

**AUDITORS' REPORT**

Members of  
Virstra I-Technology Services Limited

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**

We have audited the attached Balance Sheet of Virstra I-Technology Services Limited and the Cash Flow Statement of the Company for the year ended 31 March 2012, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. in our opinion, proper books of account as required by law have been

## AUDITORS' REPORT

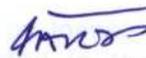
### To the Members of VirStra i-Technology Services Limited

1. We have audited the attached Balance Sheet of **VirStra i-Technology Services Limited** ("the Company") as at 31 March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:



- ANNEXURE TO THE BALANCE SHEET
- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2012;
  - ii. in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
  - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from the directors as on 31 March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 015125N)



**RASHIM TANDON**  
Partner  
Membership No. 95540



**GURGAON, 29 April, 2012**

**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in paragraph 3 of our report of even date)**

1. Having regard to the nature of the Company's business/activities/results, sub clauses (ii), (viii), (x), (xi), (xii), (xiv), (xv) and (xix) of clause 4 of the Order are not applicable.
2. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c. The Company has not disposed of any fixed assets during the year.
3. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. The Company's operations did not give rise to purchase of inventory and sale of goods during the current year. During the course of our audit, we have not observed any major weakness in such internal control system.
5. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be entered in the register required to be maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.
7. In our opinion, the internal audit function carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us in respect of statutory dues:
  - a. the Company has generally been regular in depositing undisputed dues, including Income Tax, Provident Fund and Cess with the appropriate authorities during the year and there were no undisputed amounts payable in respect of Income Tax, Provident Fund and Cess in arrears as at 31



**Deloitte  
Haskins & Sells**

March, 2012 for a period of more than six months from the date they became payable.

We are informed that the Company's operations during the year did not give rise to any balances in Investor Education and Protection Fund, Employees State Insurance, Sales Tax, Excise duty, Wealth Tax, Service Tax and Custom Duty.

- b. We are informed that there are no dues in respect of Income Tax, Provident Fund and Cess which have not been deposited on account of any dispute.
9. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
10. Based on our examination of the books of account and related records and according to the information and explanations provided to us, no term loans were obtained by the Company.
11. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
12. According to information and explanations given to us, and the records of the Company examined by us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
13. According to information and explanations given to us, the Company has not raised any money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
14. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 015125N)

*Rashim Tandon*

**RASHIM TANDON**  
Partner  
Membership No. 95540



**GURGAON**, 29 April, 2012

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**BALANCE SHEET AS AT 31 MARCH, 2012**

	Notes Ref.	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
<b>EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a. Share capital	2.1	10,000,000	10,000,000
b. Reserves and surplus	2.2	91,707,995	97,433,868
		<b>101,707,995</b>	<b>107,433,868</b>
<b>2. NON-CURRENT LIABILITIES</b>			
Long-term provisions	2.3	7,411,641	6,010,621
<b>3. CURRENT LIABILITIES</b>			
a. Trade payables	2.4	7,560,611	5,688,285
b. Other current liabilities	2.5	2,217,254	3,582,659
c. Short-term provisions	2.6	2,535,219	1,775,528
		<b>12,313,084</b>	<b>11,046,472</b>
		<b>121,432,720</b>	<b>124,490,961</b>
<b>ASSETS</b>			
<b>4. NON-CURRENT ASSETS</b>			
a. Fixed assets			
- Tangible assets	2.7	2,633,019	3,618,208
- Intangible assets	2.7	37,275	79,745
		2,670,294	3,697,953
b. Non-current investments	2.8	-	-
c. Deferred tax assets (net)	2.9	4,563,246	3,848,648
d. Long-term loans and advances	2.10	55,240,053	59,161,874
		<b>62,473,593</b>	<b>66,708,475</b>
<b>5. CURRENT ASSETS</b>			
a. Current investments	2.11	31,866,400	16,300,588
b. Trade receivables	2.12	14,601,512	9,759,988
c. Cash and cash equivalents	2.13	6,810,985	19,348,422
d. Short-term loans and advances	2.14	5,618,218	12,319,103
e. Other current assets	2.15	62,012	54,385
		<b>58,959,127</b>	<b>57,782,486</b>
		<b>121,432,720</b>	<b>124,490,961</b>

See accompanying notes forming part of the Financial Statements 1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board of Directors  
**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**



**RASHIM TANDON**  
Partner




**VISHNU R DUSAD**  
Director



**P K SANGHI**  
Director

Place : Gurqaon  
Date : April 29, 2012

Place: New Delhi  
Date : April 29, 2012

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR YEAR ENDED 31 MARCH, 2012**

