

15th ANNUAL REPORT 2011-12

SANKHYA INFOTECH LIMITED

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Shareholders to bring their copy of Annual Report
(Annual Reports are not circulated at the meeting)

COMPANY INFORMATION

OUR VISION

To be a global leader in providing innovative and cost effective simulation and training technology solutions for the business prosperity and pride ownership of our customers.

BOARD OF DIRECTORS

| | |
|---------------------|--------------------------------|
| Mr. N.Sridhar | : Chairman & Managing Director |
| Mr. N.Srinivas | : Vice Chairman |
| Ms. M.Kavita Prasad | : Independent Director |
| Mr. Mahesh Bhandari | : Independent Director |
| Mr. C.Anand | : Independent Director |

OUR TEAM

Mr. BSS Srinivasa Rao
Head of R&D & CTO

Brig. Vinay Sagar
Head Simulation & Virtual Training

Mr. A. Srineevasa Kumar
Head Global Services Sales

Mr. Shantanu Chaturvedi
Compliance & Chief Financial Officer

STATUTORY AUDITORS

M/s P Murali & Co.
Chartered Accountants
6-3-655/2/3
Somajiguda
Hyderabad-500082

REGISTRARS & TRANSFER AGENTS

CANBANK COMPUTER SERVICES LTD.,
J P ROYALE, 1ST FLOOR, # 218, 2nd Main,
Sampige Road,(Near 14th Cross),
Malleswaram, Bengaluru- 560 003.
Tel : 91-80-23469661 / 62, 23469664 / 65
Fax : 91-80-23469667 / 668
Email Id : canbank_computer@dataone.in
URL: www.canbankrta.com



NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Saturday 29th Sept. 2012 at 11.00 a.m. at its Regd. Office : 405, NSIC EMDBP Building ECIL Hyderabad-500062 to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March 2012 and Profit & Loss Account for the year ended on that date together with Schedules thereto and the Reports of Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Mahesh Bhandari, who retires by rotation.
3. To appoint M/s. P. Murali & Co. Chartered Accountants as Statutory Auditors of the Company to and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modifications(s), the following resolution as an Ordinary resolution:

"RESOLVED THAT M/s P Murali & Co. Chartered Accountants, be and hereby appointed as Auditors of the Company, to hold office till the conclusion of the next annual general meeting of the company on such remuneration as shall be fixed by the Board of Directors.

Special Business

4. To appoint Mr. Satish Kulakarni as a director in place of Mr. Mahesh Bhandari, who is liable to retire by rotation and in this regard to consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 255 an articles of association of the company, Mr. Satish Kulkarni be and is hereby appointed as the director of the company with immediate effect".

"RESOLVED FURTHER THAT the directors of the company be and are hereby severally authorised to file the requisite forms with the registrar of companies and take all necessary steps for implimenting the above resolution.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, TO ATTEND AND VOTE ON POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing proxy should, however, be deposited at the registered office of the Company not later than 48 hours before the scheduled commencement of the meeting.

2. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
3. Explanatory Statement stating all the material facts relating to the aforesaid Special Business pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will be closed from 22nd Sept 2012 to 29th Sept 2012 (both days inclusive).

Members are requested to intimate immediately any change in their address to the Share Transfer Agents Address: M/s. Canbank Computer Services Ltd., (A Subsidiary of Canara Bank), JP Royale, 1st Floor, # 218, 2nd Main Sampige Road, (Near 14th Cross), Malleswaram, BENGULURU - 560003. Tel: +91 80 23469661 / 62, 2349664/65 Fax: +91 802 3469667 /68 and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.

5. Members / Proxies are requested to bring the Attendance slip duly filled in
6. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
7. We wish to inform you that our Company shares have already been admitted in both M/s National Securities Depository Ltd (NSDL) and Central Depository Services India Ltd (CDSL) for the purpose of holding and trading of the shares in electronic mode. The ISIN allotted to M/s Sankhya Infotech Limited is INE877A01013. Members who are holding shares in physical form are advised in their own interest to immediately apply for Dematerialization of their shares to hold the same in an electronic form, In order to dematerialize your shares and convert them into the electronic form, you are requested to open a Beneficiary

Account with a Depository Participant (DP) and submit a dematerialization request along with the original share certificate(s) to a DP with whom you open a Beneficiary Account. The DP in turn will send your share certificate(s) to M/s. Canbank Computer Services Ltd., (A Subsidiary of Canara Bank), JP Royale, 1st Floor, # 218, 2nd Main Sampige Road, (Near 14th Cross), Malleswaram, BENGULURU - 560003. Tel: +91 802 3469661 / 62, 2349664/65 Fax: +91 802 3469667 /68 for dematerialization of shares. Thereafter, you will receive a confirmation from the DP that the shares have been dematerialized and held in the electronic form, subject to meeting the entire statutory requirement for conversion from physical mode to the electronic mode.

Further, as a part of green initiative in the Corporate Governance, the Ministry of Corporate Affairs, vide its Circular No. 17/2011 dated 21st April 2011 has permitted service of notices and documents in electronic mode. Hence, members are requested to register their E-mail ID's with the Company's Registrar and Transfer Agent as per the details given hereunder.

For further clarification, if any, please feel free to write to our Registrar & Share Transfer Agent at the following address:

CANBANK COMPUTER SERVICES LTD.,
Unit: M/s. Sankhya Infotech Ltd
J P ROYALE, 1ST FLOOR, # 218, 2nd Main,
Sampige Road, (Near 14th Cross) ,
Malleswaram, Bengaluru - 560 003.
Tel : 91-80-23469661 / 62, 23469664/ 65
Fax : 91-80-23469667 / 668
Email Id : canbank_computer@dataone.in
URL: www.canbankrta.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM No. 4

The members are informed to observe the prudent Corporate Governance Practice; the Board has appointed Mr. Satish Kulkarni in place of Mr. Mahesh Bandari as director of the company whose proficiency and knowledge will significantly benefit the company.

Mr. Satish Kulkarni, CEO and Managing Director of Lhoist India Pvt (India) Ltd., is graduate from UDCT, Mumbai, with a Bachelors Degree in Chemical Technology. He completed his postgraduate degree in Marketing Management from Jamnalal Bajaj Institute of Management in the year 1983.

Mr. Satish Kulkarni has over 34 years experience in Indian as well as Multinational Corporations. During this period he has handled various assignments in marketing, new business development and strategic planning.

Mr. Satish Kulkarni has strong techno-commercial background with focus on human relations and leadership accountabilities. His strengths are in business development, strategy, acquisition and integration of businesses.

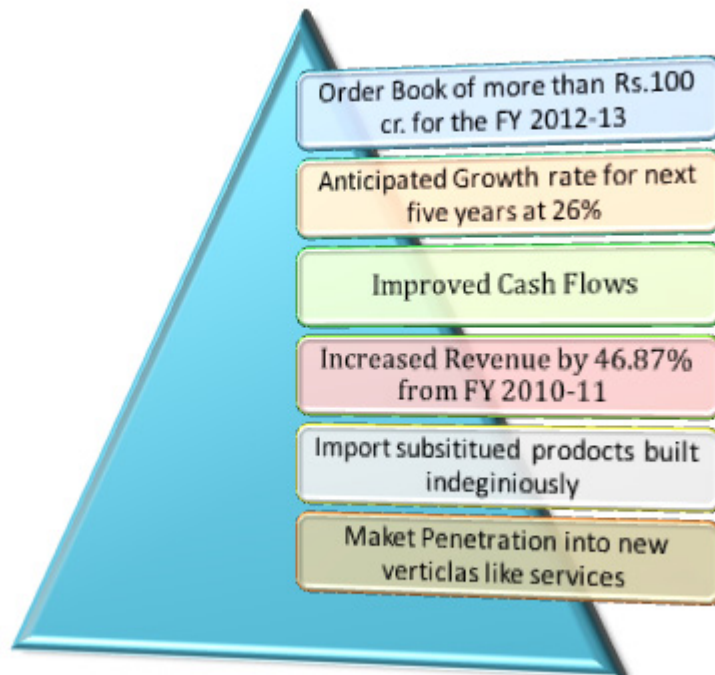
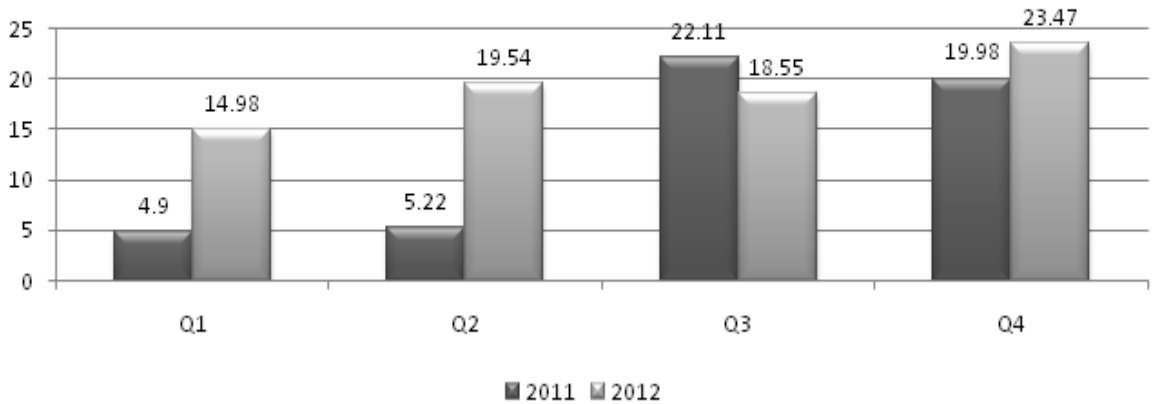
The Company has received notice under section 257 of the Companies Act 1956 along with the necessary deposit proposing the candidature of the aforesaid director.

None of the directors are interested or deemed to be interested in the resolution.

Place: Hyderabad
Date: 30th Aug 2012

By Order of the Board
N Sridhar
Chairman & Managing Director

Operational Highlight Turnover (in cr.)



DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present 15th Annual Report and Audited accounts for the financial year ending 2011-12. We have continued our growth trajectory from past year. The top line growth has increased by 47.82% to reach ₹ 77.04 cr. as against the previous year's sales of ₹ 52.12 cr.

FINANCIAL HIGHLIGHTS 2011-12 (₹ in Lakhs)

| FINANCIAL HIGHLIGHTS | 2011-12 | 2010-11 |
|--|---------|----------|
| Income from Operations | 7654.03 | 5,211.56 |
| Other Income | 49.49 | 9.03 |
| Total Income | 7703.52 | 5,220.59 |
| Total Expenditure | 6895.27 | 3740.44 |
| Earnings before Depreciation, Interest & Tax | 808.25 | 1480.15 |
| Depreciation | 345.97 | 303.68 |
| Interest | 308.08 | 392.95 |
| Profit Before Tax | 154.2 | 783.53 |
| Provision for Tax including (FBT) | 30.85 | 156.16 |
| Other Provisions | 50.03 | 0.00 |
| Prior Period Excess Income written back | - | 11.28 |
| Profit after Tax | 73.31 | 616.09 |
| Earnings Per Share | 0.65 | 7.25 |

BUSINESS OPERATIONS

Continuing its business operations with the existing customers your company this year has added new customers under its fold in India and around the world. The Indian IT companies were under pressure during the current year because of US & Euro zone crises. Notwithstanding the adverse situations your company was successful in not only retaining its customers during this time but also has added new domains with the existing customers.

Indian IT companies are predominately a service industry and therefore your company has also decided to enter into service domain in which the return of investment is always higher with minimum working capital requirement. Considering this your company has built a dedicated sales force in India stationed in various states like: Delhi, Gujarat, Maharashtra & Andhra Pradesh etc.

Your company is also in process of signing new JV agreements with corporate to enhance its business scalability and operations in new domains with existing expertise.

Your Company managed with great strain of not having Working Capital limits from Banks for 1.5 years. However since the company was able to obtain working Capital limits in Dec' 2011, the company faced substantial financial strain and had to pay higher interest on unsecured loans which effected the profitability of the Company as well.

OUTLOOK

Contracts with several fortune 500 customers are renewed and order book position for the current year is close to ₹ 106 cr. The company is also consistently winning new customers. Further, efforts to restructure the business model and improve productivity would not only help win new business but also yield better financial results.

SUBSIDIARY COMPANIES

The financial details of the subsidiary companies as well as the extent of holding therein are provided in a separate section of the Annual Report at Annexure 1:

Under section 212(8) of the Companies Act, 1956 the ministry of Corporate Affairs has exempted from attaching a copy of the Balance Sheet, Profit and loss accounts and schedules thereof, Director's Report and Auditors Report of the subsidiary companies and other documents required to be attached under section 212(1) of the act to the balance sheet of the company. Accordingly the said documents are not attached with the Balance Sheet of the Company. The Annual Accounts of the subsidiary Companies are available for inspection by any member / investor and the Company will make available these documents / details upon request by any member of the Company or its subsidiaries interested in obtaining the same. However the data of the subsidiaries has been furnished along with the statement pursuant to Section 212 of the Companies Act, 1956 forming part of the Annual Report. Further pursuant to Accounting Standard (AS)-21 issued by the Institute of Chartered Accountants of India, your company has presented the Consolidated Financial Statements which include financial information relating to its subsidiaries and forms part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of the Accounting Standards 21, 23 & 27 issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements together with Auditors' Report thereon forms part of the Annual Report.

DEPOSITS

The Company has not accepted any Deposits from the Public during the year pursuant to Section 58A of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures from the same.
2. Directors have selected the appropriate Accounting Policies and applied consistently and have 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 2012, and of the profit of the Company for that period.
3. Proper and sufficient care has been taken 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.
4. The Annual Accounts have been prepared on a going concern basis.

THE BOARD OF DIRECTORS

The company has proposed to appoint Mr.Satish Kulkarni as a director in place of Mr.Mahesh Bhandari. The board places on record his contribution for the progress and development of the company.

AUDITORS

The Company's auditors M/s. P. Murali & Co., Chartered Accountants retire at the ensuing Annual General Meeting and expressed their willingness to continue as Auditors of the Company.

