11,221,001	1,135,875,863
Proceeds from vehicle loan	-	6,299,999
Repayment of vehicle loan	(1,962,253)	(662,573)
Payment of dividend (including tax on distributed profits)	(81,565,615)	(77,191,510)
Net cash provided by/(used in) financing activities	(72,306,867)	1,064,321,779
Net increase in cash and cash equivalents	(10,203,010)	(161,405,545)
Cash and cash equivalents at the beginning of the year	37,990,967	199,188,380
Effect of exchange gain/(loss) on cash and cash equivalents	667,510	208,132
Cash and cash equivalents at the end of the year	28,455,467	37,990,967

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	143,628	674,346
Cheque on hand	1,622,500	-
Balances with scheduled banks:		
- on deposit accounts	22,500,000	-
- on current accounts	3,545,363	10,545,631
- on export earners foreign currency accounts	146,171	10,220,767
- on unclaimed dividend accounts	497,805	414,845
- on deposit accounts (with non scheduled banks)	-	12,005,045
- on current accounts (with non scheduled banks)	-	4,130,333
	<u><u>28,455,467</u></u>	<u><u>37,990,967</u></u>

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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

Overview

Northgate Technologies Limited (“NGTL” or “the Company”) was incorporated as Garden Style 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
<u>Subsidiaries</u>	
Northgate Investments Pte Limited	A Company organised under the laws of Singapore
<u>Step-down subsidiaries</u>	
Globe7 Pte Limited	A Company organised under the laws of Singapore
Axill Europe Limited	A Company organised under the laws of United Kingdom
Social Media India Limited	A Company organised under the laws of India
Globe7 HK Limited	A Company organised under the laws of Hong Kong
Globe7 Inc	A Company organised under the laws of United States of America
Globe7 Americas Inc	A Company organised under the laws of United States of America

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.

(a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on 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 (‘ICAI’), the relevant provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. The financial statements are 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.

Northgate Technologies Limited

Schedule 1: Significant Accounting Policies

(c) 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 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, except for office equipments which are depreciated over a period of 7 years. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or otherwise disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

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

(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. The estimated useful life of Computer Software is 5 years.

(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) 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.

Northgate Technologies Limited

Schedule 1: Significant Accounting Policies

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.

(g) 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.

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), and accordingly, the financial statements of these branches are translated using the same principles and procedures as set out above.

(h) Employee benefits

Contributions payable to an approved gratuity fund (a defined benefit plan), determined by an independent actuary at the balance sheet date, are charged to the profit and loss account. Provision for leave encashment 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.

Short-term compensated absences are provided on an actual liability basis.

(i) 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.

(j) 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

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Schedule 1: Significant Accounting Policies

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).

(k) Taxes on income

Income tax expense comprises current tax, deferred tax and fringe benefit 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 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.

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

Northgate Technologies Limited

Schedule 1: Significant Accounting Policies

Section 115 WC of the Income Tax Act, 1961 and guidance note on FBT issued by the ICAI.

(l) 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.

(m) 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.

(n) 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.

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Schedules to the accounts (continued)**17. Notes to accounts****1. Contingent liabilities**

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

2. 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.

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 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.

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Schedules to the accounts (continued)**17. Notes to accounts (continued)**

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	-	-

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 recognized 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.

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Schedules to the accounts (continued)**17. Notes to accounts (continued)****3. Deferred taxation**

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

	31 March 2009	31 March 2008
Deferred tax assets	3,696,177	-
Excess of depreciation in accounts, over depreciation allowable under the Income-tax laws		
Provision for expenses	1,279,909	534,638
Deferred tax liabilities	-	(2,634,638)
Excess of depreciation allowable under the Income tax laws, over the depreciation provided in accounts		
Deferred tax asset / (liability), net	4,976,086	(2,100,000)

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. Additionally, during the current year, the Company has recognized a provision for decline in the value of its long term investment for an amount of Rs.2,627,736,657. This loss is 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 losses can be set off.

4. 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. 2,585,509 (previous year: Rs. 1,668,685) and under non-cancellable portion was Rs. 7,102,241 (previous year: Rs. 4,722,000), which has been disclosed as rent.