	Notes Ref.	Year ended 31 March 2012 (Rupees)	Year ended 31 March 2011 (Rupees)
<b>1. REVENUE FROM OPERATIONS</b>			
Sales and services	2.16	164,232,523	183,108,891
<b>2. OTHER INCOME</b>	2.17	4,584,881	5,033,757
<b>3. TOTAL REVENUE (1+2)</b>		<b>168,817,404</b>	<b>188,142,648</b>
<b>4. EXPENSES</b>			
a. Employee benefit expenses	2.18	85,780,015	85,396,050
b. Operating and other expenses	2.19	26,531,540	10,274,001
c. Finance cost	2.20	143,726	-
d. Depreciation and amortisation expense	2.7	1,851,578	3,311,499
Less: Reimbursed by customer		(1,822,740)	(3,290,441)
<b>TOTAL EXPENSES</b>		<b>112,484,119</b>	<b>95,691,109</b>
<b>5. PROFIT BEFORE TAX (3-4)</b>		<b>56,333,285</b>	<b>92,451,539</b>
<b>6. TAX EXPENSE</b>			
a. Current tax		18,602,493	17,501,633
Less : MAT Credit Entitlement		-	(17,397,875)
Income tax for earlier years		-	37,656
<b>Net Tax Expense</b>		<b>18,602,493</b>	<b>141,413</b>
b. Deferred tax credit	2.9	(714,598)	(454,258)
<b>7. PROFIT FOR THE YEAR</b>		<b>38,445,390</b>	<b>92,764,384</b>
<b>8. EARNINGS PER EQUITY SHARE</b>			
Equity shares of Rs. 10 each			
Basic and Diluted	2.28	38.45	92.76
Number of shares used in computing earnings per share		1,000,000	1,000,000

See accompanying notes forming part of the Financial Statements 1 & 2

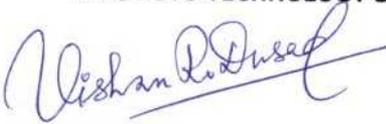
In terms of our report attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board of Directors  
**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**

  
**RASHIM TANDON**  
Partner



  
**VISHNU R DUSAD**  
Director

  
**P K SANGHI**  
Director

Place : Gurgaon  
Date : April 29, 2012

Place: New Delhi  
Date : April 29, 2012

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2012**

	<u>Year ended 31 March 2012 (Rupees)</u>	<u>Year ended 31 March 2011 (Rupees)</u>
<b>A. Cash flow from operating activities</b>		
Net profit before tax	56,333,285	92,451,539
Adjustment for:		
Depreciation	1,851,578	3,311,499
Exchange difference on translation of foreign currency accounts (unrealised)	(231,861)	(129,306)
Dividend received from non trade investments	(1,329,556)	(4,940,049)
Interest income	(45,058)	(10,512)
(Profit)/ Loss on sale of fixed assets	(118,468)	(79,000)
(Profit)/ Loss on sale of Investments	-	(4,196)
Operating Profit before working capital changes	<u>56,459,920</u>	<u>90,599,975</u>
Adjustment for (increase)/decrease in operating assets		
Long-Term Loans and Advances	3,921,820	-
Trade Receivable	(4,841,524)	37,446,810
Short-Term Loans and Advances	6,700,885	8,892,234
Adjustment for increase/ (decrease) in operating liabilities		
Long-term Provisions	1,401,020	-
Trade payables	1,872,326	-
Short-term Provisions	759,691	-
Other current liabilities	(1,365,405)	-
Hedging Reserve	(2,331,163)	(7,875,025)
Income tax paid	(18,602,493)	(17,866,251)
<b>Net cash flow from/(used in) operating activities (A)</b>	<u><b>43,975,078</b></u>	<u><b>111,197,743</b></u>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets/capital work in progress	(823,919)	(162,143)
Proceeds on sale of fixed assets	118,468	-
Purchase of current investments	(142,829,556)	(790,365,625)
Proceeds on sale of current investments	127,263,744	878,580,806
Interest income	37,431	15,023
Dividend received from investments	1,329,556	4,940,049
<b>Net cash from/ (used in) investing activities (B)</b>	<u><b>(14,904,276)</b></u>	<u><b>93,008,110</b></u>
<b>C. Cash flow from financing activities</b>		
Interim dividend paid	(36,000,000)	(210,000,000)
Corporate dividend tax paid	(5,840,100)	(34,878,375)
<b>Net cash flow from financing activities (C)</b>	<u><b>(41,840,100)</b></u>	<u><b>(244,878,375)</b></u>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<u><b>(12,769,298)</b></u>	<u><b>(40,672,522)</b></u>
<b>Cash and cash equivalents at the beginning of the Year</b>	19,348,422	59,853,400
Exchange difference on translation of foreign currency accounts	231,861	167,544
<b>Cash and cash equivalents at the end of the Year (Refer Note 2.13)</b>	<u><b>6,810,985</b></u>	<u><b>19,348,422</b></u>

See accompanying notes forming part of the Financial Statements

1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**RASHIM TANDON**  
Partner



Place : Gurgaon  
Date : April 29, 2012

For and on behalf of the Board of Directors  
**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**

*Vishnu R Dusep*

**VISHNU R DUSAD**  
Director

*P K Sanghi*

**P K SANGHI**  
Director

Place: New Delhi  
Date : April 29, 2012

**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**Notes forming part of the Financial Statements**

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**Note 1:**

**1.1 Company Background**

VirStra i-Technology Services Limited ('Virstra' or 'the Company') was incorporated in May 2004 in India. Virstra is a wholly owned subsidiary company of Nucleus Software Exports Ltd. The Company's business broadly consists of offshore and onsite software support services to other group companies.