CONSERVATION OF ENERGY & ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

- I. Conservation of energy your company's operations are software oriented and not energy intensive. Adequate measures are taken to conserve energy wherever possible.
- II. Foreign exchange earnings and outgo

(₹ in Lacs)

| Particulars | Year ended | |
|-------------|------------|-------------|
| | 31- Mar-12 | 31- Mar -11 |
| Earnings | 7433.33 | 4443.45 |
| Expenditure | 5995.42 | 2736.24 |

MANAGEMENT DISCUSSION & ANALYSIS

Pursuant to the provision of clause 49 of the listing agreement, a report on Management Discussion & Analysis is enclosed as Annexure 2 to this report.

CMD's DECLARATION

Pursuant to the provision of clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Chairman & Managing Director of the company declaring that all the members of the Board and the senior Management personnel of the company have affirmed compliance with the code of conduct of the company, is enclosed as Annexure 3 of this report.

Annexure-1

| S.No. | Particulars | 1 | 2 | 3 |
|-------|---|-----------------------------|---|------------------------------|
| 1 | Name of Susidiary | Sankhya SARL, France | Mahasena Information Technologies (India) Private Limited (MITPL) | Sankhya US Corporation |
| 2 | Financial year end | 31 st March,2012 | 31 st March,2012 | 31 st March,2012 |
| 3 | Extent of interest of the Holding Company in the capital of the Subsidiary. | 100% | 100% | 100% |
| 4 | Date from which it became a subsidiary | 13 th April,2005 | 01 st May,2006 | 17 th August,2006 |
| 5 | Net aggregate amount of Subsidiary's profit or loss not dealt with in the Holding Company's accounts. | | | |
| | Current year | (71140) | (6618) | (56250) |
| | Previous year | (65550) | (6618) | (53900) |
| 6 | Net aggregate of the Subsidiary's profit less losses dealt with in the Holding Company's Accounts: | | | |
| | Current year | Nil | Nil | Nil |
| | Previous year | Nil | Nil | Nil |

CORPORATE GOVERNANCE

As per clause 49 of the listing agreement with the stock exchanges, a separate report on Corporate Governance is enclosed as Annexure 4 forming part of the Annual Report

A certificate from a firm of Chartered Accountant in whole time practice confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to this report as Annexure 5.

PARTICULARS OF EMPLOYEES

"No Employee of the company was in receipt of remuneration during the financial year 2011-12 in excess of the sum prescribed under section 217(2A) of the companies Act, 1956 read with the companies (Particulars of Employees) Rule, 1975."

INDUSTRIAL RELATIONS

Your company enjoys cordial employee relations, marked by empowerment and delegation.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the unstinted support extended by the esteemed Customers, Bankers and Institutions.

Your Directors also are pleased to record their appreciation for the services rendered by the employees at all levels in bringing about a better performance.

Your directors express thanks to the Company's Shareholders, and the Investors for their sustained confidence in the Management of the Company.

Place: Hyderabad
Date: 30th August 2012

By Order of the Board
N Sridhar
Chairman & Managing Director

(Amount in ₹)

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK:

This year has come after long hard times that your company has faced in the past. This year will be a new beginning after the company has undergone severe slowdown we were able to grow at a very competitive growth rate and also have added new and experienced team in different domains of operations. As it is very well said that the "employees are the greatest assets" and your company has invested in those long term assets building including new products.

Your company's operations performance during the year was largely dependent on the working capital limit disbursement from bank. The cash margins were under tremendous pressures due to present global slowdown conditions and due to non-availability of any Bank support to your company. After a long gap the funds were released in Dec-2011 from which your company has repaid majority of unsecured loans that were taken at the time of financial crisis. This repayment of high interest cost unsecured loan will result in lowering of interest burden in the subsequent years. Restructuring the business model was one prime focus this year and the company has successfully completed the same this year. Cost control measures, risk mitigation plans & growth area are being identified and under execution.

AWARDS & RECOGNITIONS

We are recognised as an In-house Research & Development centre from DSIR (Department of Scientific & Industrial Research) this year where our R&D efforts have been recognised by scientist in DSIR.

We were successful in giving Indian Railways a 100% indigenous solution of locomotive simulator which has enhanced our capability in developing in house products but also saved 300% of the foreign currency outflow if imported from abroad. The simulator is successfully running in the South Central Railway and has enhanced our position to win more projects in the near future in the Government.

Your Company is also planning to move to medical simulation in big way and therefore, R&D activities relating to this was being initiated this year. The other area of strategic entrance is education where we plan to engage our skill development software and course ware to train and teach the students in India & abroad.

RISK

Your company is majorly operating in government entities where payments are not received on time thus posing a risk of cash crunch in many cases.

Uncertainty in Europe also poses risk since your company's operations are in France.

The vast fluctuation in the foreign currency mainly Dollar poses risk on foreign currency earnings.

COMPETITION

Your Company's software products and solutions have been recognised as one of the best training software available today by many renowned agencies. These products are serving world's top fortune 500 companies since years and will continue to do the same. The R&D staffs at your company are dedicated to continuously enhance the capabilities of software and fulfil the global demands. Your company is also under developing phase of new software solutions that will provide new benchmarks in the field of e-learning and simulation.

INTERNAL CONTROLS

The Company has adequate internal control mechanism at all levels of the organisation.

HUMAN RESOURCES

Your company has added several highly qualified professionals who have worked in prestigious organisation around the world. The Board conveys its sincere appreciation for the excellent efforts put in by the employees despite the challenges faced by the Company.

REPORT ON CORPORATE GOVERNANCE

(A) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

At Sankhya, corporate governance practices are based on the principles of integrity, transparency, fairness, independent monitoring and adequate disclosure of the state of affairs of the company. Adoption of such governance practise ensures accountability of the person in charge of the Company at the highest levels and benefits not just the investors, but also the Company's customers, creditors, employees and society at large. It is the Company's philosophy and strong belief that adhering to such high level of corporate governance practices go a long way in establishing the credibility of the Company and creates significant long term value for its stakeholders.

The company's activities are carried out in accordance with good corporate practices and the company is constantly striving to better them and adopt the best practices. It is firmly believed that good corporate governance practices would ensure efficient conduct of the affairs of the company and help the company, achieve its goal of maximising value for all its stakeholders. The Company maintains highest business ethics and complies with all statutory and regulatory requirements.

In India, Corporate Governance standards for listed companies are regulated by Securities and Exchange board of India through clause 49 of the listing agreement of the Stock Exchange. The Company is in compliance with all the requirements of the corporate governance code as enshrined in Clause 49 of the listing agreement. All the relevant standards have been fully adhered to.

(B) BOARD OF DIRECTORS

The company is managed by the Board of Directors, who formulates strategies, policies and reviews its performance periodically and manages the business of the company. The directors monitor the likely consequences of any decision in the long term in the interest of the company's employees, suppliers, customers, shareholders and other to foster the company's business relationships with them and impact of the company's operations on the community and the environment with the desirability of the company maintain a reputation for high standards of business conduct, and the need to act fairly as between members of a company.

Mr. N Sridhar CMD of the Company and Mr. N. Srinivas, Vice-Chairman of the Company, Executive Directors of the Company, are fully dedicated to ensure growth of the company.

COMPOSITION OF THE BOARD

The composition of the Board in conformity with Clause 49 of the listing Agreement, as amended from time to time. In the company the number of Non-Executive Independent Director is more than one-half of the total number of Directors.

Currently, the Company's Board comprises of five Directors including two whole time Directors. There are three Independent, Non - Executive Directors with expertise and experience in their individual allied fields.

FIVE (5) Board Meetings were held during the year 2011-12 (i.e., from 1st April, 2011 to 31st March, 2012) (1) 13th May, 2011 (2) 5th August, 2011 (3) 28th Oct, 2011 (4) 3rd Feb, 2012 (5) 28th Feb, 2012.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies are given herein below:

| Name & Designation | Category | No of Meetings held during the Last Financial Year | No of Meetings attended | Attendance at the Last Annual General Meeting held on 30-11-10 | No of Directorships in other public companies | | No of Committee positions held in other public Companies @ | |
|---|----------|--|-------------------------|--|---|--------|--|--------|
| | | | | | Chairman | Member | Chairman | Member |
| N SRIDHAR CHAIRMAN & MANAGING DIRECTOR | WTD | 5 | 5 | YES | NIL | NIL | NIL | NIL |
| N SRINIVAS VICE –CHAIRMAN | WTD | 5 | 4 | YES | NIL | NIL | NIL | NIL |
| MS. KAVITA PRASAD DIRECTOR | NED-I | 5 | 5 | NO | NIL | 5 | 1 | 1 |
| MAHESH BHANDARI DIRECTOR | NED-I | 5 | 3 | NO | NIL | NIL | NIL | NIL |
| C.ANAND DIRECTOR | NED-I | 5 | 5 | YES | NIL | NIL | NIL | NIL |

NED-Non Executive Director, **WTD**-Whole Time Director, **NED-I**-Non Executive Director- Independent.

Notes:

- (i) The directorships held by the directors, as mentioned above do not include the directorships held in foreign companies and companies under Section-25 of the Companies Act, 1956.
- (ii) The committees considered for the purpose are those prescribed under Clause 49(I)(C)(ii) of the Listing Agreement(s) viz. audit committee and shareholders/investors grievance committee of public limited companies and private limited companies which are public limited companies in terms of section 3(1)(iv)(c) of the Companies Act, 1956
- (iii) Except Mr. N. Sridhar and Mr. N. Srinivas, who are relatives (Mr. N. Sridhar is Brother of Mr. N. Srinivas) and promoter directors, none of the directors are relatives of any other director.

BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, The Managing Director apprises the Board at every meeting of the overall performance of the Company. A detailed functional report is also placed at Board Meetings.

The Board reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. The Board also reviews major legal issues, minutes of the Board Meetings of the Company's subsidiary companies, significant transactions and arrangements entered into by the subsidiary companies, adoption of financial results, transactions pertaining to purchase or disposal of properties, major accounting provisions and write-offs, corporate restructuring, minutes of meetings of the Audit and other Committees of the Board, and information on recruitment of officers just below the Board level, including the Company Secretary and the Compliance Officer.

PROMOTERS AND BOARD OF DIRECTORS PROFILE

Mr. N. Sridhar, Chairman and Managing Director: Technocrat business man with a Master's degree in Computer Science and 27 years of experience in the Software Industry, Mr. Sridhar has been one of the founding members of Sankhya InfoTech Ltd.

Mr. N. Srinivas, Vice Chairman: He is one of the founding members of Sankhya with a Master's degree in Commerce and a professional qualification of ICWA, and an overall experience 30 years industry of which 25 years in the Software Industry.

Independent Board of Directors:

Ms. Kavita Prasad (Director in HBL): She is a Graduate in Commerce from Osmania University and Postgraduate diploma holder in computer application. She becomes a director in HBL Limited in the year 1995. She has been looking after the exports Market and Finance of the HBL Power Systems Limited, presently servicing as Whole Time Director.

Mr. Satish Kulkarni, CEO and Managing Director of Lhoist India Pvt (India) Ltd., is graduate from UDCT, Mumbai, with a Bachelors Degree in Chemical Technology. He completed his postgraduate degree in Marketing Management from Jamnalal Bajaj Institute of Management in the year 1983.

Mr. Satish Kulkarni has over 34 years experience in Indian as well as Multinational Corporations. During this period he has handled various assignments in marketing, new business development and strategic planning.

Mr. Satish Kulkarni has strong techno-commercial background with focus on human relations and leadership accountabilities. His strengths are in business development, strategy, acquisition and integration of businesses.

Mr. C Anand: He holds a Bachelor Degree from Osmania University. He is a practicing Chartered Accountant for the last 20 years with extensive experience in the fields of Audit, Taxation and Finance.

CODE OF CONDUCT

The Company has established a Code of Conduct for its Board Members and Senior Management personnel. The Code of Conduct for the Board Members and Senior Management personnel is posted on the Company's Website www.sankhya.net. The Board Members and Senior Management personnel have complied with the same.

(C) AUDIT COMMITTEE

The Board of Directors of the Company has re-constituted the Audit Committee on 1st October 2010. The Terms of reference of the Audit Committee covers the matters specified for Audit Committees under clause 49 of the Listing agreement and also as required under Section 292A of the Companies Act, 1956. The Audit Committee comprises of the following members

1. Mr.C.Anand - Independent Director & Chairman
2. Ms.Kavita Prasad - Independent Director & Member
3. Mr. N. Srinivas - Member

The Statutory Auditors are also the invitee to the meetings. During the year under review (i.e., from 1st April, 2011 to 31st March, 2012), the Committee met 4 times on 13th May 2011, 5th Aug, 2011, Oct 28th, 2011 & 28th Feb, 2012.

All the Members of the Committee possess strong accounting and financial management knowledge. The terms of reference of this Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the Statutory Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to inter alia review the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II (D) of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II (C). The Meetings of the Audit Committee are also attended by the Chairman & Managing Director.

SUBSIDIARY COMPANIES

The Company has following subsidiaries:

1. Sankhya SARL, France.
2. Sankhya US Corporation, USA;
3. Mahasena Info Technologies (India) Private Limited

The Audit Committee reviews the financial statements of the Subsidiaries M/s Sankhya SARL, France, M/s Sankhya US Corporation and M/s Mahasena Info Technologies (India) Pvt Ltd.

(D) REMUNERATION COMMITTEE**REMUNERATION POLICY**

While deciding on the remuneration for Directors, the Board, and Remuneration Committee (Committee) considers the performance of the Company, the current trends in industry, the qualification of the appointee(s), their experience, past performance and other relevant factors. The Board / Committee regularly keep track of the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies. The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) to its Managing Director and Executive Directors. Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members and are effective April 1, each year. The Remuneration Committee decides on the commission payable to the Managing Director and the Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 1956, based on the performance of the Company as well as that of the Managing Director and each Executive Director.

During the year, 2011-12, the Company paid Sitting Fees of Rupees one lakh (₹1,00,000/-) to its Non-Executive Directors for attending meetings of the Board and meetings of Committees of the Board. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

COMPOSITION OF REMUNERATION COMMITTEE

The Company reconstituted the Remuneration Committee on 1st October 2010 consisting of the following Independent Non Executive Directors:

- a. Mr. Mahesh Bhandari - Chairman
- b. Ms.Kavita Prasad - Member
- c. Mr.C.Anand - Member

Details of Remuneration paid to all the Whole Time Directors during the year 2011-12 (Amount in ₹)

| Name & Designation | Category | Salary | Allowance / Perquisites | Commission | Total |
|---|----------|-----------|-------------------------|------------|-----------|
| Mr. N SRIDHAR Chairman & Managing Director | WTD | 36,00,000 | 9,360 | -- | 36,09,360 |
| Mr. N SRINIVAS Vice -Chairman | WTD | 36,00,000 | 9,360 | -- | 36,09,360 |

For Non-Executive Directors:

Sitting fee is paid to all Non -Executive Directors.

