Onward®
TECHNOLOGIES LIMITED

19th Annual Report
2009-2010

Help Customers gain competitive ADVANTAGE in the GLOBAL marketplace

Board of Directors

Mr. Harish Mehta	Chairman & Managing Director
Mrs. Shaila Mehta	Director
Mr. Pradip Dubhashi	Director
Mr. Arun Meghani	Director
Mr. Samir Desai	Director
Dr. Atul Wad	Director
Mr. Sudhir Karnik	Alternate Director to Dr. Atul Wad

Auditors

Kirtane & Pandit
Chartered Accountants
'Sangati', Bhakti Marg,
Off. Law College Road,
Pune - 411 004.

Registered Office

Sterling Centre, 2nd Floor,
Dr. A. B. Road,
Worli,
Mumbai - 400 018.

Registrar & Share Transfer Agents

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg,
Bhandup (West),
Mumbai - 400 078.

Corporate Website

www.onwardgroup.com

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Notice

NOTICE is hereby given that the Nineteenth Annual General Meeting of Onward Technologies Limited will be held on Friday, 16th July, 2010 at Victoria Memorial School for the Blind, Opp. Tardeo A/C Market, 73, Tardeo Road, Mumbai 400 034 at 3.30 p.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2010, the Balance Sheet as at that date and the Report of the Auditors and that of the Directors thereon.
2. To appoint a director in place of **Mrs. Shaila Mehta,** who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a director in place of **Dr. Atul Wad,** who retires by rotation and being eligible, offers himself for re appointment.
4. To consider and if deemed fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution:**

   "RESOLVED THAT M/s. Kirtane & Pandit, Chartered Accountants, Pune, be and are hereby reappointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and are hereby authorised to fix their remuneration."

Special Business

5. To consider and if deemed fit, to pass with or without modification(s), the following Resolution as a **Special Resolution:**

   RESOLVED THAT pursuant to special resolution passed in the Annual General Meeting held on August 31, 2009 for approval "Onward Employee Stock Option Plan 2009" approval of shareholders be and is hereby accorded for the commencement of vesting period under the "Onward Employee Stock Option Plan 2009"and it is hereby approved that the vesting period shall commence on the expiry of one year from the date of grant of the options to the employees and could extend up to a period four years from the said expiry of one year from the date of grant of options.

By the order of the Board of Directors

Place: Mumbai
Date: May 21, 2010

Harish Mehta
Chairman & Managing Director

Registered Office:
Sterling Centre, 2nd Floor
Dr. A. B. Road
Worli
Mumbai 400 018.

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to sub-section (2) of Section 173 of the Companies Act, 1956. The bio data of the Directors proposed to be appointed / re-appointed is also annexed to this Notice as required under the Listing Agreement.

Notice *(Contd.)*

4. The Register of Members and Share Transfer Books of the Company will remain closed from 14th July, 2010 to 16th July, 2010 (both days inclusive).

5. Members are requested to address all correspondence pertaining to their securities mentioning either the Folio Number / Client ID and DP ID numbers as applicable including any change of address, if any, to the Registrars and Transfer Agents of the Company viz.:

   Link Intime India Pvt. Ltd.
   C-13, Pannalal Silk Mills Compound
   L. B. S. Marg, Bhandup, Mumbai-400078

6. Members / Proxies attending the Meeting are requested to bring their copies of Annual Report together with attendance slip at the meeting.

7. Members seeking any information relating to Accounts are requested to write to the Company at least 10 days before the date of the Annual General Meeting to enable the Management to keep the required information ready at the meeting.

Explanatory Statement Pursuant to the Provisions of Section 173(2) of the Companies Act, 1956.

Item No. 5

ESOP 2009 scheme was approved by the shareholders at its meeting held on 31st August, 2009. The applications had been submitted with BSE and NSE for obtaining in-principal approval for the said Scheme. In this process the stock exchanges have suggested to mention the vesting schedule in the said ESOP Scheme 2009. Accordingly, the approval of the shareholders is being sought.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Notice *(Contd.)*

As required under Clause 49 VI of the Listing Agreement given below are the details of the director proposed for re-appointment of Mrs. Shaila Mehta and Dr. Atul Wad.

Mrs. Shaila H. Mehta holds a Master in Science (Statistics) Degree from the University of Mumbai and a Diploma in Systems Design & Analysis from Connecticut, USA. Mrs. Mehta is also an Executive Director in Onward eServices Limited, a Company engaged in providing solution to Banking & Financial Institutions.

Dr. Atul Wad holds a Ph.D and M.S. from J.L. Kellogg Graduate School of Management, Northwestern University, Evanston, IL. He also has a Bachelor of Technology Degree in Mechanical Engineering from IIT.

Dr. Wad has over twenty five years of experience in corporate strategy, sustainable business development, technology and trade in emerging markets in Africa, Asia, Latin America and the Caribbean as a consultant, entrepreneur and academician. Bringing a strong emphasis on sustainability and governance, he specializes in the different aspects of designing and implementing value added technology based ventures that build upon the competitive resources of these countries and that produce social and environmental returns in addition to private. He has been involved in starting or building such ventures in various sectors. He has been active in developing support systems for sustainable technology based ventures (incubators), advising such companies in technology strategy, management, marketing, corporate governance, community engagement, trade and strategic alliance formation, assisting in raising financing at various stages in the growth of these companies, providing policy analysis to governmental and international agencies in the technology and trade areas, and conducting policy research on the issues involved in sustainable business development in emerging markets. He has also taught, lectured and published in this field.

By the order of the Board of Directors

Place: Mumbai
Date: May 21, 2010

Harish Mehta
Chairman & Managing Director

Registered Office:
Sterling Centre, 2nd Floor
Dr. A. B. Road
Worli
Mumbai 400 018.

Directors' Report

To,

The Members,

Your Directors are pleased to present before you the NINETEENTH ANNUAL REPORT together with Audited Annual Accounts of the Company for the financial year ended 31st March, 2010.

Financial Performance

As a globally integrated unit, Onward operates through its Indian subsidiary, Onward eServices Limited (OeSL) and global subsidiaries in North America (Onward Technologies, Inc. (OTI) & Germany (Onward Technologies GmbH) and with global branch offices in UK (Onward Technologies Ltd., UK) & UAE (Onward Technologies Ltd., UAE).

The summarized consolidated results of the Company are as under :

(Rs. in Lac)

	For the year ended 31.3.2010	For the year ended 31.3.2009
Sales and Other Income (Net)	**8,551.00**	9,444.56
Profit before Finance Cost and Depreciation	**404.10**	76.09
Finance Cost	**271.31**	378.93
Depreciation	**541.57**	631.48
Operating Profit / (Loss) before Prior Period expenses	**(408.78)**	(934.32)
Prior Period Expenses	**10.63**	24.60
Profit / (Loss) Before Tax	**(419.41)**	(958.92)
Provision for Taxation		
- Current	**12.71**	4.62
- Deferred tax expense (including Fringe Benefit Tax) / (Benefit)	**(156.91)**	333.12
Profit / (Loss) after Tax	**(275.20)**	(1,296.66)

Transfer to Reserves

During the year, the Company has not transferred any amount to reserves.

Dividend

No dividend is provided for the year 2009 - 10 since the Company has reported losses during the year.

Operations

The Company has two major lines of focussed areas.

1) Mechanical Engineering Design Services (EDS)

2) IT Consulting Services (ITS)

EDS Operations are part of Onward Technologies in India & ITS operations are run through its wholly owned subsidiary, Onward eServices Ltd. (OeSL). Both these business lines are supported through global subsidiaries in North America (Onward Technologies, Inc. (OTI) & Germany (Onward Technologies GmbH) and with global branch offices in UK (Onward Technologies Ltd., UK) & UAE (Onward Technologies Ltd., UAE).

The financial year 2009-2010 started in the midst of highly uncertain market scenario, no clear visibility overseas though the worst part got over.

That continued scenario heavily impacted with dip in engineering services sales in the first two quarters mainly due to customers continued holding of various projects, continued postponements on additional work, delayed payments, freeze on budgets/hiring, etc.

Directors' Report *(Contd.)*

The swift actions as a part of strategic measures taken during the year and previous year to comb the implications of the economic melt-down, resulted positive during the year.

However, as per the guidance in the beginning; at the end of Election-2009 result; the stability and healthier growth of Indian Market started showing results from Q3. Further at the end of Q3 and beginning of Q4 the overseas and existing customer relationships renewed the discussion towards positive growth though it is further down the road.

Overall global crisis made newer and most of our relationships to greatly review the internal optimization, conservative spending and the business model with lower fixed expenses; higher variable in initiating newer programs and developments while focusing growth.

Erstwhile, the management has been vigilant and closely monitoring the scenario for positive growth at one end; on the other side taken various initiatives on improvements in operational efficiencies, re-sharpening effort, reinforce with great capabilities, teams and leadership in the chosen strategic areas.

The Company believes its value proposition of offering low-cost innovation driven engineering services got further strengthened during tough times for manufacturing industry. So the Company has continued making investments in areas it considers strategic to its business.

The Company has inducted some key leaders in the areas of Virtual Engineering, Thermal Management, Body In White/ sheet metal structures, Power Train, Value Engineering, Manufacturing Engineering, Quality/Processes and Operations, for Sustained growth rates.

The Company continued it's investment in Upgrading Quality Certification to ISO:9001-2008, strengthening Sales and Business Development in domestic market, high-end technology tools for explicit/implicit and computational fluid dynamics such as Abaqus and Star-CD.

The Company also invested on Testing and Laboratory centre in Pune to enable the stronger relationships with our customers in offering and by taking art-part complete solution.

Based on the overall reinforcing efforts, initiatives and tremendous progress with capabilities, capacities built over period indicate that we are in right track in leveraging Onward's unique value proposition.

The Company believes that the worst is over and the situation is encouraging. However, we are not still out of it from growth perspective. The positive growth may be further down the road.

Onward's Business Model and the unique value proposition of low cost innovation driven mechanical engineering services are found to be healthier and stronger; because of the fact that it has weathered through tough stances and has emerged out successfully. Company further strongly perceives and continues to focus on the business model with fullest advantage.

Human Resource Initiatives:

The **Centre of Excellences (CoE)** initiative taken over two years was further strengthened by various activities undertaken by the concerned groups. We recruited specialists and subject matter experts in the niche areas from the industry. Made teaming arrangements with various prototyping, manufacturing and testing facilities. Carried-out seminars, technical paper presentation, trainings, certifications, knowledge reposit/reuse practices, thus helped in enhancing the competencies, capabilities, business development, time to market, scalability, and certifications.

Innovation: During this year; Onward has been chosen amongst Top 100 innovation companies to be one of the participants of SAE Industry Innovator World Congress conference held in Detroit, USA. The forum is for an impressive display of products and services, limited to companies who accepted the "Innovators Only" challenge and have proven to be top industry innovators and solution providers.

Directors' Report *(Contd.)*

Training: Training is continuous talent development process at Onward to meet the change in expectations of our customer and the market. In order to facilitate and ensuring gainfully deployable for productivities and quality; we have put up thorough process of identifying the needs, expectations and gap analysis, fulfilling the gaps with training calendar and competent training instructors classroom, site visits, customer visits, on job, fun & learn activities, etc. These trainings are not only in the areas of enhancing the capabilities-software/process/application, but also towards customer orientation, value and solution selling, value engineering, project management, contractual and scope verification, design review process, security & IPR protection, Legal & Risk management, ISO & ISMS awareness, Delivery and Services framework, Onward cultural framework Knowledge-Walk The Talk-Innovation-Relationships-Leadership - KWIRL, etc.

Project Management & Quality Processes Initiatives: As a part of strengthening and enhance quality levels; the Project Managers and their teams were given training on Project Management Methodologies, a framework aligning with Design for SixSigma and processes/tools such as FMEA, DOE, QFD, A3 sheets, etc. They have started implementing various techniques learnt during the courses in the process of total solution offerings.

Employee Appreciation & Cultural Activities: Employees are appreciated for their achievements under various Annual Awards during the Onward Foundation Day, Pat-on Back certifications for excellence in respective areas during All Hands Meet. These innovative awards have unique feature of self nominations/manager nominations/ management nominations. Moreover, spot rewards are presented around the year for significant performance. Further there were quite happy moments and cultural activities celebrating festivals, engineer's day, green week, playing outdoor games like Cricket and indoor games caroms, chess, etc.

Compensation and Benefits: To ensure remain performance oriented, the compensation structure has been evolved based on post recession, during recession and after the fact. The structure ensures business growth, operational excellence, employee growth. The Company maintains the retrial, medical and other benefits which are at par with the industry. The key feature and the benefit each employee enjoys at Onward is the wide variety of opportunities vertical, horizontal and lateral while aligning in individual change in aspirations. Greater careers are designed at Onward with the engineering mindset.

Employee Connect & Relations: Staying connected with employees was utmost requirement during the year as the panic scenarios loomed around due to global crisis. Based on the employee satisfaction index levels, attrition level and business performance; we are quite proud to express our success in staying connected. This has been accomplished by means of thorough and seamless communication amongst senior business management team, ear marking primary spokes person, time-time communications and quarterly business reports on market scenario, business growth opportunities, initiatives to optimize utilization, enablers to convert opportunities, collaborative team work and involvement of employees in each aspect. Our initiatives of Quarterly report, All Hands Meet, i-suggest, help-desk, primary spokes person, town hall meetings, professional counselor have contributed to the great extent in staying connected with employees.

Professional Counseling: Professional counseling a must process in Onward and similar businesses where employees are the key assets. We have taken this with utmost importance and has been in place for quite number of years. A neutral professional counselor, on board helping and addressing the counseling effort. This counseling with a blend of Philosophy and Business is addressing Personal and Professional life balancing and contributing higher satisfaction in respective zones. Taking these accomplishments; Onward has framed a session group wise mentor-mentee programs named "Parivartan" to run round the year to ensure aligning with Onward cultural framework: Knowledge-Walk The Talk-Innovation-Relationships-Leadership (KWIRL).

Subsidiaries

The subsidiaries of your Company are as follows:

Onward eServices Ltd.

The Company continued on its focus of increasing the profitability of its domestic operations and several steps were taken to meet the important milestone. The Company posted an operational margin from its current business of Rs 1.27 Crore before interest and depreciation, an excellent achievement by the entire team.

Directors' Report *(Contd.)*

The Company also took several steps in changing the focus of its business operations, which was predominately focused on the domestic banking sector to a larger focus on the IT Services sector, which is undergoing a massive automation and computerization across the country. We were successful in winning few large deals in South & East India where we are ramping up our operations. We also moved in to a new office building in Chennai (Onward House) which is used by both our Sales & Development Teams.

The companies also completed its restructuring of its team and focus in North India and moved into a new office in Delhi. The Company has already exited several client projects with no scope of expansion & limitation for growth, so the management team can be 100% focused on its key clients and continuously improving the quality of services across these projects. The feedback has been positive with the renewal of close to 80% of its business and several large client projects in the pipeline.

The target for the Company in F.Y. 2010-11 is to grow profitably with a strong focus on becoming an important services player in the open source initiatives across the country.

Onward Technologies GmbH

Germany is a mecca of Mechanical Engineering profession. The German market is attractive for Onward.

During the year, Onward strengthened the current relationships, added newer relationships and foresee great increase in response in the coming years.

The Company continues to make investments in the German Market. We have to remain invested for a long period as we are optimistic to see good results.

Onward Technologies, Inc.

The Company's North American subsidiary had a very healthy year in line with projections and has recorded profit of Rs.136.83 Lac for F.Y. 2009-10 as compared to Rs.161.30 Lac in F.Y. 2008-09.

The North American subsidiary will continue to focus and expand both its line of business in Mechanical Engineering Design Services & IT Consulting Services. The Company has been successful in delivering several mission critical projects for its North American customers, many of which have been working with the Company for the past few years. The Company has also been successful in opening several new accounts across the Mid-West & North-East which will have a direct positive impact on the growth and profitability in F.Y. 2010-11 and next few financial years.

The Company has also received excellent services feedback from all its large customers which continue to grow and leverage Onward's Global Delivery Model. We expect a substantial increase in demand for these services & plan to invest in additional infrastructure to support these requirements. The Company has also started expanding the Sales & Business Development Teams to increase the reach in the market & to leverage these relationships and grow the consulting business in North America.

The forecast for F.Y. 2010-11 is very promising & the management team is positive of growing the business both in terms of revenue & profitability.

Shantmurali Holdings Pvt. Ltd.

During the year under review, the Company did not undertake any substantial activities.

Share Capital

During the year there has been no change in the paid up Share Capital of the Company. At present the paid-up capital is Rs.132,728,700 divided into 13,272,870 Equity Shares of Rs.10 each.

Fixed Deposits

During the year under review, the Company had not invited or accepted any deposits from the Public.

Directors' Report *(Contd.)*

Employee Stock Option Scheme

Your Company had implemented Employee Stock Option Scheme 2001 for the benefit of Employees of the Company and its Subsidiaries. The aforesaid scheme was approved by the Members of the Company at the Annual General Meeting held on 10th October 2001 and the scheme is monitored under the guidance of the members of Compensation Committee of the Board of Directors.

Your Company had implemented Employee Stock Option Scheme 2009 for the benefit of Employees of the Company and its Subsidiaries. The aforesaid scheme was approved by the Members of the Company at the Annual General Meeting held on 31st August, 2009 and the scheme is monitored under the guidance of the members of Compensation Committee of the Board of Directors. The rational of implementation of new Scheme was to attract, motivate and retain talented personnel with the Organisation for long time. The total number of warrants approved under the Scheme for employees of the Company, independent directors and employees of its subsidiaries are 875,000 with option to convert into 3,500,000 Equity shares. The subsidiaries includes Onward eServices Ltd., India, Onward Technologies, Inc. USA and Onward Technologies GmbH in Germany.

The Company framed Employees Stock Options Scheme called ESOP 2005, approved by the Members of the Company at the Annual General Meeting of the Company held on August 9, 2005. Considering the market conditions and the current market price of the shares of the Company vis-à-vis the exercise price of Rs.30 for an option under ESOP Scheme 2005, it was advisable to terminate the said scheme and accordingly the Board has terminated the scheme in its Meeting held on January 29, 2010 on the recommendation of Compensation Committee.

The Disclosures required to be made under SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999, is given as Annexure to this report including details on the grant, vesting, exercise, and lapsed options under the aforesaid ESOP Schemes.

Auditors

M/s. Kirtane & Pandit, Chartered Accountants, Pune, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

Auditors Qualification

The Auditors have commented that adequate documents are not available pertaining to writing off of Account Receivable (Item No. 20 of Schedule R). The Management clarifies that , looking at the general economic scenario, the efforts, time and money which would be required to pursue these receivables and the very negligible chances of recovering of the same at the earliest, the Company decided against taking any further action in this matter.

Directors' Responsibility Statement

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that :

(a) in the preparation of the annual accounts for the financial year ended 31st March 2010, the applicable accounting standards have been followed and that no material departures have been made from the same, save to the extent, referred to in the Auditor's Report;

(b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2010 and of the profit or loss of the Company for the year ended 31st March 2010;

(c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Directors' Report *(Contd.)*

(d) the Directors have prepared the annual accounts for the financial year ended 31st March 2010 on a going concern basis.

Listing Information

The Equity Shares of the Company are listed on The Stock Exchange, Mumbai, and National Stock Exchange of India Limited. The Company has initiated process of voluntary delisting of its equity shares from Ahmedabad Stock Exchange, however, the delisting approval from the Exchange is awaited .

Corporate Governance

The Company has taken appropriate steps and measures to comply with all the applicable provisions of the revised Clause 49 on Corporate Governance and Section 292A of the Companies Act, 1956. A detailed report on Corporate Governance along with a certificate of Statutory Auditors of the Company is attached herewith as an Annexure to this report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

(i) **Conservation of Energy:**

The Company utilizes Electricity for operation of Computers and initiates all efforts to minimize the consumption. At all levels conservation of energy is stressed upon. Company also takes possible measures to reduce the consumption by deploying Automation.

(ii) **Technology Absorption:**

Research and Development

The IT and ITES Industry are subject to high rate of technological obsolesce. The Company is continuing its efforts to develop new software products with an eye to expand the levels of automation in the industries its customers operate. The constant R&D efforts have delivered new versions and features for the existing products in all the segments it works.

a) Specific Areas for R & D

The Company believes that technological obsolescence is a practical reality. It invests and encourages continuous innovation. Its R&D is always focused to provide unique benefits to our customers and other stakeholders by working both proactively (self-driven research) and reactively (customer-driven research).

b) Benefits derived as a result of R&D effort

R & D activities taken up by the Company helps it to remain competitive.

c) Future Plans

Expansion of current activities by adding more R&D related activities in Manufacturing and Process Engineering applications, which have potential for commercial applications.

(iii) Foreign Exchange Earnings and Outgo:

	2009 - 10	2008 - 09
Foreign Exchange earnings	**Rs. 5,671 Lac**	Rs. 6,422 Lac
Foreign Exchange outgo	**Rs. 3,894 Lac**	Rs. 5,515 Lac

Directors' Report *(Contd.)*

Employee Particulars

The Particulars of Employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all Members of the Company excluding the aforesaid information. Any Members interested in obtaining such particulars may write to the Company at its registered address.

Directors

Mrs. Shaila Mehta and Dr. Atul Wad shall retire by rotation and being eligible offer themselves for re-appointment.

Acknowledgements

Your Directors hereby put on record their sincere gratitude towards the continued assistance and co-operation extended to the Company by its Customers, Stakeholders, Suppliers, Banks, Financial Institutions and various Government authorities towards the growth of the Company.

Your Directors also place on record their deep sense of appreciation for the dedicated services rendered by the employees of the Company.

For and on behalf of the Board of Directors

Place : Mumbai

Date : May 21, 2010

Harish Mehta

Chairman & Managing Director

Management Discussion and Analysis

Overview

The Financial Year 2009-10 started in the midst of highly uncertain market. But the stability and healthier growth of Indian Market started showing results from Q3. Further at the end of Q3 and beginning of Q4 the overseas and existing customer relationships renewed the discussion towards positive growth though it is further down the road.

In spite of the challenging market scenarios, your Company has maintained it steady growth in revenue and improved operating margins. Though the worst is over in the market scenario, there have been green shoots across thus positive growth is down the road. With this revival scenario and with few major break throws during the end of the year; the management is optimistic about the performance of your Company in the coming year and believes that it will show improvement.

The swift actions as a part of strategic measures taken during the year and previous year to comb the implications of the economic melt-down, resulted positive during the year.

Onward's Engineering Design Services (EDS) business is primarily focused and engaged with customer relationships in continuously moving up value chain in the mechanical engineering areas in managing existing product development portfolio, providing solutions in the areas of Material Cost/Service Calls/Warranty Issues Reduction with value engineering methodology, Support in New Product Development with Project to Productionization & market launch, Facilitating Verification of designs with Virtual Engineering/Simulation Capabilities (CAE/CFD/NVH) and Validation of designs with Testing & Laboratory Centre, building best practices in attracting the talent, with Onward finishing school approach to make customer ready engineers, Processes for Joint Product Development in Coengineering the product, Growth in subsystem level and Service line, etc.

Engineering Design Services potential is broadly through various industry segments with the following scope:

- Any service that results/impacts in an Engineering Products lifecycle.
- Any services directly done/tool developed for an Engineering OEM using COTS Engineering Software that Impacts the End Products.
- Any Services/Software that is related to the equipments used in Manufacturing and Manufacturing Execution Systems.
- Any service that customizes /configures/installs/integrates an Engineering Products.

Onward's Information Technology Consulting Services (ITS) Business

Please refer to the Note on Onward eServices Ltd. in the Directors' report.

Review of Operations

Total income during the year from both the EDS & ITS operations on a consolidated basis was Rs. 8,425 Lac, as compared to revenues of Rs. 8,898 Lac in the last financial year, a small dip in revenues due to the impact of foreign exchange fluctuation.

Onward's EDS business maintained revenues in spite of invisible market revival for growth in fiscal 2010. These include consulting engagements, delivery of various end to end solutions, value engineering programmers, plant migration programmes, establishing exclusive engineering excellence centers, renewals of various relationships, completing several of large solution projects. EDS also broadened the service offerings into areas of Virtual Engineering, Thermal Management, Body In White/Sheet Metal structures, Power Train, Value Engineering, Manufacturing Engineering and supply chain support. By reinforcing partnerships with key strategic customers, technology subject matter experts and vendors, EDS is moving towards stronger position to collaborate on new service and market opportunities. Enhancements to the global delivery model led to improved customer engagement and integration that reflected positively in customer satisfaction ratings and revenue growth. During the year 2009-10 saw us expanding in our domestic footprint in line

Management Discussion and Analysis *(Contd.)*

with business demands. Our investments in reinforcement with capabilities, team and leadership while strengthening the current teams for re-sharpening and renewed energies has been higher in order to enhance revenues with a strong position to address economy related risks.

Opportunities and Threats

As it has been perceived the pressure to control product development costs and to combat the ever increasing competition with fast changing consumer preferences, Global companies have been using external service provider to reduce their time to market by outsourcing large part of their product design and development processes.

According to the NASSCOM Strategic Review 2010, IT services exports (excluding exports relating to Business Process Outsourcing (BPO), hardware, engineering design and product development) from India are estimated to grow by 5.8% in fiscal 2010, to record revenues of US $27.3 billion. There are several key factors contributing to the growth of IT and IT-Enabled Services (ITES) in India and by Indian companies. Some of these factors are high-quality delivery, significant cost benefits and abundant skilled resources.

We will continue to make investments to improve the breadth of our service offerings in both the verticals to maximize the value we deliver to our customers.

In order to maximize this potential outsourcing revenue, the major thrust would be towards expanding global reach, building deep domain competencies and focused infrastructure creation. The future of our business depends on our orientation and adaptation to the dynamic growth in the industry, strengthening our position as a leading service provider in our chosen fields of activity.

The changes in global politics, faster technological enhancements, increasing competition, pricing pressures, rising wages are some of the threats perceived by the Management, which the Company is fully geared to tackle.

We place a premium on acquiring new skills and capabilities in line with market requirements. These we believe will immensely help the Company by being nimble and fast with the changing market trends.

Segment wise performance

Rs. in Lac

Particulars	Professional Services & Consultancy (Including Export)	Software Products Resale	Domestic IT Solutions (Banking)
Segmental Income			
2010	**8,069**	**321**	**35**
2009	8,716	154	28
Segmental Profit			
2010	**309**	**136**	**20**
2009	240	83	17

Outlook

The outlook for the Company is positive. Last few quarters of investments in building capabilities are showing healthy returns. Auto market in India has opened up. MNC companies opening shop in India has started using Onward's engineering services. Based on enthusiastic response from existing customers, the Company will show a healthy growth in coming year.

Management Discussion and Analysis *(Contd.)*

Risks and Concerns

As the Global customers have its delivery centers at various parts of the Globe, any shift or change brought about in the political and economic scenario of such country shall bear adverse repercussion on the Company.

The major customer billing is in US Dollar, GB Pound and Euro and it constitutes significant value in revenue of the Company, thus any fluctuation in the rupees upward or otherwise shall be a cause of concern.

The information processed for the customers is subject to sensitivity in terms of privacy, confidentiality, protection of intellectual property and non-conformity to quality requirement shall bear a risk to future customer's retention.

Our customer contracts can typically be terminated without cause and with little or no notice or penalty.

The cyclicality of manufacturing business cycle can impact our revenue projections.

Changes/cancellations/discontinuations of local taxation benefits, incentives, tax-holiday, etc.

Internal Control and their adequacy

The Company maintains adequate controls commensuration with the size of the organization. The Company formulates and implements policies to safeguard assets from unauthorized use or disposition. The Company also ensures that proper measures and checks are maintained at all levels of transactions by way of authorization, recording and reporting.

Major risks identified include geographic and client concentration, slowdown of receivables, managing of contractual obligations etc. To address these risks, the Company has increased its diversification across geographies, enlarged the basket of offerings and increased its focus on the domestic market. Receivables are also being closely monitored.