**1.2 Significant accounting policies**

**a. Basis of preparation**

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") and mandatory accounting standards prescribed by the Companies (Accounting Standard) Rules, 2006 and as per the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis. Accounting policies have been consistently applied except where a newly issued accounting standard if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standard on an ongoing basis.

**b. Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include future obligations under employee retirement benefit plans and estimated useful life of fixed assets. Actual results could differ from these estimates. Any change in estimates are adjusted prospectively.

**c. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**d. Revenue recognition**

Revenue from software services comprises income from time and material contracts, which is recognised as the services are rendered.

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on the rates implicit in the transaction.

**e. Fixed assets**

Fixed assets are stated at the cost of acquisition less accumulated depreciation and impairment losses, if any. The cost of acquisition includes all incidental costs related to acquisition and installation till the date of capitalisation of the asset. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**Notes forming part of the Financial Statements**

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**f. Depreciation**

Depreciation on fixed assets is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/ sold during the year. Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase.

The management's estimates of the useful lives of the various fixed assets in use are as follows:

Particulars	Useful life (in years)
<b>Tangible assets</b>	
Office and other equipment	5
Computers	4
Vehicles	5
Furniture and fixtures	5
<b>Intangible assets</b>	
Software	3

Such rates are higher than the rates specified in Schedule XIV of the Companies Act, 1956.

**g. Investments**

Investments are classified into long term and current investments based on the intent of management at the time of acquisition. Long-term investments including investment in subsidiaries are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and the fair value.

**h. Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the profit and loss account. Monetary assets and monetary liabilities that are determined in foreign currency are restated at the exchange rate prevalent at the date of Balance Sheet. The resulting difference is recorded in the Profit and Loss account.

The Company uses foreign exchange forward contracts to hedge its exposure to movement in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes.

The Company follows Accounting Standard (AS) 30 – "Financial Instruments: Recognition and Measurement" to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that period. To designate a forward contract as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account.



**i. Employee benefits**

*Short-term employee benefits*

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages, and bonus etc. are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

*Defined contribution plans*

The Company deposits the contributions for provident fund to the appropriate government authorities and these contributions are recognised in the Profit and Loss Account in the financial year to which they relate.

*Defined benefit plans*

*Gratuity*

The Company's gratuity plan is a defined benefit plan. The present value gratuity obligation under such defined benefit plan is determined based on an actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the valuation date having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

*Other employee benefits*

Benefits under the Company's leave encashment scheme constitute other employee benefits. The liability in respect of leave encashment is provided on the basis of an actuarial valuation done by an independent actuary at the year end. Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

**j. Operating leases**

Lease payments under operating lease are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

**k. Earning per share**

Basic earnings per share are computed by dividing the Profit / Loss after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the Profit / Loss after Tax by the weighted average number of equity and dilutive equivalent shares outstanding during the year, except where results are anti-dilutive.

**l. Taxes on Income**

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. Minimum Alternate Tax ("MAT") paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing



evidence that the company will pay normal tax after the tax holiday period. Accordingly, it is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantially enacted regulations. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such 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 realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originate.

#### **m. Impairment of assets**

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

#### **n. Provisions and Contingencies**

The company recognizes a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimation of the obligation required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.

A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources. When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is made.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.1 SHARE CAPITAL**

Particulars	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
<b>a. Authorized</b> Equity shares 1,000,000 (Previous year : 1,000,000) equity shares of Rs.10 each	<b>10,000,000</b>	<b>10,000,000</b>
<b>b. Issued, Subscribed and Paid-Up</b> 1,000,000 equity shares of Rs.10 each , fully paid up Of the above 999,994 (Previous year : 999,994) equity shares, fully paid up are held by Nucleus Software Exports Ltd., the Holding Company and 6 (Previous year : 6) equity shares, fully paid up, are held by nominees on behalf of the Holding Company.	<b>10,000,000</b>	<b>10,000,000</b>