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	5,400,000	5,400,000
Due later than one year and not later than five years	3,150,000	8,550,000
Due after five years	-	-
	8,550,000	13,950,000

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Schedules to the accounts (continued)**17. Notes to accounts (continued)****5. Earnings in foreign exchange**

	Year ended 31 March 2009	Year ended 31 March 2008
Revenues from Information Technology Services	129,971,153	619,433,947
	129,971,153	619,433,947

6. Expenditure in foreign currency

	Year ended 31 March 2009	Year ended 31 March 2008
Travelling	192,386	582,309
Other expenses	584,896	2,540,420
Expenses incurred at overseas branches	4,351,188	6,199,899
	5,128,470	9,322,628

7. Particulars of managerial remuneration:

	Year ended 31 March 2009	Year ended 31 March 2008
Salary and allowances	4,447,500	4,071,000
Perquisites	-	2,646,307
	4,447,500	6,717,307

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.

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(All amounts in Indian rupees, except share data)

Schedules to the accounts (continued)**17. Notes to accounts (continued)****8. Earnings per share (EPS)**

The computation of earnings per share is set out below:

	Year ended 31 March 2009	Year ended 31 March 2008
<i>Earnings (Rs.)</i>		
Net Profit/(Loss) for the year	(2,530,712,843)	413,435,198
<i>Shares</i>		
Number of shares at the beginning of the year	34,858,590	33,020,790
Add: 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
Add: 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.)	(72.42)	12.22
Diluted Earnings per share – Par value of Rs.10 (Rs.)	(72.42)	11.90

As the Company incurred a net loss for the year ended 31 March 2009; 86,036 ordinary shares arising out of potential exercise of outstanding stock options were not included in the computation of dilutive loss per share, as their effect is anti-dilutive.

9. Details of investments purchased and sold

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.

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 in cash during the year. The Company has not recorded any gain/loss on this transaction since the sale consideration equals the carrying amount of the investments in SMIL.

Northgate Technologies Limited

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Schedules to the accounts (continued)**17. Notes to accounts (continued)**

Other Investments purchased and sold during the year:

Description	Face Value (in Rs.)	Year ended 31 March 2009 No. of units	Year ended 31 March 2008 No. of units
Liquid Bees	999.99	-	231,095
Kotak Liquid (Regular) – Weekly Dividend	10.02	-	9,483,681
Kotak Flexi Debt – Daily Dividend	10.01	3,497,596	9,277,035
Reliance Liquid Plus – Daily Dividend Plan	1,001.09	-	51,016
Reliance Liquid Plus – Weekly Dividend Plan	996.26	40,652.20	-
ICICI Principal Mutual Fund – Daily Dividend	10.01	-	5,021,955
ICICI Prudential – Flexible Income Plan – Dividend Daily	10.57	-	1,429,571

10. 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.

11. Related parties**A) Parties where control exists**

S. No.	Name of the party	Relationship
1.	Northgate Investments Pte Limited, Singapore	Subsidiary Company
2.	Globe7 Pte Limited, Singapore	Step down Subsidiary Company
3.	Social Media India Limited, India	Step down Subsidiary Company
4.	Globe7 Inc, USA	Step down Subsidiary Company
5.	Globe7 HK Limited, Hong Kong	Step down Subsidiary Company
6.	Axill Europe Limited, United Kingdom	Step down Subsidiary Company
7.	Globe7 Americas Inc, USA	Step down Subsidiary Company

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Schedules to the accounts (continued)**17. Notes to accounts (continued)****B) 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

C) Particulars of related party transactions

i. Following is a summary of significant related party transactions:

	Year ended 31 March 2009	Year ended 31 March 2008
Revenues from Information Technology Services to Subsidiaries and step down subsidiaries	129,971,153	619,433,947
Interest income from step down subsidiary	19,023,804	755,327
Additional investment in subsidiary	2,694,742,330	1,459,118,354
Loan to step down subsidiary	100,000,000	60,000,000
Repayment of loan by step down subsidiary	160,000,000	-
Purchase of investment in SMIL from promoters	10,000,000	-
Sale of long term investments to step down subsidiary	250,000,000	1,971,847,079
Sale of intangible assets to step down subsidiaries	-	42,299,749
Provision for decline in value of investment in subsidiary	2,627,736,657	-
Operating expense reimbursed to step down subsidiaries	16,231,966	5,200,883
Corporate guarantee issued on behalf of step down subsidiary	80,000,000	-

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Schedules to the accounts (continued)**17. Notes to accounts (continued)**

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

	31 March 2009	31 March 2008
Due from subsidiaries and step down subsidiaries (included in Sundry debtors)	53,423,814	62,834,603
Due from subsidiaries and step down subsidiaries (included in Loans & advances)	18,094,497	1,608,457,216
Payable to subsidiaries and step down subsidiaries (included in Current liabilities)	-	2,526,418
Net investment in subsidiary (included in Investments)	1,286,124,027	1,459,118,354
Additional investment in subsidiary for which shares not yet allotted (included in Loans & advances)	-	772,858,000

D) 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

Details of remuneration paid and recovery of excess remuneration paid, to the Directors are given in Note 7 of Schedule 17.