(Amount in ₹)

| Name | Amount |
|--------------------|-----------------|
| Mr.Mahesh Bhandari | 20,000 |
| Ms.Kavita Prasad | 40,000 |
| Mr.C.Anand | 40,000 |
| Total | 1,00,000 |

(E) SHAREHOLDERS / INVESTORS GREIVANCE COMMITTEE**TERMS OF REFERENCE**

The Committee, inter alia, approves issue of duplicate certificates and over sees and reviews all matters connected with transfer of securities of the Company. The Committee also looks into redressal of shareholders'/ investors 'complaints related to transfer of shares, non-receipt of Balance Sheet, non- receipt of declared dividend, etc. The Committee oversees performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services.

COMPOSITION, MEETINGS AND ATTENDANCE

In compliance with the Listing Agreement requirements and provisions of the Companies Act, 1956, the Company has constituted an Investor Grievance Committee consisting of Non-Executive Independent Directors. Committee consists of three members comprising of:

| Name | Designation & Category |
|-------------------|-------------------------------|
| Ms. Kavita Prasad | Independent Director & Member |
| Mr. N Srinivas | Director & Member |
| Mr. N Sridhar | Director & Member |

During the year, no complaint was received from the shareholder. As on 31st March, 2012, there are no pending grievances of the shareholder or investors.

(F) GENERAL BODY MEETINGS

The particulars of the Annual General Meetings of the Company for the last three financial years are as follows:

| Financial year | Location | Date of AGM | Time of AGM held |
|----------------|---------------------------------|----------------|------------------|
| 2010-11 | Registered office | 30th-Sept-2011 | 11:00 AM |
| 2009-10 | TajTri-Star Hotel, Secunderabad | 30th-Sept-2010 | 10:00 AM |
| 2008-09 | TajTri-Star Hotel, Secunderabad | 30th-Nov-2009 | 11:30 AM |

(G) DISCLOSURES**Disclosures of transactions with Related Parties**

There were no materially significant related party transactions made by the Company with its Promoters, Directors or relatives or the Management, their subsidiaries etc., which have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested, if any, is placed before the Board at every Board Meeting for approval. Transactions with related parties are disclosed in Notes to the Accounts in the Annual Report.

Disclosure of Accounting Treatment in preparation of Financial Statements

The Company has followed the guidelines of Accounting Standards laid down by The Institute of Chartered Accountants of India (ICAI) and the Companies (Accounting Standards) Rules, 2006 in preparation of its financial statements.

Details of non-compliance with regard to Capital Market

There were no instances of non-compliances by the Company on any matter related to capital markets. The Company has complied with the requirements of listing agreement as well as the regulations and guidelines prescribed by the Securities and Exchange Board of India (SEBI). The Company has paid listing fees to the stock exchanges and annual custodial fees to the depositories for the financial year 2010-11 in terms of Clause 38 of listing agreement. There were no penalties imposed nor strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority on any matter related to capital markets, during last three years.

SECRETARIAL AUDIT FOR RECONCILIATION OF CAPITAL.

A qualified practicing Company Secretary carried out quarterly Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited and the total issued and listed capital. The audit confirmed that the total issued / paid up capital was in agreement with the aggregate of the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

MEANS OF COMMUNICATION

- a. The Quarterly, Half yearly un-audited financial results are generally published in widely circulating national and local newspapers. These results are also published in the website of the Company www.sankhya.net and sent to stock exchanges.
- b. The Management Discussion & Analysis Report forms part of this Annual Report.

(H) GENERAL SHAREHOLDERS INFORMATION**Annual General Meeting**

| | | |
|--------------------|---|---|
| Day, date and time | : | Saturday, the 29th September 2012 at 11.00 a.m. |
| Venue | : | NSIC Building, Near Radhika Theatre, ECIL Post, Hyderabad |

Financial Calendar

- | | | |
|---|---|--|
| 1. First Quarter results | : | Last Week of August, 2012 |
| 2. Half yearly results | : | Last Week of October, 2012 |
| 3. Third Quarter results | : | 1st Week of February, 2013 |
| 4. Last Quarter results / Results for the year Ending 31st March 2012 | : | Last week of May 2013 (Audited) from 22-09-2012 to 29-09-2012 |
| 5. Book Closure date (Both days inclusive) | : | |
| 6. Listing of Equity shares on Stock Exchanges and Stock Code | : | Bombay Stock Exchange Limited (BSE) Scrip Id: SANKHYAIN Stock Code: 532972 |

Listing fees has been paid to Bombay Stock Exchange for the financial year 2011-12.

7. Demat ISIN for NSDL & CDSL: **INE877A01013**

- a) 10,979,762 Equity shares, representing 97.64 % of the total Equity Capital are held in dematerialized form as on 31st March 2012.
- b) Market price data (High /Low) on BSE during the each month

| Month | Open Price | High Price | Low Price | Close Price | No. of Shares | Total Turnover (Rs.) | * Spread (Rs.) | |
|--------|------------|------------|-----------|-------------|---------------|----------------------|----------------|-------|
| | | | | | | | H-L | |
| Apr 11 | 17.95 | 24.60 | 17.05 | 20.70 | 1,88,308 | 38,98,023 | 7.55 | 2.75 |
| May 11 | 21.50 | 26.90 | 17.05 | 23.30 | 3,61,342 | 79,48,423 | 9.85 | 1.80 |
| Jun 11 | 23.00 | 27.50 | 20.00 | 23.00 | 1,30,845 | 31,55,601 | 7.50 | 0.00 |
| Jul 11 | 23.70 | 27.90 | 21.30 | 22.30 | 1,60,531 | 35,79,246 | 6.60 | -1.40 |
| Aug 11 | 21.00 | 22.90 | 14.00 | 16.40 | 1,58,320 | 27,47,786 | 8.90 | -4.60 |
| Sep 11 | 16.35 | 17.50 | 14.00 | 14.90 | 85,070 | 12,79,378 | 3.50 | -1.45 |
| Oct 11 | 17.45 | 18.75 | 13.52 | 17.34 | 87,833 | 13,89,542 | 5.23 | -0.11 |
| Nov 11 | 17.90 | 18.15 | 12.10 | 13.10 | 33,423 | 4,88,467 | 6.05 | -4.80 |
| Dec 11 | 13.30 | 19.00 | 12.11 | 13.90 | 1,14,741 | 17,23,123 | 6.89 | 0.60 |
| Jan 12 | 14.00 | 16.94 | 13.02 | 13.64 | 51,140 | 7,55,226 | 3.92 | -0.36 |
| Feb 12 | 13.27 | 17.37 | 12.75 | 15.63 | 1,16,738 | 16,55,294 | 4.62 | 2.36 |
| Mar 12 | 18.00 | 18.00 | 12.95 | 13.30 | 1,06,992 | 14,66,430 | 5.05 | -4.70 |

Registrar & Share Transfer Agent:

CANBANK COMPUTER SERVICES LTD.,

Unit: M/s. Sankhya Infotech Ltd

J P ROYALE, 1ST FLOOR, # 218, 2nd Main,

Sampige Road, (Near 14th Cross) ,

Malleswaram,

Bengaluru - 560 003.

Tel: 91-80-23469661 / 62, 23469664 / 65

Fax: 91-80-23469667 / 668

Email Id: canbank_computer@dataone.in

URL: www.canbankrta.com

Share Transfer System:

Presently the share transfers which are received in physical form are processed by the Registrar and Share Transfer Agent and approved by the Compliance Officer and the share certificates are returned within 15 days from the date of lodgment, subject to the transfer instruments being valid and complete in all respects.

Shareholding Pattern of the Company as on March 31, 2012 was as follows:-

| Category | % age of total Capital |
|----------------------|------------------------|
| Promoters Holding | 37.68 |
| Non-Promoter Holding | |
| Corporate Bodies | 23.83 |
| Indian Public | 36.77 |
| NRIs/ OCBs | 0.25 |
| Clearing Member | 0.07 |
| HUF | 1.39 |
| TOTAL | 100.00 |

Dematerialization of shares and liquidity

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL & CDSL. As on March 31st 2012, 97% of the shares are in the dematerialized form. Consequent to the listing of Company's equity shares at BSE there has been regular trading at BSE in the Company's scrip.

Unclaimed Dividends

Dividend History & transfer of Unclaimed Dividend to Investor Education & Protection Fund (IEPF)

(Amount in ₹)

| Sl. No | Financial year | Interim / Final | Date of declaration | Rate of dividend | Dividend amount Excluding Tax | Dividend distribution Tax (Rs. Crs) | Amount remaining unclaimed as on 31.03.2011 | Due date of transfer to IEPF |
|--------|----------------|-----------------|---------------------|------------------|-------------------------------|-------------------------------------|---|------------------------------|
| 1 | 2006-07 | Final | 28-09-2007 | 10% | 99,44,156 | 1,44,151 | 3,13,227.00 | 28-09-2014 |
| 2 | 2007-08 | Final | 29-12-2008 | 12% | 1,02,00,006 | 17,33,491 | 2,40,424.80 | 29-12-2015 |

For and on behalf of the Board of Directors

Place: Hyderabad
Dated: 30th August, 2012

Mr. N. Sridhar
Chairman & Managing Director

Annexure - 4**CEO's Declaration**

I, N. Sridhar, Chairman & Managing Director do hereby declare that pursuant to the provisions of clause 49(I)(D)(ii) of listing Agreement, all the members of the Board and senior Management Personnel of the Company have furnished their affirmation with the Code of Conduct of the Company.

Place: Hyderabad

Dated: 30th May, 2012

Mr. N. Sridhar
Chairman & Managing Director

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**Annexure - 5**

To
The Members,
M/s. SANKHYA INFOTECH LIMITED.

We have examined the compliance of conditions of Corporate Governance by M/s SANKHYA INFOTECH LIMITED, for the year ended 31st-March-2012, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The Compliances of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to procedures and implementations thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanation given to us and based on the representations made by the Directors and the Management, we certify that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We state that no investor grievances were pending for a period of exceeding one month against the company as per the records maintained by the Shareholders/Investor Grievance Committee.

We further state that such compliance in neither an assurance as to the future viability of the Company or of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M/s P. Murali & Co
Chartered Accountants

P. Murali Mohana Rao
Partner
Membership No: 23412

Place: Hyderabad

Date: 30th May, 2012

AUDITOR'S REPORT

To

The Members of

M/s. SANKHYA INFOTECH LIMITED

1. We have audited the attached Balance Sheet of Sankhya Infotech Limited as at 31 March, 2012, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956 (the 'Act') and on the basis of such checks of the books and records of the Company 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 said order.

4. Further to our comments in annexure referred to 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 Profit and Loss Account dealt with by this report are in agreement with the books of account.

d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act.

e) On the basis of the written representations received from the Directors, as on 31 March, 2012 and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2012 from being appointed as Directors 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 Balance sheet, Profit & Loss account and Cash flow Statement read together with the significant accounting policies and notes thereon, 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 so far as it relates to the Balance Sheet, of the state of affairs of the Company as on 31 March, 2010;

II. In so far as it relates to the Profit and Loss Account, of the Profit for the year ended on that date and

III. In the case of Cash Flow Statement, of the cash flows for the period ended on that date.

ANNEXURE TO THE AUDITORS' REPORT

1. (a) The Company is updating the records showing full particulars including quantitative details and situation and fixed assets keeping in view of the additions made during the year.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, none of fixed assets have been disposed off by the Company during the year.
2. The Company's nature of operations does not require it to hold inventories. Accordingly, this clause is not applicable.
3. The Company has taken or granted loans from/to the Companies, Firms, or other parties covered in the register maintained U/s 301 of the Companies Act, 1956.
 - a) The company has taken loans from various parties and the amount outstanding at the year end is Rs. 400.94 Lakhs.
 - b) The terms and conditions in respect of loans taken are prima facie not prejudicial to the interest of the company. There are no overdues.
 - c) The Company has granted Advance to subsidiary companies amounting to Rs. 5,40,50,991/- which is continuing from previous year.
4. 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 for purchase of fixed assets. The activities of the company do not involve purchase of inventory and the sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of the audit.
5. In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956.
 - a) In our opinion and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of other parties are reasonable.
6. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company. Accordingly, clause 4(viii) of the order is not applicable.
9. a) The Company is regular in depositing undisputed statutory dues including PF, ESI, Income Tax, Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI, Income Tax, Cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
10. The Company has been registered for a period of not less than 5 years, and the Company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and the immediately preceding financial year.
11. In our opinion, the Company has not defaulted in repayment of dues to a financial institutions or banks.
12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
13. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
16. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
17. According to information given to us, and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short term basis have not been used for long term investment and vice versa during the year under audit.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
19. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
20. According to information and explanations given to us, the company has not raised money by way of public issues during the year; hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

PLACE:HYDERABAD
DATE: 30th May, 2012

For P.MURALI & CO.,
CHARTERED ACCOUNTANTS
 Regn. No. 007257S
P. MURALI MOHANA RAO
 PARTNER
 M. No. 23412

BALANCE SHEET AS AT 31ST MARCH, 2012**(₹ in Lakhs)**

| Particulars | Note No. | As at 31-Mar-12 | As at 31-Mar-11 |
|---|----------|--------------------|--------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholder's Funds | | | |
| (a) Share Capital | 1 | 1,124.52 | 850.00 |
| (b) Reserves and Surplus | 2 | 5,682.50 | 4,920.39 |
| (2) Share Application Money Pending Allotment | 3 | - | 401.54 |
| (3) Non-Current Liabilities | | | |
| (a) Long-term Borrowings | 4 | 724.62 | 2,062.79 |
| (b) Deferred Tax Liabilities (Net) | 5 | 50.03 | - |
| (4) Current Liabilities | | | |
| (a) Short-Term Borrowings | 6 | 2,000.00 | - |
| (b) Trade Payables | 7 | 362.40 | 1,026.60 |
| (c) Other Current Liabilities | 8 | 332.88 | 261.11 |
| Total | | 10,276.95 | 9,522.44 |
| II. Assets | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | | | |
| (i) Tangible Assets | 9 | 78.27 | 85.66 |
| (ii) Intangible Assets | 10 | 4,246.62 | 3,378.61 |
| (iii) Capital Work-in-Progress | | 695.90 | 633.22 |
| (b) Non-Current Investments | 11 | 58.45 | 58.45 |
| (c) Long Term Loans and Advances | 12 | 597.74 | 629.88 |
| (2) Current Assets | | | |
| (a) Trade Receivables | 13 | 3,404.34 | 2,290.20 |
| (b) Cash and Cash Equivalents | 14 | 265.14 | 152.19 |
| (c) Short-Term Loans and Advances | 15 | 94.90 | 0.14 |
| (d) Other Current Assets | 16 | 835.59 | 2,294.09 |
| Total | | 10,276.95 | 9,522.44 |