Cautionary Statement

Statement in this Management Discussion and Analysis deals with Company's objectives, projections, estimates, expectations and predictions. The expectations of the management are regarded as forward looking statements with meaning of applicable securities laws and regulations. These 'forward looking statements' are inherently subject to risks and uncertainties, beyond the control of the Company or its management. Many factors could cause the actual results, performance and achievements of the Company to be materially different from any future results, performances or achievement that may be expressed or implied by such forward looking statements. Onward Technologies Limited shall not be liable for any loss which may arise as a result of any action taken on the basis of the information contained herein nor would be any obligation to update the forward looking statements to reflect developments of events or circumstances hereafter.

On behalf of the Board of Directors

Place : Mumbai
Date : May 21, 2010

Harish Mehta
Chairman & Managing Director

Report on Corporate Governance for the year 2009–10

I Company's philosophy on Corporate Governance:

In order to ensure sustainable returns to all stakeholders of the business, it is important to adopt certain policies, procedures and processes, which together constitutes a "Code of Corporate Governance". A well-defined and enforced corporate governance provides a structure that works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws.

Your Company assumes the responsibility of building up a better future, not only for our shareholders but also for our customers, employees, business associates, community, nation and the wider world.

Your Company fully implements the Corporate Governance Code of Conduct. The Board of Directors fully support and endorse Corporate Governance practices.

II Board of Directors:

The size and composition of the Board is in conformity with the requirements of the Clause 49 of Listing agreement entered into with the Stock Exchanges.

A Composition of the Board and other related information as on 31st March 2010:

Name of Director	Designation / Category	No. of directorships in other companies in India (excludes Private companies and alternate directorships)	No. of Other Committee memberships (excludes Private companies and alternate directorships)	No. of Board Meetings Attended	Last Annual General Meeting Attended
Mr. Harish S. Mehta	Chairman & Managing Director/ Promoter Director	5	Nil	6	Yes
Mrs. Shaila Mehta	Non Independent/ Non-Executive	3	Nil	6	Yes
Mr. Arun Meghani	Non Independent/ Non-Executive	3	Nil	4	Yes
Mr. Samir Desai	Independent / Non-Executive	Nil	Nil	Nil	No
Mr. Pradip Dubhashi	Independent / Non-Executive	3	Nil	6	Yes
Dr. Atul Wad	Independent / Non-Executive	Nil	Nil	Nil	No
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)	Independent / Non-Executive	1	Nil	6	No

Report on Corporate Governance for the year 2009–10 *(Contd.)*

B. Board Meetings

The Board meetings are held at least once in every quarter. The Board meetings are generally held at Mumbai. The dates of the Board Meetings are fixed well in advance and intimated to the Board members so as to enable the directors to plan their schedule accordingly. The agenda items are comprehensive and informative in nature to facilitate deliberations and appropriate decisions at the Board Meeting. On selective items presentations are made to the Board. Agenda items inter alia includes the following:

- Annual Operating Plans
- Quarterly and Annual financial results
- Recommendation of dividend
- Change in constitution of various committees
- Monitoring and noting business transacted by various committees by taking on record minutes of various committees
- Proposal for amalgamation, merger, acquisitions etc.
- Floating of subsidiaries in India as well as abroad
- Details of investment in Joint Ventures
- New projects and expansion plans
- General notices of interest of Directors and various disclosure from Directors
- Laying down policies for Code of Conduct and Prevention of Insider Trading and its implementation
- Laying down ESOP Schemes
- Deciding managerial remuneration
- Litigation matters
- Allotment of shares
- Application to Central Government in various matters relating to the Companies Act, 1956

Six Board meetings were held during the year ended 31st March 2010 and the gap between two meetings did not exceed four months. The Board meetings were held on: 18th May, 2009, 15th June, 2009, 30th June, 2009, 17th July, 2009, 16th October, 2009 and 29th January, 2010 respectively.

Code of Conduct:

The Company has laid down a "Code of Conduct" for the members of the Board of Directors and the Senior Management. Annual affirmation of compliance with the Code have been made by the directors and senior management of the Company. A declaration to this effect signed by the CEO is given in this report. The Code has also been posted on Company's website, www.onwardgroup.com

The CEO has certified to the Board with reference to the Financial Statement and other matters as required in clause 49 of the listing agreement.

Prohibition of Insider Trading Policy:

The Company has formulated and implemented the Code of Conduct for Prevention of Insider Trading to comply with relevant regulations laid down by SEBI. Accordingly, the Company announces closure of Trading Windows, free period, declaration of prohibited period etc. The Company has designed a reporting system to prevent insider trading by designated persons as mentioned in the said policy and takes quarterly and annual disclosure from the concerned persons. The said Code of Conduct for Prevention of Insider Trading Policy is also posted on the website of the Company, www.onwardgroup.com.

C. Directors' membership in Board Committees

None of the Directors of the Company were members in more than 10 committees or acted as the Chairperson of more than five committees across all companies in which they were Directors.

Report on Corporate Governance for the year 2009–10 *(Contd.)*

III Committees of Board of Directors

Your Company has constituted four Committees of Board of Directors. These are :

A. Audit Committee

B. Remuneration Committee

C. Compensation Committee

D. Shareholders' / Investors' Grievance Committee

A. Audit Committee:

1. Brief description of terms of reference:

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process and to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting to the Board of Directors on the following terms of references :

a) Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditor and the fixation of audit fee and also approval of payment for any other services rendered.

c) Reviewing with the management the annual financial statements before submission to the Board for approval, focusing primarily on -

- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgment by management.
- Qualification in draft audit report.
- Significant adjustments made in the financial statements arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with listing and legal requirements concerning financial statements.
- Any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.

d) Reviewing with the management the performance of statutory and internal auditors, and the adequacy of internal control systems.

e) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

f) Discussion with internal auditors on any significant findings and follow up thereon.

g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

h) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.

i) Reviewing the Company's financial and risk management policies.

j) To determine the reasons for any substantial defaults in payment to deposit holders, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Report on Corporate Governance for the year 2009–10 *(Contd.)*

2. Composition

The Audit Committee comprises of three Non-Executive Directors with majority of them being Independent. The chairman of the committee is an Independent Director. During the year under review, six meetings of the Committee were held on the following dates : 18th May, 2009, 15th June, 2009, 30th June, 2009, 17th July, 2009, 16th October, 2009 and 29th January, 2010 respectively.

The Directors who are part of the Audit Committee as on March 31, 2010 and the attendance of each of the members of the Committee is given below:

Name of Director	Designation	Category	No. of Meetings attended
Mr. Pradip Dubhashi	Chairman	Independent member & Non-Executive	6
Mr. Arun Meghani	Member	Non-Independent member and Non-Executive	4
Dr. Atul Wad	Member	Independent member & Non-Executive	–
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)	Member	Independent member & Non-Executive	6

The statutory as well as internal auditors of the Company were also invited for the meetings. In absence of Company Secretary, one of the committee member assumes responsibilities of secretary of Audit Committee.

B. Remuneration Committee:

i The Board of Directors have constituted a Remuneration Committee of Directors on 19th October, 2005.

ii The Broad terms of reference of the Remuneration Committee are as under:

a) To approve the remuneration and commission / incentive remuneration payable to the Managing Director for each financial year.

b) Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend / approve.

iii The Company has been paying sitting fees of Rs.20,000 per meeting for attending the Board meeting and Rs.5,000 per meeting for attending the Committee meeting to each of its Non-Executive Directors.

(1) Composition

The Remuneration Committee consists of the following Board of Directors :

(i) Mr. Pradip Dubhashi, Independent / Non-Executive Director

(ii) Mr. Arun Meghani, Non-Independent / Non-Executive Director

(iii) Dr. Atul Wad, Independent / Non-Executive Director

(iv) Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad, Independent / Non-Executive Director)

One Remuneration Committee meeting was held on 16th October, 2009 in the year.

(2) Directors' Remuneration details for the financial year ended March 31, 2010

a) Executive Director

Name of the Director	Salary & Perquisites (Rs.)	Incentive (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. Harish Mehta, Chairman & Managing Director	2,461,826	–	–	2,461,826

Report on Corporate Governance for the year 2009–10 *(Contd.)*

b) Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)	Total (Rs.)
Mrs. Shaila Mehta	140,000	140,000
Mr. Pradip Dubhashi	185,000	185,000
Mr. Arun Meghani	105,000	105,000
Mr. Samir Desai	Nil	Nil
Dr. Atul Wad	Nil	Nil
Mr. Sudhir Karnik (Alternate Director to Dr. Atul Wad)	175,000	175,000

C. Compensation Committee

1. Brief Description of terms of reference

The Compensation committee approves, allocates and administers the Employee Stock Option Plans (ESOP) for the year 2001 as well as for the year 2009, reviews performance appraisal criteria and set norms for ESOP allocation. The ESOP 2005 has been terminated.

2. Composition

The Compensation Committee comprises of the following Directors on the Board of the Company:

(i) Mr. Harish Mehta, Chairman & Managing Director

(ii) Mr. Pradip Dubhashi, Independent Director

(iii) Mr. Samir Desai, Independent Director

During the year, the Committee had three meetings, which were held on 30th June, 2009, 25th November, 2009 and 29th January, 2010. Mr. Harish Mehta and Mr. Pradip Dubhashi attended all the meetings and Mr. Samir Desai was granted leave of absence.

D. Shareholders' / Investors' Grievance Committee:

1. Brief description of terms of reference

The scope of Shareholders' / Investors' Grievance Committee is to review and address the grievances of the shareholders in respect of share transfers, transmission, Issuance of Duplicate share certificates, dematerialization and rematerialisation of shares and other shares related activities from time to time.

2. Composition

The composition of the Shareholders' / Investors' Grievances Committee is as under:

(i) Mrs. Shaila Mehta - Non-Independent / Non-Executive Director

(ii) Mr. Pradip Dubashi - Independent / Non-Executive Director

(iii) Dr. Atul Wad - Independent / Non-Executive Director

(iv) Mr. Sudhir Karnik (Alternate Director to Atul Wad), Independent / Non-Executive Director

During the year, four meetings were held on 15th June, 2009, 17th July, 2009, 16th October, 2009 and 29th January, 2010 respectively. Mrs. Shaila Mehta, Mr. Pradip Dubhashi and Mr. Sudhir Karnik attended all the meetings.

Report on Corporate Governance for the year 2009–10 *(Contd.)*

Name and designation of the Compliance Officer : Mr. Yogesh Desai - DGM - Accounts & Finance
Status of Complaints received during the Accounting year ended 31st March, 2010

Nature of Complaints	Received	Resolved	Pending
Relating to Transfer, Transmission, etc.	1	1	0
Other / Miscellaneous	0	0	0
Total	1	1	0

There were no pending complaints as well as Share transfer proposal as on March 31, 2010.

To facilitate the shareholders an email id - grd@onwardgroup.com has been activated for any Investor grievances.

E. General Body Meetings:

a) Details of the last three Annual General Meetings are as under:

Financial year	Venue	Date	Time	Special Resolution passed, If any
2006 - 07	Onward House D - 28/7 T.T.C. MIDC Ind. Area Turbhe, Navi Mumbai 400 705	20.7.2007	4.00 p.m.	Yes (5 Nos.)
2007 - 08	Onward House D - 28/7 T.T.C. MIDC Ind. Area Turbhe, Navi Mumbai 400 705	31.7.2008	4.00 p.m.	No
2008 - 09	The Victoria Memorial School of the Blind Opp. Tardeo A/c. Market 73, Tardeo Road Mumbai 400 034.	31.8.2009	10.00 a.m.	Yes (9 Nos)

There was no resolution passed by the shareholders through Postal Ballot at the last Annual General Meeting.

There is one Special Resolution for approval of the Shareholders at the ensuing Annual General Meeting.

b) Details on Extra-Ordinary General Meetings held:

Financial year	Venue	Date	Time
2005 - 06	Onward House D - 28/7 T.T.C. MIDC Ind. Area Turbhe, Navi Mumbai 400 705	16th January 2006	4.00 p.m.
2007 - 08	Onward House D - 28/7 T.T.C. MIDC Ind. Area Turbhe, Navi Mumbai 400 705	7th March, 2008	11.00 a.m.

Report on Corporate Governance for the year 2009–10 *(Contd.)*

There were no matters requiring approval of the Shareholders through Postal Ballot at the last Extra Ordinary General Meeting. One Special Resolution was passed at the last Extra Ordinary General Meeting.

During the year under review, approval has been received on 16th April, 2009 from the High Court, Mumbai for the Reconstruction scheme of Onward Technologies Ltd. and Onward eServices Ltd.

IV Disclosures:

(a) There were no transactions of material significant nature between the Company and its directors or promoters or the management, or their relatives etc. save and except transactions entered in the Register of Contracts, and the said transactions are not having potential conflict with the interests of the Company.

(b) The Company has complied with statutory compliances and no penalty or stricture is imposed on the Company by the Stock Exchanges or Securities & Exchange Board of India (SEBI) or any other statutory authority on any matter related to the capital markets during the last three years.

(c) While preparing the financial statements of the Company for the year ended March 2010, the management has ensured that all Accounting Standards have been properly followed and there has been no deviation from this practice.

(d) The management has evolved a Risk Assessment and minimization procedure code which is reviewed quarterly.

(e) Directors' Remuneration details for the financial year ended March 31, 2010 to Executive Directors.

Name of the Director	Salary & Perquisites (Rs.)	Incentive (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. Harish Mehta, Chairman & Managing Director	2,461,826	–	–	2,461,826

V Means of Communication:

The Board of Directors of the Company approves and takes on record the quarterly, half-yearly and annual financial results in the proforma prescribed under the listing agreement entered into with the Stock Exchanges where the shares of the Company are listed. These results are promptly submitted to the Stock Exchanges and the same are published in English and Marathi Newspapers (normally published in Mumbai Lakshdeep - Marathi Language and Business Standard - English Language) within 48 hours of such adoption by the Company. These results and the Code of Conduct for Corporate Governance are also posted on the Company's website www.onwardgroup.com.

The Company issues news releases on significant corporate decisions/activities and posts them on its website.

The Company's website www.onwardgroup.com provides a separate section for investors where relevant shareholders information is available. The Annual Reports of the Company are available on the website in a user friendly and downloadable form.

Annual Report is circulated to members. The Management Discussion and Analysis Report and Corporate Governance Report are part of the Annual Report.

The Company has appointed Link Intime India Pvt. Ltd. as a Registrar and Transfer Agent who are also authorized to take care of investors' complaints. The secretarial department also assists in resolving various investor complaints. The Company has created a separate e-mail id grd@onwardgroup.com exclusively for resolving investors' grievances.

Report on Corporate Governance for the year 2009–10 *(Contd.)*

VI General Shareholders Information:

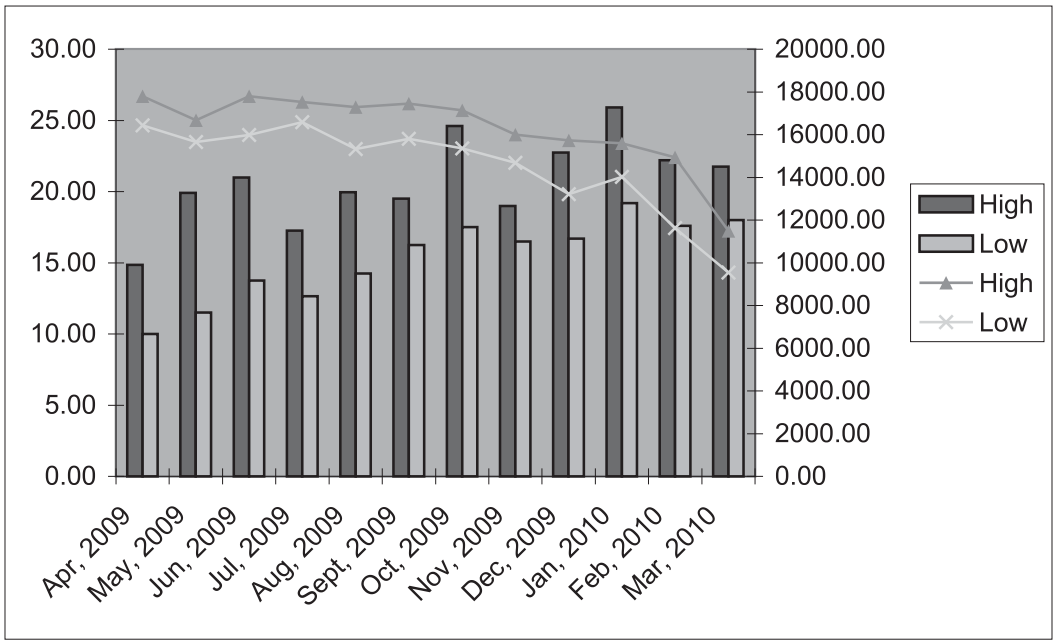
Annual General Meeting		
Date	:	16th July, 2010
Time	:	3.30 p.m.
Venue	:	Victoria Memorial School for the Blind Opp. Tardeo A/C Market, 73, Tardeo Road Mumbai 400 034
Financial Year	:	April 1 to March 31
First quarter results	:	2nd week of July, 2010
Second quarter results	:	2nd week of October 2010
Third quarter results	:	2nd week of January 2011
Results for the year ending March 2011	:	4th week of May 2011
Book closure dates	:	14th July , 2010 to
	:	16th July, 2010 (both days inclusive)
Dividend payment date	:	—
Registered office	:	Sterling Centre, 2nd Floor Dr. A. B. Road Worli Mumbai 400 018
Stock Exchange where Equity shares listed	:	The Stock Exchange, Mumbai.
Stock Code	:	517536
Group	:	B1 National Stock Exchange of India Ltd. ONWARDTEC The Stock Exchange, Ahmedabad (Applied for delisting)
Demat ISIN no. for CDSL and NSDL	:	INE 229 A 01017

Market price data: High/Low during each month in the last financial year :
(Rupees)

	BSE		NSE	
	High	**Low**	**High**	**Low**
April, 2009	14.85	10.01	15.70	10.00
May, 2009	19.90	11.50	21.00	11.05
June, 2009	21.00	13.75	21.10	14.25
July, 2009	17.26	12.65	17.00	12.95
August, 2009	19.95	14.25	19.85	14.45
September, 2009	19.50	16.25	19.75	15.25
October, 2009	24.60	17.50	24.60	17.15
November, 2009	19.00	16.50	19.00	16.15
December, 2009	22.75	16.70	22.95	16.35
January, 2010	25.90	19.20	25.45	18.90
February, 2010	22.20	17.60	22.50	17.35
March, 2010	21.75	18.00	22.20	18.20

Report on Corporate Governance for the year 2009–10 *(Contd.)*

Stock price performance in comparison to the BSE Sensex



Registrar and Share Transfer Agents	Link Intime India Pvt. Ltd. C-13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai 400 078. Tel : 91 22 25963838 Fax : 91 22 25962691 E-mail: isrl@linkintime.com
Share Transfer System	The Share Transfer Committee meets at regular intervals to process all shares received for transfer and the same are returned within 21 days from the date of lodgment if documents are complete in all respects.

Distribution of Shareholding as on 31st March, 2010:

Shareholding of Nominal value (Rs.)	No. of ShareHolders	% of Share holders	Amount (Rs.)	% of Shareholding
1 to 5000	8593	83.10	16582150	12.49
5001 to 10000	899	8.69	7529330	5.67
10001 to 20000	460	4.45	7043950	5.31
20001 to 30000	157	1.52	4059340	3.06
30001 to 40000	55	0.53	2019520	1.52
40001 to 50000	41	0.40	1966420	1.48
50001 to 100000	70	0.68	5197330	3.92
100001 to 9999999999	65	0.63	88330660	66.55
Total	**10340**	**100.00**	**132728700**	**100.00**

Report on Corporate Governance for the year 2009–10 *(Contd.)*

Shareholding Pattern as on 31st March 2010:

Categories	No. of shares held	Percentage of shareholding
Promoter Corporate Bodies	6994428	52.70
Directors & Relatives	219132	1.65
Corporate Bodies	974432	7.34
Mutual Fund	3750	0.03
Banks	350	0.00
Non Resident Indians	66977	0.50
Public	4921937	37.08
Clearing Members	91864	0.70
Total	**13272870**	**100.00**

De-materialisation of Shares and Liquidity	As on March 31, 2010 12,987,237 shares representing 97.84% of the paid-up share Capital of the Company were in de-materialised form.
Outstanding GDR/ADR/Warrants or any Convertible instruments, conversion dates and likely impact on equity	Since, the Company has not issued any GDR/ADR/Warrants or any convertible instruments this clause is not applicable
Plant location	The Company does not have any manufacturing plant.
Address for Correspondence	Link Intime India Pvt. Ltd. has been entrusted and appointed as Registrars & Share Transfer agents of the Company. All queries pertaining to transfer, transmission, de-materialisation and change of address be directed to them at their following address : Link Intime India Pvt. Ltd. C-13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai 400 078. Tel: 91 22 25963838 Fax: 91 22 25962691 E-mail: isrl@linkintime.com Contact person: Mr. Sandeep Holam

For and on behalf of the Board of Directors

Place : Mumbai
Date : May 21, 2010

Harish Mehta
Chairman & Managing Director

Chief Executive Officer (CEO) Certification

I, Harish Mehta, Chairman and Managing Director of Onward Technologies Limited, to the best of my knowledge and belief, certify that:

1. We have reviewed the Financial Statements and the Cash Flow Statement for the year and that to the best of our knowledge and belief;
   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee :
   (i) Significant changes in internal control over financial reporting during the year;
   (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   (iii) There are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai
Date: May 21, 2010

Harish Mehta
Chairman & Managing Director

Auditors' Report on Employees' Stock Option Schemes

We have examined the books of account and other relevant records of Onward Technologies Limited and based on the information and explanation given to us, certify that in our opinion, the Company has implemented the Employees Stock Option Schemes in accordance with SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions of the Company in the Annual General Meeting held on 31st August, 2009.

For Kirtane & Pandit
Chartered Accountants
(Firm No. 105215W)

Parag P. Pansare
Partner
Membership No.: 117309

Mumbai, May 21, 2010

Auditors' Certificate

To
The Members of Onward Technologies Limited.

We have examined the compliance of conditions of Corporate Governance by Onward Technologies Limited, for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement except compliance under clause 47 regarding appointment of Whole Time Company Secretary.

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

For Kirtane & Pandit
Chartered Accountants
(Firm No. 105215W)

Parag P. Pansare
Partner
Membership No.: 117309

Mumbai, May 21, 2010

Auditors' Report

To the Members of

Onward Technologies Limited

We have audited the attached Balance Sheet of Onward Technologies Limited ("the Company") as at March 31, 2010, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. Further to our comments in the Annexure referred to in paragraph (1) 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 purpose of our audit except note no. 20 of schedule R for which adequate documentations are not available; (Refer Note No. 20 of Schedule R) ;
   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 such books;
   c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d) so far as appears from our scrutiny of books of account and other records, we are of the opinion that the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e) on the basis of the written representations received from the directors as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   f) in our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the notes thereon subject to para 2(a) above and note no 3 of schedule R, 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:
      i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2010;
      ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
      iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Kirtane & Pandit
Chartered Accountants
(Firm No. 105215W)

Parag P. Pansare
Partner
Membership No.: 117309

Mumbai, May 21, 2010

Auditors' Report *(Contd.)*

Annexure referred to in paragraph 1 of our report of even date addressed to the Members of Onward Technologies Limited, on the financial statements for the year ended March 31, 2010.

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets.

(b) During the year Fixed Assets has not been physically verified by the Management, however, there is a regular programme of physical verification in a phase manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

(c) During the year, the Company has disposed some of its fixed assets. In our opinion and according to the information and explanations given to us, fixed assets disposed off were not substantial and therefore has not affected the going concern assumption.

(ii) (a) The Company is a service Company, primarily engaged in Mechanical Engineering designing and Information Technology services and consultancy, further in respect of trading activities of the Company, the products viz. Software are purchase only if counter orders are received from the customer, thus it does not caries any physical inventories as on balance sheet date. Thus, paragraph 4(ii) (a) and (b) of the Order (as amended) is not applicable.

(b) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of movement of inventories.

(iii) (a) According to the information and explanations given to us, the Company has not granted any secured or unsecured loan to companies, firm or other parties covered in the register maintain under Section 301 of the Companies Act, 1956. Consequently, clauses (iii)(a) to (iii)(d) of paragraph 4 of the order are not applicable.

(b) The Company has taken loan from three companies whose names are listed in the register maintained under Section 301 of the Companies Act, 1956. The total amount involved was Rs. 894.04 Lac.

(c) The rate of interest and other terms and conditions of unsecured loans taken by the Company, are prima facie not prejudicial to the interest of the Company.

(d) The terms of arrangement do not stipulate any repayment schedule for principle and interest thereon and are repayable on demand. Accordingly, paragraph 4 (iii)(g) of the Order is not applicable to the Company in respect of repayment of the principle and interest amount.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and Service. We have neither come across nor have been informed of any major weaknesses in the internal control system in the aforesaid areas.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that are required to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.Five Lakhs with any parties during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public. Accordingly, paragraph 4(vi) of the Order (as amended) is not applicable.

(vii) On the basis of internal audit report broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business.

(viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the products and services rendered of the Company. Accordingly, paragraph 4(viii) of the Order (as amended) is not applicable.

Auditors' Report *(Contd.)*

(ix) (a) In our opinion, the Company is not regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and any other material statutory dues, as may be applicable, with the appropriate authorities as observed by us during the course of our examination of the books of account carried out in accordance with generally accepted auditing practices in India. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

(b) In our opinion and according to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and any other material statutory dues, as may be applicable, were in arrears, as at March 31, 2010 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, as at the end of the year, there are no dues on account of sales tax, income tax, customs duty, wealth tax, service tax, excise duty, cess and any other statutory dues as may be applicable, that have not been deposited on account of any dispute except as follows:-

(Rs. Lac)

Sr. No.	Name of Statute	Name of Dues	Year	Amount Demanded Rs.	Forum where dispute is pending.
1.	Income Tax Act, 1961	Disallowance of Expenses and claim u/s 41(3)	A.Y.2004-05	349.56	CIT(Appeal), Mumbai
2.	Income Tax Act, 1961	Disallowance u/s 36(10(va)) and Deprecation claim	A.Y.2005-06	78.20	CIT(Appeal), Mumbai
3.	Income Tax Act, 1961	Penalty	A.Y.2005-06	1.00	CIB, Pune
4.	Income Tax Act, 1961	Transfer pricing adjustment and Disallowance u/s 36(10(va))	A.Y.2006-07	360.06	CIT(Appeal), Mumbai
5.	Income Tax Act, 1961	Penalty	A.Y.2007-08	0.36	CIB, Pune
7.	Central Sale Tax	Non submission of Form C	F.Y. 2002-03	6.99	JT.Comm of Sale Tax,Mumbai
8.	Central Sale Tax	Interest	F.Y. 2003-04	7.09	JT.Comm of Sale Tax,Mumbai

(x) The Company does have accumulated losses at the end of the financial year, however it doesn't exceed fifty percent of net worth of the Company and it has incurred cash losses in current financial year as well as in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provision of clause 4(xii) of the Order (as amended) is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order (as amended) are not applicable.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order (as amended) is not applicable.

Auditors' Report *(Contd.)*

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly paragraph 4 (xv) of the Order (as amended) is not applicable.

(xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for Long-term investment.

(xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(xviii) of the Order (as amended) is not applicable.

(xix) According to the information and explanations given to us, during the year, the Company has not issued debentures. Accordingly, paragraph 4(xix) of the Order (as amended) is not applicable.

(xx) As the Company has not raised any money by way of public issue, disclosure requirement of the end use of money raised by public issue does not apply to the Company.

(xxi) During the course of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across any instant of fraud on or by the Company, noticed or reported during the course of our audit, nor we have been informed of such case by the Management.