**2.2 RESERVES AND SURPLUS**

<b>a. General reserve</b> Opening balance Add: Transferred from Profit and Loss account Closing balance	 58,931,253 3,844,539 <b>62,775,792</b>	 49,654,815 9,276,438 <b>58,931,253</b>
<b>b. Hedging reserve [see note 2.32]</b> Opening balance Add: Movement during the year Closing balance	 1,614,079 (2,331,163) <b>(717,084)</b>	 2,658,810 (1,044,731) <b>1,614,079</b>
<b>c. Surplus in the Statement of Profit and Loss</b> Opening balance Add: Profit for the Year Less: Transferred to general reserve Less: Proposed dividend/Interim dividend Less: Corporate dividend tax Closing balance	 36,888,536 38,445,390 3,844,539 36,000,000 5,840,100 <b>29,649,287</b>	 198,278,965 92,764,384 9,276,438 210,000,000 34,878,375 <b>36,888,536</b>
	<b>91,707,995</b>	<b>97,433,868</b>

For the year ended 31 March 2011, the Company has Declared Dividend of Rs. 36 per Share (360% of equity share of par value of Rs. 10) which was approved by shareholder poll in Annual General Meeting held on 08 July 2011.

**2.3 LONG-TERM PROVISIONS**

**Provision for employee benefits**

a. Compensated Absences	3,075,496	2,434,886
b. Gratuity	4,336,145	3,575,735
Total	<b>7,411,641</b>	<b>6,010,621</b>

**2.4 TRADE PAYABLES**

a. Trade Payables - Micro and small enterprises (refer note below) - Others	 - 7,560,611	 - 5,360,200
b. Due to Holding company Total	 - <b>7,560,611</b>	 328,085 <b>5,688,285</b>

Note: The Company has no amounts payable to micro, small and medium enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified from the available information.

**2.5 OTHER CURRENT LIABILITIES**

a. Advances from customer	-	2,041,112
b. Mark-to-market loss on forward and options contracts (see note 2.32)	589,668	-
c. Other payables - statutory dues Total	 1,627,586 <b>2,217,254</b>	 1,541,547 <b>3,582,659</b>

**2.6 SHORT-TERM PROVISIONS**

**Provision for employee benefits**

a. Compensated Absences	1,237,875	864,022
b. Gratuity Total	 1,297,344 <b>2,535,219</b>	 911,506 <b>1,775,528</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE ACCOUNTS**

**2.7 Fixed Assets (At Cost)**

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION			NET BLOCK		
	As at 1 April 2011	Additions	Deductions / adjustments	As at 31 March 2012	As at 1 April 2011	Depreciation for the year	Deductions / adjustments	As at 31 March 2012	As at 31 March 2011
<b>Tangible assets</b>									
Computers	23,122,540	759,844	-	23,882,384	21,809,127	757,010	-	1,316,247	1,313,413
Office equipment	13,287,644	54,400	-	13,342,044	11,413,856	927,122	-	1,001,066	1,873,788
Furniture and fixtures	703,705	9,675	-	713,380	272,698	124,976	-	315,706	431,007
	<b>37,113,889</b>	<b>823,919</b>	-	<b>37,937,808</b>	<b>33,495,681</b>	<b>1,809,108</b>	-	<b>2,633,019</b>	<b>3,618,208</b>
<b>Intangible assets</b>									
Software	11,280,600	-	-	11,280,600	11,200,855	42,470	-	37,275	79,745
<b>Total</b>	<b>48,394,489</b>	<b>823,919</b>	-	<b>49,218,408</b>	<b>44,696,536</b>	<b>1,851,578</b>	-	<b>2,670,294</b>	<b>3,697,953</b>
Previous year	48,127,347	276,342	9,200	48,394,489	41,385,037	3,311,499	-	3,697,953	



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
<b>2.8 NON CURRENT INVESTMENTS (at cost)</b>		
<b>Trade (unquoted)</b>		
<b>Equity shares in wholly owned subsidiary - Unquoted</b>		
199,998 (Previous year 199,998) equity shares of SGD 1 each, fully paid up in Virstra I- Technology (Singapore) Pte Ltd, Singapore.	5,569,256	5,569,256
Less : Provision for diminution in value of investment in Virstra I - Technology (Singapore) Pte Ltd.	(5,569,256)	(5,569,256)
<b>Aggregate amount of non current investments</b>	<u>-</u>	<u>-</u>

**2.9 DEFERRED TAX ASSET (NET)**

Particular	Opening as at 1 April 2011 (Rupees)	(Charged)/ Credited to the statement of Profit and Loss during the year (Rupees)	Closing as at 31 March 2012 (Rupees)
<b>Deferred tax assets</b>			
Employee Benefits	2,526,216	701,043	3,227,259
Difference of depreciation as per Income-tax laws and books of accounts	1,322,432	13,555	1,335,987
<b>Net deferred tax asset</b>	<u>3,848,648</u>	<u>714,598</u>	<u>4,563,246</u>

**2.10 LONG-TERM LOANS AND ADVANCES**  
(Unsecured, considered good)

a. Security Deposits	6,107,130	6,107,130
b. Mat Credit Entilement (see note 2.22)	49,053,049	52,451,206
c. Advance Tax	79,874	603,538
Total	<u>55,240,053</u>	<u>59,161,874</u>

