

ENCORE BUSINESS SYSTEM LIMITED

Balance Sheet as at March 31, 2014

(All amounts are in Indian Rupees, except share data or as stated)

	Notes	As at 31-Mar-2014	As at 31-Mar-2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	30,974,210	30,974,210
Reserves and Surplus	4	(14,920,401)	(14,948,306)
Non-current liabilities			
Long-term borrowings		-	-
Deferred Tax Liability	5	290,640	280,665
Long-term provisions		-	-
Current Liabilities			
Short-term borrowings		-	-
Trade payables		-	-
Other current liabilities	6	131,594	92,677
Short-term provisions	7	8,917	-
Total		16,484,960	16,399,246
ASSETS			
Non-current assets			
Fixed Assets			
Tangible assets	8	2,308,165.00	3,150,915.16
Intangible assets	9	2,086,010.00	-
Intangible assets WIP	10	6,597,212.00	8,071,212.00
Non-current investments	11	4,500,000.00	4,465,812.00
Long-term loans and advances		-	-
		-	-
		-	-
Current assets			
Current investments		-	-
Trade receivables	12	403,875	327,500
Cash and bank balances	13	306,698	280,807
Short-term loans and advances		-	-
Other current assets	14	283,000	103,000
Total		16,484,960	16,399,246

0.44

Significant accounting policies

2

The notes referred to above form an integral part of the balance sheet.

This is the balance sheet referred to in our report of even date.

for Parimelazhagan & co
Chartered Accountants
Firm Registration no.6514S

for and on behalf of Board

S.Parimelazhagan
Proprietor
Membership No. 200970

R.Rangarajan **R. Rajalakshmi**
Director Director

Place: Chennai
Date:25.06.2014

ENCORE BUSINESS SYSTEM LIMITED
Statement of Profit and Loss for the year ended March 31, 2014

(All amounts are in Indian Rupees, except share data or as stated)

	Notes	Year ended March 31, 2014	Year ended March 31, 2013
Revenue			
Revenue from operations	15	1,244,375	1,145,000
Other income	16	34,188	-
Total Revenue		1,278,563	1,145,000
Expenses			
Employee related benefits		-	-
Other expenses	17	374,637	106,919
Depreciation	18	856,740	1,022,515
Finance costs	19	389	462
Total expenses		1,231,766	1,129,896
Profit before exceptional Items		46,797	15,104
Add: Exceptional Items		-	-
Profit before tax		46,797	15,104
Tax expense:			
Current tax		8,917	-
Current tax for earlier years		-	-
Deferred tax		9,975	(211,191)
Total tax expense		18,892	(211,191)
Profit for the period		27,905	226,295
Earnings per equity share			
- Basic and diluted		0.01	0.07
Weighted average number of equity shares outstanding		3,097,421	3,097,421
Nominal value of equity shares (Rs.)		10	10
Significant accounting policies	2		

The notes referred to above form an integral part of the statement of profit and loss.

This is the statement of profit and loss referred to in our report of even date.

for Parimelazhagan & co
Chartered Accountants
Firm Registration no.6514S

for and on behalf of Board of Directors of

S.Parimelazhagan
Proprietor
Membership No. 200970

R.Rangarajan
Director

R. Rajalakshmi
Director

Place: Chennai
Date:25.06.2014

Significant accounting policies and notes to the financial statements

1 Company Background

Encore is currently in the business of software development, software testing, training and related services.

2 Significant Accounting Policies

a Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the generally accepted accounting principles ('GAAP') in India and comply with the Accounting Standards notified by the Central Government pursuant to Companies (Accounting Standard) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956, to the extent applicable.

Presentation and disclosure of financial statements

During the year ended March 31, 2014, the revised schedule VI notified under the Companies Act, 1961 has become applicable to the Company, for preparation and presentation of its financial statements. Except accounting for dividend on investments in subsidiary companies, the revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

Change in accounting policy

There is no change in accounting policy.

b Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c Fixed assets, depreciation and capital work in progress

Tangible assets and depreciation

Fixed assets are stated at cost of acquisition, less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of all incidental expenses relating to cost of acquisition and the cost of installation / erection as applicable. Borrowing cost related to acquisition or construction of those fixed asset which necessarily take a substantially period of time to get ready for their intended use are capitalised.