For Kirtane & Pandit
Chartered Accountants
(Firm No. 105215W)

Parag P. Pansare
Partner
Membership No.: 117309

Mumbai, May 21, 2010

Balance Sheet as at 31st March, 2010

	Schedule	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Sources of Funds			
Shareholders' Funds			
Share Capital	A	**133,527,003**	140,354,882
Reserves and Surplus	B	**73,989,333**	73,989,333
		207,516,336	214,344,215
Loan Funds			
Secured Loans	C	**94,561,536**	148,427,897
Unsecured Loans	D	**89,404,170**	58,133,019
		183,965,706	206,560,916
Deferred Tax Liabilities		**–**	15,691,137
(Refer Note : 17)		**391,482,042**	436,596,268
Application of Funds			
Fixed Assets	E		
Gross Block		**368,529,477**	373,892,384
Less: Accumulated Depreciation		**244,473,352**	214,992,824
Net Block		**124,056,125**	158,899,560
Investments	F	**173,155,222**	255,841,028
Current Assets, Loans and Advances			
Sundry Debtors	G	**117,390,132**	101,369,986
Cash & Bank Balances	H	**2,828,530**	4,025,206
Other Current Assets	I	**2,526,736**	199,021
Loans & Advances	J	**45,573,594**	49,776,382
		168,318,992	155,370,595
Less: Current Liabilities and Provisions			
Current Liabilities	K	**118,128,832**	141,398,241
Provisions	L	**11,681,026**	11,693,945
		129,809,858	153,092,186
Net Current Assets		**38,509,134**	2,278,409
Profit & Loss Account		**55,761,561**	19,577,271
		391,482,042	436,596,268
Notes to Accounts	R		

The schedules referred above form an integral part of the Balance Sheet

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Place : Mumbai
Date : May 21, 2010

Arun Meghani
Director

Pradip Dubhashi
Director

Profit and Loss Account for the year ended 31st March, 2010

	Schedule	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Income			
Sales and Other Income	M	**357,579,569**	288,560,121
Expenditure			
Cost of Goods Sold	N	**14,523,859**	7,177,009
Employee Cost	O	**181,571,310**	206,094,127
Operation and other Expenses	P	**157,026,296**	94,930,126
Finance Cost	Q	**24,677,774**	30,750,732
Depreciation	E	**30,696,256**	30,378,713
		408,495,495	369,330,707
Profit/(Loss) Before Extra Ordinary Item & Tax		**(50,915,926)**	(80,770,586)
Adjustment pursuant to the High Court Order (Refer Note : 21)		–	6,782,667
Prior Period Items		**959,501**	1,368,843
Profit/(Loss) Before Tax		**(51,875,427)**	(88,922,096)
Extra Ordinary Items		–	–
Less :Tax Expenses			
Current Tax		–	–
Deferred Tax Expenses/(Benefit)		**(15,691,137)**	19,593,224
Fringe Benefits Tax		–	1,348,717
		(15,691,137)	20,941,941
Profit/(Loss) After Tax		**(36,184,290)**	(109,864,037)
Balance B/F from previous year		**(19,577,271)**	80,585,139
Balance Available For Appropriation		**(55,761,561)**	(29,278,898)
Transferred from General Reserve		**–**	9,701,627
Balance Carried to Balance Sheet		**(55,761,561)**	(19,577,271)
Basic Earning per Share		**(2.73)**	(8.28)
Diluted Earning per Share (Refer Note : 18)		**(2.73)**	(8.28)
Notes to Accounts	R		

The schedules referred above form an integral part of the Profit & Loss Account

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Place : Mumbai
Date : May 21, 2010

Arun Meghani
Director

Pradip Dubhashi
Director

Cash Flow Statement for the year ended 31st March, 2010

		Current Year Rs.	Previous Year Rs.
(A)	**Cash Flows from operating activities**		
	Profit / (Loss) Before Extra Ordinary Item & Tax	**(50,915,926)**	(80,770,586)
	Adjustments for :		
	Depreciation	**30,696,256**	30,378,713
	Deferred Employees Compensation Written Back	**(6,827,879)**	–
	Adjustments for Reduction in Value of Fixed Assets as per AS-11	**7,175,676**	–
	Interest Income	**(846,143)**	(262,899)
	Dividend received	**(5,000)**	(16,815)
	Net Loss on sale of Fixed Assets	**380,971**	(16,652,790)
	Finance Charges	**24,677,774**	29,033,536
	Operating Profit before working capital changes	**4,335,729**	(38,290,841)
	Adjustments for :		
	Decrease/(Increase) in Stocks	**–**	–
	Decrease/(Increase) in Sundry Debtors	**(16,020,146)**	101,274,154
	Decrease/(Increase) in Other Current Assets	**(2,327,715)**	264,673
	Decrease/(Increase) in Loans and Advances	**4,202,788**	27,670,418
	(Decrease)/Increase in Current Liabilities	**(23,269,409)**	33,739,923
	(Decrease)/Increase in Provisions	**(12,919)**	3,734,661
	Cash generated from operations	**(33,091,672)**	128,392,988
	Income Tax Provided	**–**	(20,941,941)
	Cash flow before Extraordinary Item	**(33,091,672)**	107,451,047
	Increase/(Decrease) in Deferred Tax Liability/Benefit	**–**	19,593,224
	Prior Period Items	**(959,501)**	(8,151,510)
	Net Cash from Operating Activities (A)	**(34,051,173)**	118,892,761
(B)	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets and Investments	**(3,468,137)**	(104,071,049)
	Proceeds from sale of Fixed Assets	**58,668**	41,813,960
	Interest received	**846,143**	262,899
	Dividend received	**5,000**	16,815
	Net Cash used in Investing Activities (B)	**(2,558,326)**	(61,977,375)
(C)	**Cash Flow from Financing Activities**		
	Proceeds from Issue of Share Capital	**–**	2,373,807
	Refund of Share Application Money	**–**	(20,000,000)
	Share Premium Account	**–**	–
	Proceeds from Sale of Investments	**82,685,806**	–
	Proceeds from long-term borrowings	**532,000**	4,848,766
	Repayment of long-term borrowings	**(23,127,210)**	(39,474,781)
	Dividend and Dividend Tax paid	**–**	–
	Increase in Non Current Assets	**–**	–
	Finance Charges	**(24,677,774)**	(29,033,536)
	Net Cash (used)/generated in Financing Activities (C)	**35,412,822**	(81,285,744)
	Net Increase/(Decrease) in Cash and Cash equivalents (A + B + C)	**(1,196,677)**	(24,370,358)
	Cash and Cash equivalents opening balance	**4,025,206**	28,395,564
	Cash and Cash equivalents closing balance	**2,828,530**	4,025,206

Fixed Deposits included in closing balance of Cash & Cash equivalent in closing balance includes Fixed Deposits of **Rs.364,025** (P.Y. Rs.1,687,305) pledged with Banks as margin to secure Bank Guarantees issued by Banks, **Rs.10,000** (P.Y. Rs.10,000) pledged with Sales Tax Authority & **Rs.3,600** (P.Y. Rs.3,600) pledged with Customer.

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

Parag P. Pansare
Partner

Place : Mumbai
Date : May 21, 2010

For and on behalf of the Board of Directors

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Arun Meghani
Director

Pradip Dubhashi
Director

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'A'		
Share Capital :		
Authorised		
18,000,000 (P. Y. 18,000,000) Equity Shares of Rs. 10 each	**180,000,000**	180,000,000
1,000,000 Preference Shares of Rs. 10 each	**10,000,000**	10,000,000
1,000,000 Unclassified Shares of Rs. 10 each	**10,000,000**	10,000,000
	200,000,000	200,000,000
Issued, Subscribed and Paid Up		
1) 13,272,870 (P. Y. 13,272,870) Equity Shares of Rs. 10 each Fully Paid up	**132,728,700**	132,728,700
2) Employee Stock Options Outstanding	**3,563,720**	8,986,617
Less: Deferred Employees Compensation Expenses	**2,765,417**	1,360,435
	133,527,003	140,354,882
a) 317,200 (P. Y. 457,890) Equity Shares are oustanding as at Balance Sheet date; each Shares being a Fully Paid up Equity Share of Rs. 10 each. [Under scheme 2001: 9,200 & under scheme 2009: 308,000]		
b) The Company allotted 5,987,682 as fully paid up bonus shares on 10.12.2001 by utilisation of Securities Premium and Reserves & Surplus.		
Schedule - 'B'		
Reserves and Surplus :		
Securities Premium		
Opening Balance	**73,989,333**	367,986,743
Less: Reduced pursuant to the High Court Order (Refer Note : 21)	–	293,997,410
	73,989,333	73,989,333
General Reserve		
Opening Balance	–	9,701,628
Less: Tranferred to Profit & Loss Account	–	9,701,628
	–	–
	73,989,333	73,989,333

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'C'		
Secured Loans :		
1. Long Term Loan		
From Banks/Financial Institution	**18,750,000**	31,250,000
(Term loans are secured by pari-passu first charge on Fixed Assets and paripassu second charge on current assets both present and future as well as guarantee in personal capacity of the Managing Director of the Company)		
2. Others (Hypothecation)		
Secured by Hypothecation of Motor Cars	**2,482,739**	3,729,445
3. Short Term Loans		
From Bank		
Cash Credit :	**73,328,797**	112,901,309
(Secured by Hypothecation Current Assets including Inventories & Sundry Debtors both present and future and pari-passu charge on movable Fixed Assets both present and future process and finished goods, Book Debts of the Company)		
4. Finance Lease Liability		
Liability for Leased Assets (recognised for Finance Leases)	**–**	547,143
(Principal Amount repayble within one year Rs.Nil (P. Y. Rs. 547,143))		
	94,561,536	148,427,897
Schedule - 'D'		
Unsecured Loans :		
Short Term Loan :		
Loan from Group Companies	**89,404,170**	58,133,019
Others	–	–
	89,404,170	58,133,019

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2010

Schedule - 'E'

Fixed Assets :

	Gross Block (At Cost)				Depreciation				Net Block	
Particulars	**As at 1.4.09 RS.**	**Additions during the year Rs.**	**Sale/Adj. during the year Rs.**	**Total upto 31.3.2010 Rs.**	**Provided upto 31.3.2009 Rs.**	**Provided during the year Rs.**	**Sale/Adj. during the year Rs.**	**Total upto 31.3.2010 Rs.**	**As at 31.3.2010 Rs.**	**As at 31.3.2009 Rs.**
Owned Assets										
Tangible Assets										
Land & Building	1,706,250	–	–	**1,706,250**	381,407	27,812	–	**409,219**	**1,297,031**	1,324,843
Computer Equipment H/W & Software	255,598,700	2,434,184	7,402,322	**250,630,562**	148,116,527	24,532,152	147,595	**172,501,084**	**78,129,478**	107,482,174
Instruments & Accessories	1,228,859			**1,228,859**	1,223,301	960	–	**1,224,261**	**4,598**	5,558
Office Equipments	6,235,990	95,387	–	**6,331,377**	2,756,973	285,177	–	**3,042,150**	**3,289,227**	3,479,017
Other Equipments	9,553,502	115,973	–	**9,669,475**	4,589,874	427,089	–	**5,016,963**	**4,652,512**	4,963,628
Furniture & Fixtures	50,430,925	117,042	–	**50,547,967**	29,288,512	2,982,700	–	**32,271,212**	**18,276,755**	21,142,413
Electrical Fittings	6,762,390	–	–	**6,762,390**	4,306,953	363,099	–	**4,670,052**	**2,092,338**	2,455,437
Vehicles	11,960,652	705,550	1,428,720	**11,237,482**	3,962,495	1,075,255	1,068,133	**3,969,617**	**7,267,865**	7,998,157
Lease Hold Improvement	10,599,156	–	–	**10,599,156**	550,823	1,002,012	–	**1,552,835**	**9,046,321**	10,048,333
Leased Assets	19,815,959	–	–	**19,815,959**	19,815,959	–	–	**19,815,959**	**–**	–
	373,892,383	**3,468,136**	**8,831,042**	**368,529,477**	**214,992,824**	**30,696,256**	**1,215,728**	**244,473,352**	**124,056,125**	**158,899,560**
Previous Year	318,145,961	88,650,588	32,904,164	373,892,385	192,357,104	30,378,713	7,742,993	214,992,824	158,899,560	125,788,857

Note : Refer Note : 1(E)

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'F'		
Investments :		
Long Term Investement		
In Government Securities		
6 Years National Saving Certificates (Pledged with Sales Tax Authorities)	**23,000**	23,000
Investment in Subsidiaries (Non-trade Unquoted)		
114,000 (P. Y. 200,000) Fully Paid Equity Shares of US $20 each of Onward Technologies, Inc.	**95,169,663**	172,434,006
Share Capital in Onward Technologies GmbH	**4,171,035**	4,171,035
6,290,000 (P. Y. 1,290,000) Fully Paid up Equity Shares of Rs. 10 each of Onward eServices Ltd. (Refer Note : 21)	**62,900,000**	12,900,000
Share Application Money to Onward eServices Ltd.	**–**	50,000,000
Share Application Money to Onward Technologies Inc., USA	**–**	5,420,463
5,000 (P, Y. 5,000) Shares of Rs. 100 each (Fully Paid up) of Shantmurli Holdings Pvt. Ltd.	**10,692,664**	10,692,664
Non-trade (Quoted)		
3,000 (P. Y. 3,000) Fully Paid Equity Shares of Dena Bank Ltd. Market Value Rs. 235,350 (P. Y. Rs. 96,900)	**90,000**	90,000
Non-trade (Unquoted)		
8,386 (P. Y. 8,386) Fully Paid Shares of Rs. 10 each of The North Kanara GSB Co-op. Bank Ltd.	**83,860**	83,860
2,500 (P. Y. 2,600) Fully Paid Shares of Rs. 10 each of The Saraswat Co-op. Bank Ltd.	**25,000**	26,000
	173,155,222	255,841,028

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'G'		
Sundry Debtors :		
(Unsecured, Considered Good unless specified Otherwise)		
Due for more than 6 months (Refer Note : 7)	**8,875,595**	43,413,436
Other Debts	**108,514,537**	57,956,550
	117,390,132	101,369,986
Schedule - 'H'		
Cash and Bank Balances :		
Cash on hand	**28,324**	15,918
Balance with scheduled Banks :		
- In Current & Cash Credit Accounts	**2,436,181**	2,308,383
- In Fixed Deposit Accounts (Refer Note : 4)	**364,025**	1,700,905
	2,828,530	4,025,206
Schedule - 'I'		
Other Current Assets :		
Interest Receivable	**71,010**	199,021
Receivable from Foreign Exchange Broker (Refer Note : 12)	**2,455,726**	–
	2,526,736	199,021
Schedule - 'J'		
Loans and Advances :		
(Unsecured, Considered Good)		
(i) Loans :		
To Staff	**228,042**	46,131
To Subsidiary Onward eServices Ltd. (Refer Note : 21)	–	3,316,534
	228,042	3,362,665
(ii) Advance towards Equity in Subsidiary	**2,729,425**	2,729,425
(iii) Advances recoverable in cash or in kind or for value to be received :		
Advance Income Taxes	**30,547,693**	22,359,836
Others	**6,546,544**	15,202,306
	37,094,237	37,562,142
Deposits	**5,521,890**	6,122,150
	45,573,594	49,776,382
Schedule - 'K'		
Current Liabilities :		
Sundry Creditors (Refer Note : 9)	**78,817,550**	89,736,733
Advance payments for which value has still to be given	**785,240**	1,199,697
Book Overdraft	**–**	6,840,440
Interest accrued but not due	**454,576**	1,090,199
	80,057,366	98,867,069
Other Liabilities	**38,071,466**	42,531,172
	118,128,832	141,398,241

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'L'		
Provisions :		
Provision for Income Tax	**3,118,530**	3,118,530
Provision for Leave Encashment & Gratuity	**8,562,496**	8,575,415
	11,681,026	11,693,945

Schedules Annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2010

	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Schedule - 'M'		
Sales and Other Income :		
Sales		
Sale of Products	**32,135,308**	15,452,264
Sale of Services	**316,671,839**	222,223,320
	348,807,147	237,675,584
Other Income		
Interest from Bank	**502,865**	161,054
Interest from Others	**343,278**	101,845
Profit on Sale of Fixed Assets	**–**	17,444,340
Foreign Exchange Gain	**–**	26,444,036
Miscellaneous Income	**7,926,279**	6,733,262
	8,772,422	50,884,537
	357,579,569	288,560,121
Schedule - 'N'		
Cost of Goods Sold :		
Opening Stock	**–**	–
Add: Purchases	**14,523,859**	7,177,009
	14,523,859	7,177,009
Less: Closing Stock	**–**	–
	14,523,859	7,177,009
Schedule - 'O'		
Employee Cost :		
Remuneration and Benefits to Employees :		
Salaries and Bonus	**169,419,900**	187,978,174
Company's Contribution towards PF and other Statutory Dues	**10,214,573**	9,946,664
Superannuation	**610,353**	853,428
Group Gratuity	**570,897**	3,537,894
Staff Welfare Expenses	**755,587**	3,777,967
	181,571,310	206,094,127

Schedules Annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2010

	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Schedule - 'P'		
Operation and Other Expenses:		
Compensation for the use of premises	**16,647,903**	15,539,047
Conveyance	**5,243,706**	3,861,120
Electricity Charges	**7,967,128**	6,691,225
Insurance Premium	**1,288,053**	1,471,114
Leasing and Hire Charges	**11,637,796**	13,182,949
Loss on Sale of Fixed Assets	**380,971**	791,550
Miscellaneous Expenses	**4,403,315**	5,653,505
Professional Fees	**10,135,266**	12,555,672
Foreign Exchange Loss	**6,027,293**	–
Bad Debt	**58,294,163**	–
Provision for Doubtful Debt	**–**	713,351
Repairs & Maintenance Computer Equipment	**201,748**	18,267
Repairs & Maintenance others	**3,209,771**	3,549,087
Rates & Taxes	**3,121,506**	750,607
Remuneration to Auditors (Refer Note : 10(D))	**480,863**	446,400
Communication Expenses	**5,441,639**	5,993,751
Traveling Expenses	**11,696,934**	21,127,048
Selling & Marketing Expenses	**10,848,241**	2,585,433
	157,026,296	94,930,126
Schedule - 'Q'		
Finance Cost :		
Interest Cost	**23,414,405**	29,033,536
Bank Charges	**1,263,369**	1,717,196
	24,677,774	30,750,732

Notes on the Balance Sheet and Profit and Loss Account

Schedule - 'R'

Notes to Accounts forming part of the Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended March 31, 2010

1. Significant Accounting Policies

A. Accounting Assumptions

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. These accounts have been prepared on the assumption that the Company is a going concern and have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

B. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimated. Any revision to accounting estimates is recognised prospectively in the current and future periods.

C. Revenue Recognition

Revenue comprises sale of user licence of software, professional services and consultancy, training, interest and dividend. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is disclosed exclusive of sales tax, service tax, VAT or other taxes, as applicable.

Sales

i) Services rendered through transfer via tele-communication network are recognised on receiving confirmation of receipt from customer.

ii) In respect of income received from contracts dependent on time and material basis are recognised when related service are performed.

iii) Revenue through training, annual maintenance contracts and fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered / training is provided.

iv) Revenue from the sale of user licences for software applications is recognised on transfer of the title in the user licence.

v) Revenue from sale to overseas subsidiary companies are recognized in accordance with transfer pricing agreement entered with the subsidiary companies.

Income from Operating Lease

Minimum lease payments as per contracts are recognised as revenue on a straight-line basis over the lease term.

Income from Investment

i) Dividend income is recognized when the Company's right to receive dividend is established.

ii) Interest is recognised on time proportionate basis taking into account the amount outstanding and the rate applicable.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

D. Fixed Assets, Depreciation & Impairment

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own developed assets are capitalized inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

Depreciation on fixed assets is computed on the straight-line method over their useful lives at rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired after financial year 2004-2005 valuing for less than Rs.5,000 are entirely depreciated in the year of acquisition.

Lease hold improvements are depreciated over the period of contract of lease including lease period which can be further extendable at discretions of the lessee.

The management periodically assesses fixed assets, using external and internal sources whether there is an indication that an asset may be impaired. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

E. Foreign Currency Transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing on the date on which transaction occurred.

Outstanding balances of foreign currency monetary items are reported using the period end rates.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account except the following.

In pursuance to notification no G.S.R 225 (E) 31.03.2009 issued by the Ministry of Corporate Affairs for amending Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", the Company has opted the option of capitalising Foreign Exchange gain/loss on long term foreign currency monitory assets.

Foreign Branches

Foreign currency transactions entered into by branches, which are integral foreign operations, are translated in the same manner as foreign currency transactions described above. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation on fixed assets is recognised as per the Company's policy. Net gain/loss on foreign currency translation is recognised in the profit and loss account.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

Derivative

The Company uses foreign exchange forward contracts to hedge its exposure to movements 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.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

F. Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current/short term or long term based on the management's intention at the time of purchase. Long term investments are carried at cost less any permanent diminution in value (if any), determined separately for each individual investment. Current/short term 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. Cost for overseas investments comprises the Indian rupee value of the consideration paid for the investment.

G. Cash Flow Statement

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

H. Payments & Benefits to Employees

(a) 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 short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

(b) Post Employment Benefits

(i) Defined Contribution Plans: The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service,

(ii) Defined Benefit Plans: The employees' gratuity fund schemes managed by Trust are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation 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 rates 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 balance sheet date having maturity periods approximating to the terms of related obligations.

Actuarial gain and losses are recognized immediately in the profit & loss account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

(c) Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

I. Operating Lease

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the profit and loss account as incurred. Initial direct costs in respect of assets given on operating lease are expensed off in the year in which such costs are incurred.

J. Earning Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the board of directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

K. Tax Expense

Tax expense for the year comprises of current tax and deferred tax.

Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of the Income Tax Act, 1961.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

L. Employee Stock Option Scheme

In accordance with SEBI guidelines, the excess of the market price of shares, at the date of grant of options under the Employee Stock Option Schemes, over the exercise price, is treated as Employee Compensation expenses and amortised on a systematic basis over the vesting period of the options.

In the case of graded vesting, the vesting period is determined separately for each portion of the option. The unamortised portion of the cost is shown under "Share Capital".

M. Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

2. In the opinion of the board and to the best of their knowledge, the current assets, loans and advances, shown in the balance sheet have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated therein.

3. Debtors and Creditors are subject to confirmation.

4. **Contingent Liabilities not provided for:**

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Counter guarantees given by the Company for the guarantees issued by Company's bankers	**2,289,750**	10,732,394
Fixed deposits shown under the head cash and bank balances include deposits pledged with the banks as margins to secure letters of credit and guarantees issued by banks	**(350,425)**	(1,687,305)
Net amount	**1,939,325**	9,045,089
Disputed income tax / sales tax demand	**80,325,421**	42,875,435
Total	**82,264,746**	51,920,524

5. Disclosure in pursuance of notification no G.S.R 225 (E) 31.03.2009 of Ministry of Corporate Affairs:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Opening foreign exchange difference capitalized	**12,400,341**	–
Foreign exchange difference capitalized during the period	**(7,175,676)**	12,570,143
Less: Amount amortised during the period	**777,511**	169,802
Closing foreign exchange difference capitalized	**4,447,154**	12,400,341

6. **Managerial Remuneration**

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Salary and allowances (*)	**2,461,826**	3,120,910
Total	**2,461,826**	3,120,910

(*) In previous year an amount of Rs.3,120,910 includes leave travel allowance of Rs.337,500, which was paid for earlier years.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

Remuneration paid for the period Jan 1, 2009 to March 31, 2010 is approved by shareholders in the Annual General Meeting held on August 31, 2009, however it is subject to approval of Central Government, which is pending as on date.

7. The break-up of Sundry Debtors is as follows:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Debts due for more than 6 months		
– Considered good	**8,875,595**	44,284,102
– Considered doubtful	**–**	870,666
Sub–total (A)	**8,875,595**	43,413,436
Debts due for less than 6 months		
– Considered good	**108,514,537**	57,956,550
– Considered doubtful	**–**	–
Sub–total (B)	**108,514,537**	57,956,550
Less: Provision for doubtful debts	**–**	870,666
Balance (A + B)	**117,390,132**	101,369,986

Note: Debt include amount due from related parties.

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Debts due from Subsidiary Companies:		
a) Onward Technologies, Inc., USA	**58,452,378**	53,475,283
b) Onward Technologies GmbH, Germany	**2,378,963**	3,538,792
Total	**60,831,341**	57,014,075

8. Loans and advances include amounts receivable/payable from/to related parties:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Loans and advances include amounts receivable from related parties:		
a) Onward eServices Limited	**–**	3,316,534
b) Shantmurli Holdings Pvt. Limited	**330,177**	305,177
c) Onward Technologies GmbH, Germany	**2,729,425**	2,729,425
d) Onward Software Technologies Limited	**55,000**	50,000
	3,114,602	6,351,136

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

9. **Amount Due to Small, Medium and Micro enterprises:**

During the year Company has called for information from its vendors for their status under "The Small, Medium and Micro Enterprises Development Act 2006". Disclosure is made on the basis of the information received till date.

Particular	Year Ended March 31 (Rs.)	
	2010	2009
a) Total outstanding due to micro enterprise & small enterprise	**–**	1,708,778
b) Total outstanding due to other than micro enterprise & small enterprise	**78,817,550**	88,029,505
c) Principal amount remaining unpaid to suppliers at the year end	**–**	1,671,371
d) Interest due there on remaining unpaid to suppliers at year end	**–**	181,206
e) The amount of interest due and payable and remain unpaid at the end of accounting year	**–**	181,206
f) The amount of further interest remaining due and payable even in succeeding years	**–**	–

10. Additional Information Pursuant to the Provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956:

(A) Information in respect of capacity and class of goods manufactured:

The Company, being primarily engaged in rendering of services, the details in respect of licensed capacity, installed capacity and production / consumption of raw materials etc. are not given.