Particulars	As at 31 March 2012	As at 31 March 2011
<b>2.12 TRADE RECEIVABLES *</b>		
Other debts (Unsecured, Considered good)*	<u>14,601,512</u>	<u>9,759,988</u>

\*represents amount due from Nucleus Software Solution Pte. Ltd., Singapore, a body corporate under the same management within the meaning of Sub-section (1-B) of section 370 of the Companies Act, 1956.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**11 Current investments - at the lower of cost and fair value**

**Investments in bonds and mutual funds - Non trade**

Name of the Mutual Fund Scheme	No. of units as at 31 March 2012	Value of units as at 31 March 2012 (Rupees)	No. of units as at 31 March 2011	Value of units as at 31 March 2011 (Rupees)
<b>Liquid Schemes of Mutual Funds (Unquoted)</b>				
a. ICICI Prudential Liquid Super Institutional Plan Daily Dividend	318,588	31,866,400	120,354	12,038,254
b. UTI Liquid Cash Plan	-	-	4,182	4,262,334
<b>Aggregate amount of current investment</b>	<b>318,588</b>	<b>31,866,400</b>	<b>124,536</b>	<b>16,300,588</b>

Market Value of investments

31,866,400

16,300,588



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.13 CASH AND CASH EQUIVALENTS**

a.	Cash on hand		
b.	Balances with scheduled banks:		
	- in current accounts	6,474,029	19,048,422
	- in fixed deposit accounts		
	- more than 12 month maturity*	186,956	150,000
	- less than 12 month maturity	<u>150,000</u>	<u>150,000</u>
	<b>Total</b>	<b><u>336,956</u></b>	<b><u>300,000</u></b>
	<b>Total</b>	<b><u>6,810,985</u></b>	<b><u>19,348,422</u></b>

**Details of balances as on balance sheet dates with scheduled banks in current accounts:-**

- Citi Bank	751,363	662,852
- Citi Bank *	5,164,158	16,134,797
- HDFC Bank *	2,748	2,401
- HDFC Bank	490,622	2,145,408
- HDFC Bank **	<u>65,138</u>	<u>102,964</u>
<b>Total</b>	<b><u>6,474,029</u></b>	<b><u>19,048,422</u></b>

\* EEFC account

\*\* Earmarked for unclaimed dividend

**Detail of fixed deposit under lien**

- Citi Bank	<u>336,956</u>	<u>300,000</u>
<b>Total</b>	<b><u>336,956</u></b>	<b><u>300,000</u></b>

Note : All the above balances meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements.

**2.14 SHORT-TERM LOANS AND ADVANCES**

**Unsecured, considered good**

a.	Prepaid expenses	23,780	55,188
b.	Supplier advances	-	337,160
c.	Employee advances	651,811	107,191
d.	Mark-to-market gain on forward and options contracts (see note 2.32)	-	1,585,960
e.	Mat Credit Entitlement (see note 2.22)	3,398,156	7,000,023
f.	Advances recoverable on account of reimbursement of expenses **	860,884	3,233,581
g.	Balances with government authorities	<u>683,586</u>	<u>-</u>
	<b>Total</b>	<b><u>5,618,218</u></b>	<b><u>12,319,103</u></b>

\*\*includes amount due from Nucleus Software Solution Pte. Ltd., Singapore, [maximum amount outstanding during the year Rs. 8,286,530 (previous year Rs. 16,315,598) a body corporate under the same management within the meaning of Sub-section (1-B) of section 370 of the Companies Act, 1956.

**2.15 OTHER CURRENT ASSETS**

Interest accrued but not due

	<u>62,012</u>	<u>54,385</u>
<b>Particulars</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>

**2.16 INCOME FROM SALES AND SERVICES**

Overseas Sales and services

<u>164,232,523</u>	<u>183,108,891</u>
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**2.17 OTHER INCOME**

a.	Interest on fixed deposits	45,058	10,512
b.	Dividend received from non-trade investments	1,329,556	4,940,049
c.	Profit on sale of current investments	-	4,196
d.	Profit on sale of fixed assets (net)	118,468	79,000
e.	Gain/ (Loss) on exchange fluctuation	499,197	-
f.	Gain/ (Loss) on ineffective hedges	127,516	-
g.	Reimbursement of Expenses	2,388,166	-
h.	Miscellaneous income	<u>76,920</u>	<u>-</u>
	<b>Total</b>	<b><u>4,584,881</u></b>	<b><u>5,033,757</u></b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.18 EMPLOYEE BENEFIT EXPENSES**

a. Salaries and bonus	85,605,061	87,439,160
b. Contribution to provident and other funds	5,533,183	5,115,543
c. Staff welfare	1,517,848	1,627,845
<b>Subtotal</b>	<b>92,656,092</b>	<b>94,182,548</b>
Less: Reimbursed by customer	(6,876,077)	(8,786,498)
<b>Total</b>	<b>85,780,015</b>	<b>85,396,050</b>