Summary of Significant Accounting Policies

The accompanying Notes are an integral part of the Financial Statements

As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012**(₹ in Lakhs)**

| Particulars | Note No. | Year Ended 31-Mar-12 | Year Ended 31-Mar-11 |
|--|----------|-------------------------|-------------------------|
| I. Revenue From Operations | 17 | 7,654.03 | 5,211.56 |
| II. Other Income | 18 | 49.49 | 9.03 |
| III. Total Revenue (I +II) | | <u>7,703.52</u> | <u>5,220.59</u> |
| IV. Expenses: | | | |
| Employee Benefit Expense | 19 | 4,454.35 | 2,318.65 |
| Other Operating Expenses | 20 | 443.16 | 669.46 |
| Administrative Expenses | 21 | 928.44 | 516.18 |
| Financial Costs | 22 | 308.08 | 392.95 |
| Depreciation and Amortization Expense | 9 & 10 | 345.97 | 303.68 |
| Other Expenses | 23 | 1,069.32 | 236.14 |
| IV. Total Expenses | | <u>7,549.33</u> | <u>4,437.07</u> |
| V. Profit Before Exceptional and Extraordinary Items and Tax (III - IV) | | 154.19 | 783.52 |
| VI. Extraordinary Items | | - | 11.28 |
| VII. Profit before tax (V-VI) | | <u>154.19</u> | <u>772.24</u> |
| VIII. Tax expense: | | | |
| (1) Current tax (MAT) | | 30.85 | 156.16 |
| (2) Deferred tax | | 50.03 | - |
| IX. Profit/(Loss) for the period (VII-VIII) | | <u>73.31</u> | <u>616.08</u> |
| X. Earning per equity share: | | | |
| (1) Basic | | 0.65 | 7.25 |
| (2) Diluted | | | |

Summary of Significant Accounting Policies

The accompanying Notes are an integral part of the Financial Statements

As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

Cash Flow Statement for the Year Ended 31 March, 2012**(₹ in Lakhs)**

| Particulars | Year Ended 31-Mar-12 | Year Ended 31-Mar-11 |
|--|--------------------------|--------------------------|
| A. CASH FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss) after tax and extra Ordinary Items | 73.31 | 616.08 |
| Adjustment for: | - | - |
| Depreciation | 345.97 | 303.68 |
| Interest | 298.34 | 391.48 |
| Operating Profit Before WC Changes | <u>717.62</u> | <u>1,311.25</u> |
| Adjustment for: | | |
| Trade and Other Receivables | 1,173.00 | 220.33 |
| Work In Progress | (1,455.29) | (621.94) |
| Trade payables | 542.40 | 741.36 |
| Net Cash Flow from Operating Activities | <u>977.73</u> | <u>1,651.00</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed Assets Additions | (1,195.52) | (1,380.94) |
| Capital Work in process | (62.69) | (101.00) |
| Change in Investments | - | - |
| Net Cash from/(Used) in Investing Activities | <u>(1,258.21)</u> | <u>(1,481.94)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in Short term borrowings | (2,000.00) | (43.87) |
| Increase in Long term borrowings | 1,338.17 | - |
| Increase in Equity share capital | 274.52 | - |
| Increase in share premium | 604.77 | - |
| Increase in share application money (forfeiture) | 84.03 | - |
| Increase in share warrants application money | - | 401.54 |
| Interest & dividend and tax | 91.93 | (391.48) |
| Net Cash from/(Used) in Financing Activities | 393.42 | (33.81) |
| Opening Cash and Cash Equivalents | 152.19 | 16.94 |
| Net increase in Cash and Cash Equivalents | 112.94 | 135.25 |
| Closing Cash and Cash Equivalents | 265.13 | 152.19 |

The accompanying Notes are an integral part of the Financial Statements

As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respects in with the Indian Generally Accepted Accounting Principles (IGAAP) in India under the historical cost basis. IGAAP comprises mandatory accounting standards as specified in Companies Accounting Standards Rules, 2006, relevant guidelines issued by Securities Exchange Board of India, and relevant provisions of Companies Act, 1956 as issued from time to time.. The financial statements are prepared under the historical cost convention and accrual basis and in accordance with the Generally Accepted Accounting Principles in India and the requirements of the Companies Act 1956.

2. Use of estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Practices requires Management to make estimates and assumptions that affect the reported Assets and Liabilities and disclosures relating to contingent assets and liabilities as at the date of the Financial Statements and reported amounts of Income and Expenses during the period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. Revenue recognition

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

Revenue from Services:

- Time and material contracts - Revenues are recognized on the basis of time spent duly approved by the respective customers.
- Fixed price contracts - Revenues are recognized on the basis of approval received from the respective customers in accordance with the "Percentage of Completion" method.
- Internal timesheets or timesheets submitted by vendors for time and material contracts and for fixed price contracts based upon assessment of work done. Unbilled revenue recognized is subsequently billed to customers after receipt of approval.
- Other Income - In other income such as income from interest is recognized using the time proportion method, based on rates implicit in the transaction.

4. Expenditure

All software development and services purchased are charged to cost of revenue in at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise the year of acquisition. Provisions are made for all known losses and liabilities. Where ever applicable leave encashment liability is provided on the basis of actuarial valuation.

5. Fixed assets, intangible assets and Capital work in progress.

Fixed assets are stated at cost less accumulated depreciation. Direct costs are capitalized until fixed assets are ready for use. "Cost means" cost of bringing the asset to its working condition for its intended use. Fixed assets are capitalized as per the statement issued by the Institute of Chartered Accountants of India. Capital work in progress comprises of the expenditure incurred in the process of developing the intangible assets for the time being and the assets are not yet ready for their intended use as at the date of Balance sheet.

An intangible asset is recognized, when it is probable that the future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured. The company frequently expends resources, and incurs liabilities, on the acquisition, development, maintenance and enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new process or systems, license, intellectual property, market knowledge and trademarks in order to make software's and brands. Intangible assets are recorded as per AS26 of IGAAP.

6. Depreciation

Depreciation on fixed assets is applied on the written down value method by following the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on addition to fixed assets is provided on pro-rata basis from the date the assets are put to use. Depreciation on sale/deduction from fixed assets is provided for up to the date of sale, deduction, discernment as the case may be. Individual low cost assets (acquired for less than Rs.5000/-) are entirely depreciated in the year of acquisition.

Intangible assets are amortized as per AS 26 of IAS. The useful life of all the intangible assets has been reassessed and the same is amortized at 10% WDV from the current year. The assets in the development stage are amortized only after the first sale is made. The intangible assets which are treated as "not fully developed" and only after the first sale is made depreciation are provided as per the AS 26 of IAS. As the company has registered sale for these products and billing would commence in the next financial year depreciation of these products would commence from FY 2011-12 and without significant effect on profitability.

7. Unbilled Revenue:

The work in progress is the unbilled amount for the contracts that are in execution stage and the client deliverables are either in testing phase or certification/ acceptance stage, Therefore revenue is not recognized.

8. Investments

Investments in wholly owned subsidiary are at cost.

9. Research and development

Capital Expenditure incurred on research and development is depreciated over the estimated life

of related assets and the revenue expenditure is expensed as incurred.

The company has in - House Research & Development Centre involved in developmental activities for new products in the fields of Simulation and Training. Details of Capital & Revenue Expenditure incurred are as detailed below.

| | EXPENDITURE (₹) | 2011-12 |
|----------|------------------|--------------------|
| A | Revenue | |
| | Employees Cost | 4,83,25,152 |
| | Rent | 7,13,676 |
| | Electricity | 4,14,200 |
| | TOTAL | 4,94,53,028 |

10. Employee Benefits

Provident fund:

Employees receive benefits from a provident fund. The contributions to the Provident Fund are made as per the Employee Provident Fund Act as amended from time to time.

Compensated absences:

The employees of the Company are entitled to compensate absence. The employees can carry-forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. Long term compensated absences is accrued based on actuarial valuation at the balance sheet date carried out by an independent actuary.

Gratuity:

The contributions to Gratuity are made in accordance with the Payment of Gratuity Act, 1972, and for this the Company is using fund managed by the Life Insurance Corporation of India (LIC).

11. Foreign currency transactions Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a

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

Exchange Differences

Exchange differences arising on the settlement of monetary items at rates difference from those at which they were initially recorded during the year, or reported in previous financial expenses in the year in which they arise.

Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

Translation of foreign branch

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

12. Income Tax

Provision for Income Tax, comprising current tax and deferred tax, is made on the basis of the results of the year.

In Accordance with Accounting Standard 22 Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing differences between the book and the tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax assets arising from temporary timing differences are recognized to the extent there is a reasonable certainty that the assets can be realized in the future.

13. Earnings per share

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

14. Cash flow statement

Cash flows are reported taking the indirect method, wherein net profit before tax is adjusted for the transactions of non-cash nature and others or other accruals of past or future receipts and / or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

NOTE NO. 1: SHARE CAPITAL

(₹ in Lakhs)

| S. NO. | Particulars | As on 31-Mar-2012 | | As on 31-Mar-2011 | |
|--------|--|--------------------|-----------------|-------------------|---------------|
| | | No. of Shares | Rs. | No. of Shares | Rs. |
| a. | Share Capital (For each class of capital) | | | | |
| | (a) Authorised | 150.00 | 1,500.00 | 150.00 | 1,500.00 |
| | (b) Issued | 112.45 | 1,124.52 | 85.00 | 850.00 |
| | (c) Subscribed & Fully Paid Up | | 1,124.52 | | 850.00 |
| | (d) Par value per share Rs. 10 | | | | |
| | Total Equity Share capital | | 1,124.52 | | 850.00 |
| | Forfeited Shares Amount | | - | | - |
| b. | A Reconciliation of the Number of Shares Outstanding at the Beginning and at the end of the Reporting Period: | Number of Shares | | Number of Shares | |
| | Equity Shares of Rs.10Each, Fully paid up : | | | | |
| | At the Beginning | 85.00 | | 85.00 | |
| | Issued During the year - Cash Issue | 27.45 | | - | |
| | Forfeited / Bought Back During the Year | - | | - | |
| | At the End | 112.45 | | 85.00 | |
| c. | Details of Shareholder Holding more than 5% Shares of the Company: | % of Share Holding | | | |
| | Equity Shares of Rs. 10 each Held By | | | | |
| | Srinivas N - No. Of Shares (C.Y) 820953 | 7.30% | | 9.66% | |
| | No. Of Shares (P.Y) 820953 | | | | |
| | Sridhar N - No. Of Shares (C.Y) 762152 | 6.78% | | 8.97% | |
| | No. Of Shares (P.Y) 762152 | | | | |
| | Parvatha Vardhani N - No. Of Shares (C.Y) 854600 | 7.60% | | 4.27% | |
| | No. Of Shares (P.Y) 362800 | | | | |
| | Gayatri N - No. Of Shares (C.Y) 776109 | 6.90% | | 3.34% | |
| | No. Of Shares (P.Y) 284309 | | | | |
| | HBL - No. Of Shares (C.Y) 2060482 | 18.32% | | 9.88% | |
| | No. Of Shares (P.Y) 840482 | | | | |

NOTE NO. 2: SHARE CAPITAL

(₹ in Lakhs)

| S. NO. | Particulars | As on 31-Mar-12 | As on 31-Mar-11 |
|--------|---|-----------------|-----------------|
| I. | RESERVES AND SURPLUS | | |
| | a) Capital reserve | | |
| | As at the commencement of the year | - | - |
| | Add: Additions during the year | | |
| | (forfeiture of share application money) | 84.03 | - |
| | | 84.03 | - |
| | b) Securities Premium Reserve | | |
| | As at the commencement of the year | 917.12 | 917.12 |
| | Add: Additions during the year | 604.77 | - |
| | | 1,521.88 | 917.12 |
| | c) General Reserves | | |
| | As at the commencement of the year | 37.40 | 37.40 |
| | d) Surplus: | | |
| | Opening Balance - Profit and Loss Account | 3,965.87 | 3,349.79 |
| | Add: Transfer from Profit & Loss Account | 73.31 | 616.08 |
| | | 4,039.19 | 3,965.87 |
| | Total Reserves and Surplus | 5,682.50 | 4,920.39 |

NOTE NO. 3 : SHARE APPLICATION MONEY PENDING ALLOTMENT**(₹ in Lakhs)**

| S. NO. | Particulars | As on 31-Mar-12 | As on 31-Mar-11 |
|--------|---|-----------------|-----------------|
| I | Share Application Money (25% First Call) Notes: 32,90,600 share warrants allotted to promoters and non-promoters at Rs 32.03 | - | 401.54 |
| | | - | 401.54 |

NOTE NO. 4 : LONG TERM BORROWINGS**(₹ in Lakhs)**

| S. NO. | Particulars | As on 31-Mar-12 | As on 31-Mar-11 |
|--------|--|--|---|
| I | Long Term Borrowings a) Term Loans: From Banks: Secured (Secured by first charge on Export Equitable Mortgage of the immovable assets belonging to the company, commercial land belong to promoter and pledge of share belonging to promoter Director. (The above loans are further secured by personal guarantee of Promoter Director and Guarantor) From Other Parties: Secured | 123.68 | - |
| | b) Loans and Advances From Related Parties Un Secured: Name of the Party DR. AJ Prasad Mr. Mallikarjuna Rao M Mr N Ramakrishna Rao Mrs. N. Parvatha Vardhini Mr. N Sridhar Mrs. N. Indira Ramani Mrs. N. Gayatri HBL Power Systems Ltd Mr. BSS Rao Notes : (The unsecured loan is taken from the shareholders of the company & others) | 52.48 33.00 6.08 3.75 0.36 180.05 125.22 - - | 52.48 8.00 14.33 8.85 - 196.66 277.47 1,300.00 5.00 |
| | Total Long Term Borrowings | 724.62 | 2,063 |