(B) Purchases / Sales and Stocks:

	Quantity		Value (Rs.)	
	Software	**Others**	**Software**	**Others**
(i) Opening Stock: (Stock in trade)	**–** (–)	**–** (–)	**–** (–)	**–** (–)
(ii) Purchases:	**349** (175)	**16** (–)	**11,564,985** (7,177,009)	**2,755,824** (–)
(iii) Sales: (Refer note below)	**349** (175)	**16** (–)	**28,705,946** (15,452,264)	**3,429,362** (–)
(iv) Closing Stock: (Stock in trade)	**–** (–)	**–** (–)	**–** (–)	**–** (–)

(C) Earnings in Foreign Currency:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Product sale	**5,451,059**	–
Software exports including consulting services & commissions	**195,498,231**	130,508,170

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

(D) Auditor's Remuneration: (Net of Service Tax):

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Audit Fees	**250,000**	250,000
Tax Audit Fees	**50,000**	50,000
Other Services	**175,000**	127,500
Reimbursement of out of pocket expenses	**5,863**	18,900
Total	**480,863**	446,400

(E) Expenditure in Foreign Currency:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Subscription, Books & Periodicals	**8,838**	53,726
Travelling	**4,354,115**	8,462,207
Professional Fees	**1,064,225**	1,382,132
Communication	**299,899**	448,763
Salaries & Bonus	**21,342,781**	42,264,272
Miscellaneous Expenditure	**181,053**	138,113
Compensation Premises	**1,442,701**	2,744,008
Marketing Fees & Technical Support	**7,151,772**	252,349
Conveyance	**1,024,809**	405,617
Finance Charges	**291,812**	75,605
Software Expenses	**–**	153,308
Total	**37,162,005**	56,380,100

(F) Value of Import basis:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Software	**11,564,985**	6,633,566
Capital Goods	**–**	43,767,135

11. The principal amount of term loan payable within a year is **Rs.125.00 Lac** (P. Y. Rs.125.00 Lac).

12**. Derivative Instruments and un-hedged Foreign Currency:**

Derivatives Instrument	Amount Outstanding As on March 31		Purpose
	2010	2009	
Forward contract	**$1,350,000**	$100,000	Hedging against USD receivable

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

Particular of un-hedged foreign currency exposure as on Balance Sheet Date:

(Figures in Lac)

Year	Foreign Currency Receivable			
	USD	GBP	EURO	DIRHAM
2009	10.62	1.07	1.43	1.25
2010	**–**	**0.82**	**1.82**	**2.47**

Particular of un-hedged foreign currency exposure as on Balance Sheet Date:

(Figures in Lac)

Year	Foreign Currency Payable			
	USD	GBP	EURO	DIRHAM
2009	11.35	–	–	–
2010	**11.75**	**–**	**–**	**–**

13. **Disclosure in pursuance of Accounting Standard - 15 (Revised 2005) on "Employee Benefits"**

1. Defined Contribution Plans

The Company has recognized following amounts in the profit & loss account for the year:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Contribution to employees provident fund	**10,214,573**	9,936,744
Contribution to superannuation fund	**610,353**	853,428
Contribution to labour welfare fund	**23,832**	12,132
Contribution to ESIC	**–**	9,920
Total	**10,848,758**	10,812,224

2. Defined Benefit Plans / Compensated absences - as per Actuarial Valuation on March 31, 2010.

a) Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO):

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Obligations at period beginning	**6,441,652**	4,037,899
2	Current service cost	**2,586,288**	1,533,095
3	Interest cost	**626,911**	438,910
4	Actuarial (gain) / losses	**(2,763,983)**	1,187,590
5	Benefits paid	**(519,918)**	(755,842)
6	DBO at period closing	**6,370,950**	6,441,652

b) A reconciliation of the opening and closing balances of the fair value of plan assets:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Opening fair value of plan asset at period beginning	**1,365,658**	1,973,696
2	Expected returns on plan assets	**88,456**	216,681
3	Actuarial gain / (losses)	**3,202**	(68,877)
4	Contribution by the employer	**–**	–
5	Benefits paid	**(519,918)**	(755,842)
6	Fair value of plan assets at period closing	**937,398**	1,365,658

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

c) Net assets / (liabilities) recognized in the balance sheet as on March 31, 2010:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Present value of funded obligations	**6,370,950**	6,441,652
2	Fair value of plan assets	**(937,398)**	(1,365,658)
3	Present value of unfunded obligations	**–**	–
4	Net assets / (liabilities) recognized in the balance sheet	**(5,433,552)**	(5,075,994)

d) Total expenses recognized in the profit and loss account:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Current service cost	**2,586,288**	1,533,095
2	Interest on defined benefit obligation	**626,911**	438,910
3	Expected returns on plan assets	**(88,456)**	(216,681)
4	Actuarial (gains) / losses	**(2,767,185)**	1,256,467
	Total	**357,558**	3,011,791

All the above have been included under the line item remuneration and benefits to employees in Schedule - 'O' of the revenue account.

e) Major categories of plan assets as a percentage of total plan assets:

Sr. No.	Particulars	Plan Asset – %	Plan Asset – Rs.
1	Other / insurer managed funds	100	937,398

f) Compensated Leave:

Para 132 of AS15 (revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard No. 5 or Accounting Standard No. 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (revised 2005).

g) Experience Adjustments:

Particulars	Year Ended March 31 (Rs.)		
	2010	2009	2008
Defined benefit obligation	**6,370,950**	6,441,652	4,037,899
Plan assets	**937,398**	1,365,658	1,973,696
Surplus / (deficit)	**(5,433,552)**	(5,075,994)	(2,064,203)
Exp. adj. on plan liabilities	**(1,049,289)**	621,820	383,806
Exp. adj. on plan assets	**3,202**	(68,877)	(120,506)

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

h) Actuarial Assumptions:

Sr. No.	Particulars	Year Ended March 31	
		2010	2009
1	Discount rate	**8.00**	7.15
2	Expected return on plan asset	**8.00**	7.50
3	Retirement age	**58 years**	58 years
4	Salary escalation rate	**4.00**	6.00

Turnover Rate	Year Ended March 31	
	2010	2009
Age (Years)	**Rates %**	Rates %
21–30	**8**	15
31–34	**8**	10
35–44	**8**	5
45–50	**8**	3
51–54	**8**	2
55–57	**8**	1

i) Gratuity is administered through group gratuity scheme with Life Insurance Corporation of India.

j) Salary Escalation Rate:

Future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

k) Expected rate of return on plan assets:

This is based on actuaries' expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

l) Discount Rate:

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.

14. **Information about Business Segments**

As permitted by paragraph 4 of Accounting Standard-17 (AS - 17), 'Segment Reporting', if a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Thus, disclosures required by AS - 17 are given in consolidated financial statements.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

15. **Related Party Disclosures**

(a) List of related parties and relationships:

	Relation	Parties
A.	Subsidiaries	Onward Technologies GmbH, Germany Shantmurli Holdings Pvt. Ltd. Onward Technologies, Inc., USA Onward eServices Ltd.
B.	Enterprise over which key management personnel exercise significant influence.	Onward Computer Technologies Pvt. Ltd. Onward Network Technologies Pvt. Ltd. Jigar Holdings Pvt. Ltd. Desai Finwealth Investments & Securities Pvt. Ltd. Neo Knowledgeware Investments Pvt. Ltd. Onward Software Technologies Ltd.
C.	Key Management Personnel and Relatives Chairman & Managing Director Director Related to Directors Related to Director	 Harish Mehta Shaila Mehta Jigar Mehta Arun Meghani

(b) Related party transactions:

(Rs. in Lac)

Aggregate of Transactions	Subsidiaries	Key Management Personnel	Relatives of Key Management Personnel	Associate Companies & Promoter Companies	Total
Sales	**1,036.37** (370.71)	**–** (–)	**–** (–)	**–** (–)	**1,036.37** (370.71)
ICDs received (including loans and advances)	**–** (–)	**–** (–)	**–** (–)	**479.47** (372.50)	**479.47** (372.50)
ICD repaid	**–** (–)	**–** (–)	**–** (–)	**166.76** (524.90)	**166.76** (524.90)
Directors sitting charges	**–** (–)	**2.40** (1.70)	**–** (–)	**–** (–)	**2.40** (1.70)
Interest paid during the year	**–** (–)	**–** (–)	**–** (–)	**60.72** (46.81)	**60.72** (46.81)
Establishment / manpower charges shared	**–** (77.25)	**–** (–)	**–** (–)	**2.18** (–)	**2.18** (77.25)
Marketing Fees & Technical Support	**71.28** (–)	**–** (–)	**–** (–)	**–** (–)	**71.28** (–)
Bad debts	**575.04** (–)	**–** (–)	**–** (–)	**–** (–)	**575.04** (–)
Rent paid	**–** (–)	**–** (–)	**–** (–)	**90.00** (55.00)	**90.00** (55.00)
Salaries paid	**–** (–)	**24.62** (31.21)	**45.31*** (29.25)	**–** (–)	**69.93** (60.46)

* Remuneration paid for the period April 1, 2009 to March 31, 2010 is approved by shareholders in the Annual General Meeting held on August 31, 2009, however it is subject to approval of Central Government, which is pending as on date.

Note: Previous year figures have been shown in brackets.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

(c) Balance outstanding at end of financial year:

(Rs. in Lac)

Aggregate of Transactions	Subsidiaries	Key Management Personnel & Relative	Associate Companies & Promoter Companies	Total
Debit Balances outstanding				
Loans and advances	**3.30** (33.17)	**–** (–)	**0.55** (0.50)	**3.85** (33.17)
Debtors	**608.31** (583.95)	**–** (–)	**–** (–)	**608.31** (583.95)
Advance towards expenses	**–** (33.67)	**–** (–)	**–** (0.11)	**–** (33.78)
Advance Salary	**–** (–)	**3.84** (–)	**–** (–)	**3.84** (–)
Investments	**1,729.33** (2,556.18)	**–** (–)	**–** (–)	**1,729.33** (2,556.18)
Credit Balances outstanding				
Loans and advances	**120.73** (105.40)	**–** (–)	**788.64** (475.93)	**909.37** (581.33)
Creditors (*)	**570.15** (543.49)	**–** (–)	**2.18** (8.94)	**572.33** (552.43)

(*) The above amount includes Rs. 491.62 Lac due to Onward Technologies, Inc., USA towards Capital Software purchase.

Note: Previous year figures have been shown in brackets.

16. **I) Disclosure for Income from Operating Lease:**

The Company has leased office premise under operating lease. The lease charges to be received in future are as follows:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Lease payment credited to profit & loss account	**466,335**	1,052,176

Minimum Lease payment	Year Ended March 31 (Rs.)	
	2010	2009
Up to 1 year	**570,000**	197,004
Greater than 1 year but less than 5 years	**712,500**	–

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

II) **Disclosure for Operating Leases:**

The Company has leased certain residential flats / office premises under operating leases. The lease payments to be made in respect of the leases in future are as follows:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Lease payment debited to profit & loss account	**16,647,903**	15,296,311

Lease obligation	Year Ended March 31 (Rs.)	
	2010	2009
Up to 1 year	**13,147,438**	15,380,064
Greater than 1 year but less than 5 years	**34,404,500**	37,718,738
Greater than 5 years	**37,800,000**	31,500,000

17. **Statement of Computation of Deferred Tax Liabilities/Assets (Net)**

Particulars	Year Ended March 31 (Rs.)	
	2010	2009
A) Deferred Tax Assets		
a) Carried forward of unabsorbed deprecation and loss	**14,347,064**	–
b) Provision disallowed under Sec 43B, Sec 40(a)(1) and Sec 40A(7)	**3,065,098**	1,675,033
Total (A)	**17,412,162**	1,675,033
B) Deferred Tax Liability		
Difference in net Block as per Books of Account and as per Income Tax Act,1956	**17,412,162**	17,366,169
Total (B)	**17,412,162**	17,366,169
Net Deferred tax assets / (liability) (A-B) as on end of reporting period	**–**	(15,691,136)
Net Deferred tax assets / (liability) as on the beginning of reporting period	**(15,691,136)**	3,902,087
Deferred Tax expense / (benefit) recognised in profit and loss account	**(15,691,136)**	19,593,223

18. **Earnings per Share**

The earnings per share have been computed in accordance with the “AS 20”.

Particular	Year Ended March 31	
	2010	2009
Profit / (loss) after tax	**Rs.(36,184,290)**	Rs.(109,864,037)
Profit / (loss) attributable to equity shareholders	**Rs. (36,184,290)**	Rs.(109,864,037)
Adjusted number of ordinary shares, (face value Rs.10)	**13,272,870**	13,258,943
Basic earning per share	**Rs.(2.73)**	Rs.(8.28)
Weighted average number of shares under options	**317,200**	362,463
Diluted earning per share	**Rs.(2.73)**	Rs.(8.28)

Particular	Year Ended March 31	
	2010	2009
Weighted average number of shares under options	**317,200**	362,463
Fair value of shares during the year	**Rs.19.85**	Rs.10.13
Exercise price for share under option	**Rs.10**	Rs.10
Number of shares that would have been issued at fair value	**159,800**	357,810

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

19 a. Onward Technologies employee stock option plan 2001

The Company instituted the 2001 plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on January 15, 2001. Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to scheme, the Company has granted options each to eligible employees at an exercise price of Rs 10 per equity share of Rs 10 each.

Under the term of scheme, 25% of the options will vest in the employees at the end of first year, 25% at the end of second year, 25% at the end of third year and balance 25% at end of fourth year from the grant date.

The employee stock options granted shall be capable of being exercised within a period of four years from the date of first vesting the options, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, 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 as mentioned above, failing which they would stand cancelled. The movement in the stock options during the year was as per the table given below:

Particular	**Year Ended March 31**	
	2010	2009
Options outstanding at period beginning	**10,012.50**	16,400.00
Granted during the year	**–**	–
Forfeited / cancelled during the year	**7,712.50**	6,387.50
Exercised during the year	**–**	–
Options outstanding at period closing	**2,300**	10,012.50
Share exercisable at the end of the year	**9,200**	56,175.00

b. Onward Technologies employee stock option plan 2009

The Company instituted the 2009 plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on August 31, 2009. Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to scheme, the Company has granted options each to eligible employees at an exercise price of Rs 10 per equity share of Rs 10 each.

Under the term of scheme, 25% of the options will vest in the employees at the end of first year, 25% at the end of second year, 25% at the end of third year and balance 25% at end of fourth year from the grant date.

The employee stock options granted shall be capable of being exercised within a period of four years from the date of first vesting the options, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, 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 as mentioned above, failing which they would stand cancelled. The movement in the stock options during the year was as per the table given below:

Particular	**Year Ended 31st March 2010**
Options outstanding at period beginning	**–**
Granted during the year	**77,000**
Forfeited / cancelled during the year	**–**
Exercised during the year	**–**
Options outstanding at period closing	**77,000**
Exercisable at the end of the year	**308,000**

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

c) Stock options issued during the year have been as per the accounting guidelines issued by SEBI in the year 1999 and as further amended in year 2004. Further during the year, 2001 Scheme has been partly lapsed and Company has scraped 2005 Scheme. Accordingly, an amount of **Rs. 6,827,879** (P.Y.Rs. (-) 2,373,807) reversed during the year been credited to Profit & Loss Account

20. During the said financial year the Company has written off as bad debts certain receivables for offshore work done for Rs. 575.04 Lac for its US based customers who were affected by the downturn in the US economy and the Global economic meltdown. In addition to delay in payment and the inability of the customer to confirm the balance forced the Company to write-off these receivables. Looking at the general economic scenario, the efforts, time and money which would be required to pursue this outstanding and the very negligible chances of recovering the same at the earliest, the Company decided against taking any further action in this matter.

21. **Scheme of arrangement / compromise between Onward Technologies Limited (hereinafter refer as "OTL") and Onward eServices Limited (hereinafter refer as "OEL") as approved by the Honorable High Court of Mumbai:**

During the financial year 2008-09, as a part of arrangement / compromise, the Company pursuant to provisions of Section 391 & 394 of the Companies Act, 1956, offered a scheme of arrangement / compromise to respective Members of OTL and OEL and for reconstruction and reduction of capital of OEL and specified creditor of OEL viz OTL and further convened meetings of shareholders of OTL on June 9, 2008 pursuant to an order of the Honorable High Court of Judicature at Mumbai.

Pursuant to the above meeting the Company had obtained necessary sanction of the scheme from the Honorable High Court of Mumbai vide its Order dated April 16, 2009. Even though, the appointed date was April 1, 2007, the effect of the above scheme has been given in the books of accounts for the year ending March 31, 2009 and comparative figures of the previous year has not been adjusted to that extent.

The scheme of arrangement as sanctioned by the Honorable High Court of Mumbai provides for the following accounting treatment in the books of accounts:

- The outstanding loan of Rs.106,897,410 (Rupees Ten Crore Sixty Eight Lac Ninety Seven Thousand Four Hundred Ten Only) obtained by OEL from OTL, was converted into equity share capital of OEL.

- The debit balance of profit and loss account amounting to Rs.156,888,820, irrecoverable debtors Rs.19,001,570, loss/reduction in value of sundry advances Rs.99,908,873 and reduction in the value of inventories Rs.18,198,147 of OEL aggregating Rs.293,997,410 (Rupees Twenty Nine Crore Thirty Nine Lac Ninety Seven Thousand Four Hundred Ten Only) were reduced against the reduction in share capital of OEL.

- Consequent to such reduction in share capital, the diminution in the value of investments of OTL in the share capital of OEL was reduced / adjusted against the securities premium account of OTL. Thus the securities premium account of OTL was reduced by Rs.293,997,410 (Rupees Twenty Nine Crore Thirty Nine Lac Ninety Seven Thousand Four Hundred Ten Only) and the loan given to OEL and investments in share capital of OEL will reduce to the extent of Rs.293,997,410 (Rupees Twenty Nine Crore Thirty Nine Lac Ninety Seven Thousand Four Hundred Ten Only).

Since the loan outstanding as on March 31, 2008 given by OTL to OEL was converted in to equity and thereafter reduced pursuant to High Court order with retrospective effect from April 1, 2007, interest charged by OTL to OEL amounting to Rs.6,782,667 in the financial year 2007-08 has been adjusted in the previous year.

Notes on the Balance Sheet and Profit and Loss Account *(Contd.)*

22. The sales & other income as shown in the profit and loss accounts includes the value of sales reversal of **Rs. Nil** (P. Y. Rs.80,313,553) towards on going pilots conducted at the behest of one of Company's major offshore customer. These pilots were in the nature of software and engineering designs to demonstrate feasibility of ideas, modifications to suit the changed specifications of the said customer. The Company has been representing to the said customers that these assignments though individually small, collectively aggregated to large sums and therefore the invoices raised by the Company were legitimate dues. However, while such negotiations were on the economic meltdown happened and the customers did not agree to the Company's contention. In light of these unforeseen developments, and keeping in mind the current relationship and the future prospects from the customer, the Company decided to reverse the sales.

23. The Company has not yet appointed a Company Secretary, however, all compliances are done by an independent Company Secretary firm.

24. Previous year's figures have been regrouped / recast wherever necessary except figures affected by scheme of compromise/arrangement.

25. Figures are rounded off to the nearest rupee.

26. Figures in bracket pertain to the previous year.

For Kirtane & Pandit
Chartered Accountants

Parag P. Pansare
Partner

Place : Mumbai
Date : May 21, 2010

For and on behalf of the Board of Directors

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Arun Meghani
Director

Pradip Dubhashi
Director

Balance Sheet Abstract and Company's General Business Profile

I Registration Details: 62542 State Code: 11

Balance Sheet Date: 31 (Date) 03 (Month) 2010 (Year)

II Capital Raised During the Year (Amount in Rs Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Preferential Basis	NIL

III Position of Mobilisation and Deployement of Funds (Amount in Rs Thousands)

Total Liabilities	391482	Total Assets	391482
Sources of Funds:		Application of Funds	
Paid–Up Capital	133527	Net Fixed Assets	124056
Reserves & Surplus	73989	Investments	173155
Secured Loans	94562	Net Current Assets	38509
Deferred Tax Liabilities	NIL	Misc. Expenditure	NIL
	NIL	Accumulated losses	55762

IV Performance of Company (Amount in Rs Thousands)

Turnover	357580	Total Expenditure	408495
+ – Profit / Loss Before Tax		+ – Profit / Loss after Tax	
–	51875	–	36184

Please tick Appropriation Box + for Profit – for Loss

Earning Per Share in Rs	(2.73)	Dividend Rate (%)	NIL

V Generic Name Of Three Principal Products /Services of Company

Item Code No	I	CAD / CAE SERVICES
Product Description	ii	ENGG / CONSULTANCY SERVICES
	iii	SOFTWARE / HARDWARE PRODUCTS

For and on behalf of the Board of Directors

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Arun Meghani
Director

Pradip Dubhashi
Director

Place : Mumbai
Date : May 21, 2010

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of

Onward Technologies Limited

We have audited the attached Consolidated Balance Sheet of Onward Technologies Limited ("the Company") and its subsidiaries (together referred to as 'the group', as described in the schedule as at March 31, 2010 the Consolidated Profit and Loss Account for the year ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These Consolidated financial statements are the responsibility of the Company's management and have been prepared by management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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 whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 118,335,241 (net) as at March 31, 2010 and total revenues of Rs. 364,456,369 for the year then ended. In case of German subsidiary viz. Onward Technologies GmbH, the financial statements as certified by the person in charge of that subsidiary have been considered for the purpose of consolidation and the financial statements of US subsidiary viz. Onward Technologies, Inc. have been audited by other independent auditors whose reports have been furnished to us, and our opinion is based solely on the report of such other auditor.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and Notified by the Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of the report of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us subject to note no. 18 for which adequate documentations are not available and read together with the Significant Accounting Policies and other notes appearing in Schedule 'S' subject to note no 2 and 5 of Notes to Account, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at March 31, 2010;

(b) in the case of Consolidated Profit and Loss Account, of the loss for the year ended on that date; and

(c) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Kirtane & Pandit
Chartered Accountants
(Firm No. 105215W)

Parag P. Pansare
Partner
Membership No.: 117309

Mumbai, May 21, 2010

Consolidated Balance Sheet of Onward Technologies Limited and its Subsidiaries as at 31st March, 2010

	Schedule	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Sources of Funds			
Shareholders' Funds			
Share Capital	A	**133,527,003**	140,354,882
Reserves and Surplus	B	**78,732,407**	97,593,181
		212,259,410	237,948,063
Loan Funds			
Secured Loans	C	**114,947,217**	148,825,145
Unsecured Loans	D	**173,107,165**	135,779,136
		288,054,382	284,604,281
Deferred Tax Liabilities		**–**	15,691,137
		500,313,792	538,243,481
Application of Funds			
Fixed Assets	E		
Gross Block		**750,020,925**	753,548,560
Less : Depreciation		**579,544,699**	526,970,130
Net Block		**170,476,226**	226,578,430
Investments	F	**221,860**	222,860
Current Assets, Loans and Advances			
Sundry Debtors	G	**187,282,348**	248,807,202
Cash & Bank Balances	H	**23,178,698**	23,940,457
Other Current Assets	I	**438,640**	516,140
Loans & Advances	J	**96,917,607**	86,685,855
		307,817,293	359,949,654
Less : Current Liabilities and Provisions			
Current Liabilities	K	**127,654,060**	167,868,275
Provisions	L	**15,680,057**	18,367,478
		143,334,117	186,235,753
Net Current Assets		**164,483,176**	173,713,901
Profit & Loss Account		**164,755,622**	137,235,413
Miscellaneous expenditure	M	**376,908**	492,877
(To the extent not written off or adjusted)			
		500,313,792	538,243,481
Notes to Accounts	S		

The Schedule referred above form an integral part of the Balance Sheet

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Place : Mumbai
Date : May 21, 2010

Arun Meghani
Director

Pradip Dubhashi
Director

Consolidated Profit and Loss Account of Onward Techologies Limited and its Subsidiaries for the year ended 31st March, 2010

	Schedule	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Income			
Sales and Other Income	N	**855,100,323**	944,455,761
Expenditure			
Cost of Goods Sold	O	**17,079,429**	9,987,168
Employee Cost	P	**568,577,885**	718,961,973
Operation and other expenses	Q	**228,917,244**	207,782,772
Finance Cost	R	**27,130,706**	37,892,996
Depreciation	E	**54,156,665**	63,148,160
		895,861,929	1,037,773,069
Profit/(Loss) Before Extraordinary Items & Tax		**(40,761,606)**	(93,317,308)
Preliminary Expenses Written off		**115,969**	115,969
Prior Period Items		**1,063,231**	2,460,383
Profit/(Loss) Before Tax		**(41,940,806)**	(95,893,660)
Extra Ordinary Items		**–**	–
Less :Tax Expenses :			
Current Tax		**1,270,540**	462,847
Deferred Tax Benefit		**(15,691,137)**	30,876,583
Fringe Benefits Tax		–	2,435,301
		(14,420,597)	33,774,731
Profit/(Loss) After Tax		**(27,520,209)**	(129,668,391)
Balance B/F from previous year (Refer Note : 16)		**(137,235,413)**	(17,268,650)
Balance Available for Appropriation		**(164,755,622)**	(146,937,041)
Appropriation			
Transferred from General Reserve		**–**	9,701,628
Balance Carried to Balance Sheet		**(164,755,622)**	(137,235,413)
Basic Earning per Share		**(2.07)**	(9.77)
Diluted Earning per share		**(2.07)**	(9.77)
Notes to Accounts	S		

The Schedule referred above form an integral part of the Profit & Loss Account

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Place : Mumbai
Date : May 21, 2010

Arun Meghani
Director

Pradip Dubhashi
Director

Consolidated Cash Flow Statement of Onward Technologies Limited and its Subsidiaries for the year ended 31st March, 2010

		Current Year Rs.	Previous Year Rs.
(A)	**Cash Flows from operating activities**		
	Net Profit/(Loss) before Taxation, Extraordinary Items & Prior Period Items	**(40,877,575)**	(93,433,277)
	Adjustments for :		
	Depreciation	**54,156,665**	63,148,160
	Deferred Employee Compensation Written Back	**(6,827,879)**	–
	Adjustments for Reduction in Value of Fixed Assets as per AS-11	**7,175,676**	–
	Miscellaneous Expenses written off	**115,969**	115,969
	Interest Income	**(1,616,122)**	(656,234)
	Dividend received	**(5,000)**	(16,815)
	Net (Profit)/Loss on sale of Fixed Assets	**971,202**	(16,641,378)
	Finance Charges	**27,130,706**	35,981,601
	Operating Profit before working capital changes	**40,223,642**	(11,501,974)
	Adjustments for :		
	Decrease/(Increase) in Stocks	**–**	3,637,040
	Decrease/(Increase) in Sundry Debtors	**61,524,854**	30,752,824
	Decrease/(Increase) in Other Current Assets	**77,500**	656,019
	Decrease/(Increase) in Loans and Advances	**(10,231,752)**	32,481,850
	(Decrease)/Increase in Current Liabilities	**(40,214,215)**	45,181,332
	(Decrease)/Increase in Provisions	**(2,687,421)**	8,211,465
	Cash generated from operations	**48,692,608**	109,418,556
	Income Tax Provided	**(1,270,540)**	(33,774,731)
	Cash flow before Extraordinary item	**47,422,068**	75,643,825
	Increase/(Decrease) in Deferred Tax Liability	**–**	30,876,583
	Extraordinary Cost & Prior Period Items	**(1,063,231)**	(2,460,383)
	Net Cash from Operating Activities (A)	**46,358,837**	104,060,025
(B)	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets and Investments	**(6,315,013)**	(89,872,722)
	Proceeds from sale of Fixed Assets	**114,674**	41,739,493
	Interest received	**1,616,122**	656,234
	Dividend received	**5,000**	16,815
	Net Cash used in Investing Activities (B)	**(4,579,217)**	(47,460,180)
(C)	**Cash Flow from Financing Activities**		
	Proceeds from Issue of Share Capital	**–**	2,373,807
	Share Application Money Received/(Refunded)	**–**	(20,000,000)
	Proceeds from long-term borrowings	**58,021,889**	4,848,766
	Repayment of long-term borrowings	**(54,571,788)**	(42,271,851)
	Finance Charges	**(27,130,706)**	(35,981,601)
	Net Cash used in Financing Activities (C)	**(23,680,605)**	(91,030,879)
	Net Increase/(Decrease) in Cash and Cash equivalents (A + B + C)	**18,099,015**	(34,431,034)
	Cash and Cash equivalents opening balance	**23,940,457**	35,521,567
	Foreign Currency Translation Adjustment	**(18,860,774)**	22,849,924
	Cash and Cash equivalents closing balance	**23,178,698**	23,940,457

Fixed Deposits included in closing balance of Cash & Cash equivalent is **Rs. 3,752,914** (P. Y. Rs. 6,028,703) pledged with Banks as margin to secure Bank Guarantees issued by Banks, **Rs.10,000** (P.Y. RS.10,000) pledged with Sales Tax Authority and **Rs. 3,600** (P.Y. Rs. 3,600) pledged with Customer.