**2.19 OPERATING AND OTHER EXPENSES**

a. Rent (see note 2.21)	7,188,627	8,519,094
b. Repair and maintenance	-	-
- Buildings	496,786	100,934
-- Others	1,442,095	867,276
c. Insurance	55,000	605,102
d. Rates & taxes	35,410	11,361
e. Travelling	-	-
- Foreign	14,157,249	6,364,144
- Domestic	866,171	322,779
f. Legal and professional (see note 2.24)	2,247,704	1,254,434
g. Conveyance	2,186,684	2,239,566
h. Communication	3,642,017	5,022,564
i. Directors remuneration	557,000	-
j. Training and recruitment	1,953,347	2,294,851
k. Assets hire charges	653,181	793,003
l. Electricity and water	2,104,766	2,860,779
m. Accounting charges	1,908,320	2,569,363
n. Miscellaneous expenses	720,337	2,509,211
<b>subtotal</b>	<b>40,214,694</b>	<b>36,334,462</b>
Less: Reimbursed by customer	(13,683,154)	(26,060,461)
<b>Total</b>	<b>26,531,540</b>	<b>10,274,001</b>

**Directors Remuneration includes**

Commission to Non Executive Directors

557,000

-

**2.20 FINANCE COST**

Bank Charges

298,505

213,084

Less: Reimbursed by customer

(154,779)

(213,084)

**143,726**

-

**2.21 Operating Lease**

**Obligations on long-term, non-cancelable operating leases**

The company leases office space under operating lease. The Lease rental expense recognised in the profit and loss account for the year in respect of such lease is Rs. 7,188,627 (previous year Rs. 7,350,884). The future minimum lease payment in respect of such lease is as follows:

Particulars	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
<b>Lease obligations payable</b>		
a. Not later than 1 year	7,681,549	7,540,716
b. Later than 1 year but not later than 5 years	1,280,258	16,338,218
Total	<b>8,961,807</b>	<b>23,878,934</b>

**2.22 Tax Expense**

a. All operations of the company were conducted through units under Software Technology Park ('STP') scheme. Income from STP was exempt from Income tax for 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2011, whichever is earlier. The income tax holiday for all of STP units of the Company expired on 31 March, 2011. This has resulted in an increase in tax liability as the significant income is subject to normal tax under Income tax Act, 1961.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

- b. During the earlier years, the Company had calculated its tax liability under Minimum Alternative Tax (MAT) as its liability under MAT was higher than normal tax liability. The excess of tax payable under MAT over normal tax payable (MAT Credit entitlement) was carried forward to be set off against the future tax liabilities. During the year ended 31 March, 2012, the Company is liable to Normal Tax as its normal tax is higher than MAT tax liability. The Company has utilised MAT Credit Entitlement of Rs. 7,000,023 in the current year, to set off its liability for payment of Income Tax.

**2.23 MAT Credit Entitlement**

MAT Credit Entitlement balance aggregating to Rupees 3,398,157 which the Company expects to set off against Income Tax Payable for the year ended 31 March, 2013 has been considered to be Short-Term Loans and Advances. The remaining balance MAT Credit Entitlement aggregating to Rupees 49,053,049 has been classified as Long-Term Loans and Advances.

**2.24 Commitments and contingent liabilities**

Particulars	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of	25,850	85,707
b. The Company is obliged to provide financial assistance to its subsidiary Virstra i- Technology (Singapore) Pte Ltd, Singapore as and when required considering the subsidiary's accumulated losses exceeding its paid-up capital and reserves by SGD 588,797		

Particulars	Year ended 31 March 2012 (Rupees)	Year ended 31 March 2011 (Rupees)
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**2.25 Legal and Professional expenses include :**

a. Audit fees *	600,000	600,000
b. Other services	80,000	-
Total	<u>680,000</u>	<u>600,000</u>
*excluding service tax		

**2.26 Earnings in foreign currency**

Sales and services

<u>163,809,085</u>	<u>178,086,766</u>
Year ended 31 March 2012 (Rupees)	Year ended 31 March 2011 (Rupees)

Particulars
-------------

**2.27 Expenditure in foreign currency**

a. Travelling expenses	11,070,489	4,387,778
b. Communication Expenses	684,037	753,378
c. Others	1,227,681	-
Total	<u>12,982,207</u>	<u>5,141,156</u>

**2.28 Earnings per share**

a. Profit after taxation available to equity shareholders (Rupees)	38,445,390	92,764,384
b. Weighted average number of equity shares used in calculating basic earnings per share	1,000,000	1,000,000
c. Effect of dilutive issue of shares	-	-
d. Weighted average number of equity shares used in calculating diluted earnings per share	1,000,000	1,000,000
e. Basic earnings per share (Rupees)	38.45	92.76
f. Diluted earnings per share (Rupees)	38.45	92.76



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.29 RELATED PARTY TRANSACTIONS**

**List of related parties – where control exists**

**a. Holding Company:**

- Nucleus Software Exports Ltd.