NOTE NO. 5 : DEFERRED TAX LIABILITY (NET)**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|---|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Opening Deferred tax Liability Add: Deferred Tax Liability for the Year (Due to WDV as per Companies act and WDV as per Income Tax Act Difference) | 152.37 | - |
| | Gross Deferred tax Asset | 152.37 | - |
| | Opening Deferred Tax Asset Depreciation Loss | (102.34) | - |
| | Gross Deferred tax Asset | (102.34) | - |
| | Deferred Tax Liability/ (Asset) - Net | 50.03 | - |

NOTE NO. 6: SHORT TERM BORROWINGS.**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|---|-----------------|-----------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Short Term Borrowings | | |
| | a) Loans Repayable on Demand: | | |
| | From Banks | | |
| | Secured (Cash Credit) | 2,000.00 | - |
| | Notes : | | |
| | (Secured by first charge on Export bills and further secured by Equitable Mortgage of the immovable assets belonging to the company, commercial land belong to promoter and pledge of share belonging to promoter Director. | | |
| | (The above loans are further secured by personal guarantee of Promoter Director and Guarantor) | | |
| | Total short term borrowings | 2,000.00 | - |

NOTE NO. 7 : TRADE PAYABLES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|-----------------------------|---------------|-----------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | a) Trade Payables | 362.40 | 1,026.60 |
| | Total Trade Payables | 362.40 | 1,026.60 |

NOTE NO. 8 : OTHER CURRENT LIABILITIES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|---------------|---------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Statutory Liabilities | | |
| | Provision for Income Tax | 157.42 | 191.84 |
| | Service Tax Payable | 9.3 | - |
| | TDS Payable | 73.94 | 47.05 |
| | ESI Payable | 0.13 | 0.12 |
| | PF Payable | 1.86 | 16.56 |
| | PT Payable | 0.19 | - |
| | MAT Payable | 21.61 | - |
| II | Other Provisions | | |
| | Provision for Dividend | 5.52 | 5.54 |
| | Cash credit Interest Payable | 24.48 | - |
| | Term loan Interest Payable | 1.10 | - |
| | Term loan repayment (partly) | 37.50 | - |
| | Total Other Current Liabilities | 332.88 | 261.11 |

FIXED ASSETS AS ON 31st MARCH, 2012

Note No. : 9 & 10

| S. No. | Name of the Asset | GROSS BLOCK | | | | | | Depreciation/Amortization | | | Net Block | |
|----------|--------------------------------|-------------|-----------------|---------------------------|-------------|------------------|-----------------|---------------------------|-----------------|----------------------------|------------------------------|--|
| | | Rate % | As at 01-Apr-11 | Additions During the Year | Sale | As at 31-03-2012 | As at 01-Apr-11 | Dep. For the year | Total | FOR THE YEAR ENDED 31-3-12 | FOR THE YEAR ENDED 31-3-2011 | |
| 1 | TANGIBLE FIXED ASSETS | | | | | | | | | | | |
| a | Plant & Machinery | 15.33% | 75.69 | - | - | 75.69 | 54.24 | 3.29 | 57.52 | 18.16 | 21.45 | |
| b | Air Conditioners | 15.33% | 16.69 | 11.42 | 5.62 | 22.49 | 10.08 | 1.03 | 11.11 | 11.38 | 6.61 | |
| c | Projector | 20.00% | 3.41 | - | - | 3.41 | 2.93 | 0.10 | 3.03 | 0.39 | 0.48 | |
| d | Computers | 40.00% | 340.44 | 2.44 | - | 342.87 | 336.94 | 1.49 | 338.43 | 4.44 | 3.50 | |
| e | Furniture | 18.10% | 202.49 | - | - | 202.49 | 149.11 | 9.66 | 158.77 | 43.72 | 53.38 | |
| f | Vehicles | 25.89% | 6.92 | - | - | 6.92 | 6.67 | 0.06 | 6.73 | 0.18 | 0.25 | |
| 2 | INTANGIBLE FIXED ASSETS | | | | | | | | | | | |
| a | Learning Management Products | 10.00% | 1,126.19 | 271.59 | - | 1,397.78 | 960.36 | 36.97 | 997.34 | 400.44 | 165.83 | |
| b | Training Management Products | 10.00% | 1,399.74 | - | - | 1,399.74 | - | 104.98 | 104.98 | 1,294.76 | 1,399.74 | |
| c | Simulator Products | | 540.18 | 300.00 | - | 840.18 | - | 47.99 | 47.99 | 792.19 | 540.18 | |
| d | Knowledge Based Content | | 1,163.00 | 624.36 | - | 1,787.36 | 231.38 | 106.23 | 337.61 | 1,449.75 | 931.62 | |
| e | Optimization Products | | 340.00 | - | - | 340.00 | - | 34.00 | 34.00 | 306.00 | 340.00 | |
| f | Sage CRM Server 200 | | 4.21 | - | - | 4.21 | 3.74 | 0.05 | 3.79 | 0.42 | 0.47 | |
| g | Vstudio Team Ed(5 Users) | | 4.08 | 2.40 | - | 6.48 | 3.31 | 0.12 | 3.43 | 3.05 | 0.78 | |
| | TOTAL | | 5,223.03 | 1,212.20 | 5.62 | 6,429.61 | 1,758.75 | 345.97 | 2,104.72 | 4,324.89 | 3,464.28 | |
| | Previous Year | | 3,843.51 | 1,380.94 | - | 5,223.03 | 1,456.49 | 303.68 | 1,760.18 | 3,464.28 | 2,387.02 | |

(₹ in Lakhs)

NOTE NO. 11 : NON- CURRENT INVESTMENTS**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|--------------|--------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Non- Current Assets | | |
| | 1) Investment in Subsidiaries | | |
| | a) Equity Shares | | |
| | -Sankhya Sarl, France and 100% of holding | 1.73 | 1.73 |
| | -Sankhya US Corporation, US and 100% of holding | 46.72 | 46.72 |
| | -Mahasena Info Technologies (India) Pvt Ltd, and 100% of holding | 10.00 | 10.00 |
| | Total Non - Current Assets (Net) | 58.45 | 58.45 |

NOTE NO. 12 : LONG TERM LOANS AND ADVANCES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|---------------|---------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Long - Term Loans and Advances: | | |
| | a) Security Deposit | | |
| | Secured | 57.23 | 89.37 |
| | b) Loans and Advances to Related Parties | | |
| | Unsecured (advance to Sankhya US (wos)) | 540.51 | 540.51 |
| | Total Long term loans & advances(net) | 597.74 | 629.88 |
| | Notes : | | |
| | (EMD is provided for the various projects, and fixed deposit were kept with Central Excise, Electricity Dept.) | | |

NOTE NO. 13 : TRADE RECEIVABLES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|-----------------|-----------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Outstanding for a Period From the Date they are Due for Payment | | |
| | Unsecured, Considered Good | 3,404.34 | 2,290.20 |
| | Total Trade Receivables(net) | 3,404.34 | 2,290.20 |

NOTE NO. 14 : CASH AND BANK BALANCES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|---------------|---------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Cash and Cash Equivalents : | | |
| | a) Balances with Banks : | | |
| | 1) On Current Accounts | 259.32 | 46.53 |
| | 2) Un Paid Dividend Account | 5.52 | 5.54 |
| | b) Cash on Hand | 0.29 | 0.12 |
| | Total Cash and Cash Equivalents | 265.14 | 152.19 |

NOTE NO. 15 : SHORT TERM LOANS AND ADVANCES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|---|--------------|-------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Short -Term Loans and Advances: | | |
| | a) Other Loans and Advances | | |
| | Secured | | |
| | Advance for Expenditure | 94.90 | 0.14 |
| | Total short term loans & advances(net) | 94.90 | 0.14 |

NOTE NO.16 : OTHER CURRENT ASSETS**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|------------------|---------------|-----------------|
| | | 31-Mar-12 | 31-Mar-11 |
| 1 | Unbilled Revenue | 834.01 | 2,289.30 |
| 2 | Advance Taxes | - | 0.08 |
| 3 | Others | - | - |
| 4 | Prepaid Expenses | 0.63 | 4.72 |
| 5 | Interest Accrued | 0.53 | - |
| 6 | Vat (Refund) | 0.42 | - |
| | | 835.59 | 2,294.09 |

NOTE NO. 17 : REVENUE FROM OPERATIONS**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|---|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Revenue from operations in respect of non-finance company | | |
| | Domestic Income | 220.70 | 768.11 |
| | Export Income | 7,433.33 | 4,443.45 |
| | Total Revenue From Operations | 7,654.03 | 5,211.56 |

NOTE NO. 18 : OTHER INCOME**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|---|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Interest Income | 10.87 | 0.83 |
| | (b) Net Gain/Loss on Sale of Investments | (4.12) | - |
| | (c) Other Non-Operating Income | - | 4.96 |
| | (d) Net gain/loss on foreign currency translation and transaction | 42.73 | 3.24 |
| | Total Other Income | 49.49 | 9.03 |

NOTE NO. 19 : EMPLOYEE BENEFIT EXPENSES**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|---|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Salaries & Wages | 4,443.98 | 2,307.73 |
| | (b) Contribution to Provident & Other Funds | 8.82 | 10.14 |
| | (c) Staff Welfare Expenses | 1.56 | 0.79 |
| | Total Employee Benefit Expenses | 4,454.35 | 2,318.65 |

NOTE NO. 20 : OTHER OPERATING EXPENSES**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|------------------------------------|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Consumption of Stores & Spares | 99.22 | 518.49 |
| | (b) Power & Fuel | 17.66 | 17.64 |
| | (c) Rent | 69.60 | 83.27 |
| | (d) Computer Repairs & Maintenance | 167.59 | 41.23 |
| | (e) Insurance | 33.90 | 3.13 |
| | (f) Rates & Taxes | 51.78 | 4.51 |
| | (g) Miscellaneous Expenditure | 2.38 | 0.06 |
| | (h) Payment to Auditors: | | |
| | (i) As Audit Fee | 1.00 | 1.00 |
| | (ii) For Reimbursement of expenses | 0.03 | 0.13 |
| | Total Other Expenses | 443.16 | 669.46 |

NOTE NO. 21 : ADMINISTRATIVE EXPENSES

(₹ in Lakhs)

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|--------------------------------------|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Telephone, Postage and Others | 28.68 | 2.83 |
| | (b) Business Promotion Expenses | 255.42 | 0.32 |
| | (c) Conveyance | 57.92 | 0.82 |
| | (d) Office Maintenance | 73.36 | 19.42 |
| | (e) Printing & Stationery Expenses | 21.56 | 5.01 |
| | (f) Managerial Remuneration | 72.19 | 72.19 |
| | (g) Consultancy Charges | 418.31 | 414.70 |
| | (h) Director Sitting Fee | 1.00 | 0.90 |
| | Total Administrative Expenses | 928.44 | 516.18 |

NOTE NO. 22 : FINANCE COST

(₹ in Lakhs)

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|------------------------------|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Interest Expenses : | | |
| | - Interest on Cash Credit | 87.49 | 104.84 |
| | - Interest on Unsecured Loan | 187.50 | 286.64 |
| | - Loan processing Charges | 23.34 | - |
| | - Bank charges | 9.75 | 1.47 |
| | Total Finance Cost | 308.08 | 392.95 |

NOTE NO.23 : OTHER EXPENSES

(₹ in Lakhs)

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|--|-----------------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Staff Recruitment & Training Expenditure | 54.73 | 2.07 |
| | (b) Advertisement | 26.18 | 0.64 |
| | (c) Communication charges | 59.03 | 15.40 |
| | (d) AGM expenses | 0.06 | 0.10 |
| | (e) Books & Periodicals | 1.56 | 0.01 |
| | (f) Membership & Subscriptions | 8.54 | 0.22 |
| | (g) Other expenses | - | 0.58 |
| | (i) Travel Expenditure | 424.70 | 217.12 |
| | (j) Research & Development Expenses | 494.53 | - |
| | | Total Other expenses | 1,069.32 |

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012**24. Fixed Assets**

During the year the following fixed assets have been added

(₹)

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|---------------------|---------------------|
| Computers | 2,43,550 | 78,500 |
| Air Conditioner | 11,42,336 | 4,70,000 |
| Plant & Machinery | - | 9,87,945 |
| Furniture | - | 37,40,000 |
| Software | 8,98,34,457 | 8,42,17,900 |
| Advanced Simulation Lab (Hardware / Software) | 3,00,00,000 | 4,86,00,000 |
| Total | 12,12,20,343 | 13,80,94,345 |

25. Investments

Investments in wholly owned subsidiary are at cost. During the current financial year "NIL" investments.

Warrant Application Money :

During the current year company the company has received the remaining share application money amounting to Rs. 5,61,77,417 from promoters and Non promoters and 27,45,200 shares have been allotted thereof.

26. Foreign Travel

The foreign travel includes Director's travel amounting to Rs.1.41 Lakhs.

27. Differed Taxes:

We recorded deferred tax liability of Rs. 50.03 lacs as at March 31, 2012.

We assess the likelihood that our deferred tax assets will be recovered from future taxable income.

We believe it is more likely than not that we will realize the benefits of these deductible differences.

28. Contingent Liabilities not provided for in respect of

Bank Guarantee given to various customers amounts to Rs. 5.53 lacs for the FY 2011-12

29. Loans**a) Secured Loan**

During the current year the company has taken a working capital loan from bank of Rs. 20 cr. And a term loan of Rs. 4.5 cr on the following terms (The utilised amount by 31st March 2012 for the term loan is Rupees 123.68 lakhs only).

((Secured by first charge on Export bills and further secured by Equitable Mortgage of the immovable assets belonging to the company, commercial land belong to promoter and pledge of share belonging to promoter Director. (The above loans are further secured by personal guarantee of Promoter Director and Guarantor))

b) Un Secured Loans:

The company has repaid an amount of Rs.14,61,85,153/- As unsecured loan during the current year.