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

Parag P. Pansare
Partner

Place : Mumbai
Date : May 21, 2010

For and on behalf of the Board of Directors

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Arun Meghani
Director

Pradip Dubhashi
Director

Schedules Annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'A'		
Share Capital :		
Authorised		
18,000,000 (P. Y. 18,000,000) Equity Shares of Rs. 10 each	**180,000,000**	180,000,000
1,000,000 Preference Shares of Rs. 10 each	**10,000,000**	10,000,000
1,000,000 Unclassified Shares of Rs. 10 each	**10,000,000**	10,000,000
	200,000,000	200,000,000
Issued, Subscribed and Paid Up		
1) 13,272,870 (P. Y. 13,272,870)		
Equity Shares of Rs. 10 each Fully Paid up	**132,728,700**	132,728,700
2) Employee Stock Options Outstanding	**3,563,720**	8,986,617
Less: Deferred Employees Compensation Expenses	**2,765,417**	1,360,435
	133,527,003	140,354,882
a) 317,200 (P. Y. 457,890) Equity Shares are oustanding as at Balance Sheet date; each Shares being a Fully Paid up Equity Share of Rs. 10 each. [Under scheme 2001: 9,200 & under scheme 2009: 308,000]		
b) The Company allotted 5,987,682 as fully paid up bonus shares on 10.12.2001 by utilisation of Securities Premium and Reserves & Surplus.		
Schedule - 'B'		
Reserves and Surplus :		
Securities Premium		
Opening Balance	**73,989,333**	367,986,743
Less: Adjustment pursuant to the High Court Order (Refer Note : 16)	–	(293,997,410)
	73,989,333	73,989,333
General Reserve		
Opening Balance	–	9,701,628
Less: Transferred to Profit & Loss Account	–	9,701,628
	–	–
Add: Foreign Currency Translation Adjustement		
Opening Balance	**23,603,848**	2,260,103
Add: Adjustment During the Year	**(18,860,774)**	21,343,745
	4,743,074	23,603,848
	78,732,407	97,593,181

Schedules Annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'C'		
Secured Loans :		
1. Long Term Loan		
From Financial Institution	**18,750,000**	31,250,000
(Term loans are secured by pari-passu second charge on entire Current Assets both present and future, pari-passu first charge on movable Fixed Assets both present and future as well as guarantee in personal capacity of the Managing Director of the Company)		
(Refer Note : 17)		
2. Others (Motor Cars)		
(Secured by Hypothecation of Motor Cars	**3,477,558**	4,126,693
3. Short Term Loans		
From Bank		
Cash Credit :	**92,719,659**	112,901,309
(Secured by Hypothecation Current Assets including Inventories & Sundry Debtors both present and future and pari-passu charge on movable Fixed Assets both present and future.)		
4. Finance Lease Liability		
Liability for Leased Assets (recognised for Finance Leases)	**–**	547,143
(Principal Amount repayble within one year Rs. Nil (P. Y. Rs. 547,143)		
	114,947,217	148,825,145
Schedule - 'D'		
Unsecured Loans :		
Short Term Loans :		
Loan from Group Companies	**173,107,165**	135,779,136
Others	**–**	–
	173,107,165	135,779,136

Schedules Annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2010

Schedule - 'E'
Fixed Assets :

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As at 1.4.2009 RS.	Additions during the year Rs.	Sale/Adj. during the year Rs.	Total upto 31.3.2010 Rs.	Provided upto 31.3.2009 Rs.	Provided during the year Rs.	Sale/Adj. during the year Rs.	Total upto 31.3.2010 Rs.	As at 31.3.2010 Rs.	As at 31.3.2009 Rs.
Owned Assets										
Goodwill (at Cost)	2,733,645	–		**2,733,645**	2,733,645	–	–	**2,733,645**	–	–
Tangible Assets										–
Land & Building	1,706,250	–	–	**1,706,250**	381,407	27,812	–	**409,219**	**1,297,031**	1,324,841
Computer Equipment H/W										–
& Software	536,491,224	2,533,091	7,572,774	**531,451,541**	417,800,429	33,365,431	280,523	**450,885,337**	**80,566,204**	118,690,793
Instruments & Accessories	1,366,940	–	–	**1,366,940**	1,323,895	6,600	–	**1,330,495**	**36,445**	43,046
Office Equipments	8,839,061	95,387	–	**8,934,448**	4,240,560	490,854	–	**4,731,414**	**4,203,034**	4,598,502
Other Equipments	10,035,846	264,366	–	**10,300,212**	4,729,783	451,443	–	**5,181,226**	**5,118,986**	5,306,062
Furniture & Fixtures	56,999,381	717,586	842,154	**56,874,813**	33,325,645	3,381,310	233,439	**36,473,516**	**20,401,297**	23,673,737
Electrical Fittings	7,224,483	–	–	**7,224,483**	4,648,062	390,683	–	**5,038,745**	**2,185,738**	2,576,420
Vehicles	12,586,241	1,661,753	1,428,720	**12,819,274**	4,072,890	1,151,858	1,068,134	**4,156,614**	**8,662,660**	8,513,349
Intengible Assets:										
Development Of Software	85,150,375	–	–	**85,150,375**	33,347,032	13,802,876	–	**47,149,908**	**38,000,467**	51,803,347
Lease Hold Improvement	10,599,155	1,043,830	–	**11,642,985**	550,823	1,087,798	–	**1,638,621**	**10,004,364**	10,048,333
Leased Assets	19,815,959	–	–	**19,815,959**	19,815,959	–	–	**19,815,959**	–	–
	753,548,560	6,316,013	9,843,648	**750,020,925**	526,970,130	54,156,665	1,582,096	**579,544,699**	**170,476,226**	226,578,430
Previous Year	696,602,172	89,872,722	32,926,334	753,548,560	471,650,189	63,148,160	7,828,219	526,970,130	226,578,430	224,951,983

Note: Refer Note:1 (D)

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'F'		
Investments :		
Trade (Unquoted)		
In Government Securities		
6 Years National Saving Certificates (Pledged with Sales Tax Authorities)	**23,000**	23,000
Non-trade (Quoted)		
3,000 (P. Y. 3,000) Fully Paid Equity Shares of Dena Bank Ltd. Market Value Rs. 235,350 (P. Y. 96,600)	**90,000**	90,000
Non-trade (Unquoted)		
8,386 (P. Y. 8,386) Fully Paid Shares of Rs. 10 each of The North Kanara GSB Co-op. Bank Ltd.	**83,860**	83,860
2,500 (P. Y. 2,600) Fully Paid Shares of Rs. 10 each of The Saraswat Co-op. Bank Ltd.	**25,000**	26,000
	221,860	222,860
Schedule - 'G'		
Sundry Debtors :		
(Unsecured, Considered Good unless specified Otherwise)		
Due for more than 6 months (Refer Note : 5)	**25,261,421**	86,321,578
Other Debts	**162,020,927**	162,485,624
	187,282,348	248,807,202

Schedules Annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'H'		
Cash and Bank Balances :		
Cash on hand	**161,629**	49,749
Balance with scheduled Banks :		
– In Current Accounts	**17,270,379**	17,848,405
– Money in Transit	**1,980,176**	–
– In Fixed Deposit Accounts (Refer Note : 4)	**3,766,514**	6,042,303
	23,178,698	23,940,457
Schedule - 'I'		
Other Current Assets :		
Interest and other Receivable	**438,640**	516,140
	438,640	516,140
Schedule - 'J'		
Loans and Advances :		
(Unsecured, Considered Good)		
(i) Loans :		
To staff	**132,590**	71,487
(ii) Advances recoverable in cash or in kind or for value to be received :		
Advance Taxes	**67,776,307**	48,663,145
Others	**17,254,487**	25,922,682
(iii) Deposits	**11,754,223**	12,028,541
	96,917,607	86,685,855
Schedule - 'K'		
Current Liabilities :		
Sundry Creditors	**63,531,664**	73,605,612
Advance payments for which value has still to be given	**905,576**	1,508,702
Interest accrued but not due	**547,971**	7,046,501
Book Overdraft	**–**	7,391,021
Other Liabilities	**62,668,849**	78,316,439
	127,654,060	167,868,275
Schedule - 'L'		
Provisions :		
Provision for Gratuity	**1,436,871**	2,955,440
Provision for Taxes	**4,932,934**	5,495,616
Provision for Leave Encashment	**9,310,252**	9,916,422
	15,680,057	18,367,478
Schedule - 'M'		
Miscellaneous Expenditure :		
Preliminary Expenses	**492,877**	608,846
Add: Incurred During the year	**–**	–
	492,877	608,846
Less: Written off during the year	**115,969**	115,969
	376,908	492,877

Schedules Annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March, 2010

	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Schedule - 'N'		
Sales and Other Income :		
Sale of Products	**34,743,741**	18,236,741
Sale of Services	**807,778,752**	871,592,364
	842,522,493	889,829,105
Other Income :		
Interest from Bank	**1,262,412**	525,284
Interest from Others	**353,710**	130,950
Profit on Sales of Fixed Assets	**–**	17,444,340
Foreign Exchange Gain	**–**	26,444,036
Miscellaneous Income	**10,961,708**	10,082,046
	12,577,830	54,626,656
	855,100,323	944,455,761
Schedule - 'O'		
Cost of Goods Sold :		
Opening Stock	**–**	18,541,069
Written off as per the High court Order (Refer Note : 16)	**–**	(18,198,147)
Add: Purchases	**17,079,429**	9,644,246
	17,079,429	9,987,168
Less: Closing Stock	**–**	–
	17,079,429	9,987,168
Schedule - 'P'		
Employee Cost :		
Remuneration and Benefits to Employees :		
Salaries and Bonus	**543,416,627**	688,301,475
Company's Contribution towards PF and other Statutory Dues	**19,480,026**	18,609,003
Superannuation	**610,353**	1,114,868
Group Gratuity	**755,587**	5,898,861
Staff Welfare Expenses	**4,315,292**	5,037,766
	568,577,885	718,961,973

Schedules Annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March, 2010

	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Schedule - 'Q'		
Operration and other Expenses :		
Compensation for the use of premises	**26,041,286**	25,768,849
Consumption/Scrap of Spares and consumables	**846,117**	4,157,963
Conveyance	**7,024,488**	7,101,985
Electricity Charges	**8,818,869**	7,192,065
Insurance Premium	**4,425,273**	2,440,959
Leasing and Hire Charges	**11,817,634**	13,624,126
Loss on Sale of Fixed Assets	**971,202**	802,962
Miscellaneous Expenses	**8,795,978**	11,193,494
Professional Fees	**28,982,848**	39,692,479
Provision for Doubtful Debt	**–**	713,351
Repairs and Maintenance Computer equipments	**864,800**	971,914
Repairs and Maintenance others	**3,642,373**	4,083,107
Rates & Taxes	**3,763,815**	816,584
Remuneration to Auditors (Refere Note : 8)	**2,052,892**	2,087,035
Selling Expenses	**6,741,061**	6,110,861
Bad Debts	**59,650,598**	11,082,736
Foreign Exchange Loss	**6,779,183**	–
Communication Expenses	**9,735,708**	11,728,775
Traveling Expenses	**37,963,119**	58,213,527
	228,917,244	207,782,772
Schedule - 'R'		
Finance Cost :		
Interest Cost	**24,983,128**	35,981,601
Bank Charges	**2,147,578**	1,911,395
	27,130,706	37,892,996

Notes on the Consolidated Balance Sheet and Profit and Loss Account

Schedule - 'S'

Notes to Accounts forming part of the Consolidated Balance Sheet as at March 31, 2010 and the Consolidated Profit and Loss Account for the year ended March 31, 2010

1. **Significant Accounting Policies**

A. Accounting Assumptions

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. These accounts have been prepared on the assumption that the Company is a going concern and have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

B. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimated. Any revision to accounting estimates is recognised prospectively in the current and future periods.

C. Fixed Assets, Depreciation & Impairment

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own developed assets are capitalized inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

Depreciation on fixed assets is computed on the straight-line method over their useful lives at rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired after financial year 2004-2005 valuing for less than Rs. 5,000 are entirely depreciated in the year of acquisition.

Depreciation on fixed asset in respect of US subsidiary is provided on straight line basis over the useful life as under:

Asset	Useful life
Office equipment	5 years
Furniture and fixtures	7 years
Computer hardware	5 years
Computer software	3 years

Lease hold improvements are depreciated over the period of contract of lease including lease period which can be further extendable at discretions of the lessee.

The costs of Intangible Assets are amortized over a period of 6 years, which is considered to be the useful life of this software.

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

The management periodically assesses Fixed Assets, using external and internal sources whether there is an indication that an asset may be impaired. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

D. Foreign Currency Transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing on the date on which transaction occurred.

Outstanding balances of foreign currency monetary items are reported using the period end rates.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account.

In pursuance to notification no G.S.R 225 (E) 31.03.2009 issued by the Ministry of Corporate Affairs for amending Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", the Company has opted the option of capitalising Foreign Exchange gain/loss on long term foreign currency monitory assets.

Foreign Branches

Foreign currency transactions entered into by branches, which are integral foreign operations, are translated in the same manner as foreign currency transactions described above. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation on fixed assets is recognised as per the Company's policy. Net gain/loss on foreign currency translation is recognised in the Profit and Loss Account.

Derivative

The Company uses foreign exchange forward contracts to hedge its exposure to movements 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 or options for trading or speculation purposes.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

E. Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current/short term or long-term based on the Management's intention at the time of purchase. Long term Investments are carried at cost less any permanent diminution in value (if any), determined separately for each individual investment. Current/short term 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. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment.

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

F. Payments & Benefits to Employees

(a) 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 short-term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

(b) Post-Employment Benefits

(i) Defined Contribution Plans: The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service,

(ii) Defined Benefit Plans: The employees' gratuity fund schemes managed by Trust are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation 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 rates 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 balance sheet date having maturity periods approximating to the terms of related obligations.

Actuarial gain and losses are recognized immediately in the Profit & Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

(c) Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

G. Revenue Recognition

Revenue comprises sale of user licence of software, Professional services and Consultancy, Training, interest and dividend. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is disclosed sales tax, service tax, VAT or other taxes, as applicable.

Sales

i) Services rendered through transfer via tele-communication network are recognised on receiving confirmation of receipt from customer.

ii) In respect of income received from contracts dependent on time and material basis are recognised when related service are performed.

iii) Revenue through Training, Annual Maintenance Contracts and Fixed-Price Maintenance Contracts are recognized proportionately over the period in which services are rendered/Training are provided.

iv) Revenue from the sale of user licences for software applications is recognised on transfer of the title in the user licence.

v) Revenues from fixed price engagements are recognized using the percentage-of-completion method of accounting after receiving confirmation from Client.

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

Income from Operating Lease

Minimum lease payments as per contracts are recognised as revenue on a straight-line basis over the lease term.

Income from Investment

i) Dividend Income is recognized when the Company's right to receive dividend is established.

ii) Interest is recognised on time proportionate basis taking into account the amount outstanding and the rate applicable.

H. Miscellaneous Expenditure

Miscellaneous Expenditure represents expenditure on Private Placement of Shares. The Expenditure on Private Placement of shares is being written off over a period of ten years.

I. Principles of Consolidation

The Consolidated Financial Statements of the Group are prepared in accordance with Accounting Standard 21 - 'Consolidated Financial Statements' as notified in Companies (Accounting Standard) Rules 2006,

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions. The unrealized profits or losses resulting from the intra group transactions and intra group balances have been eliminated.

The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognized in the financial statements as goodwill and is tested for impairment annually. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as Capital Reserve.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and in case of subsidiary companies incorporated outside India which does not maintain books of account under Indian GAAP has not been adjusted for deviations from accounting policy followed by holding Company and subsidiary Company while preparing consolidated financial statement as same are not material and does not affect consolidated financial statements.

J. Cash flow statement

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

K. Tax Expense

Tax expense for a year comprises of current tax and deferred tax.

Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of the Income Tax Act, 1961.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

such deferred tax assets can be realised. Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.

L. Earning Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the board of directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

M. Employee Stock Option Scheme

In accordance with SEBI guidelines, the excess of the market price of shares, at the date of grant of options under the Employee Stock Option Schemes, over the exercise price, is treated as Employee Compensation expenses and amortised on a Straight Line basis over the vesting period of the options. In the case of graded vesting, the vesting period is determined separately for each portion of the option. The unamortised portion of the cost is shown under “Reserves and Surplus”.

N. Operating Lease

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the profit and loss account as incurred. Initial direct costs in respect of assets given on operating lease are expensed off in the year in which such costs are incurred.

O. Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

2. Debtors & Creditors balances are subject to confirmation.

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

3. In the opinion of the Board and to the best of their knowledge, the Current Assets, Loans and Advances, shown in the Balance Sheet have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated therein.

4. **Contingent Liabilities not provided for:**

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Counter guarantees given by the Company against the guarantees issued by Company's bankers	**17,725,141**	20,072,100
Fixed deposits shown under the head cash and bank balances include deposits pledged with the banks as margins to secure letters of credit and guarantees issued by banks	**3,752,914**	(6,028,703)
Net amount	**13,972,227**	14,043,397
Disputed income tax demand	**82,642,723**	42,875,435
Total	**96,614,950**	56,918,832

5. **The break-up of Sundry Debtors is as follows:**

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Debts due for more than 6 months		
– Considered good (*)	**27,149,429**	120,899,172
– Considered doubtful	–	870,666
Sub–total (A)	**27,149,429**	120,028,506
Debts due for less than 6 months		
– Considered good	**162,020,927**	182,254,034
– Considered doubtful	**–**	–
Sub–total (B)	**162,020,927**	182,254,034
Less: Provision for doubtful debts	**1,888,008**	–
Balance (A + B)	**187,282,348**	302,282,539

(*) Include amount outstanding for more than three years amounting to **Rs. 5,101,584** (P. Y. Rs.7,593,191) for which no provision has been made, as the management is confident for the recovery of the same.

6. **Loans and advances include amounts receivable/payable from related parties:**

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Loans and advances include amounts receivable from associate Companies:		
Onward Software Technologies Limited	**55,000**	50,000
Total	**55,000**	50,000
Loans and advances include amounts payable to associated Companies:		
Onward Computer Technologies Pvt. Ltd.	**16,700,000**	16,000,000
Onward Network Technologies Pvt. Ltd.	**153,557,165**	116,229,136
Desai Finwealth Investments & Securities Pvt. Ltd.	**2,850,000**	2,850,000
Total	**173,107,165**	135,179,136

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

7. Holding of Onward Technologies in its Subsidiaries:

Name of the Subsidiaries	Country of Incorporation	Holding as on March 31	
		2010	2009
Onward eServices Ltd.	India	**100%**	100%
Onward Technologies, Inc., USA	USA	**100%**	100%
Onward Technologies GmbH, Germany	Germany	**100%**	100%
Shantmurli Holdings Pvt. Ltd.	India	**100%**	100%

8. Auditor's Remuneration:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Audit Fees	**864,736**	858,283
Tax Audit Fees	**100,000**	100,000
Other Services	**1,077,539**	1,109,570
Reimbursement of out of pocket expenses	**10,617**	19,182
Total	**2,052,892**	2,087,035

9. Disclosure in pursuance of Accounting Standard - 15 (Revised 2005) on "Employee Benefits"

1. Defined Contribution Plans

The Company has recognized following amounts in the profit & loss account for the year:

Sr. No.	Particulars	Year Ended March 31 (Rs.)	
		2010	2009
1	Contribution to employees provident fund	**13,671,806**	13,568,808
2	Contribution to superannuation fund	**610,353**	1,114,868
3	Contribution to labour welfare fund	**26,712**	14,508
4	Contribution to ESIC	**322,538**	209,983
	Total	**14,631,409**	14,908,167

2. Defined Benefit Plans/Compensated absences - as per Actuarial Valuation on March 31, 2010

a) Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO):

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Obligations at period beginning	**9,661,697**	7,444,600
2	Current service cost	**4,012,876**	2,247,759
3	Interest cost	**924,934**	758,065
4	Actuarial (gain) / losses	**(4,649,112)**	2,178,596
5	Benefits paid	**(1,476,871)**	(2,967,323)
6	DBO at period closing	**8,473,524**	9,661,697

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

(b) A reconciliation of the opening and closing balances of the fair value of plan assets:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Opening fair value of plan asset at period beginning	**1,761,695**	4,502,924
2	Expected returns on plan assets	**178,264**	433,978
3	Actuarial gain / (losses)	**(65,031)**	(207,884)
4	Contribution by the employer	**1,205,044**	–
5	Benefits paid	**(1,476,871)**	(2,967,323)
6	Fair value of plan assets at period closing	**1,603,101**	1,761,695

c) Net assets / (liabilities) recognized in the balance sheet as on March 31, 2010:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Present value of funded obligations	**8,473,524**	9,661,697
2	Fair value of plan assets	**(271,695)**	(969,621)
3	Present value of unfunded obligations	**–**	–
4	Net assets / (liabilities) recognized in the balance sheet	**(6,870,423)**	(2,824,008)

d) Total expenses recognized in the profit and loss account:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Current service cost	**4,012,876**	2,247,759
2	Interest on defined benefit obligation	**924,934**	758,065
3	Expected returns on plan assets	**(178,264)**	(433,978)
4	Actuarial (gains) / losses	**(4,584,081)**	2,386,480
	Total	**175,465**	4,958,326

All the above have been included under the line item remuneration & benefits to employees in Schedule 'P' of the revenue account.

e) Major categories of plan assets as a percentage of total plan assets:

Sr. No.	Particulars	Plan Asset – %	Plan Asset – Rs.
1	Other / insurer managed funds	100	1,603,101

f) Compensated Leave:

Para 132 of AS15 (revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard No. 5 or Accounting Standard No. 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (revised 2005).

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

g) Actuarial Assumptions:

Sr. No.	Particulars	Year Ended March 31	
		2010	2009
1	Discount rate	**8.00**	7.15
2	Expected return on plan asset	**8.00**	7.50
3	Retirement age	**58 years**	58 years
4	Salary escalation rate	**4.00**	6.00

Turnover Rate	Year Ended March 31	
	2010	2009
Age (Years)	**Rates %**	Rates %
21–30	**8**	15
31–34	**8**	10
35–44	**8**	5
45–50	**8**	3
51–54	**8**	2
55–57	**8**	1

h) Gratuity is administered through group gratuity scheme with Life Insurance Corporation of India.

i) Salary Escalation Rate:

Future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

j) Expected rate of return on plan assets:

This is based on actuaries' expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

k) Discount Rate:

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.

10) Managerial Remuneration

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Salary and allowances (*)	**2,461,826**	3,120,910
Total	**2,461,826**	3,120,910

(*) In previous year an amount of Rs.3,120,910 includes leave travel allowance of Rs.337,500, which was paid for earlier years.

Remuneration paid for the period Jan 1, 2009 to March 31, 2010 is approved by shareholders in the Annual General Meeting held on August 31, 2009, however it is subject to approval of Central Government, which is pending as on date.

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

11. **Information about Business Segments**

In accordance with the requirement of Accounting Standard 17 (AS 17) 'Segment Reporting' issued by the Institute of Chartered Accountants of India, disclosed business segment as the primary segment. Segments have been identified taking into account the nature of the products and service and different risks and returns as under:

a) Professional Services & Consultancy (including Exports)
b) Software Products - resale
c) Domestic IT Solutions (Banking)

These segments have been identified because management perceives that these three businesses are subject to different risks and returns.

'Domestic IT Solutions' segment concentrated around the Company's products and other agency related products.

The primary segment disclosures with respect to business segments are as under:

(Rs. in Lac)

Particulars	Business Segment			Un-allocable	Total
	Professional Services & Consultancy (including Exports)	Software Products - resale	Domestic IT Solutions (Banking)		
Segment revenue	**8,069** (8,716)	**321** (154)	**35** (28)		**8,425** (8,898)
Segment results	**309** (240)	**136** (83)	**20** (17)		**465** (340)
Other un-allocable expenditure, depreciation adjusted with other incomes				**612** (1,113)	**612** (1,113)
Segment result before interest and tax					**–147** (–773)
Less: Interest					**272** (360)
Extra ordinary profit					**–** (174)
Profit / loss (–) before tax					**–419** (–959)
Income tax expense / (income)					**–144** (338)
Total profit / loss (–) after tax					**–275** (–1297)

Secondary segment disclosures on the basis of geographical segments

(Rs. in Lac)

Geographical Segments	Year Ended March 31 (Rs.)	
	2010	2009
India	**2,908**	2,481
Europe	**806**	831
U.S.A.	**4,539**	5,407
Other Overseas market	**172**	179
Total	**8,425**	8,898

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

The Fixed Assets used in the Company's business or liabilities contracted have not been identified to any of the reportable Segments as the Fixed Assets and Services are used interchangeably between Segments and as such it is not practicable to allocate Fixed Assets to segments and to provide Segment disclosures in relation to total Assets and Liabilities.

Related Party Disclosures :

(a) List of Related Parties and Relationships :

	Relation	Parties
A.	Enterprise over which key management personnel exercise significant influence.	Onward Computer Technologies Pvt. Ltd. Onward Network Technologies Pvt. Ltd. Jigar Holdings Pvt. Ltd. Desai Finwealth Investments & Securities Pvt. Ltd. Neo Knowledgeware Investments Pvt. Ltd. Onward Software Technologies Ltd.
B.	Key Management Personnel and Relatives Chairman & Managing Director Director Related to Directors Related to Director	 Harish Mehta Shaila Mehta Jigar Mehta Arun Meghani

(b) Related Party Transactions:

(Rs. in Lac)

Aggregate of Transactions	Key Management Personnel	Relative of Key Management Personnel	Associate Companies & Promoter Companies	Total
ICDs received (net) (including loans and advances)	**–** (–)	**–** (–)	**586.04** (458.00)	**586.04** (458.00)
ICD repaid (net)	**–** (–)	**–** (–)	**212.76** (637.40)	**212.76** (637.40)
Directors sitting charges	**2.40** (1.70)	**–** (–)	**–** (–)	**2.40** (1.70)
Interest paid during the year on ICD	**–** (–)	**–** (–)	**69.54** (110.76)	**69.54** (110.76)
Establishment / manpower charges shared	**–** (–)	**–** (–)	**2.18** (–)	**2.18** (110.76)
Rent paid	**–** (–)	**–** (–)	**90.00** (55.00)	**90.00** (55.00)
Salaries paid	**24.62** (31.21)	**45.31*** (29.25)	– (–)	**69.93** (60.46)

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

Debit Balances outstanding				
Advance towards expenses	– (–)	– (–)	**0.55** (0.50)	**0.55** (0.50)
Advance salary	– (–)	**3.84** (–)	– (–)	**3.84** (–)

Credit Balances outstanding				
Loans and advances	– (–)	– (–)	**1,732.00** (1,417.35)	**1,732.00** (1,417.35)
Creditors	– (–)	– (–)	**2.18** (8.94)	**2.18** (8.94)

* Remuneration paid for the period April 1, 2009 to March 31, 2010 is approved by shareholders in the Annual General Meeting held on August 31, 2009, however it is subject to approval of Central Government, which is pending as on date.

Note : Previous year figures have been shown in brackets.

12. I) Disclosure for Income from Operating Lease:

The Company has leased office premise under operating lease. The lease charges to be received in future are as follows:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Lease payment credited to profit & loss account	**466,335**	1,052,176

Minimum Lease payment	Year Ended March 31 (Rs.)	
	2010	2009
Up to 1 year	**570,000**	197,004
Greater than 1 year but less than 5 years	**712,500**	–

II) **Disclosure for Operating Leases :**

The Company has leased certain residential flats / office premises under operating leases. The lease payments to be made in respect of the leases in future are as follows:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Lease payment debited to profit & loss account	**25,713,556**	25,768,849

Lease obligation	Year Ended March 31 (Rs.)	
	2010	2009
Up to 1 year	**20,347,127**	18,440,838
Greater than 1 year but less than 5 years	**42,477,003**	40,076,538
Greater than 5 years	**37,800,000**	31,500,000

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

13. Earnings per Share

The earnings per share have been computed in accordance with the "AS 20".

Particular	Year Ended March 31	
	2010	**2009**
Profit / (Loss) after Tax	**Rs. (27,520,209)**	Rs. (129,668,391)
Profit / (Loss) attributable to Equity Shareholders	**Rs. (27,520,209)**	(129,668,391)
Adjusted Number of Ordinary Shares, (Face value Rs.10)	**13,272,870**	13,272,870
Basic Earning per share	**Rs. (2.07)**	Rs. (9.77)
Weighted average No. of Shares under Options	**317, 200**	362,463
Diluted earning per share	**Rs. (2.07)**	Rs. (9.77)

Particular	Year Ended 31st March	
	2010	**2009**
Weighted average No. of Shares under Options	**317,200**	362,463
Fair value of shares during the year	**Rs. 19.85**	Rs. 10.13
Face value of shares	**Rs. 10**	Rs. 10
Number of shares that would have been issued at fair value	**159,800**	357,810

14. a. Onward Technologies employee stock option plan 2001

The Company instituted the 2001 plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on January 15, 2001. Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to scheme, the Company has granted options each to eligible employees at an exercise price of Rs 10 per equity share of Rs 10 each.

Under the term of scheme, 25% of the options will vest in the employees at the end of the first year, 25% at the end of the second year, 25% at the end of third year and balance 25% at end of fourth year from the grant date.

The employee stock options granted shall be capable of being exercised within a period of four years from the date of first vesting the options, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, 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 as mentioned above, failing which they would stand cancelled. The movement in the stock options during the year was as per the table given below:

Particular	Year Ended March 31	
	2010	2009
Options outstanding at period beginning	**10,012.50**	16,400.00
Granted during the year	**–**	–
Forfeited / cancelled during the year	**7,712.50**	6,387.50
Exercised during the year	**–**	–
Options outstanding at period closing	**2,300**	10,012.50
Exercisable at the end of the year	**9,200**	56,175.00

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

b. Onward Technologies employee stock option plan 2009

The Company instituted the 2009 plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on August 31, 2009. Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to scheme, the Company has granted options each to eligible employees at an exercise price of Rs 10 per equity share of Rs 10 each.