**b. Wholly owned subsidiary companies**

- VirStra i -Technology (Singapore)Pte Limited, Singapore

**c. Other related parties:**

**Fellow Subsidiary:**

- Nucleus Software Solution Pts Limited, Singapore  
 - Nucleus Software Japan Kabushiki Kaiga, Japan

Particulars	Year ended 31 March 2012 (Rupees)	Year ended 31 March 2011 (Rupees)
<b>Transactions with related parties</b>		
<b>i. Software support services rendered</b>		
- Nucleus Software Solutions Pte Limited, Singapore	163,385,647	178,086,766
<b>ii. Reimbursement of expenses</b>		
From related parties		
- Nucleus Software Solutions Pte Ltd, singapore	22,883,804	40,538,744
- Nucleus Software Exports Ltd	471,694	-
To related parties		
- Nucleus Software Exports Ltd	241,476	374,376
<b>iii. Consultancy charges</b>		
- Nucleus Software Exports Ltd	-	4,136,250
<b>iv. Interim dividend</b>		
- Nucleus Software Exports Ltd	36,000,000	210,000,000
<hr/>		
Particulars	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
<b>Outstanding balances as at year end</b>		
<b>i. Loans and advances</b>		
- Nucleus Software Solutions Pte Ltd, Singapore	564,716	3,233,581
- Nucleus Software Exports Ltd	296,168	-
<b>ii Debtors</b>		
- Nucleus Software Solutions Pte Ltd, Singapore	14,601,512	9,759,988
<b>iii Sundry creditors</b>		
- Nucleus Software Exports Ltd	-	328,085
<b>iv Advance from customers</b>		
- Nucleus Software Solutions Pte Ltd, Singapore	-	2,041,112



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.30 Employee Benefit Obligations**

**Defined contribution plans**

An amount of Rupees 4,323,420 (previous year Rupees 4,443,355) has been recognized as an expense in respect of Company's contribution for Provident Fund deposited with the government authorities.

**Defined benefit plans**

The Company operates a gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days of total basic salary last drawn for each completed year of service. Gratuity is payable to all eligible employees of the Company on retirement, separation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act, subject to a maximum of Rupees 1,000,000.

The following table set out the status of the gratuity plan as required under the aforesaid standard:

Particulars	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
<b>a. Change in obligation</b>		
Obligation at period beginning	4,487,241	3,801,602
Current service cost	1,094,491	1,084,529
Interest cost	404,988	319,142
Actuarial losses/(gains)	72,673	(139,378)
Past service cost	-	55,750
Benefits paid	(426,354)	(634,404)
Obligation at period end	<u>5,633,039</u>	<u>4,487,241</u>
<b>b. Change in plan assets</b>		
Plan Assets at period beginning, at fair value	-	0
Contributions	426,354	634,404
Benefits paid	(426,354)	(634,404)
Plan assets at period end, at fair value	<u>-</u>	<u>-</u>
The Scheme does not have any assets as at the valuation date to meet the gratuity liability.		
<b>c. Gratuity cost for the year:</b>		
<b>Particulars</b>		
Current service cost	1,094,491	1,084,529
Interest cost	404,988	319,142
Actuarial losses/(gains)	72,673	(139,378)
Past service cost	-	55,750
Net gratuity cost	<u>1,572,152</u>	<u>1,320,043</u>
Experience adjustment		
On plan liabilities	195,808	(597,423)
On plan assets	-	-
Assumptions :-		
Economic assumptions	-	-
Discount rate	8.35%	7.90%
Salary escalation rate	10% for 1st year & 7% thereafter	10% for first 2 ys & 7% thereafter
<b>d. A) Discount rate:</b>		
The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.		



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

- e. **Salary escalation rate:**  
The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**Demographic assumptions**

Retirement age	58 years	58 years
Mortality table	LIC (1994-96) duly modified	LIC (1994-96) duly modified

**Withdrawal rates**

Ages	Withdrawal Rate %	Withdrawal Rate %
21-50 years	- 20%	21-50 years - 20%
51-54 years	- 2%	51-54 years - 2%
55-57 years	- 1%	55-57 years - 1%

- f. **Experience Adjustments**

	<u>31 March 2012</u>	<u>Year Ended 31 March 2011</u>	<u>31 March 2010</u>
	(Rupees)	(Rupees)	(Rupees)
Defined Benefit Obligation	5,633,489	4,487,241	3,801,602
Surplus/ Deficit	(5,633,489)	(4,487,241)	(3,801,602)
Experience Adjustments on plan liabilities	195,805	(597,423)	(514,557)

	<u>Year Ended 31 March 2009</u>	<u>31 March 2008</u>	
	(Rupees)	(Rupees)	
Defined Benefit Obligation	3,129,414	1,724,355	
Surplus/ Deficit	(3,129,414)	(1,724,355)	
Experience Adjustments on plan liabilities	300,680	(144,404)	

- g. The company is expected to contribute Rupees 1,297,344 to gratuity funds for the year ended 31 March 2013.