30. Directors Remuneration

(₹)

| Particulars | 31-Mar-12 | 31-Mar-11 |
|----------------------------------|------------------|------------------|
| Salary including Allowances | | |
| Chairman Managing Director & CEO | 36,09,360 | 36,09,360 |
| Director | 36,09,360 | 36,09,360 |

Note: As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Directors is not ascertained and therefore not included above.

31. Remuneration to Statutory Auditors

(₹)

| Particulars | 31-Mar-12 | 31-Mar-11 |
|-------------------|----------------|----------------|
| As Auditors | 75,000 | 75,000 |
| Certification Fee | 25,000 | 25,000 |
| Service Tax | 10,300 | 10,300 |
| Total | 110,300 | 110,300 |

32. Earnings Per Share

(₹ in Lakhs)

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|-------------|-----------|
| Net Profit for the year | 73.31 | 616.09 |
| Weighted average No of shares outstanding during the year | 1,12,45,205 | 85,00,005 |
| Earnings per share (Rs.) | 0.65 | 7.25 |
| Nominal Value of the Share (Rs.) | 10 | 10 |

33. Related Party Disclosures

a) Related Parties

| SI.No. | Name | Relationship |
|--------|--|------------------------------|
| 1 | SANKHYA SARL, France | Wholly Owned Subsidiary |
| 2 | SANKHYA US Corporation | Wholly Owned Subsidiary |
| 3 | Mahasena Info Technologies (India) Pvt Ltd | Wholly Owned Subsidiary |
| 4 | Sri. N. Sridhar | Chairman & Managing Director |
| 5 | Sri. N. Srinivas | Vice Chairman |

b) Transactions with Related Parties Subsidiary companies

(₹)

| SI.No. | Name | 31-03-2012 | 31-03-2011 |
|--------|--|-------------|-------------|
| 1 | SANKHYA SARL, France (Investment) | 1,72,920 | 1,72,920 |
| 2 | SANKHYA US Corporation (Investment) | 46,71,607 | 46,71,607 |
| | Advance for Expenses | 5,40,50,991 | 5,40,50,991 |
| 3 | Mahasena Info Technologies (India) Pvt Ltd | 10,00,000 | 10,00,000 |

c) Key Managerial Personnel

(₹)

| SI.No. | Name | 31-03-2012 | 31-03-2011 |
|--------|---------------------------------|------------|------------|
| 1 | Sri. N. Sridhar (Remuneration) | 36,09,360 | 36,09,360 |
| 2 | Sri. N. Srinivas (Remuneration) | 36,09,360 | 36,09,360 |

34. Micro, Small and Medium Enterprise.

There are no Micro, Small and Medium Enterprise, to whom the Company owes dues, which are outstanding at the Balance Sheet date, computed on unit wise basis.

35. Segment Reporting

The company's operations relate to providing IT services, delivered to customers globally operating in transportation segment. Income and expenses which are direct in nature in relation to segments is categorized based on items that are identifiable individually to that segment, rest are categorized in relation to the associated turnover of the segment.

Expenses such as Depreciation and Interest, which form a significant component of total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably.

(₹ In Lakhs)

| Industry Segment | Service | Product | Total |
|-------------------------|----------------|-------------|----------------|
| Revenue | | | |
| 31.03.2012 | 7645.06 | 8.97 | 7654.03 |
| 31.03.2011 | 4246.55 | 965.01 | 5211.56 |
| Operating Profit | | | |
| 31.03.2012 | 757.87 | 0.89 | 758.76 |
| 31.03.2011 | 1197.53 | 272.13 | 1469.66 |

36. Write off

The Company has not made any provision for Bad and Doubtful Debt in respect of the invoices raised on The Institute of Chartered Accountants of India amounting to Rs 276.49 Lakhs. The company referred the same for Arbitration.

37. Balance Confirmation

Balances as appearing under Unsecured Loan, creditors, Sundry Debtors, Capital Work In process, Unbilled Revenues, Loans and advances are as per the confirmations received from the respective heads of account holders.

38. Income Tax

The Company has MAT payable of Rs. 30.85 Lakhs

39. Unclaimed Dividend

The Company has an amount of Rs. 5.52 Lakhs representing unclaimed Dividend.

(₹ In Lakhs)

| Sl. No | Financial year | Interim / Final | Date of declaration | Rate of dividend | Dividend amount Excluding Tax | Dividend distribution Tax | Amount remaining unclaimed as on 31.03.2012 |
|--------|----------------|-----------------|---------------------|------------------|-------------------------------|---------------------------|---|
| 1 | 2006-07 | Final | 28-09-2007 | 10% | 99,44,156 | 14,44,151 | 3,13,227 |
| 2 | 2007-08 | Final | 29-12-2008 | 12% | 1,02,00,006 | 17,33,491 | 2,40,185 |

40. Regrouping & Rounding off

The previous year's figures have been reclassified and regrouped, wherever necessary to confirm the Current Year classification and to confirm to the relevant laws. Paise has been rounded off to the nearest rupee.

The accompanying Notes are an integral part of the Financial Statements
As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

P. Murali Mohana Rao
Partner
Membership No.: 23412

For and on Behalf of Sankhya Infotech Ltd.

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

| | | |
|-----|--|-----------------|
| I. | Registration Details | |
| | Registration Number | 01-45306 |
| | State Code | 01 |
| | Balance Sheet date: | 31st March 2012 |
| | Capital Raised During the Year | 274.52 |
| | Public Issue | NIL |
| | Pref Issue | 274.52 |
| | Right Issue | NIL |
| | Bonus Issue | NIL |
| | Private Placement | NIL |
| II. | Position of modification and deployment of Funds | |
| | Total Assets | 10276.95 |
| | Total Liabilities | 10276.95 |
| | Sources of Funds | |
| | Paid up Capital | 1124.52 |
| | Share Application Money | NIL |
| | Secured Loans | 2323.68 |
| | Reserves & Surplus | 5682.50 |
| | Application of Funds | |
| | Net Fixed Assets | 4324.89 |
| | Miscellaneous Expenditure | NIL |
| IV | Performance of the Company | |
| | Turnover | 7703.52 |
| | Profit/Loss before Tax | 154.19 |
| | Earnings per Share (Annualised in Rs.) | 0.65 |
| | Dividend | |
| V | Generic name of three principal products/Services of the Company | |
| | ITC Code | NIL |

The accompanying Notes are an integral part of the Financial Statements
As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

CONSOLIDATED AUDITORS REPORT

To.
The Board of Directors,
Sankhya Infotech Limited.

Consolidated Financial Statements of **SANKHYA INFOTECH LIMITED** and its subsidiaries.

We have examined the attached Consolidated Balance Sheet of m/s SANKHYA INFOTECH LIMITED ("the company") and its wholly owned subsidiaries as at 31st-March-2012 and the Consolidated Profit & Loss Account for the year ended on the date annexed thereto and the consolidated Cash Flow statement for the period ended on that date. The Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statement based on our audit.

We conducted our audit in accordance with the 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 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 disclosure in the financial statements. We believe that our audit provides a reasonable basis of our opinion.

We did not audit the financial statement of its subsidiaries Sankhya SARL France & Sankhya US Corporation as at 31st-March-2012. These financial statement have been audited by those auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.

We report that the consolidated financial statements has been prepared by the Company in accordance with the requirement of Accounting Standards (AS) 21 for Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India an on the basis of the separate audited financial statements of the company and its subsidiaries included in the Consolidated financial Statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of the company and its subsidiaries, we are of the opinion that the said consolidated financial statements give true and fair view in conformity with the accounting principle generally accepted in India.

- (a) In the case of the consolidated Balance Sheet, of the consolidated state of affairs of the company and its subsidiaries as at 31st-March-2012.
- (b) In the case of the consolidated Profit & Loss, of the consolidated state of affairs of the company and its subsidiaries as at 31st-March-2012.
- (c) In the case of the consolidated Cash Flow Statement, of the consolidated state of affairs of the company and its subsidiaries as at 31st-March-2012.

For M/s. P. MURALI & CO.,
CHARTERED ACCOUNTANTS.

Regn.No:007257S

P.Murali Mohana Rao

Partner

Membership No:23412

Place : Hyderabad
Date : 30th May 2012

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in Lakhs)

| Particulars | Note No. | As at 31-Mar-12 | As at 31-Mar-11 |
|--|----------|--------------------|--------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholder's Funds | | | |
| (a) Share Capital | 1 | 1,124.52 | 850.00 |
| (b) Reserves and Surplus | 2 | 5,423.01 | 4,661.53 |
| (2) Share Application Money Pending Allotment | 3 | - | 401.54 |
| (3) Non-Current Liabilities | | | |
| (a) Long-term Borrowings | 4 | 724.62 | 2,062.79 |
| (b) Deferred Tax Liabilities (Net) | 5 | 49.59 | - |
| (4) Current Liabilities | | | |
| (a) Short-Term Borrowings | 6 | 2,000.00 | - |
| (b) Trade Payables | 7 | 362.72 | 1,029.20 |
| (c) Other Current Liabilities | 8 | 332.61 | 261.11 |
| Total | | 10,017.08 | 9,266.18 |
| II. Assets | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | | | |
| (i) Tangible Assets | 9 | 78.27 | 85.66 |
| (ii) Intangible Assets | 10 | 4,246.62 | 3,378.61 |
| (iii) Capital Work-in-Progress | | 695.90 | 633.22 |
| (b) Non-Current Investments | 11 | - | - |
| (c) Long Term Loans and Advances | 12 | 57.23 | 90.20 |
| (2) Current Assets | | | |
| (a) Trade Receivables | 13 | 3,404.34 | 2,290.20 |
| (b) Cash and Cash Equivalents | 14 | 265.85 | 154.19 |
| (c) Short-Term Loans and Advances | 15 | 431.39 | 338.95 |
| (d) Other Current Assets | 16 | 837.47 | 2,295.14 |
| Total | | 10,017.08 | 9,266.18 |

Summary of Significant Accounting Policies

The accompanying Notes are an integral part of the Financial Statements

As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lakhs)

| Particulars | Note No. | Year Ended 31-Mar-12 | Year Ended 31-Mar-11 |
|---|----------|-------------------------|-------------------------|
| I. Revenue From Operations | 17 | 7,654.03 | 5,211.56 |
| II. Other Income | 18 | 49.49 | 9.03 |
| III. Total Revenue (I +II) | | 7,703.52 | 5,220.59 |
| IV. Expenses: | | | |
| Employee Benefit Expense | 19 | 4,454.35 | 2,318.65 |
| Other Operating Expenses | 20 | 444.43 | 670.66 |
| Administrative Expenses | 21 | 928.44 | 516.18 |
| Financial Costs | 22 | 308.16 | 393.02 |
| Depreciation and Amortization Expense | 9 & 10 | 345.97 | 303.68 |
| Other Expenses | 23 | 1,069.32 | 236.14 |
| IV. Total Expenses | | 7,550.67 | 4,438.25 |
| V. Profit Before Exceptional and Extraordinary Items and Tax (III - IV) | | 152.85 | 782.27 |
| VI. Extraordinary Items | | - | 11.28 |
| VII. Profit before tax (V-VI) | | 152.85 | 770.99 |
| VIII. Tax expense: | | | |
| (1) Current tax (MAT) | | 30.58 | 156.16 |
| (2) Deferred tax | | 49.59 | - |
| IX. Profit/(Loss) for the period (VII-VIII) | | 72.68 | 614.83 |
| X. Earning per equity share: | | | |
| Basic | | 0.65 | 7.23 |

Summary of Significant Accounting Policies

The accompanying Notes are an integral part of the Financial Statements

As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

| Consolidated Cash Flow Statement for the Year Ended 31 March, 2012 | | (₹ in Lakhs) |
|---|---------------------------------|---------------------------------|
| Particulars | Year Ended 31-Mar-12 | Year Ended 31-Mar-11 |
| A. CASH FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss) after tax and extra Ordinary Items | 73.44 | 616.08 |
| Adjustment for: | - | - |
| Depreciation | 345.97 | 303.68 |
| Interest | 298.34 | 391.48 |
| Operating Profit Before WC Changes | 717.75 | 1,311.25 |
| Adjustment for: | | |
| Trade and Other Receivables | 1,177.99 | 220.33 |
| Work In Progress | (1,455.29) | (621.94) |
| Trade payables | 545.00 | 741.36 |
| Net Cash Flow from Operating Activities | 985.44 | 1,651.00 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed Assets Additions | (1,195.52) | (1,380.94) |
| Capital Work in process | (62.69) | (101.00) |
| Change in Investments | | |
| Net Cash from/(Used) in Investing Activities | (1,258.21) | (1,481.94) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in Short term borrowings | (661.83) | (43.87) |
| Increase in share warrants application money | - | 401.54 |
| Increase in forfeiture of share application money | 84.03 | - |
| Increase in equity share premium | 604.77 | - |
| Increase in equity share capital | 274.52 | - |
| Interest & dividend and tax on dividend | 84.93 | (391.48) |
| Net Cash from/(Used) in Financing Activities | 386.42 | (33.81) |
| Opening Cash and Cash Equivalents | 152.19 | 16.94 |
| Net increase in Cash and Cash Equivalents | 113.65 | 135.25 |
| Closing Cash and Cash Equivalents | 265.85 | 152.19 |

The accompanying Notes are an integral part of the Financial Statements
As per our report of even date

for M/s.P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

Place : Hyderabad
Date : 30th May, 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

Significant Accounting Policies

1. Basis of preparation of financial statements

- The consolidated Financial Statements are prepared in accordance with accounting Standards (AS21) on consolidated financial statements.
- Accounts are prepared on the historical cost basis and on the principles of a going concern
- Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles

2. Principles of Consolidation

- The Financial Statements of Sankhya Infotech Ltd and its subsidiaries are consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities and income & expenses.
- The Financial statements of Sankhya Infotech Ltd and its subsidiaries are consolidated using uniform accounting policies for like transactions.

3. Revenue recognition

Fixed-price, fixed-time frame contracts or mile stone contracts revenue for the software is recognized as per the proportion/stage/time completion method, in all other contracts such as time and material the revenue is recognized as and when the related services are rendered. In technical services contracts which are on annual basis revenue from fixed price maintenance contracts are recognized proportionately over the period in which services are rendered. In other income such as income from interest is recognized using the time proportion method, based on rates implicit in the transaction.

4. Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Direct costs are capitalized until fixed assets are ready for use. "Cost means" cost of bringing the asset to its working condition for its intended use. Fixed assets are capitalized as per the statement issued by the Institute of Chartered Accountants of India.

5. Depreciation

Depreciation on fixed assets is applied on the written down value method based by following the rates prescribed in Schedule XIV of the Companies Act, 1956. Individual low cost assets (acquired for less than Rs.5,000/-) are entirely depreciated in the year of acquisition.

6. Investments

Investments in Wholly owned subsidiary are at cost.

7. Retirement Benefits

Provident fund is administered through Regional Provident Fund Commissioner. The Gratuity Fund is administered through the scheme of Life Insurance Corporation of India. The contributions to the above said funds are charged against revenue. Provision for Leave encashment is made on an estimated basis on the assumption that such benefits are payable to all the eligible employees at the end of the accounting year.

8. Foreign currency transactions

Transactions in foreign currencies are recorded in the Books of Account in Indian Rupees at the rate of exchange as given by RBI.

Monetary Assets and Liabilities related to Foreign Currency transactions and outstanding at the close of the year are expressed in Indian Rupees at the rate of exchange prevailing on the date of Balance sheet.

Exchange differences arising on foreign currency transactions are being recognized as income or expense in the period in which they arise.

9. Earnings per share

Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

NOTE NO. 1: SHARE CAPITAL

(₹ in Lakhs)

| S. NO. | Particulars | As on 31-Mar-2012 | | As on 31-Mar-2011 | |
|--------|--|--------------------|-----------------|-------------------|---------------|
| | | No. of Shares | Rs. | No. of Shares | Rs. |
| a. | Share Capital (For each class of capital) | | | | |
| | (a) Authorised | 150.00 | 1,500.00 | 150.00 | 1,500.00 |
| | (b) Issued | 112.45 | 1,124.52 | 85.00 | 850.00 |
| | (c) Subscribed & Fully Paid Up | | 1,124.52 | | 850.00 |
| | (d) Par value per share Rs. 10 | | | | |
| | Total Equity Share capital | | 1,124.52 | | 850.00 |
| | Forfeited Shares Amount | | - | | - |
| b. | A Reconciliation of the Number of Shares Outstanding at the Beginning and at the end of the Reporting Period: | Number of Shares | | Number of Shares | |
| | Equity Shares of Rs.10Each, Fully paid up : | | | | |
| | At the Beginning | 85.00 | | 85.00 | |
| | Issued During the year - Cash Issue | 27.45 | | - | |
| | Forfeited / Bought Back During the Year | - | | - | |
| | At the End | 112.45 | | 85.00 | |
| c. | Details of Shareholder Holding more than 5% Shares of the Company: | % of Share Holding | | | |
| | Equity Shares of Rs. 10 each Held By | | | | |
| | Srinivas N - No. Of Shares (C.Y) 820953 No. Of Shares (P.Y) 820953 | 7.30% | | 9.66% | |
| | Sridhar N - No. Of Shares (C.Y) 762152 No. Of Shares (P.Y) 762152 | 6.78% | | 8.97% | |
| | Parvatha Vardhani N - No. Of Shares (C.Y) 854600 No. Of Shares (P.Y) 362800 | 7.60% | | 4.27% | |
| | Gayatri N - No. Of Shares (C.Y) 776109 No. Of Shares (P.Y) 284309 | 6.90% | | 3.34% | |
| | HBL - No. Of Shares (C.Y) 2060482 No. Of Shares (P.Y) 840482 | 18.32% | | 9.88% | |

NOTE NO. 2 : RESERVES AND SURPLUS

(₹ in Lakhs)

| S. NO. | Particulars | As at | As at |
|---|---|-----------------|-----------|
| | | 31-Mar-12 | 31-Mar-11 |
| I. | RESERVES AND SURPLUS | | |
| | a) Capital reserve | | |
| | As at the commencement of the year | 0 | |
| | Add: Additions during the year (forfeiture of share application money) | 84.03 | - |
| | | 84.03 | - |
| | b) Securities Premium Reserve | | |
| | As at the commencement of the year | 917.12 | 917.12 |
| | Add: Additions during the year | 604.77 | - |
| | | 1,522 | 917.12 |
| | c) General Reserves | | |
| | As at the commencement of the year | 37.40 | 37.40 |
| | | 37.40 | 37.40 |
| d) Surplus : | | | |
| Opening Balance - Profit and Loss account | 3,707.02 | 3,092.19 | |
| Add: Transfer from Profit & Loss Account | 72.68 | 614.82 | |
| | 3,779.69 | 3,707.02 | |
| | 5,423.01 | 4,661.53 | |

NOTE NO. 3 : SHARE APPLICATION MONEY PENDING ALLOTMENT

(₹ in Lakhs)

| S. NO. | Particulars | As at | As at |
|--------|---|-----------|---------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Share Application Money (25% First Call) Notes: 32,90,600 share warrants allotted to promoters and non-promoters at Rs. 32.03 | - | 401.54 |
| | | - | 401.54 |

NOTE NO. 4 : LONG TERM BORROWINGS

(₹ in Lakhs)

| S. NO. | Particulars | As at | As at |
|--------|--|---------------|-----------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Long Term Borrowings | | |
| | a) Term Loans: | | |
| | From Banks: | | |
| | ((Secured by first charge by Equitable Mortgage of the immovable assets belonging to the company, commercial land belong to promoter and pledge of share belonging to promoter Director. | 123.68 | - |
| | (The above loans are further secured by personal guarantee of Promoter Director and Guarantor)) | | - |
| | Name of the Party | | - |
| | DR. AJ Prasad | 52.48 | 52.48 |
| | Mr. Mallikarjuna Rao M | 33.00 | 8.00 |
| | Mr N Ramakrishna Rao | 6.08 | 14.33 |
| | Mrs. N. Parvatha Vardhini | 3.75 | 8.85 |
| | Mr. N Sridhar | 0.36 | - |
| | Mrs. N. Indira Ramani | 180.05 | 196.66 |
| | Mrs. N. Gayatri | 125.22 | 277.47 |
| | HBL Power Systems Ltd | | 1,300.00 |
| | Mr. BSS Rao | | 5.00 |
| | Notes : | | |
| | (The unsecured loan is taken from the shareholders of the company & others) | | |
| | Total Long Term Borrowings | 724.62 | 2,062.79 |

NOTE NO. 5 : DEFERRED TAX LIABILITY (NET)

(₹ in Lakhs)

| S. NO. | Particulars | As at | As at |
|--------|---|-----------------|-----------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Opening Deferred tax Liability | - | - |
| | Add: Deferred Tax Liability for the Year (Due to WDV as per Companies act and WDV as per Income Tax Act Difference) | 152.37 | - |
| | Gross Deferred tax Asset | 152.37 | - |
| | Opening Deferred Tax Asset | - | - |
| | Depreciation Loss | (102.78) | - |
| | Gross Deferred tax Asset | (102.78) | - |
| | Deferred Tax Liability/ (Asset) - Net | 49.59 | - |

NOTE NO. 6: SHORT TERM BORROWINGS.**(₹ in Lakhs)**

| S. NO. | Particulars | As at | As at |
|--------|--|-----------------|-----------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Short Term Borrowings | | |
| | a) Loans Repayable on Demand: | | |
| | From Banks | | |
| | Secured (Cash Credit) | 2,000.00 | - |
| | Notes : | | |
| | ((Secured by first charge on Export bills and further secured by Equitable Mortgage of the immovable assets belonging to the company, commercial land belong to promoter and pledge of share belonging to promoter Director. (The above loans are further secured by personal guarantee of Promoter Director and Guarantor)) | | |
| | Total short term borrowings | 2,000.00 | - |

NOTE NO. 7 : TRADE PAYABLES**(₹ in Lakhs)**

| S. NO. | Particulars | As at | As at |
|--------|-----------------------------|---------------|-----------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | a) Trade Payables | 362.72 | 1,029.20 |
| | Total Trade Payables | 362.72 | 1,029.20 |

NOTE NO. 8 : OTHER CURRENT LIABILITES**(₹ in Lakhs)**

| S. NO. | Particulars | As at | As at |
|--------|--|---------------|---------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Statutory Liabilities | | |
| | Provision for Income Tax | 157.42 | 191.84 |
| | Service Tax Payable | 9.13 | - |
| | TDS Payable | 73.94 | 47.05 |
| | ESI Payable | 0.13 | 0.12 |
| | PF Payable | 1.86 | 16.56 |
| | PT Payable | 0.19 | - |
| | MAT Payable | 21.34 | - |
| | Other Provisions | | |
| | Provision for Dividend | 5.52 | 5.54 |
| | Cash credit Interest Payable | 24.48 | - |
| | Term loan Interest Payable | 1.10 | - |
| | Term loan repayment (partly) | 37.50 | - |
| | Total Other Current Liabilities | 332.61 | 261.11 |

Note No. : 9 & 10 **FIXED ASSETS AS ON 31st MARCH, 2012**

(₹ in Lakhs)

| S. No. | Name of the Asset | GROSS BLOCK | | | | | | Depreciation/Amortization | | | Net Block | |
|----------|--------------------------------|-------------|-----------------|---------------------------|-------------|------------------|-----------------|---------------------------|-----------------|----------------------------|------------------------------|--|
| | | Rate % | As at 01-Apr-11 | Additions During the Year | Sale | As at 31-03-2012 | As at 01-Apr-11 | Dep. For the year | Total | FOR THE YEAR ENDED 31-3-12 | FOR THE YEAR ENDED 31-3-2011 | |
| 1 | TANGIBLE FIXED ASSETS | | | | | | | | | | | |
| a | Plant & Machinery | 15.33% | 75.69 | - | - | 75.69 | 54.24 | 3.29 | 57.52 | 18.16 | 21.45 | |
| b | Air Conditioners | 15.33% | 16.69 | 11.42 | 5.62 | 22.49 | 10.08 | 1.03 | 11.11 | 11.38 | 6.61 | |
| c | Projector | 20.00% | 3.41 | - | - | 3.41 | 2.93 | 0.10 | 3.03 | 0.39 | 0.48 | |
| d | Computers | 40.00% | 340.44 | 2.44 | - | 342.87 | 336.94 | 1.49 | 338.43 | 4.44 | 3.50 | |
| e | Furniture | 18.10% | 202.49 | - | - | 202.49 | 149.11 | 9.66 | 158.77 | 43.72 | 53.38 | |
| f | Vehicles | 25.89% | 6.92 | - | - | 6.92 | 6.67 | 0.06 | 6.73 | 0.18 | 0.25 | |
| 2 | INTANGIBLE FIXED ASSETS | | | | | | | | | | | |
| a | Learning Management Products | 10.00% | 1,126.19 | 271.59 | - | 1,397.78 | 960.36 | 36.97 | 997.34 | 400.44 | 165.83 | |
| b | Training Management Products | 10.00% | 1,399.74 | - | - | 1,399.74 | - | 104.98 | 104.98 | 1,294.76 | 1,399.74 | |
| c | Simulator Products | | 540.18 | 300.00 | - | 840.18 | - | 47.99 | 47.99 | 792.19 | 540.18 | |
| d | Knowledge Based Content | | 1,163.00 | 624.36 | - | 1,787.36 | 231.38 | 106.23 | 337.61 | 1,449.75 | 931.62 | |
| e | Optimization Products | | 340.00 | - | - | 340.00 | - | 34.00 | 34.00 | 306.00 | 340.00 | |
| f | Sage CRM Server 200 | | 4.21 | - | - | 4.21 | 3.74 | 0.05 | 3.79 | 0.42 | 0.47 | |
| g | Vstudio Team Ed(5 Users) | | 4.08 | 2.40 | - | 6.48 | 3.31 | 0.12 | 3.43 | 3.05 | 0.78 | |
| | TOTAL | | 5,223.03 | 1,212.20 | 5.62 | 6,429.61 | 1,758.75 | 345.97 | 2,104.72 | 4,324.89 | 3,464.28 | |
| | Previous Year | | 3,843.51 | 1,380.94 | - | 5,223.03 | 1,456.49 | 303.68 | 1,760.18 | 3,464.28 | 2,387.02 | |

NOTE NO. 11 : NON- CURRENT INVESTMENTS**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|--------------|--------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Non- Current Assets | | |
| | 1) Investment in Subsidiaries | | |
| | a) Equity Shares | | |
| | -Sankhya Sarl, France and 100% of holding | 1.73 | 1.73 |
| | -Sankhya US Corporation, US and 100% of holding | 46.72 | 46.72 |
| | -Mahasena Info Technologies (India) Pvt Ltd, and 100% of holding | 10.00 | 10.00 |
| | Total Non - Current Assets (Net) | 58.45 | 58.45 |

NOTE NO. 12 : LONG TERM LOANS AND ADVANCES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|---------------|---------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Long - Term Loans and Advances: | | |
| | a) Security Deposit | | |
| | Secured | 57.23 | 89.37 |
| | b) Loans and Advances to Related Parties | | |
| | Unsecured (advance to Sankhya US (wos) | 540.51 | 540.51 |
| | Total Long term loans & advances(net) | 597.74 | 629.88 |
| | Notes : | | |
| | (EMD is provided for the various projects, and fixed deposit were kept with Central Excise, Electricity Dept.) | | |

NOTE NO. 13 : TRADE RECEIVABLES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|-----------------|-----------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Outstanding for a Period From the Date they are Due for Payment | | |
| | Unsecured, Considered Good | 3,404.34 | 2,290.20 |
| | Total Trade Receivables(net) | 3,404.34 | 2,290.20 |

NOTE NO. 14 : CASH AND BANK BALANCES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|--|---------------|---------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | Cash and Cash Equivalents : | | |
| | a) Balances with Banks : | | |
| | 1) On Current Accounts | 259.32 | 46.53 |
| | 2) Un Paid Dividend Account | 5.52 | 5.54 |
| | b) Cash on Hand | 0.29 | 0.12 |
| | Total Cash and Cash Equivalents | 265.14 | 152.19 |

NOTE NO. 15 : SHORT TERM LOANS AND ADVANCES**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|---|--------------|-------------|
| | | 31-Mar-12 | 31-Mar-11 |
| 1 | Short -Term Loans and Advances: | | |
| | a) Other Loans and Advances | | |
| | Secured | | |
| | Advance for Expenditure | 94.90 | 0.14 |
| | Total short term loans & advances(net) | 94.90 | 0.14 |