Under the term of scheme, 25% of the options will vest in the employees at the end of first year, 25% at the end of second year, 25% at the end of third year and balance 25% at end of fourth year from the grant date.

The employee stock options granted shall be capable of being exercised within a period of four years from the date of first vesting the options, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, 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 as mentioned above, failing which they would stand cancelled. The movement in the stock options during the year was as per the table given below:

Particular	Year Ended 31st March 2010
Options outstanding at period beginning	–
Granted during the year	**77,000**
Forfeited / cancelled during the year	–
Exercised during the year	–
Options outstanding at period closing	**77,000**
Exercisable at the end of the year	**308,000**

c) Stock options issued during the year have been accounted as per the accounting guidelines issued by SEBI in the year 1999. Accordingly, an amount of **Rs. 6,827,879** (P. Y. Rs. 2,373,807) representing the current year charge has been credited to profit & loss account during the year under both plan.

15. Statement of Computation of Deferred Tax Liabilities/Assets (Net)

Particulars	Year Ended March 31	
	2010	2009
A) Deferred Tax Assets		
a) Carried forward of unabsorbed deprecation and loss	**25,664,715**	15,765,275
b) Provision disallowed under Sec 43B, Sec 40(a)(1) and Sec 40A(7)	**3,740,148**	2,588,263
Total (A)	**29,404,863**	18,353,538
B) Deferred Tax Liability		
Difference in net Block as per Books of Account and as per Income Tax Act,1956	**29,404,863**	34,044,674
Total (B)	**29,404,863**	34,044,674
Net Deferred tax assets / (liability) (A–B) as on end of reporting period	**Nil**	(15,691,136)
Net Deferred tax assets / (liability) as on the beginning of Reporting Period	**(15,691,136)**	15,185,446
Deferred Tax expense / (benefit) recognised in profit and loss Account	**Nil**	(8,309,864)

Notes on the Consolidated Balance Sheet and Profit and Loss Account *(Contd.)*

16. Scheme of arrangement / compromise between Onward Technologies Limited (hereinafter refer as "OTL") and Onward eServices Limited (hereinafter refer as "OEL") as approved by the Honorable High Court of Mumbai:

During the financial year 2008-09, as a part of arrangement / compromise, the Company pursuant to provisions of Section 391 & 394 of the Companies Act, 1956, offered a scheme of arrangement / compromise to respective Members of OTL and OEL and for reconstruction and reduction of capital of OEL and specified creditor of OEL viz OTL and further convened meetings of shareholders of OTL on June 9, 2008 pursuant to an order of the Honorable High Court of Judicature at Mumbai.

Pursuant to the above meeting the Company had obtained necessary sanction of the scheme from the Honorable High Court of Mumbai vide its Order dated April 16, 2009. Even though, the appointed date was April 1, 2007, the effect of the above scheme has been given in the books of accounts for the year ending March 31, 2009 and comparative figures of the previous year has not been adjusted to that extent.

The scheme of arrangement as sanctioned by the Honorable High Court of Mumbai provides for the following accounting treatment in the books of accounts:

- The outstanding loan of Rs.106,897,410 (Rupees Ten Crore Sixty Eight Lac Ninety Seven Thousand Four Hundred Ten Only) obtained by OEL from OTL, was converted into equity share capital of OEL.
- The debit balance of profit and loss account amounting to Rs.156,888,820, irrecoverable debtors Rs.19,001,570, loss/reduction in value of sundry advances Rs.99,908,873 and reduction in the value of inventories Rs.18,198,147 of OEL aggregating Rs.293,997,410 (Rupees Twenty Nine Crore Thirty Nine Lac Ninety Seven Thousand Four Hundred Ten Only) were reduced against the reduction in share capital of OEL.
- Consequent to such reduction in share capital, the diminution in the value of investments of OTL in the share capital of OEL was reduced / adjusted against the securities premium account of OTL. Thus the securities premium account of OTL was reduced by Rs.293,997,410 (Rupees Twenty Nine Crore Thirty Nine Lac Ninety Seven Thousand Four Hundred Ten Only) and the loan given to OEL and investments in share capital of OEL will reduce to the extent of Rs.293,997,410 (Rupees Twenty Nine Crore Thirty Nine Lac Ninety Seven Thousand Four Hundred Ten Only).

Since the loan outstanding as on March 31, 2008 given by OTL to OEL was converted in to equity and thereafter reduced pursuant to High Court order with retrospective effect from April 1, 2007, interest charged by OTL to OEL amounting to Rs.6,782,667 in the financial year 2007-08 has been adjusted in the previous year.

17. The Company has yet not appointed a Company Secretary, however all compliances are done by an independent Company Secretary firm.

18. During the said financial year the Company has written off as bad debts certain receivables for offshore work done for Rs. 575.04 Lac for its US based customers who were affected by the downturn in the US economy and the Global economic meltdown. In addition to delay in payment the inability of the customer to confirm the balance forced the Company to write-off these receivables. Looking at the general economic scenario, the efforts, time and money which would be required to pursue this outstanding and the very negligible chances of recovering the same at the earliest, the Company decided against taking any further action in this matter.

19. The principal amount of loan payable within a year is **Rs. 125.00 Lac** (P. Y. Rs. 125.00 Lac).

20. Previous year's figures have been regrouped / recast wherever necessary.

21. Figures are rounded off to the nearest rupee.

22. Figures in bracket pertain to the previous year.

For Kirtane & Pandit
Chartered Accountants

Parag P. Pansare
Partner

Place : Mumbai
Date : May 21, 2010

For and on behalf of the Board of Directors

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Arun Meghani
Director

Pradip Dubhashi
Director

Statement in Accordance with the Provision of Section 212 of the Companies Act, 1956

Sr. No.	Name of Subsidiary	Shantmurli Holdings Pvt. Ltd.	Onward Technologies, Inc.	Onward Technologies GmbH	Onward eServices Ltd.
1.	Financial year of the Subsidiary ended on	31.3.2010	31.3.2010	31.3.2010	31.3.2010
2.	Extent of the interest of the Company in the subsidiary at the end of the financial year of each				
	a) Face value	Rs. 100	US $20		Rs.10
	b] Number of shares held :				
	Onward Technologies Ltd.	5,000	114,000	Euro 83,915	6,29,00,000
3.	a) Net aggregate amount of profits less losses so far as they concern members of the Company and not dealt with in the Company's account :				
	i) For the financial year ended March 31, 2010	Rs. (19,543)	Rs. 13,683,323	Rs. 161,266	Rs.(5,160,966)
	ii) For the previous financial years since it became a Subsidiary	Rs.10,017,659	Rs. (58,316,870)	Rs. (5,850,560)	Rs.(18,037,048)
	b) The net aggregate amount of Profits less so far as they concern members of the Company and dealt with in the Company's account	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Arun Meghani
Director

Pradip Dubhashi
Director

Place : Mumbai
Date : May 21, 2010

Directors' Report

To

The Members,

Your Directors have pleasure in presenting the Annual Report and the Audited Statement of Accounts of the Company for the period ended 31st March, 2010.

Financial Performance :

(Rs. In Lac)

	For the year ended 31.3.2010	For the year ended 31.3.2009
Sales and Other Income (Net)	**1,394.68**	1,448.50
Profit / (Loss) before Finance Cost and Depreciation	**129.21**	(38.04)
Finance Cost	**24.53**	71.42
Depreciation	**154.09**	183.91
Operating Profit	**(49.41)**	(293.37)
Preliminary Expenses write-off	**1.16**	1.16
Adjustment pursuant to the High Court Order	**Nil**	(67.83)
Prior Period Items	**1.04**	10.92
Profit / (Loss) Before Tax	**(51.61)**	(237.62)
Provision for Taxation – current	**Nil**	Nil
– deferred	**Nil**	112.83
– fringe benefit tax	**Nil**	10.87
Profit / (Loss) after Tax	**(51.61)**	(361.32)

Operations

The Company continued on its focus of increasing the profitability of its domestic operations and several steps were taken to meet the important milestone. The Company posted an operational margin from its current business of Rs 1.27 crores before interest and depreciation, an excellent achievement by the entire team.

The Company also took several steps in changing the focus of its business operations, which was predominately focused on the domestic banking sector to a larger focus on the IT Services sector, which is undergoing a massive automation and computerization across the country. We were successful in winning few large deals in South & East India where we are ramping up our operations. We also moved in to a new office building in Chennai (Onward House) which is used by both our Sales & Development Teams.

The Company also completed its restructuring of its team and focus in North India and moved into a new office in Delhi. The Company has already exited several client projects with no scope of expansion & limitation for growth, so the management team can be 100% focused on its key clients and continuously improving the quality of services across these projects. The feedback has been positive with the renewal of close to 80% of its business and several large client projects in the pipeline.

The target for the Company in FY 10-11 is to grow profitably with a strong focus on becoming an important services player in the open source initiatives across the country.

Trasnfer to Reserves:

The Company has not transferred any amount to reserves.

Dividend: Due to inadequacy of profits your directors do not recommend dividend for the year.

Deposits:

During the year under review, your Company has not accepted/renewed any deposits within the meaning of section 58A of the Companies, Act 1956 and the rules made there under

Directors

Mr. Arun Meghani and Mr. Sudhir Karnik, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Auditors

The Statutory Auditor's, M/s. Kirtane & Pandit, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received the Certificate from the Auditors stating that they are qualified under Section 224(1B) of the Companies Act, 1956, to act as the Auditors of the Company, if re-appointed.

Responsibility Statement

The Directors hereby confirm pursuant to Section 217(2AA) of the Companies Act, 1956 :

a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.

b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010.

c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that they have prepared the annual accounts on a going concern basis.

Disclosure of Significant Accounting Policies

Conservation of Energy, etc.

Pursuant to Section 217 (1)(e) of the Companies Act, 1956 read the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the details are given hereunder as required under the said Rules :

A. CONSERVATION OF ENERGY (FORM A) — NOT APPLICABLE

B. TECHNOLOGY ABSORPTION (FORM B) — NOT APPLICABLE

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2009 – 10	2008 – 09
Foreign Exchange earnings	**Rs. 0.70 Lac**	Rs. 6.06 Lac
Foreign Exchange outgo	**Rs. 12.89 Lac**	Rs. 9.09 Lac

Employee Particulars

The particulars required under Section 217 (2A) of the Companies Act, 1956 and the rules thereunder are not given as the employees of the Company are not covered under the aforesaid provisions of Section 217 (2A).

Acknowledgement

The Directors take the opportunity to thank all the customers, vendors, Banks, Financial Institution Members, Employees and members of the Company for their support during this period.

On behalf of the Board of Directors

Harish Mehta
Director

Place : Mumbai
Date : May 21, 2010

Auditors' Report

To
The Members of
Onward eServices Limited

We have audited the attached Balance Sheet of Onward eServices Limited as at March 31, 2010 and the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. Further to our comments in the Annexure referred to in paragraph (1) 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 purpose 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 such books;

c) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report is in agreement with the books of account;

d) so far as appears from our scrutiny of books of account and other records, we are of the opinion that the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

e) on the basis of the written representations received from the directors as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31,2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f) in our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the notes thereon subject note no. 2 and note no.5 of schedule Q, 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:

   i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2010; and

   ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

   iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Kirtane & Pandit
Chartered Accountants
(Firm No. 105215W)

Parag P. Pansare
Partner
Membership No.: 117309
Mumbai, May 21, 2010

Annexure referred to in paragraph 1 of our report of even date addressed to the Members of Onward eServices Limited, on the financial statements for the year ended March 31, 2010.

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

(b) During the year fixed Assets has not been physically verified by the Management, however, there is a regular programme of physical verification in a phase manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

(c) During the year, the Company has disposed of some of its fixed assets. In our opinion and according to the information and explanations given to us, fixed assets disposed off were not substantial and therefore do not affected the going concern assumption.

(ii) (a) The Company is a service Company, primarily engaged in Core Banking solution and Information Technologies Services and Consultancy, further In respect of trading activities of the Company, the products viz. Software and/or hardware are purchase only on need base . Accordingly, it does not hold any physical inventories as on balance sheet date. Thus, paragraph 4(ii) (a) and (b) of the Order (as amended) is not applicable.

(b) In our opinion and according to the information and explanations given to us, during the year, Company has maintained proper records of inventories.

(iii) (a) According to the information and explanations given to us, the Company has not granted any secured or unsecured loan to companies, firm or other parties covered in the register maintain under Section 301 of the Companies Act, 1956. Consequently, clauses (iii)(a) to (iii)(d) of paragraph 4 of the order (as amended) are not applicable

(b) The Company has taken loan from three companies whose names are listed in the register maintained under Section 301 of the Companies Act, 1956. The total amount involved was Rs. 942.43 lac.

(c) The rate of interest and other terms and conditions of unsecured loans taken by the Company, are prima facie not prejudicial to the interest of the Company.

(d) The terms of arrangement do not stipulate any repayment schedule for principle and interest thereon and are repayable on demand. Accordingly, paragraph 4 (iii)(g) of the Order (as amended) is not applicable to the Company in respect of repayment of the principal and interest amount

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. Further, we have neither come across nor have been informed of any major weaknesses in the internal control system in the aforesaid areas.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that are required to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five Lakhs with any parties during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public. Accordingly, paragraph 4(vi) of the Order (as amended) is not applicable.

(vii) On the basis of internal audit report broadly reviewed by us, we are of the

Auditors' Report

opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business.

(viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the products and services rendered of the Company. Accordingly, paragraph 4(viii) of the Order (as amended) is not applicable.

(ix) (a) In our opinion, the Company is not regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and any other material statutory dues, as may be applicable, with the appropriate authorities as observed by us during the course of our examination of the books of account carried out in accordance with generally accepted auditing practices in India. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

(b) In our opinion and according to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and any other material statutory dues, as may be applicable, were in arrears, as at March 31, 2010 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, as at the end of the year, there are no dues on account of sales tax, income tax, customs duty, wealth tax, service tax, excise duty, cess and any other statutory dues as may be applicable, that have not been deposited on account of any dispute except as follows:-

(Rs. Lac)

Sr. No.	Name of Statute	Nature of Dues	Year	Amount Demanded Rs.	Forum where dispute is pending
1.	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2005-06	Nil	ITAT, Mumbai
2.	Income Tax Act, 1961	Disallowance of Expenses and Addition due to change in accounting Policy	A.Y. 2006-07	Nil	CIT(Appeal) Mumbai
3.	Income Tax Act, 1961	Disallowance of Expenses	A.Y. 2007-08	23.17	CIT(Appeal), Mumbai

(x) The accumulated losses of the Company as at the end of the financial are more than fifty percent of its net worth. The Company has incurred cash losses in current financial year as well as in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provision of clause 4(xii) of the Order (as amended) is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order (as amended) are not applicable.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order (as amended) is not applicable.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly paragraph 4 (xv) of the Order (as amended) is not applicable.

(xvi) The Company has not taken any term loan from Financial Institution or Banks. Accordingly, the provision of clause 4(xvi) of the Order (as amended) is not applicable.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for Long-term investment.

(xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(xviii) of the Order (as amended) is not applicable.

(xix) According to the information and explanations given to us, during the year, the Company has not issued debentures. Accordingly, paragraph 4(xix) of the Order (as amended) is not applicable.

(xx) As the Company has not raised any money by way of public issue, disclosure requirement of the end use of money raised by public issue does not apply to the Company.

(xxi) During the course of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across any instant of fraud on or by the Company, noticed or reported during the course of our audit, nor we have been informed of such case by the Management.

For Kirtane & Pandit
Chartered Accountants
(Firm No. 105215W)

Parag P. Pansare
Partner
Membership No. 117309
Mumbai, May 21, 2010

Balance Sheet as at 31st March, 2010

	Schedule	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Sources Of Funds			
Shareholders' Funds			
Share Capital	A	**62,900,000**	12,900,000
Share Application Money		–	50,000,000
		62,900,000	62,900,000
Loan Funds			
Secured Loans	B	**20,385,681**	397,248
Unsecured Loans	C	**94,242,995**	88,186,117
		114,628,676	88,583,365
		177,528,676	151,483,365
Application Of Funds			
Fixed Assets	D		
Gross Block		**317,567,743**	315,825,928
Less : Depreciation		**272,964,355**	257,920,161
Net Block		**44,603,388**	57,905,767
Current Assets, Loans And Advances			
Sundry Debtors	E	**63,247,540**	57,069,899
Cash & Bank Balances	F	**5,485,750**	4,662,785
Other Current Assets	G	**367,630**	317,119
Loans & Advances	H	**45,900,932**	35,421,681
		115,001,852	97,471,484
Less : Current Liabilities And Provisions			
Current Liabilities	I	**37,785,258**	52,445,764
Provisions	J	**3,999,031**	6,110,851
		41,784,289	58,556,615
Net Current Assets		**73,217,563**	38,914,869
Miscellaneous Expenditure (To the extent not written off or adjusted)	K	**376,906**	492,876
Profit And Loss Account		**59,330,819**	54,169,853
		177,528,676	151,483,365
Notes To Accounts	Q		

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

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Shaila Mehta
Executive Director

Harish Mehta
Director

Place : Mumbai
Date : May 21, 2010

Profit and Loss Account for the Year Ended 31st March, 2010

	Schedule	year ended 31.3.2010 Rupees	year ended 31.3.2009 Rupees
Income			
Sales and Other Income	L	**139,468,403**	144,849,726
Expenditure			
Cost Of Goods Sold	M	**2,555,570**	2,810,159
Employee Cost	N	**66,555,993**	76,495,116
Operation and other Expenses	O	**57,434,614**	69,348,895
Finance Charges	P	**2,452,932**	7,142,264
Depreciation	D	**15,410,561**	18,391,312
		144,409,670	174,187,746
Profit/(Loss) before Extra –ordinary Item & Taxes		**(4,941,267)**	(29,338,020)
Preliminary Expenses Written off		**115,969**	115,969
Adjustment pursuant to the High Court Order (Refer Note No 6)		**–**	(6,782,667)
Prior period Items		**103,730**	1,091,540
Profit/(Loss) Before Tax		**(5,160,966)**	(23,762,862)
Less : Tax Expenses			
Current Tax		**–**	–
Deferred Tax		**–**	11,283,359
Fringe Benefit Tax		–	1,086,584
		–	12,369,943
Profit/(Loss) After Tax		**(5,160,966)**	(36,132,805)
Opening balance of Profit & Loss account		**(54,169,853)**	(18,037,048)
Balance Available For		**(59,330,819)**	(54,169,853)
Appropriation			
Transferred to General Reserve		**–**	–
Balance Carried To Balance Sheet		**(59,330,819)**	(54,169,853)
Basic Earning per Share (Refer Note No. 14)		**(1.44)**	(28.01)
Notes To Accounts	Q		

The Schedules referred above form an integral part of the Profit & Loss Account

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Shaila Mehta
Executive Director

Harish Mehta
Director

Place : Mumbai
Date : May 21, 2010

Cash Flow Statement for the Year Ended 31st March, 2010

		2009– 10 Current Year Rs.	2008– 09 Previous Year Rs.
(A)	**Cash Flows from operating activities**		
	Net Profit/(Loss) before Taxation & Extraordinary Items & Prior Period items	**(5,160,966)**	(23,762,862)
	Adjustments for :		
	Depreciation	**15,410,561**	18,391,312
	Miscellaneous Expenses written off	**115,969**	115,969
	Miscellaneous Income	**(2,174,486)**	(2,111,865)
	Net Loss on sale of Fixed Assets	**590,231**	11,412
	Finance charges	**2,452,932**	6,948,065
	Operating Profit before working capital changes	**11,234,241**	(407,969)
	Adjustments for :		
	Decrease/(Increase) in Stocks	**–**	3,637,040
	Decrease/(Increase) in Sundry Debtors	**(6,177,641)**	(2,281,927)
	Decrease/(Increase) in Other Current Assets	**(50,511)**	391,346
	Decrease/(Increase) in Loans and Advances	**446,054**	1,487,430
	(Decrease)/Increase in Current Liabilities	**(14,660,506)**	10,729,822
	(Decrease)/Increase in Provisions	**(2,111,820)**	1,424,906
	Cash generated from operations	**(22,554,424)**	15,388,617
	Income Tax Provided	**–**	(1,086,584)
	Income Tax (Paid)/Refunded	**(10,925,305)**	(14,545,847)
	Net Cash from Operating activities after tax adjustments (A)	**(22,245,488)**	(651,783)
(B)	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets and Investments	**(2,748,967)**	(285,144)
	Proceeds from sale of Fixed Assets	**50,555**	2,045
	Miscellaneous Income	**2,174,486**	2,111,865
	Net Cash used in Investing Activities (B)	**(523,926)**	1,828,766
(C)	**Cash Flow from Financing Activities**		
	Proceeds from share application money received	**–**	10,000,000
	Proceeds from long-term borrowings	**26,218,740**	–
	Repayment of long-term borrowings	**(173,429)**	(2,797,072)
	Finance charges	**(2,452,932)**	(6,948,065)
	Net Cash used in Financing Activities (C)	**23,592,379**	254,863
	Net Increase/(Decrease) in Cash and Cash equivalents (A + B + C)	**822,965**	1,431,846
	Cash and Cash equivalents opening balance	**4,662,785**	3,230,939
	Cash and Cash equivalents closing balance	**5,485,750**	4,662,785

Fixed Deposits included in closing balance of Cash & Cash equivalent is Rs 3,402,489 (P.Y.**Rs.43,41,398**) pledged with Banks as margin to secure Letter of Credit & Bank Guarantees issued by Banks and Rs. 85,000 (P.Y. **Rs.85,000**) pledged with Value Added Tax Authority.

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Shaila Mehta
Executive Director

Harish Mehta
Director

Place : Mumbai

Date : May 21, 2010

Schedules Annexed To And Forming Part Of The Balance Sheet As At 31st March, 2010

	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Schedule - 'A'		
Share Capital :		
Authorised		
20,000,000 Equity Shares of Rs. 10 each	**200,000,000**	200,000,000
	200,000,000	200,000,000
Issued, Subscribed And Paid Up		
6,290,000 (P.Y. 1,290,000)		
Equity Shares of Rs. 10 each Fully Paid up	**62,900,000**	200,000,000
Less :– Reduced as per the High court Order	**–**	187,100,000
(Refer Note No. 6)		
(All the above Shares are held by Parent Company)		
	62,900,000	12,900,000
Schedule - 'B'		
Secured Loans		
From Bank		
Cash Credit	**19,390,862**	–
(Secured by Hypothecation of Current Assets including Inventories & Sundry Debtors both present and future and pari-passu second charge on movable Fixed Assets both present and future)		
Other loans	**994,819**	397,248
(Secured by Hypothecation of Motor Car)		
	20,385,681	397,248
Schedule - 'C'		
Unsecured Loans :		
Short Term Loans & Advances :–		
Loan from Group Companies	**94,242,995**	88,186,117
	94,242,995	88,186,117

	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Schedule - 'E'		
Sundry Debtors :		
(Unsecured, Considered Good unless specified Otherwise)		
Due for more than 6 Months	**18,273,834**	13,891,757
Other Debts (Refer Note No. 5 & 6)	**44,973,706**	43,178,142
	63,247,540	57,069,899
Schedule - 'F'		
Cash And Bank Balances :		
Cash on hand	**119,804**	33,831
Balance with scheduled Banks :		
– In Current Accounts	**1,963,457**	287,556
– In Fixed Deposit Accounts (Refer Note No. 4)	**3,402,489**	4,341,398
	5,485,750	4,662,785
Schedule - 'G'		
Other Current Assets :		
Interest Receivable	**367,630**	317,119
	367,630	317,119

Schedule - 'D'

Fixed Assets

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As At 1.4.2009 Rs.	Additions During The Year Rs.	Sale/Adj. During The Year Rs.	Total Upto 31.3.2010 Rs.	Provided Upto 31.3.2009 Rs.	Provided During The Year Rs.	Sale/Adj. During The Year Rs.	Total Upto 31.3.2010 Rs.	As At 31.3.2010 Rs.	As At 31.3.2009 Rs.
Owned Assets :										
Goodwill (at Cost)	2,733,645	–	–	**2,733,645**	2,733,645	–	–	**2,733,645**	**–**	–
Tangible Assets :										
Computer Equipment H/W & Software	220,565,703	–	165,000	**220,400,703**	217,876,276	1,096,058	132,929	**218,839,406**	**1,561,298**	2,689,429
Instruments & Accessories	138,081	–	–	**138,081**	100,594	5,640	–	**106,235**	**31,847**	37,487
Office Equipment	598,543	–	–	**598,543**	302,306	27,345	–	**329,651**	**268,892**	296,237
Other Equipment	482,344	148,393	–	**630,737**	139,909	24,354	–	**164,263**	**466,474**	342,435
Furniture & Fixtures	5,069,554	600,544	842,154	**4,827,944**	2,970,715	264,315	233,440	**3,001,590**	**1,826,354**	2,098,839
Electrical Fittings	462,093	–	–	**462,093**	341,109	27,584	–	**368,693**	**93,400**	120,984
Vehicles	625,589	956,203	–	**1,581,792**	110,395	76,603	–	**186,998**	**1,394,794**	515,194
Development of Software	85,150,376	–	–	**85,150,375**	33,345,212	13,802,876	–	**47,148,088**	**38,002,287**	51,805,162
Leased Assets :				**–**						
Lease Hold Improvement	–	1,043,830	–	**1,043,830**	–	85,786	–	**85,786**	**958,042**	–
	315,825,928	2,748,970	1,007,154	**317,567,743**	257,920,161	15,410,561	366,369	**272,964,355**	**44,603,388**	57,905,767
Previous Year	315,562,955	285,144	22,170	**315,825,928**	239,537,564	18,391,312	8,714	**257,920,162**	**57,905,766**	76,025,391

Schedules Annexed To And Forming Part Of The Balance Sheet As At 31st March, 2010

	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Schedule -'H'		
Loans And Advances :		
(Unsecured, Considered Good)		
(i) Loans To Staff	**58,333**	25,356
(ii) Advances recoverable in cash or in kind or for value to be received :		
Advances to Staff & Suppliers	**3,765,376**	4,707,335
Deposits	**4,848,609**	4,385,681
(iii) Advance Tax	**37,228,614**	26,303,309
	45,900,932	35,421,681
Schedule - 'I'		
Current Liabilities :		
Sundry Creditors (Refer Note No.7)	**9,617,105**	6,528,076
Amounts due to Parent Company (Refer Note No.6)	**–**	3,316,534
Advance payments for which value has still to be given	**120,336**	309,005
Interest accrued but not due	**93,395**	5,956,302
Book Overdraft	**–**	550,580
Other Liabilities	**27,954,422**	35,785,267
	37,785,258	52,445,764
Schedule - 'J'		
Provisions :		
Provision for Group Gratuity	**1,436,871**	2,955,440
Provision for taxes	**1,814,404**	1,814,404
Provision for Leave Encashment	**747,756**	1,341,007
	3,999,031	6,110,851
Schedule - 'K'		
Miscellaneous Expenditure :		
Preliminary Expenses	**492,876**	608,845
Less: Written Off during the year (Refer Note No. 1(H)	**115,970**	115,969
	376,906	492,876

Schedules Annexed To And Forming Part Of The Profit & Loss Account For The Year Ended 31st March, 2010

	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Schedule -'L'		
Sales And Other Income :		
SALES		
Sale of Products	**3,513,795**	2,784,477
Sale of Services	**133,780,122**	139,953,384
	137,293,917	142,737,861
Other Income		
Miscellaneous Income	**1,410,420**	1,724,474
Interest from Bank	**753,634**	364,230
Interest from Others	**10,432**	23,161
	2,174,486	2,111,865
	139,468,403	144,849,726
Schedule - 'M'		
Cost Of Goods Sold :		
Opening Stock	**–**	18,541,069
Less :– Reduction in Value as per the High court Order (Refer Note No. 6)	**–**	(18,198,147)
Add: Purchases	**2,555,570**	2,467,237
	2,555,570	2,810,159
Less: Closing Stock	**–**	–
	2,555,570	2,810,159
Schedule - 'N'		
Employee Cost		
Remuneration and Benefits to Employees :		
Salaries and Bonus	**62,039,805**	68,830,171
Company's Contribution to Provident Fund and Other Statutory funds	**3,782,651**	3,832,127
Superannuation	**–**	261,440
Group Gratuity	**–**	2,360,967
Staff Welfare Expenses	**733,537**	1,210,411
	66,555,993	76,495,116
Schedule - 'O'		
Operation and other Expenses		
Compensation for the use of premises	**3,886,663**	3,384,910
Electricity Charges	**695,735**	500,840
Leasing and Hire Charges	**179,838**	441,177
Travelling Expenses	**21,505,844**	20,601,197
Rates & Taxes	**372,492**	63,477
Repairs and Maintenance Computer Equipment	**621,120**	649,545
Repairs and Maintenance Others	**432,602**	534,020
Insurance Premium	**534,714**	969,845
Professional Fees	**16,730,242**	19,699,630
Remuneration to Auditors (Refer Note No.8 (F)	**179,754**	175,282
Telephone, Telex and Postage	**2,249,884**	2,948,640
Selling & Marketing Expenses	**2,192,668**	5,849,574
Conveyance	**1,408,969**	2,699,468
Bad debt	**1,356,435**	6,451,166
Loss on Sale of Fixed Assets	**590,231**	11,412
Loss on Foreign Transaction	**751,890**	–
Sundry Balance W/off	**2,017,638**	252,923
Miscellaneous Expenses	**1,727,895**	4,115,789
	57,434,614	69,348,895
Schedule - 'P'		
Finance Charges :		
Interest Cost	**1,568,723**	6,948,065
Bank Charges	**884,209**	194,199
	2,452,932	7,142,264

Schedule - 'Q'

Notes To Accounts Forming Part Of The Balance Sheet As At March 31, 2010 And The Profit And Loss Account For The Year Ended March 31, 2010.