- 2.31 The Company has entered into a Memorandum of Understanding with Shinsei Bank Limited ("Shinsei") consequent to a Master Services Agreement being entered into between Shinsei and the holding company Nucleus Software Exports Limited (NSEL) for provision of services by NSEL and its subsidiaries. As per terms of the MOU, the Company provides software support services to Shinsei against which certain expenses incurred by the Company are reimbursed by Shinsei. The details of reimbursements are tabulated below:

Particulars	<u>Year ended 31 March 2012</u>	<u>Year ended 31 March 2011</u>
	(Rupees)	(Rupees)
<b>Software support expenses</b>		
Salaries and allowances	6,539,309	8,160,588
Staff welfare	336,768	625,910
Travelling & Conveyance	1,954,257	3,174,347
Communication expenses	687,962	3,580,185
Bandwidth charges	1,027,204	2,188,260
Rent	3,770,358	7,350,884
Assets hire charges	334,186	684,260
Legal and professional charges	1,166,140	1,082,415
Repair and maintenance	839,452	835,441
Training and recruitment	1,330,145	1,980,162
Insurance	55,000	522,125
Electricity and water	1,072,517	2,468,485
Miscellaneous expenses	387,053	2,165,127
<b>Sub-total (A)</b>	<b>19,500,351</b>	<b>34,818,189</b>
<b>General and administration expenses</b>		
Accounting charges	1,058,880	2,217,030
Bank charges	154,779	213,084
<b>Sub-total (B)</b>	<b>1,213,659</b>	<b>2,430,114</b>
Depreciation (C)	2,169,794	3,290,441
<b>Grand Total (A+B+C)</b>	<b>22,883,804</b>	<b>40,538,744</b>

Service level agreement mentioned above has been amended w.e.f October 1, 2011, wherein all the expenses for the facility incurred on and after the effective date shall not be reimbursed by Shinsei, unless they are specifically agreed to by Shinsei prior to such expenses being incurred. All such expenses shall be billed as per the specifications contained on the prior approval.



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.32 Forward contract and option in foreign currency**

a. <b>Forward contract outstanding</b>	<b>As at 31 March 2012</b>	<b>As at 31 March 2011</b>
In USD	1,250,000	1,250,000
Equivalent amount in Rupees	63,600,000	55,850,000

b. Other Current Liabilities include net marked to market loss of Rupees 589,668 relating to forward contracts which are outstanding as at the year end. The loss on such forward contracts aggregating to Rupees 717,084 which was designated as effective, has been debited to the Hedging Reserve. The gain on such contracts aggregating to Rs. 127,516 which was designated as ineffective, has been credited to the Statement of Profit and Loss.

c. The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March, 2012 by derivative instruments is as follows:

<b>Currency</b>	<b>As at 31 March 2012</b>	<b>As at 31 March 2011</b>
Current Assets in USD	298,078	290,814
Forward contract outstanding in INR	15,166,209	12,993,570

**2.33 Segment reporting**

Based on the guiding principles stated in Accounting Standard 17 on Segment Reporting as specified in the Companies (Accounting Standard) Rules 2006, the Company has identified its business of providing software support services to the only customer in single country as one reportable segment only. Accordingly, no additional disclosure for segment reporting has been made in the financial statements

**2.34 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS**

<b>Particulars</b>	<b>Year ended 31 March 2012</b>	<b>Year ended 31 March 2011</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
Sales and services	164,232,523	183,108,891
Software support expenses	110,403,235	95,670,051
<b>Gross Profit</b>	<b>53,829,288</b>	<b>87,438,840</b>
General and administration expenses	2,052,046	-
<b>Operating profit before depreciation</b>	<b>51,777,242</b>	<b>87,438,840</b>
Depreciation	1,851,578	3,311,499
Less: Reimbursed by customer	(1,822,740)	(3,290,441)
<b>Operating profit after depreciation</b>	<b>51,748,404</b>	<b>87,417,782</b>
Other income	4,584,881	5,033,757
<b>Profit before taxation</b>	<b>56,333,285</b>	<b>92,451,539</b>
Tax expense:		
- Provision for tax - current income tax	18,602,493	17,539,288
- MAT credit entitlement	-	(17,397,875)
- deferred tax credit	(714,598)	(454,258)
<b>Profit after taxation</b>	<b>38,445,390</b>	<b>92,764,384</b>



**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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- 2.35** The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the period/year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
- 2.36** The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**For and on behalf of the Board of Directors**  
**VIRSTRA I-TECHNOLOGY SERVICES LIMITED**



**VISHNU R DUSAD**  
Director



**P K SANGHI**  
Director

Place: New Delhi  
Date : April 29, 2012