NOTE NO.16 : OTHER CURRENT ASSETS**(₹ in Lakhs)**

| S. NO. | Particulars | As on | As on |
|--------|------------------|---------------|-----------------|
| | | 31-Mar-12 | 31-Mar-11 |
| 1 | Unbilled Revenue | 834.01 | 2,289.30 |
| 2 | Advance Taxes | - | 0.08 |
| 3 | Others | - | - |
| 4 | Prepaid Expenses | 0.63 | 4.72 |
| 5 | Interest Accrued | 0.53 | - |
| 6 | Vat (Refund) | 0.42 | - |
| | | 835.59 | 2,294.09 |

NOTE NO. 17 : REVENUE FROM OPERATIONS**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|---|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| 1 | Revenue from operations in respect of non-finance company | | |
| | (a) Sale of Services | 7,654.03 | 5,211.56 |
| | Domestic Income | 220.70 | 768.11 |
| | Export Income | 7,433.33 | 4,443.45 |
| | Total Revenue From Operations | 7,654.03 | 5,211.56 |

NOTE NO. 18 : OTHER INCOME**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|---|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| 1 | (a) Interest Income | 10.87 | 0.83 |
| | (b) Net Gain/Loss on Sale of Investments | (4.12) | - |
| | (c) Other Non-Operating Income | - | 4.96 |
| | (d) Net gain/loss on foreign currency translation and transaction | 42.73 | 3.24 |
| | Total Other Income | 49.49 | 9.03 |

NOTE NO. 19 : EMPLOYEE BENEFIT EXPENSES**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|---|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Salaries & Wages | 4,443.98 | 2,307.73 |
| | (b) Contribution to Provident & Other Funds | 8.82 | 10.14 |
| | (c) Staff Welfare Expenses | 1.56 | 0.79 |
| | Total Employee Benefit Expenses | 4,454.35 | 2,318.65 |

NOTE NO. 20 : OTHER OPERATING EXPENSES**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|------------------------------------|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Consumption of Stores & Spares | 99.22 | 518.49 |
| | (b) Power & Fuel | 17.66 | 17.64 |
| | (c) Rent | 69.60 | 83.27 |
| | (d) Computer Repairs & Maintenance | 167.59 | 41.23 |
| | (e) Insurance | 33.90 | 3.13 |
| | (f) Rates & Taxes | 51.78 | 4.51 |
| | (g) Miscellaneous Expenditure | 2.38 | 0.06 |
| | (h) Payment to Auditors: | - | - |
| | (i) As Audit Fee | 2.26 | 2.30 |
| | (ii) For Reimbursement of expenses | 0.03 | 0.03 |
| | Total Other Expenses | 444.43 | 670.66 |

NOTE NO. 21 : ADMINISTRATIVE EXPENSES**(₹ in Lakhs)**

| S. NO. | Particulars | For the year ended | For the year ended |
|--------------------------------------|------------------------------------|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Telephone, Postage and Others | 28.68 | 2.83 |
| | (b) Business Promotion Expenses | 255.42 | 0.32 |
| | (c) Conveyance | 57.92 | 0.82 |
| | (d) Office Maintenance | 73.36 | 19.42 |
| | (e) Printing & Stationery Expenses | 21.56 | 5.01 |
| | (f) Managerial Remuneration | 72.19 | 72.19 |
| | (g) Consultancy Charges | 418.31 | 414.70 |
| | (h) Director Sitting Fee | 1.00 | 0.90 |
| Total Administrative Expenses | 928.44 | 516.18 | |

NOTE NO. 22 : FINANCE COST

(₹ in Lakhs)

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|------------------------------|--------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Interest Expenses : | | |
| | - Interest on Cash Credit | 87.49 | 104.84 |
| | - Interest on Unsecured Loan | 187.50 | 286.64 |
| | - Loan processing Charges | 23.34 | - |
| | - Bank charges | 9.83 | 1.54 |
| | Total Finance Cost | 308.16 | 393.02 |

NOTE NO.23 : OTHER EXPENSES

(₹ in Lakhs)

| S. NO. | Particulars | For the year ended | For the year ended |
|--------|--|-----------------------------|--------------------|
| | | 31-Mar-12 | 31-Mar-11 |
| I | (a) Staff Recruitment & Training Expenditure | 54.73 | 2.07 |
| | (b) Advertisements | 26.18 | 0.64 |
| | (c) Communication charges | 59.03 | 15.40 |
| | (d) AGM expenses | 0.06 | 0.10 |
| | (e) Books & Periodicals | 1.56 | 0.01 |
| | (f) Membership & Subscriptions | 8.54 | 0.22 |
| | (g) Other expenses | - | 0.58 |
| | (i) Travel Expenditure | 424.70 | 217.12 |
| | (j) Research & Development Expenses | 494.53 | - |
| | | Total Other expenses | 1,069.32 |

Notes to Consolidated Financial Statements

24. Basis of consolidation:

The consolidated financial statements relate to Sankhya Infotech Limited, the holding company and its wholly owned subsidiaries (the Group). The consolidation of the Financial Statements of the Company with its subsidiaries has been prepared in accordance with the requirements of Accounting Standard (AS21) 'Consolidated Financial Statements'. The financial statements of the parent and its subsidiaries are combined on a line by line and intra group balances, intra group transactions and unrealized profits or losses are fully eliminated.

In case of foreign subsidiaries, revenue items are consolidated at the rate as mentioned above. All Assets and Liabilities are converted at the rates prevailing at the end of the year. Exchange gains / losses arising on conversion are charged to Profit & Loss account under Gain/Loss on Foreign Exchange fluctuations.

25. The financial statements of the subsidiaries used in the consolidation are drawn in accordance with the prevailing local laws of the respective countries upto the same reporting date as that of Sankhya Infotech Ltd i.e. year ended March 31, 2012.

26. The subsidiary companies considered in the consolidated financial statements are:-

| Sl. No | Name of the Company | Country of Incorporation | % of holding |
|--------|--|--------------------------|--------------|
| 1 | Sankhya US Corp | U.S.A | 100% |
| 2. | Sankhya SARL | FRANCE | 100% |
| 3. | Mahasena Info Technologies (India) Private Limited | INDIA | 100% |

27. Fixed Assets

During the year the following fixed assets have been added

(₹)

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|--------------|--------------|
| Computers | 2,43,550 | 78,500 |
| Air Conditioner | 11,42,336 | 4,70,000 |
| Plant & Machinery | - | 9,87,945 |
| Furniture | - | 37,40,000 |
| Software | 8,98,34,457 | 8,42,17,900 |
| Advanced Simulation Lab (Hardware / Software) | 3,00,00,000 | 4,86,00,000 |
| Total | 12,12,20,343 | 13,80,94,345 |

28. Investments

Investments in Wholly owned subsidiary are at cost.

29. Provisions

Provision for Taxation:

Provision for Current Income Tax is made on the basis of the Assessable Income under the Income Tax Act 1961.

Provision & Contingent Liabilities:

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

30. Segment reporting

The company's operations relate to providing IT services, delivered to customers globally operating in transportation segment.

Income and expenses which are direct in nature in relation to segments is categorized based on items that are identifiable individually to that segment, rest are categorized in relation to the associated turnover of the segment. Expenses such as Depreciation and Interest, which form a significant component of total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably.

(₹ In Lakhs)

| Industry Segment | Service | Product | Total |
|---------------------------------|---------|---------|---------|
| Revenue | | | |
| 31.03.2012 | 7645.06 | 8.97 | 7654.03 |
| 31.03.2011 | 4537.05 | 674.51 | 5211.56 |
| Segment Operating Profit | | | |
| 31.03.2012 | 756.53 | 0.89 | 757.42 |
| 31.03.2011 | 1037.64 | 154.26 | 1191.90 |

33. Related Party Disclosures

The disclosure of the transactions with related parties is as per Accounting Standard 18 are given below:

a) Related Parties

| Sl.No. | Name | Relationship |
|--------|--|----------------------------------|
| 1 | Sankhya SARL France | Wholly owned subsidiary |
| 2 | Sankhya US Corporation | Wholly owned Subsidiary |
| 3 | Mahasena Info Technologies (India) Pvt Ltd | Wholly owned Subsidiary |
| 4 | Sri N. Sridhar | Chairman Managing Director & CEO |
| 5 | Sri N.Srinivas | Vice-Chairman |

b. Transactions with Related Parties Subsidiary Companies

(₹)

| Sl.No. | Name | 31-03-2012 | 31-03-2011 |
|--------|---|-------------|-------------|
| 1. | Sankhya SARL France - Investment | 1,72,920 | 1,72,920 |
| 2. | Sankhya US Corporation | | |
| | Investment | 46,71,607 | 46,71,607 |
| | Advances given | 5,40,50,991 | 5,40,50,991 |
| 3. | Mahasena Info Technologies (India) Pvt Ltd-Investment | 10,00,000 | 10,00,000 |

c) Key Managerial Personnel

(₹)

| Sl.No. | Name | 31-03-2012 | 31-03-2011 |
|--------|--------------------------------|------------|------------|
| 1. | Sri N. Sridhar (Remuneration) | 36,09,360 | 36,09,360 |
| 2. | Sri N. Srinivas (Remuneration) | 36,09,360 | 36,09,360 |

32. Micro, Small and Medium Enterprise.

There are no Micro, Small and Medium Enterprise, to whom the Company owes dues, which are outstanding at the Balance Sheet date, computed on unit wise basis.

35. Earnings Per Share

The company's operations relate to providing IT services, delivered to customers globally operating in transportation segment. Income and expenses which are direct in nature in relation to segments is categorized based on items that are identifiable individually to that segment, rest are categorized in relation to the associated turnover of the segment.

Expenses such as Depreciation and Interest, which form a significant component of total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably.

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|-------------|-----------|
| Net profit for the Year (Rs.) | 72.68 | 614.83 |
| Weighted Average No. of Shares outstanding during the year | 1,12,45,205 | 85,00,005 |
| Earnings Per Share (Rs.) | 0.65 | 7.23 |
| Nominal Value of the Share (Rs.) | 10 | 10 |

34. Write off

The Company has not made any provision for Bad and Doubtful Debt in respect of the invoices raised on The Institute of Chartered Accountants of India amounting to Rs 276.49 Lakhs. The company referred the same for Arbitration.

35. Regrouping

The previous year's figures have been recast/restated and regrouped, wherever necessary to confirm the Current Year's classification.

The accompanying Notes are an integral part of the Financial Statements
As per our report of even date

for M/s. P. Murali & Co
Firm Regn. No: 007257S
Chartered Accountants

For and on Behalf of Sankhya Infotech Ltd.

P. Murali Mohana Rao
Partner
Membership No.: 23412
Place : Hyderabad
Date : 30th May, 2012

N. Sridhar
Chairman & Managing Director

N. Srinivas
Vice Chairman

DETAILS OF THE SUBSIDIARIES

(₹ in Lakhs)

| Sl. No | Particulars | SANKHYA SARL FRANCE | SANKHYA US CORPORATION US | MAHASENA INFO TECHNOLOGIES (INDIA) PVT LTD | SANKHYA CONSOLIDATED |
|--------|--|---------------------|---------------------------|--|----------------------|
| | | 31-Mar-12 | 31-Mar-12 | 31-Mar-12 | 31-Mar-12 |
| a) | Capital | 1.73 | 5.16 | 10.00 | 1124.52 |
| i) | Share Application money | | 41.56 | | |
| ii) | Loan Fund | | 541.51 | | |
| b) | Reserves | | | | 5423.77 |
| c) | Total Assets | 1.73 | 587.23 | 10.00 | 9272.92 |
| d) | Total Liabilities | 1.73 | 587.23 | 10.00 | 9272.92 |
| e) | Details of Investments (Except incase of investment in subsidiaries) | | | | |
| f) | Turnover | - | - | - | 7703.52 |
| g) | Profit Before Taxation | - | - | - | 152.85 |
| h) | Provision for taxation | - | - | - | 30.58 |
| i) | Other Provision | - | - | - | - |
| j) | Prior period expenses | - | - | - | - |
| k) | Profit after Taxation | - | - | - | 72.68 |
| l) | Proposed Dividend | - | - | - | - |

ATTENDANCE SLIP
SANKHYA INFOTECH LIMITED

Regd Office: Module 405, NSIC, EMDBP BLDG, ECIL PO, HYDERABAD 500062

(PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL)
Joint shareholders may obtain additional slip at the venue of the meeting.

| | | | |
|------------|--|------------------|--|
| DP. ID* | | Master Folio No. | |
| Client ID* | | No. of Shares | |

NAME AND ADDRESS OF SHAREHOLDER

No of share(s) Held

I hereby record my presence at the 15th ANNUAL GENERAL MEETING of the Company held on 29th September, 2012 at 11:00 AM, at its Regd. Office : NSIC Bldg, ECIL PO, Hyderabad - 500062.

Signature of the Share holder or Proxy

*Applicable for investors holding shares in Dematerialized form

PROXY FORM

SANKHYA INFOTECH LIMITED

Regd Office: Module 405, NSIC, EMDBP BLDG, ECIL PO, HYDERABAD 500062

| | | | |
|------------|--|------------------|--|
| DP. ID* | | Master Folio No. | |
| Client ID* | | No. of Shares | |

I/We _____ of _____ being a member / members of Sankhya Infotech Ltd hereby appoint _____ of _____ or failing him _____ of _____ as my / our proxy to vote for me/us and on my/our behalf at the 15th ANNUAL GENERAL MEETING to be held on 29th September, 2012 at 11:00 AM, at its Regd. Office : NSIC Bldg, ECIL PO, Hyderabad - 500062 or at any adjournment thereof.

Signed this _____ day of _____ 2012.

* Applicable for investors holding shares in dematerialized form.

Note:

- I. The proxy 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 time for holding the aforesaid meeting. The Proxy need not be a member of the company.
- II. Members holding shares under more than one folio may use photocopy of the proxy form for other folios. The company shall provide additional forms on request.

Printed Matter
Book Post

To,

If undelivered Please return to :



Regd Office:
Sankhya Infotech Limited,
Module 405, NSIC,
EMDBP BLDG, ECIL PO,
HYDERABAD 500062