1. Significant Accounting Policies

A. Accounting Assumptions

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956. These accounts have been prepared on the assumption that the Company is a going concern and have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

B. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimated. Any revision to accounting estimates is recognised prospectively in the current and future periods.

C. Fixed Assets & Depreciation

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use.

Depreciation on fixed assets is computed on the straight-line method over their useful lives at rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired after financial year 2004-2005 valuing for less than Rs.5,000 are entirely depreciated in the year of acquisition.

The management periodically assesses fixed assets, using external and internal sources whether there is an indication that an asset may be impaired. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognised for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

D. Foreign Currency Transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing on the date on which transaction occurred.

Outstanding balances of foreign currency monetary items are reported using the period end rates.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account.

E. Payments & Benefits to Employees

(a) 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, short-term compensated absences, etc. and the expected costs of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

(b) Post-Employment Benefits

(i) Defined Contribution Plans: State governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contributions paid/payable under the schemes are recognized during the period in which the employee renders the related service,

(ii) Defined Benefit Plans: The employees' gratuity fund schemes managed by Trusts are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation 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 rates 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 balance sheet date having maturity periods approximating to the terms of related obligations.

Actuarial gain and losses are recognized immediately in the profit & loss account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

(c) Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

F. Revenue Recognition

Revenue comprises sale of user licence of software, professional services and consultancy, training and interest. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is disclosed exclusive of sales tax, service tax, VAT or other taxes, as applicable.

Sales

i) In respect of income received from contracts dependent on time and material basis are recognised when related service are performed.

ii) Revenue through annual maintenance contracts and fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered.

iii) Revenue from the sale of user licences for software applications is recognised on transfer of the title in the user licence.

iv) Revenues from fixed price engagements are recognized using the percentage-of-completion method of accounting after receiving confirmation from client.

Income from other source

Interest is recognised on time proportionate basis taking into account the amount outstanding and the rate applicable.

G. Warranty Cost and Revenue

The Company accounts for warranty cost as and when incurred in connection with post sale service to be rendered during the warranty period which, where the post sales service may extend to the period after the balance sheet date.

Similarly, the Company accounts for revenue of annual maintenance services and costs thereof which are similar to warranty services on the basis of the period for which the services are to be rendered.

H. Miscellaneous Expenditure

Miscellaneous expenditure represents incorporation expenses. These expenses are being written off over a period of ten years.

I. Tax Expense

Tax expense for a year comprises of current tax and deferred tax. Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of the Income Tax Act. 1961.

Provision for taxation is based on the relevant assessment year. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised in case of unabsorbed depreciation and carry forward of losses unless there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

J. Intangible Assets

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

The capital and revenue expenditure incurred on development of internally generated software and software tools has been reflected in the accounts as **Intangible Assets** whenever the recognition criteria as per Accounting Standard 26 "Intangible Assets" are met. The costs of such Intangible Assets are amortized over a period of 6 years, which is considered to be the useful life of this software.

K. Earning Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

L. Cash Flow Statement

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

M. Operating Lease

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the profit and loss account as incurred. Initial direct costs in respect of assets given on operating lease are expensed off in the year in which such costs are incurred.

N. Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

2. Debtors & Creditors balances are subject to confirmation.

3. In the opinion of the Board and to the best of their knowledge, the current assets, loans and advances, shown in the balance sheet have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated therein.

4. **Contingent Liabilities not provided for:**

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Counter guarantees given by the Company for the guarantees issued by Company's bankers (*)	**15,435,391**	9,339,706
Fixed deposits shown under the head cash and bank balances include deposits pledged with the banks as margins to secure letters of credit and guarantees issued by banks	**(3,402,489)**	(4,341,398)
Net amount	**12,032,902**	4,998,308
Disputed income tax demand	**2,317,302**	–
Total	**14,350,204**	4,998,308

(*) Counter guarantees given by the Company shown above includes guarantees given by parent Company to the extent of **Rs. 256,000** (P. Y. Rs. 5,464,935).

5. The break-up of Sundry Debtors is as follows:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Debts due for more than 6 months		
– Considered good (*)	**18,273,834**	13,891,757
– Considered doubtful	**–**	–
Sub–total (A)	**18,273,834**	13,891,757
Debts due for less than 6 months		
– Considered good	**44,973,706**	43,178,142
– Considered doubtful	**–**	–
Sub–total (B)	**44,973,706**	43,178,142
Less: Provision for doubtful debts	**–**	–
Balance (A+B)	**63,247,540**	57,069,899

(*) Include amount outstanding for more than three years amounting to **Rs. 5,101,584** (P. Y. Rs.7,593,191) for which no provision has been made, as the management is confident for the recovery of the same

Note: Debt include amount due from related parties:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Debts due from fellow subsidiary Companies:		
a) Onward Technologies, Inc., USA	**70,425**	766,586

6. **Scheme of arrangement / compromise between Onward Technologies Limited (hereinafter refer as "OTL") and Onward eServices Limited (hereinafter refer as OEL) as approved by the Honorable High Court of Mumbai:**

During the financial year 2008-09, as a part of arrangement / compromise, the Company pursuant to provisions of Section 391 & 394 of the Companies Act, 1956, offered a scheme of arrangement / compromise to respective Members of OTL and OEL and for reconstruction and reduction of capital of OEL and specified creditor of OEL viz OTL and further convened meetings of shareholders of OTL on June 9, 2008 pursuant to an order of the Honorable High Court of Judicature at Mumbai.

Pursuant to the above meeting the Company had obtained necessary sanction of the scheme from the Honorable High Court of Mumbai vide its Order dated April 16, 2009. Even though, the appointed date was April 1, 2007, the effect of the above scheme has been given in the books of accounts for the year ending March 31, 2009 and comparative figures of the previous year has not been adjusted to that extent.

The scheme of arrangement as sanctioned by the Honorable High Court of Mumbai provides for the following accounting treatment in the books of accounts:

- The outstanding loan of Rs.106,897,410 (Rupees Ten Crore Sixty Eight Lac Ninety Seven Thousand Four Hundred Ten Only) obtained by OEL from OTL, were converted into equity share capital of OEL.
- The accumulated debit balance of profit and loss account amounting to Rs.156,888,820, irrecoverable debtors amounting to Rs.19,001,570, loss/ reduction in value of sundry advances amounting to Rs.99,908,873 and reduction in the value of inventories amounting to Rs.18,198,147 of OEL aggregating Rs.293,997,410 (Rupees Twenty Nine Crore Thirty Nine Lac Ninety Seven Thousand Four Hundred Ten Only) were reduced against the reduction in share capital of OEL.

Since the loan outstanding as on March 31, 2008 given by the OTL to OEL was converted in to equity pursuant to High Court order with retrospective effect from April 1, 2007, interest debited by OTL to OEL amounting to Rs.6,784,629 in the financial year 2007-08 has been adjusted in the previous year.

7. **Amount Due to Small, Medium and Micro enterprises**

During the year Company has called for information from its vendors for their status under "The Small, Medium and Micro Enterprises Development Act 2006". Based on the information received till date no vendors are covered under the ambit of the said Act.

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Amount due to small, medium & micro enterprise	**–**	–
Others	**9,617,105**	6,528,076
Total	**9,617,105**	6,528,076

8. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of schedule VI to the Companies Act, 1956:

(A) Information in respect of capacity and class of goods manufactured:

The Company, being primarily engaged in rendering of services, the details in respect of licensed capacity, installed capacity and production / consumption of raw materials etc. are not given.

(B) Purchases / Sales and Stock:

	Quantity	Value
	(Nos.)	**(Rs.)**
(i) Opening Stock: (Stock in Trade (Refer Note No.7)		
Computer hardware & software items	**–** (946)	**–** (18,541,069)
(ii) Purchases:		
Computer hardware & software items	**3,046** (1,834)	**2,555,570** (2,464,942)
(iii) Sales: Rs. 3,513,795 (P. Y. Rs. 2,784,477)		
Computer hardware & software items	**3,046** (2,780	**Refer note below**
(iv) Closing Stock: (Stock in trade)		
Computer hardware & software items	**–** (–)	**–** (–)

Note:1 It is not possible to state the value of sales separately for each class of products above, as sales are usually made of several types of items together for a composite price, the bifurcation of which is not practicable.

2 Company purchases hardware and software only when counter orders are received from the customers, thus the Company does not have closing stock.

(C) Consumption/Scrap of Stores and Spares:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Indigenous	**702,353**	4,157,963
	100%	(100%)

(D) Earnings in Foreign Currency:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Software exports including consulting services & commissions	**70,425**	606,478

(E) Expenditure in Foreign Currency:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Travelling	**1,269,199**	909,832
Communication	**19,621**	–
Total	**1,288,820**	909,832

(F) Auditor's Remuneration: (Net of Service Tax)

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Audit fees	**125,000**	125,000
Tax audit fees	**50,000**	50,000
Reimbursement of out of pocket expenses	**4,754**	282
Total	**179,754**	175,282

9. Disclosure in pursuance of Accounting Standard - 15 (Revised 2005) on "Employee Benefits"

1. Defined Contribution Plans

The Company has recognized following amounts in the profit & loss account for the year

Sr. No.	Particular	Year Ended March 31 (Rs.)	
		2010	2009
1	Contribution to employees provident fund	**3,457,233**	3,632,064
2	Contribution to superannuation fund	**–**	261,440
3	Contribution to labour welfare fund	**2,880**	2,376
4	Contribution to ESIC	**322,538**	200,063
	Total	**3,782,651**	4,095,943

2. Defined Benefit Plans / Compensated absences – as per Actuarial Valuation on March 31, 2010

a) Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO):

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Obligations at period beginning	**3,220,045**	3,406,701
2	Current service cost	**1,426,588**	714,664
3	Interest cost	**298,023**	319,155
4	Actuarial (gain) / losses	**(1,885,129)**	991,006
5	Benefits paid	**(956,953)**	(2,211,481)
6	DBO at period closing	**2,102,574**	3,220,045

b) A reconciliation of the opening and closing balances of the fair value of plan assets:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Opening fair value of plan asset at period beginning	**396,037**	2,529,228
2	Expected returns on plan assets	**89,808**	217,297
3	Actuarial gain / (losses)	**(68,233)**	(139,007)
4	Contribution by the employer	**1,205,044**	–
5	Benefits paid	**(956,953)**	(2,211,481)
6	Fair value of plan assets at period closing	**665,703**	396,037

c) Net assets / (liabilities) recognized in the balance sheet as on March 31, 2010:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Present value of funded obligations	**2,102,574**	3,220,045
2	Fair value of plan assets	**665,703**	396,037
3	Present value of unfunded obligations	**–**	–
4	Net assets / (liabilities) recognized in the balance sheet	**(1,436,871)**	(2,824,008)

d) Total expenses recognized in the Profit and Loss Account:

Sr. No.	Particulars	Gratuity (Rs.)	
		2010	2009
1	Current service cost	**1,426,588**	714,664
2	Interest on defined benefit obligation	**298,023**	319,155
3	Expected returns on plan assets	**(89,808)**	(217,297)
4	Actuarial (gains) / losses	**(1,816,896)**	1,130,013
	Total	**(182,093)**	1,946,535

All the above have been included under the line item remuneration & benefits to employees in schedule number 'N' of the revenue account.

e) Major categories of plan assets as a percentage of total plan assets:

Sr. No.	Particulars	Plan Asset – %	Plan Asset – Rs.
1	Other / insurer managed funds	100	**665,703**

f) Compensated Leave

Para 132 of AS15 (revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard No. 5 or Accounting Standard No. 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (revised 2005).

g) Experience Adjustments:

Particulars	Year Ended March 31 (Rs.)		
	2010	2009	2008
Defined benefit obligation	**2,102,574**	3,220,045	3,406,701
Plan assets	**665,703**	396,037	2,529,228
Surplus / (deficit)	**(1,436,871)**	(2,824,008)	(877,473)
Exp. adj. on plan liabilities	**1,318,845**	717,575	1,170
Exp. adj. on plan assets	**68,233**	(139,007)	(122,746)

h) Actuarial Assumptions:

Sr. No.	Particulars	Year Ended March 31	
		2010	2009
1	Discount rate	**8.00**	7.15
2	Expected return on plan asset	**8.00**	7.50
3	Retirement age	**58 years**	58 years
4	Salary escalation rate	**4.00**	6.00

Turnover Rate	Year Ended March 31	
	2010	2009
Age (Years)	**Rates %**	Rates %
21–30	**8**	15
31–34	**8**	10
35–44	**8**	5
45–50	**8**	3
51–54	**8**	2
55–57	**8**	1

i) Gratuity is administered through group gratuity scheme with Life Insurance Corporation of India.

j) Salary Escalation Rate

Future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

k) Expected rate of return on plan assets

This is based on actuaries' expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

l) Discount Rate

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.

10. **Information about Business Segments**

As permitted by paragraph 4 of Accounting Standard-17 (AS – 17), 'Segment Reporting', if a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Thus, disclosures required by AS - 17 are given in consolidated financial statements.

11. **Related Party Disclosures:**

a) List of related parties and relationships:

	Relation	Parties
A.	Holding Company	Onward Technologies Ltd.
B.	Fellow subsidiary Companies	Onward Technologies GmbH, Germany Shantmurli Holdings Pvt. Ltd. Onward Technologies Inc., USA
C.	Enterprises over which key management personal and relatives have significant influence	Onward Computer Technologies Pvt. Ltd. Onward Network Technologies Pvt. Ltd. Jigar Holdings Pvt. Ltd. Desai Finwealth Investments & Securities Pvt. Ltd. Neo Knowledgeware Investments Pvt. Ltd. Onward Software Technologies Ltd.
	Key Management Personnel and Relatives Director Executive Director Related to Directors	 Harish Mehta Shaila Mehta Jigar Mehta

b) Related party transactions :

(Rs. in Lac)

Aggregate of Transactions	Parent Company	Fellow Subsidiary Companies	Company under same Management	Total
Sales	**–** (–)	**0.70** (6.06)	**–** (–)	**0.70** (6.06)
ICDs received (including loans and advances)	**–** (–)	**–** (–)	**106.57** (85.50)	**106.57** (85.50)
ICD repaid	**–** (–)	**–** (–)	**46.00** (112.50)	**46.00** (112.50)
Interest paid during the year (including loans & advances)	**–** (–)	**–** (–)	**8.82** (63.95)	**8.82** (63.95)
Recovery of cost	**–** (77.25)	**–** (–)	**–** (–)	**–** (77.25)
Capital	**–** (100.00)	**–** (–)	**–** (–)	**–** (100.00)

c) Balance outstanding at end of financial year:

Debit balances outstanding				
Debtors	**–** (–)	**0.70** (7.67)	**–** (–)	**0.70** (7.67)
Credit balances outstanding				
Creditors	**–** (–)	**8.00** (1.34)	**–** (–)	**8.00** (1.34)
Advance towards expenses	**–** (4.93)	**–** (–)	**–** (–)	**–** (4.93)
Loans including interest	**–** (–)	**–** (–)	**943.36** (941.42)	**943.36** (941.42)

Note : Previous year figures have been shown in brackets.

12. **Disclosure for Operating Leases:**

The Company has leased certain residential flats / office premises, office equipment and furniture under operating leases. The lease payments to be made in respect of the leases in future are as follows:

Particular	Year Ended March 31 (Rs.)	
	2010	2009
Lease payment debited to profit and loss account	**3,886,663**	3,389,460

Lease obligation	Year Ended March 31 (Rs.)	
	2010	2009
Up to 1 year	**4,271,028**	3,060,774
Greater than 1 year but less than 5 years	**6,231,542**	2,357,800

13. Statement of Computation of Deferred Tax Liabilities/(Assets) (Net):

PARTICULARS	Year Ended March 31 (Rs.)	
	2010	2009
A) Deferred tax assets		
a) Carried forward of unabsorbed deprecation and loss to the extent of deferred tax liability	**11,317,650**	15,765,275
b) Provision Disallowed under Sec 43B, Sec 40(a)(1) and Sec 40A(7)	**675,050**	913,230
Total (A)	**11,992,700**	16,678,505
B) Deferred tax liability		
Difference in net block as per books of account and as per Income Tax Act, 1956	**11,992,700**	16,678,505
Total (B)	**11,992,700**	
Net deferred tax assets (A-B) as on end of reporting period	**–**	–
Net deferred tax assets as on the beginning of reporting period	**–**	11,283,359
Deferred tax expenses / (benefit) recognised in profit and loss account	**–**	11,283,359

14. Earnings per Share:

Particular	Year Ended March 31	
	2010	2009
Profit / (loss) after tax	**Rs.(5,160,966)**	Rs.(36,132,805)
Profit / (loss) attributable to equity shareholders	**Rs.(5,160,966)**	Rs.(36,132,805)
Adjusted number of ordinary shares, (face value Rs.10)	**3,581,667**	1,290,000
Basic earning per share	**Rs.(1.44)**	Rs.(28.01)

15. Figures are rounded off to the nearest rupee.

16. Figures in bracket pertain to the previous year.

17. Previous year's figures have been regrouped / recast wherever necessary except figures affected by scheme of compromise / arrangement.

For Kirtane & Pandit
Chartered Accountants

Parag P. Pansare
Partner

For and on behalf of the Board of Directors

Shaila Mehta
Executive Director

Harish Mehta
Director

Place: Mumbai
Date: May 21, 2010

Balance Sheet Abstract and Company's General Business Profile

I	Registration Details	U 7 2 9 0 0 M H 2 0 0 3 P L C 1 4 0 9 7 9	State Code	1 1	
	Balance Sheet Date	3 1 (Date) 0 3 (Month) 2 0 1 0 (Year)			
II	Capital Raised During the Year (Amount in Rs. Thousands)				
	Public Issue	N I L	Rights Issue	N I L	
	Bonus Issue	N I L	Preferential Basis	N I L	
III	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)				
	Total Liabilities	1 7 7 5 2 9	Total Assets	1 7 7 5 2 9	
	Sources of Funds:		Application of Funds		
	Paid–Up Capital	6 2 9 0 0	Net Fixed Assets	4 4 6 0 3	
	Reserves & Surplus	N I L	Investments	N I L	
	Secured Loans	2 0 3 8 6	Net Current Assets	7 3 2 1 8	
	Unsecured Loans	9 4 2 4 3	Misc. Expenditure	3 7 7	
	Defferred Tax Liability	N I L	Accumulated losses	5 9 3 3 1	
	Share Application money	N I L	Deferred Tax Assets	N I L	
IV	Performance of Company (Amount in Rs. Thousands)				
	Turnover	1 3 9 4 6 8	Total Expenditure	1 4 4 4 1 0	
	+ –	Profit / Loss Before Tax	+ –	Profit / Loss after Tax	
	–	5 1 6 1	–	5 1 6 1	
	Please tick Appropriation Box + for Profit – for Loss				
	Earning Per Share in Rs.	(1 . 4 4)	Dividend Rate (%)	N I L	
V	Generic Name Of Three Principal Products /Services of Company				
	Item Code No				
	Product Description	I SOFTWARE DEVELOPMENT			
		ii SOFTWARE / HARDWARE PRODUCTS			
		iii PROFESSIONAL SERVICES			

For and on behalf of the Board of Directors

Shaila Mehta
Executive Director

Harish Mehta
Director

Place : Mumbai
Date : May 21, 2010

Directors' Report

To

The Members,

Your Directors present their Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2010.

Financial Results :

	Year ended 31.3.2010 (Rupees)	Year ended 31.3.2009 (Rupees)
Sales and other Income	**Nil**	Nil
Net Loss	**(19,543)**	(27,524)
Balance B/f from previous year	**9,990,135**	10,017,659
Balance carried forward	**9,970,592**	9,990,135

Transfer To Reserves

During the year, the Company has not transferred any amount to reserves.

Dividend

No Dividend is recommended as the Company has reported losses.

Operations

The Company has not commenced any business activity.

Fixed Deposits

During the year under review, the Company had not invited or accepted any deposits from the Public.

Directors

Mr. Harish Mehta and Mrs. Shaila Mehta are the Directors of the Company.

Auditors

M/s. Kirtane & Pandit, Chartered Accountants, Pune, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

Employee Particulars

The particulars required under Section 217 (2A) of the Companies Act, 1956 and the rules thereunder are not given as the Company did not appoint any employee.

Disclosure Of Significant Accounting Policies

Conservation Of Energy, Etc.

Pursuant to Section 217 (1)((e) of the Companies Act, 1956 read the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the details are given hereunder as required under the said Rules:

A.	Conservation Of Energy (Form A)	Not Applicable
B.	Technology Absorption (Form B)	Not Applicable
C.	Foreign Exchange Earnings and Outgo	Not Applicable

Responsibility Statement

The Directors hereby confirm pursuant to Section 217(2AA) of the Companies Act, 1956 :

a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same:

b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the period from 1st April, 2009 to 31st March, 2010;

c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that they have prepared the annual accounts on a going concern basis.

Acknowledgements

Your directors also place on record their appreciation of the continued support received from employees, customers, suppliers, Banks and Financial Institutions of the Company.

On behalf of the Board of Directors

Harish Mehta

Director

Place : Mumbai

Date : May 19, 2010

Auditors' Report

The Members of

Shantmurli Holdings Private Limited

We have audited the attached Balance Sheet of Shantmurli Holdings Private Limited as at March 31, 2010, and the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to the report. 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on 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.

1) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2) Further to our comments in the Annexure referred to in paragraph 1 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 purpose 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 such books;

   c) the Balance sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;

   d) so far as it appears from our scrutiny of books of account and other records, we are of the opinion that the Balance Sheet and the Profit and Loss Account comply with the relevant and applicable Accounting Standards referred to in the sub-section 3(C) of Section 211 of the Companies Act 1956;

   e) on the basis of written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31,2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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:

      i.) In the case of Balance Sheet, of the State of Affairs of the Company as on 31st March, 2010; and

      ii.) In the case of the Profit and Loss account of the profit for the year ended on that date.

      iii) In the case of the Cash flow Statement of the Cash Flow for the year ended on that date.

For Kirtane & Pandit

Chartered Accountants

(Firm No. 105215W)

Parag P. Pansare

Partner

Membership No. 117309

Mumbai, May 19, 2010

Annexure referred to in paragraph 1 of our report of even date to the members of Shantmurli Holding Private Limited, on the financial statements for the year ended March 31, 2010.

As the Company is not engaged in any business activity, Clause 4 (ii) sub Clause (a) to (c), Clause (iv) & Clause (viii) are not applicable to the Company.

(i) Since the Company does not own any fixed assets, Clause 4 (i) sub clause (a) to (c) are not applicable to the Company.

(ii) (a) The Company has granted Loan to one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 105.40 Lacs and the year end balance of such Loan is Rs 105.40 Lacs .

(b) The Loan given is interest free, which is, in our opinion, prima facie prejudicial to the interest of the Company. The other terms and condition of said Loan are not prima facie prejudicial to the interest of the Company.

(c) As the above loan is repayable on demand, question of regular repayment of the same does not arise.

(d) Based on the information and explanations provided by the management and our comments in clause (ii)(c) above, there is no overdue amount more than rupees one lakh of loans, granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956

(e) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties whose name is listed in the register maintained under Section 301 of the Companies Act, 1956 and accordingly clause (iii) (f) and (iii) (g) of the order are not applicable.

(iii) (a) In our opinion and according to the information and explanations given to us, we are of the opinion that transaction that needs to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion, the transactions made in pursuance of contracts or arrangements entered in the register under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(iv) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.

(v) In our opinion and according to the information and explanations given to us, there is no internal Audit system.

(vi) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Wealth tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty were in arrears, as at March 31, 2010, for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, there are no dues of Sales Tax, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty, Cess that have not been deposited on account of any dispute

(vii) In our opinion, the Company does not have accumulated losses. However, the Company has incurred cash losses during the financial year covered by our audit and also in the immediately preceding financial year.

(viii) In our opinion, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company, as the Company has not taken any term loan from financial institution or banks.

(ix) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(x) In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xi) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

(xiii) In our opinion, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company, as the Company has not taken any term loan from financial institution or banks.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xv) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

(xvi) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued debentures.

(xvii) As the Company has not raised any money by way of public issue, disclosure requirement of the end use of money raised by public issue does not apply to the Company.

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

For Kirtane & Pandit
Chartered Accountants
(*Firm Reg. No. 105215W)*

Parag P. Pansare
Partner
Membership No. 117309

Mumbai, May 19, 2010.