E) 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

12. Decline in the value of long term investments

The Company during the current year provided for decline in the value of its investment held in Northgate Investments Pte Limited, Singapore ("NIPL"); amounting to Rs. 2,627,736,657. This decline in the value of investment has been determined owing to the significant decline in the value of the underlying investments held by NIPL in the following step down subsidiaries:

Globe 7 HK Limited, Hong Kong
 Globe 7 Pte Limited, Singapore
 Globe 7 Inc., USA

Decline in the value of investments in step-down subsidiaries have been on account of reduced operations resulting from termination of key partnership contracts and significant delays in the recoverability of dues from the customers specifically in relation to the Hong Kong operations, which

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Schedules to the accounts (continued)

17. Notes to accounts (continued)

resulted in an other than temporary diminution in the value of the investments on account of obsolescence of certain fixed assets, intangible assets and irrecoverable debts.

13. Closure of branch offices

On 5 March 2009, the Board of Directors of the Company decided to close operations conducted by the Company's branch offices at Singapore, Hong Kong and the United States of America, on account of decreased operational benefits. As part of the closure process the management decided to absolve its right on certain fixed assets held at each of these branches and has abandoned the same. Accordingly, the Company has recorded the net book value of these fixed assets as loss on abandonment of assets amounting to Rs. 24,047,614 for the year ended 31 March 2009.

In addition to the above, the Company abandoned the development of an intangible asset, named "FROG TOOL" amounting to Rs. 5,041,550 disclosed as "Capital work in progress" as at 31 March 2008, on account of change in technical feasibility for the same. This amount has been recorded as part of loss on abandonment of assets for the year ended 31 March 2009.

14. 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.

Expense recognized in the profit and loss account

Particulars	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

Particulars	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 accounts (continued)**17. Notes to accounts (continued)****Changes in the present value of the defined benefit obligation are as follows:**

Particulars	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:

Particulars	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.

15. Disclosure as per Clause 32 of the Listing Agreement

Loans and advances in the nature of loans given to subsidiary Companies and others

Name of the company	Relationship	Amount outstanding as on March 31, 2009	Maximum balance outstanding during the year	Amount outstanding as on March 31, 2008	Maximum balance outstanding during the year
Social Media India Limited	Step down Subsidiary	-	177,552,876	60,584,170	61,073,582

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Schedules to the accounts (continued)**17. Notes to accounts (continued)****16. 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.

	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

17. Aggregate expenses

Particulars	Year ended 31 March 2009	Year ended 31 March 2008
Salaries	45,630,233	65,906,963
Contribution to provident and other funds	104,792	3,650,408
Rent	9,687,750	6,390,685
Communication expenses	4,032,612	7,154,140
Advertisement expenses	1,130,612	2,217,121
Power and Fuel	1,865,838	2,112,234
Repairs and Maintenance		
- Buildings	1,621,877	1,024,184
- Others	384,695	575,946
Travelling expenses	2,306,797	5,149,770
Staff welfare expenses	1,881,363	2,682,849
Legal and professional charges	7,923,676	11,346,657
Miscellaneous expenses	199,091	3,672,406
Subscriptions, books and periodicals	73,777	712,772
Software development expenses	20,224	1,024,781
Printing and Stationary	298,747	452,964
Employee stock compensation expense	(1,801,980)	493,021
Auditors' remuneration		

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Schedules to the accounts (continued)**17. Notes to accounts (continued)**

- Audit fee	882,400	1,250,000
- Tax audit fee	275,750	250,000
- Fee for other services	-	10,315,000
- Reimbursement of out-of-pocket expenses	-	62,159
Rates and Taxes	2,716,517	5,519,787
Donations	145,000	45,250
Insurance	120,105	76,586
Bank Charges	84,035	1,335,369
Provision for Bad and doubtful debts	-	288,040
	79,583,911	133,709,092

18. 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.

19. 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.

20. 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