Balance Sheet as at 31st March, 2010

	Schedule	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Source of Funds :			
Shareholders' Funds :			
Share Capital	A	**500,000**	500,000
Reserves and Surplus	B	**9,970,592**	9,990,135
		10,470,592	10,490,135
Application Of Funds :			
Current Assets, Loans and Advances			
Bank Balances		**20,556**	15,346
Loans & Advances	C	**10,793,449**	10,793,449
		10,814,005	10,808,795
Less: Current Liabilites and Provisions			
Onward Technologies Limited.		**330,177**	305,177
Current Liabilities		**13,236**	13,483
		343,413	318,660
Net Current Assets		**10,470,592**	10,490,135
		10,470,592	**10,490,135**
Notes to Accounts	E		

The Schedules referred above form an integral part of the Balance Sheet
As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Harish Mehta
Director

Shaila Mehta
Director

Place : Mumbai
Date : May 19, 2010

Profit & Loss Account for the year ended 31st March, 2010

	Schedule	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Income			
Other Income		**–**	–
Expenditure			
Administrative and other Expenses	D	**19,543**	27,524
Total Expenditure		**19,543**	27,524
Profit / (Loss) Before Taxation		**(19,543)**	(27,524)
Provision for Taxation		**–**	**–**
Net Profit / (Loss)		**(19,543)**	(27,524)
Balance B/F from previous year		**9,990,135**	10,017,659
Balance Carried to Balance Sheet		**9,970,592**	9,990,135
Basic Earning Per Share		**(3.91)**	(5.50)
Notes To Accounts	E		

The Schedules referred above form an integral part of the Profit & Loss Account
As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Harish Mehta
Director

Shaila Mehta
Director

Place : Mumbai
Date : May 19, 2010

Cash Flow Statement for the year ended 31st March, 2010

Cash Flows from operating activities	**2009-10 Current Year Rupees**	2008-09 Previous Year Rupees
Net Loss before Taxation & Prior Period items	**(19,543)**	(27,524)
Adjustments for :		
Depreciation	**–**	–
Operating Profit before working capital changes	**(19,543)**	(27,524)
Adjustments for :		
(Decrease)/Increase in Current Liabilities & Provision	**24,753**	35,000
Cash generated from operations	**5,210**	7,476
Income Tax Provided	**–**	–
Net Cash from Operating Activities	**5,210**	7,476
Net Increase/(Decrease) in Cash and Cash equivalents	**5,210**	7,476
Cash and Cash equivalents opening balance	**15,346**	7,870
Cash and Cash equivalents closing balance	**20,556**	15,346

As per our report of even date

For Kirtane & Pandit
Chartered Accountants

For and on behalf of the Board of Directors

Parag P. Pansare
Partner

Harish Mehta
Director

Shaila Mehta
Director

Place : Mumbai
Date : May 19, 2010

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2010

	As At 31.3.2010 Rupees	As At 31.3.2009 Rupees
Schedule - 'A'		
Share Capital :		
Authorised		
5,000 Equity Shares of Rs. 100 each	**500,000**	500,000
	500,000	500,000
Issued, Subscribed and Paid Up		
5,000 (Previous Year 5,000) shares of Rs. 100 each Fully paid up in cash (All the above shares are held by Onward Technologies Ltd.)	**500,000**	500,000
	500,000	500,000
Schedule - 'B'		
Reserves and Surplus :		
Profit and Loss Account		
Balance as per Profit & Loss Account	**9,970,592**	9,990,135
	9,970,592	9,990,135
Schedule - 'C'		
Loans and Advances :		
(Unsecured – cosidered good)		
(i) Loan given to Onward Technologies Ltd.	**10,540,000**	10,540,000
(ii) Advances recoverable in cash or kind or for value to be received:	**–**	–
Deposit Paid	**253,449**	253,449
	10,793,449	10,793,449

Schedules Annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2010

	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Schedule - 'D'		
Administrative and Other Expenses :		
Profession Tax	**2,500**	2,500
Audit Fees	**13,236**	13,483
Professional Charges	**–**	8,427
Miscellaneous Expenses :		
Filing Fees	**3,662**	3,000
Bank Charges	**145**	114
	19,543	27,524

Schedule E

Notes to Accounts Forming Part of the Balance Sheet as at 31st March, 2010 and the Profit And Loss Account for the Year Ended 31st March, 2010.

1. **Significant Accounting Policies:**

   a. **Accounting Assumptions**

   These Accounts have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India (GAAP) to comply with the relevant Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI), to the extent applicable and with the relevant provisions of the Companies Act, 1956. These accounts have been prepared on the assumption that the Company is a going concern.

   b. **Use of estimates**

   The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates.

   c. **Cash flow statement**

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

d) Tax Expense

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax. Current tax and fringe benefit tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of the Income Tax Act. 1961

Provision for taxation is based on the relevant Assessment Year. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are not recognised in case of unabsorbed depreciation and carry forward of losses unless there is virtual certainty supported by convincing Evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

a. Earning Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

2. Related Party Disclosures

(a) List of Related Parties and Relationships

	Parties	**Relation**
A.	Onward Technologies Limited	Holding Company
B.	Key Management Personnel and Relatives Director Director	 Harish Mehta Shaila Mehta

(b) Related Party Transactions

Aggregate of Transactions	**Holding Company (Rs)**
Advance	25,000
Debit Balances outstanding	
Loan	105,40,000
Credit Balances outstanding	
Advance	330,177

3. Earnings per Share

	2009 – 2010	2008 – 2009
Profit / (Loss) after Tax -Rs.	**(19,543)**	(27,524)
Profit / (loss) attributable to Equity Shareholders Rs.	**(19,543)**	(27,524)
Number of Ordinary Shares (Face value Rs.100)	**5,000**	5,000
Basic Earning per share - Rs.	**(3.91)**	(5.50)

4. Figures are rounded off to the nearest rupee.

5. Previous year's figures have been regrouped wherever necessary.

For Kirtane & Pandit
Chartered Accountants

Parag P. Pansare
Partner
Place : Mumbai
Date : May 19, 2010

For and on behalf of the Board of Directors

Harish Mehta
Director

Shaila Mehta
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I	Registration Details	4 5 1 1 5	State Code	1 1 (Refer Code)
	Balance Sheet Date	3 1 0 3 2 0 1 0		
II	Capital Raised During the Year (Amount in Rs Thousands)			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
III	Position of Mobilisation and Deployment of Funds (Amount in Rs Thousands)			
	Total Liabilities	10471	Total Assets	10471
	Sources of Funds:		Application of Funds	
	Paid–Up Capital	500	Net Fixed Assets	NIL
	Reserves & Surplus	9971	Investments	NIL
	Secured Loans	NIL	Net Current Assets	10471
	Unsecured Loans	NIL	Misc. Expenditure	NIL
			Accumulated Losses	NIL
IV				
	Performance of Company (Amount in Rs Thousands)			
	Turnover	NIL	Total Expenditure	20
	+ – Profit / Loss Before Tax		+ – Profit After Tax	
	–	20	–	20
	Please tick Appropriation Box + for Profit – for Loss			
	Earning Per Share in Rs.	NIL	Dividend Rate (%)	NIL
V				
	Generic Name Of Three Principal Products /Services of Company			
	Item Code No Product Description	The Company has not commenced any Business Activity		

For and on behalf of the Board of Directors

Harish Mehta
Director

Shaila Mehta
Director

Place : Mumbai
Date : May 19, 2010

Directors' Report

To

The Members

Your Directors are pleased to present herewith, the Audited Statement of Accounts for the year ended March 31, 2010

Financial Results

	2009 – 2010 (Rs. in Lac)	2008 – 2009 (Rs. in Lac)
Sales	**3,620.75**	5,069.72
Administrative and Other Expenses Including tax	**3,483.91**	4,908.42
Net Profit after Tax	**136.83**	161.30

Operations

The Company's North American subsidiary had a very healthy year in line with projections and has recorded profit of Rs.136.83 Lac for F.Y. 2009–10 as compared to Rs.161.30 Lac in F.Y. 2008–09.

The North American subsidiary will continue to focus and expand both its line of business in Mechanical Engineering Design Services & IT Consulting Services. The Company has been successful in delivering several mission critical projects for its North American customers, many of which have been working with the Company for the past few years. The Company has also been successful in opening several new accounts across the Mid-West & North-East which will have a direct positive impact on the growth and profitability in F.Y. 2010–11 and next few financial years.

The Company has also received excellent services feedback from all its large customers which continue to grow and leverage Onward's Global Delivery Model. We expect a substantial increase in demand for these services & plan to invest in additional infrastructure to support these requirements. The Company has also started expanding the Sales & Business Development Teams to increase the reach in the market & to leverage these relationships and grow the consulting business in North America.

The forecast for F.Y. 2010–11 is very promising & the management team is positive of growing the business both in terms of revenue & profitability.

Transfer To Reserves:

During the year, the Company has not transferred any amount to reserves.

Dividend

No dividend is provided for the year 2009 – 10.

Fixed Deposits

During the year under review, the Company had not invited or accepted any deposits from the Public.

Director's Responsibility Statement

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

(a) in the preparation of the annual accounts for the financial year ended 31st March 2010, the applicable accounting standards have been followed and that no material departures have been made from the same, save to the extent, referred to in the Auditor's Report;

(b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2010 and of the profit or loss of the Company for the year ended 31st March 2010;

(c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(d) the Directors have prepared the annual accounts for the financial year ended 31st March 2010 on a going concern basis.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo :

Pursuant to Section 217 (1)(e) of the Companies Act, 1956 read the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the details are given hereunder as required under the said Rules :

A.	Conservation of Energy (Form A)	Not Applicable
B.	Technology Absorption (Form B)	Not Applicable
C.	Foreign Exchange Earnings and Outgo	Not Applicable

Employee Particulars

The Particulars of Employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all Members of the Company excluding the aforesaid information. Any Members interested in obtaining such particulars may write to the Company at its registered address.

Directors

Mr. Harish Mehta and Mrs. Shaila Mehta are the Directors of the Company.

Acknowledgment

Directors placed on record their gratitude for all federal and financial authorities in US and India. Directors also placed on record their acknowledgment for employees for their support and cooperation.

By Order of the Board

Harish Mehta
Director

Place : Mumbai
Date : May 12, 2010

Report of Independent Accountants

Board of Directors
Onward Technologies, Inc.

We have audited the acCompanying balance sheet of Onward Technologies Inc (referred to as "the Company") as of March 31, 2010 and the related statements of income, stockholders' equity and cash flows for the year then ended. 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 auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Onward Technologies Inc as of March 31, 2010 and the results of its operations, stockholders' equity and cash flows for the year then ended, in conformity with the accounting principles generally accepted in the United States of America.

KNAV P.A.
Atlanta, GA
Date: May 12, 2010

Balance Sheet as at 31st March, 2010

	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Assets		
Current Assets		
Cash and Cash equivalents	**11,950,137**	14,396,625
Accounts Receivables	**67,421,798**	143,842,654
Other Current Assets	**5,929,367**	6,659,187
Total Current Assets	**85,301,302**	164,898,466
Property, Equipment and Software, net	**1,816,713**	9,773,103
Total Assets	**87,118,015**	174,671,569
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable	**28,740,848**	31,455,587
Other Current Liabilities	**1,310,463**	562,683
Total Liabilities	**30,051,311**	32,018,270
Stockholders' Equity		
Capital Stock	**95,169,663**	172,434,006
Share Application Money	**–**	5,420,463
Accumulated Deficit	**(44,633,547)**	(58,316,870)
Foreign Currency Translation adjustment	**6,530,588**	23,115,700
Total Stockholders' equity	**57,066,704**	142,653,299
Total Liabilities and Stockholders' equity	**87,118,015**	174,671,569

For and on behalf of the Board of Directors

Harish Mehta *Director* **Shaila Mehta** *Director*

Place : Mumbai
Date : May 12, 2010

Statement of Income for the year ended 31st March, 2010

	Year ended 31.3.2010 Rupees	Yead ended 31.3.2009 Rupees
Revenues		
Operating revenues	**360,467,529**	505,446,002
Other income, net of expenses	**1,607,018**	1,525,541
Total revenues	**362,074,547**	506,971,543
Costs & Expenses		
Cost of revenues	**–**	–
Selling, general and administrative	**339,070,836**	476,000,749
Depreciation	**8,049,848**	14,378,135
Total cost and expenses	**347,120,684**	490,378,884
Profit before income tax	**14,953,863**	16,592,659
Income taxes		
– Current	**1,270,540**	462,847
Net income	**13,683,323**	16,129,812

For and on behalf of the Board of Directors

Harish Mehta *Director* **Shaila Mehta** *Director*

Place : Mumbai
Date : May 12, 2010

Statement of stockholders' equity for the period ended March 31, 2010

Particulars	Common Stock				Accumulated Surplus/(Deficit) Rs.	Foreign Currency Translation Adjustment	Total stockholders equity Rs.
	Authorized		Issued & Outstanding				
	Shares	Value (Rs)	Shares	Value (Rs)			
Balance as of April 1, 2009	250,000	215,500,000	200,000	177,854,469	(58,316,870)	23,115,700	142,653,299
Share Capital Returned to Parent Company'	–	–	(86,000)	(82,684,806)	–	–	(82,684,806)
Net income for the year	–	–	–	–	13,683,323	(16,585,112)	(2,901,789)
Balance as of March 31, 2010	**250,000**	**215,500,000**	**114,000**	**95,169,663**	**(44,633,547)**	**6,530,588**	**57,066,704**

For and on behalf of the Board of Directors

Harish Mehta *Director* **Shaila Mehta** *Director*

Place : Mumbai
Date : May 12, 2010

Statement of Cash Flows for the Year ended March 31, 2010

	2010 Rupees	2009 Rupees
Cash Flows from Operating Activities		
Net Income	**13,683,323**	16,129,812
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**8,049,848**	14,378,135
Income taxes	**1,270,540**	462,847
Changes in assets and liabilities		
Accounts Receivable	**76,420,856**	43,918,137
Other current assets	**729,820**	20,578,096
Accounts payable	**(2,714,739)**	(102,601,058)
Other current liabilities	**(522,760)**	(8,205,461)
Net cash provided by operating activities	**96,916,888**	(15,339,492)
Cash flow from investing activities		
Purchase of Property, Equipments and Software	**93,458**	1,013,502
Net cash used in investing activities	**93,458**	1,013,502
Cash flow from financing activities		
Equity Returned to Parent Company	**(77,264,343)**	–
Share application money Returned to Parent Company	**(5,420,463)**	5,420,463
Net cash used in financing activities	**(82,684,806)**	5,420,463
Net increase in cash and cash equivalents	**14,138,624**	(10,932,531)
Effect of foreign currency translation adjustment	**(16,585,112)**	22,194,419
Cash and cash equivalents at the beginning of the year	**14,396,625**	3,134,737
Cash and cash equivalents at the end of the year	**11,950,137**	14,396,625

For and on behalf of the Board of Directors

Harish Mehta
Director

Shaila Mehta
Director

Place : Mumbai
Date : May 12, 2010

Notes to Financial Statements

Note A - Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

1.**Business**

Onward Technologies Inc ("Company"), incorporated under the laws of Delaware, is a wholly owned subsidiary of Onward Technologies Limited ("OTL or the parent Company"), a public listed Company incorporated in India. The Company is in the business of deploying software professionals on software projects and marketing of software applications on behalf of OTL. Onsite consulting work is usually performed under contracts which specify fixed hourly rates and which vary in length, but are typically less than one year in duration.

The Company enters into contracts for offshore software development projects, on behalf of OTL. OTL undertakes the responsibility to deliver engineering design services and information technology software solutions and bears all the contractual and financial risks associated with these contracts. The operations of the Company are primarily conducted in the United States.

2. **Basis of presentation**

a. The financial statements are prepared as per the generally accepted accounting principles of United States. All amounts are stated in Indian Rupees.

b. The financial statements are for the period from April 1, 2009 through March 31, 2010.

c. Estimates and assumptions:

In preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. The important estimates made by the Company in preparing these financial statements include those on the useful life of property, equipment and software, allowance for doubtful accounts and realizability of deferred taxes. Actual results could differ from those estimates.

3. Cash and cash equivalents

The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash equivalents. Cash comprises cash on hand and balance with banks.

4. Allowance for doubtful accounts

The Company follows the specific identification method, the percent of total method and the aging schedule method for recognizing allowance for doubtful accounts. Management analyzes the composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness of each accounts receivable when evaluating the adequacy of the allowance for doubtful accounts. Allowance for doubtful accounts is included in selling, general and administrative expenses in the statement of income.

5. Property, equipment and software

Depreciation is provided for amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives used to determine depreciation are:

Office equipment	5 years
Furniture and fixtures	7 years
Computer hardware	5 years
Computer software	3 years

Property, equipment and software, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

6. Income taxes

The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of change. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

7. Revenue recognition

Revenues from onsite software consulting services are based upon hours worked by Company employees on customer assignments and are recognized when the work is performed. Revenue is determined by multiplying the hours worked by the contractual billing rates. Substantially all customers are on monthly credit term basis.

The Company invoices for offshore software development work on behalf of its parent. The Company follows interpretation of FASB Accounting Standard Codification ("ASC") 605-45 - Revenue Recognition - Principal Agent Considerations, in reporting revenues from offshore software development work. The Company is billed by OTL for offshore software development work in accordance with the transfer pricing arrangement. The net impact of the customer invoicing by the Company and the corresponding billing by OTL to the Company leads to no revenues being recognized by the Company for offshore software development projects.

The Company determines the compensation receivable from the parent for marketing fees or payable towards technical service fee for onsite software consulting services by deducting a sum of the direct and indirect costs of operations and a mark-up of 5% on such costs from the onsite software consulting services revenues recognized.

8. Cost of revenues

Cost of revenues represent employee salaries, direct recruitment related expenses and sub contracting costs. The Company determines the compensation payable to the parent for technical service fee for onsite software consulting services by deducting a sum of the direct and indirect costs of operations and a markup on such costs from the onsite software consulting services revenues recognized.

Note B - Cash And Cash Equivalents

Cash and cash equivalent comprises of the following:	**As at March 31, 2010 (Rs.)**	As at March 31, 2009 (Rs.)
Checking account	**11,936,636**	14,396,625
Petty cash	**13,501**	–
Total	**11,950,137**	14,396,625

Cash balances on checking accounts and payroll accounts with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of Rs. 1,1250,000.

Note C - Accounts Receivables

The Company's accounts receivables relate to onsite computer consultancy. Accounts receivables accounted by the Company on behalf of its parent Company relate to offshore software development and include reimbursable expenses invoiced to customers. The Company had gross receivables of RS.67,781,070 as at March 31, 2010 (P.Y.Rs.14,382,654). Of the above gross receivables, the onsite consulting income gross receivables amount to Rs.49,879,530(P.Y. Rs.58,594,787) and offshore software development income receivables (held on behalf of the parent Company) amount to Rs.17,901,540 (P.Y. Rs. 85,247,867)

Based on the transfer pricing policy with its parent Company, the Company does not bear any risk on account of bad debts and short collections on the offshore software development receivables of Rs.17,901,540 (P.Y. Rs.85,247,867). Bad debts incurred and shortfalls in collections, with respect to the offshore software development income receivables, are first adjusted against the accounts payable to OTL, and amounts in excess of accounts payable balance to OTL are recoverable from OTL. OTL evaluates credit worthiness of customers for offshore software development projects and also accounts for the allowance for doubtful accounts on the offshore software development income receivables.

The movement in the allowance for doubtful debts account on the onsite consulting income during the year was as follows:

	March 31, 2010 (Rs.)	March 31, 2009 (Rs.)
Balance as at April 1, 2009 / 2008	**3,651,900**	–
Less: Additional provision / Provision written off/Back	**(1,763892)**	3,651,900
Balance as at March 31, 2010	**1,887,840**	3,651,900

Note D - Prepaid Expenses And Other Current Assets

Prepaid expenses and other current assets comprise of:–

	As at March 31, 2010 (Rs.)	As at March 31, 2009 (Rs.)
Unbilled revenue	**4,090,545**	1,693,230
Receivable from parent Company, net of payables	**1,242,585**	–
Prepaid expense	**405,990**	2,772,522
Advance to employees	**302,130**	2,193,435
Total	**6,041,250**	6,659,187

Note E - Property, Equipment And Software

Property, equipment and software comprised of the following:

	As at March 31, 2010 (Rs.)	As at March 31, 2010 Rs.
Office equipment	**2,004,528**	2,004,528
Furniture and fixtures	**1,498,902**	1,498,902
Computer Hardware & Software	**60,420,275**	60,326,817
Less: Accumulated depreciation	**(62,106,992)**	(54,057,144)
Total	**1,816,713**	9,773,103

Depreciation for the year ended March 31 2010 was Rs.8,049,848.

Note F - Other Non Current Assets

As at March 31, 2010, other non-current assets comprised of security deposits of Rs. 1,130,175(P.Y.Rs.1,267,261).

Note G - Commitments And Contingencies

Operating leases

The Company conducts its operations from leased premises under noncancelable operating leases. The rent expense for the 12 months ended March 31, 2010 was Rs. 5,178,990 (P.Y. Rs.7,514,404). The minimum rental commitment under these non-cancelable operating leases is approximately as follows:

Year ending March 31,	**Amount (Rs.)**	**Amount (Rs.)**
2011	2,928,661	6,315,496
2012	1,840,961	6,315,496

Note H - Related Party Transactions

The Company had the following transactions with its parent, Onward Technologies Limited ("OTL"), during the year ended March 31, 2010:

	March 31, 2010 (Rs.)	March 31, 2009 (Rs.)
For services rendered by OTL to the Company		
Expenses of the Company paid by OTL and later reimbursed to OTL	**1,733,364**	3,877,541
Invoices raised by OTL on OTI towards offshore software development services (as per transfer pricing agreement)	**100,797,435**	115,563,236
For services rendered by the Company to OTL		
Invoices raised by OTI on customers of OTL towards offshore software development services provided by OTL	**100,797,435**	115,563,236
Marketing services rendered by OTI to OTL	**7,548,760**	–
Expenses of OTL paid by the Company and later reimbursed by OTL	**1,552,008**	159,356
Balance receivable from OTL, net of payables, as at March 31, 2010	**1,242,585**	3,066,292
Accounts receivables held on behalf of OTL, as at March 31, 2010	**17,901,540**	85,247,867

Note I - Income Taxes

The provision for income tax expense is as follows:

	As at March 31, 2010 (Rs.)	As at March, 31, 2009 (Rs.)
State		
Current	**1,270,540**	462,847
Deferred	**–**	–
Income tax expense	**1,270,540**	462,847

The following is the summary of items giving rise to deferred tax assets (liabilities):

	As at March 31, 2010 (Rs.)	As at March 31,2009 (Rs.)
Current deferred tax asset		
Accounts receivable	**7,16,400**	1,438,953
Accrued expenses and provision	**Nil**	107,157
Current deferred tax asset	**7,16,400**	1,546,110
Less: Valuation allowance	**(7,16,400)**	(23,089,542)
Current deferred tax asset, net	**Nil**	Nil
Non-current deferred tax asset		
Net operating losses	**9,826,110**	23,425,262
Property, equipment and software	**246,150**	335,720
Non-current deferred tax asset	**10,072,260**	23,425,262
Less: Valuation allowance	**(10,072,260)**	(23,089,542)
Non-current deferred tax asset	**Nil**	335,720
Total	**Nil**	Nil

The Company has decreased its valuation allowance by Rs 13,165,470 (P.Y. Rs.11,392,154) during the year ended March 31, 2010 to recognize net deferred tax assets of Nil (P.Y. Nil). The Company is carrying forward federal net operating losses of approximately Rs.28,486,440(P.Y.Rs.66,018,474)and state net operating losses of approximately Rs.3,564,720.

The federal net operating losses expire over the years 2020 to 2029.

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - An interpretation of FASB Accounting Standard Codification ("ASC") 740 ("FIN 48"), became applicable for all nonpublic companies for fiscal years beginning after December 15, 2008. Effective April 1, 2009, the Company adopted the provisions of FIN 48. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements in accordance with ASC 740. Tax positions must meet a "more-likely-than-not" recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. As at the effective date and during the year ended March 31, 2010, the Company recognized no uncertain tax positions

Note J - Concentration Risk

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cause actual results to vary materially from expectations include but are not limited to government regulations, competition, reliance on certain customers and credit risk.

The Company has concentration in respect of region in which it operates, which is the United States.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. To reduce its credit risk, the Company performs ongoing credit evaluations of customers. Only one single customer accounted for 10% and more of the accounts receivable as at March 31, 2010 and no single customer accounted for 10% and more of the revenues for the year ended March 31, 2010.

Note K - Segment Information

The Company provides services to customers primarily in the United States. For the purpose of disclosure of segment information, the Company considers this as a single business segment.

Note L - Stockholder's Equity

The Company's authorized share capital comprises of 250,000 common shares with a par value of $20 each. On June 29, 2009 the Board of Directors passed a resolution approving repurchase and cancellation of up to 100,000 equity shares. During the year the Company repurchased and cancelled 86,000 equity shares amounting to Rs.77,264,343 as on March 31, 2010 the Company's issued and subscribed share capital is 114,000 equity shares of $ 20 each, aggregating to Rs. 95,169,663.

For and on behalf of the Board of Directors

Harish Mehta — *Director*
Shaila Mehta — *Director*

Place : Mumbai
Date : May 12, 2010

onward® TECHNOLOGIES, GmbH

Balance Sheet as at 31st March, 2010

	As at 31.3.2010 Rupees	As at 31.3.2009 Rupees
Sources of Fund		
Share Capital	**4,171,035**	4,171,035
Add: Advances from Parent Company	**2,729,425**	2,729,425
Accumulated Deficit	**(6,595,141)**	(4,968,893)
	305,319	1,931,567
Application of Funds		
Current Assets & Advances		
Sundry Debtors	**526,335**	3,050,589
Cash and Bank Balances	**913,549**	840,495
Other Current Assets	**1,410,336**	926,288
	2,850,220	4,817,372
Less: Current Liabilities		
Sundry Creditors	**2,544,901**	2,885,805
Net Current Assets	**305,319**	1,931,567
	305,319	**1,931,567**

Note : Previous year's figures have been regrouped / recast wherever necessary.

For and on behalf of the Board

Place : Mumbai
Date : May 21, 2010

Harish Mehta
Director

Profit and Loss Account for the year ended 31st March, 2010

	Year ended 31.3.2010 Rupees	Year ended 31.3.2009 Rupees
Income		
Sales & Other Income	**4,012,744**	4,074,370
Total Income	**4,012,744**	4,074,370
Expenditure		
Cost of Services	**–**	–
Selling, General and Administrative Expenses	**3,851,478**	3,848,208
Total Expenditure	**3,851,478**	3,848,208
Profit / (Loss) Before Tax	**161,266**	226,162
Balance B/ F form Previous Year	**(5,624,398)**	(5,850,560)
Foreign Currency Translation Adjustment	**(1,132,009)**	655,505
Balance Carried to Balance Sheet	**(6,595,141)**	**(4,968,893)**

For and on behalf of the Board

Place : Mumbai
Date : May 21, 2010

Harish Mehta
Director

ONWARD TECHNOLOGIES LIMITED

Registered Office :

Sterling Centre, 2nd Floor, Dr. A. B. Road, Worli, Mumbai 400 018.

PROXY FORM

Regd. Folio / Beneficiary No. …….....

I/We.....

of ..... being a member/members of Onward

Technologies Limited hereby appoint .....

of .....or failing him/her.....

of .....as my/our proxy to vote for me/us on my/our behalf at the 19th ANNUAL GENERAL MEETING of the Company to be held on Friday, 16th July, 2010 and at any adjournment (s) thereof.

Signed this .....day of 2010

Signature on

Re. 1 Revenue Stamp

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

Please tear here

ONWARD TECHNOLOGIES LIMITED

Registered Office :

Sterling Centre, 2nd Floor, Dr. A. B. Road, Worli, Mumbai 400 018.

ATTENDANCE SLIP

19th Annual General Meeting – 16th July, 2010

Regd. Folio / Client ID No……..... No. of shares held .....

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

I hereby record my presence at the **19th ANNUAL GENERAL MEETING** of the Company at Victoria Memorial School for the Blind, Opp. Tardeo A/C Market, 73, Tardeo Road, Mumbai 400 034 on Friday, 16th July, 2010.

_____ _____

Member's/Proxy's name in BLOCK Letters

Signature of Member/Proxy

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

Notes

Confidentiality

Trust

Security

Integrity

REGISTERED OFFICE

Onward Technologies Limited
2nd Floor, Sterling Center,
Dr. A. B. Road,
Worli, Mumbai - 400018

PUNE OFFICE

Onward Technologies Limited
Onward House, 1-A/1,
Krishna Keval Nagar,
Kondwa, Pune - 411048

MUMBAI OFFICE

Onward Technologies Limited
Unit No. 152, SDF V, 1st Floor,
Seepz, Andheri (East),
Mumbai - 400096

CHENNAI OFFICE

Onward Technologies Limited
Onward House,
No. 5-B, Lakshmi Colony,
T Nagar, Chennai - 600017

DELHI OFFICE

Onward Technologies Limited
Unit No 1103, 1104, 1105,
Pearl Best Height - II,
Netaji Subhash Place,
Plot No. C-9, Pitampura
Delhi - 110034

KOLKATA OFFICE

Onward Technologies Limited
88A Hazra Road, 3rd Floor,
Kolkata - 700026

CHICAGO HEAD OFFICE

Onward Technologies Incorporated
Columbia Center III,
9525 W. Bryn Mawr Avenue, Suite 755,
Rosemont, Illinois 60018

CAMBRIDGE OFFICE

Onward Technologies Incorporated
222, Third Street , Suite# 2244,
Cambridge, MA 02142

Onward Technologies Limited
Berkshire House, 252-256, Kings Road,
Reading, RG1 4 HP, Berkshire

Onward Technologies GmbH
Hagenauer Strasse 59, 65203
Wiesbaden

Onward Technologies Limited
Block No, D-42 Old Building,
P.O. Box 40225
Ajman Free Zone

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www.onwardgroup.com