Depreciation on fixed assets is provided on Straight line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimates of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid Schedule, depreciation is provided at a higher rate based on the management estimate of useful life/ remaining useful life.

Intangible assets and amortization

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortized over their estimated economic useful lives on a straight line basis commencing from the date the asset is available for its use. The management estimates the useful lives for the intangible asset (software) at 10 years.

d Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost of inventories comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost includes all taxes and duties, but excludes duties and taxes that are subsequently recoverable from tax authorities.

e Leases

Operating lease payments are recognised as an expense in the statement of profit and loss account on straight line basis over the lease term.

Assets acquired under a finance lease are capitalised and the corresponding lease liability is recorded at an amount equal to the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower, at the inception of the lease. Lease payments are apportioned between finance charges and reduction of the lease liability at the implicit rate of return. Finance charges are charged to statement of profit and loss account.

f Revenue recognition

Income from Training Services is accounted when the relevant services are rendered and is net of discounts and taxes and Income from Sale of Software is accounted on transfer of ownership

g Investments

Long term investments are stated at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

Current investments are stated at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

h Employee benefit

Defined contribution plan

At present the company has no obligation to provide for contribution towards PF/ ESI and gratuity

i Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transactions or rates that approximates the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the statement of profit and loss account of the year.

j Provisions, contingent liabilities and contingent assets

Name of the Company ENCORE BUSINESS SYSTEM LIMITED
Notes to financial statements for the year ended March 31, 2014
(All amounts are in Indian Rupees, except share data or as stated)

The Company creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

k Taxation

Income tax expenses comprise current tax (i.e. amount of income tax for the year determined in accordance with the Income Tax law) and deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income / expense and taxable income / expense for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty of the assets getting realised in future. However, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtually certain (as the case may be) to be realised.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to setoff and they relate to taxes on income levied by the same governing taxation laws.

l Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

m Impairment policy

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

n Cash flows

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

3 Share Capital

Name of the Company ENCORE BUSINESS SYSTEM LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts are in Indian Rupees, except share data or as stated)

a The details of authorised, issued, subscribed and paid up share capital is as under:

Particulars	As at March 31, 2014	As at March 31, 2013
Authorised 10,000,000 (March 31, 2014: 10,000,000 equity shares) of Rs 10 each	100,000,000	100,000,000
Issued, Subscribed and Paid up 30,97,421 (March 31, 2014: 30,97,421) equity shares of Rs 10 each	30,974,210	30,974,210

b The reconciliation of number and amount of shares outstanding is as under:

Particulars	As at March 31, 2014		As at March 31, 2013	
	(No. of shares)	(Amount)	(No. of shares)	(Amount)
Equity Shares				
Balance at the beginning of the year	3,097,421	30,974,210	3,097,421	30,974,210
Add: Shares issued during the year	-	-	-	-
Less: Shares bought back during the year	-	-	-	-
Balance at the end of the year	3,097,421	30,974,210	3,097,421	30,974,210

c Terms / rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of Rs.10. Each holder of equity shares is entitled to one vote per share. The Company declares dividend in Indian Rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. During the year ended March 31, 2014, the Company has not declared any dividend.

d Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of Shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of shares held	% of holding	No. of shares held	% of holding
Equity shares of Rs. 10 each fully paid R Rangarajan	308,890	9.97%	308,890.00	9.97%
	308,890		308,890.00	

e Shares allotted as fully paid up by way of bonus shares and pursuant to contracts without payment being received in cash

Particulars	As at 31-Mar-14	As at 31-Mar-13
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Name of the Company ENCORE BUSINESS SYSTEM LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts are in Indian Rupees, except share data or as stated)

Equity shares allotted as fully paid up bonus shares	Not applicable	Not applicable
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4 Reserves and Surplus

Particulars	As at March 31, 2014	As at March 31, 2013
Securities premium account		
Balance at the beginning of the year	1,272,350	1,272,350
Add: Additions during the year	-	-
Less: Utilisation during the year	-	-
Closing balance	1,272,350	1,272,350
General reserves		
Balance at the beginning of the year	121,000	121,000
Add: Amount transferred from surplus	-	-
Less: Utilisation during the year	-	-
Closing balance	121,000	121,000
Surplus in the statement of profit and loss		
Balance at the beginning of the year	(16,341,656)	(16,567,951)
Profit for the year	27,905	226,295
Less: Appropriations		
Net surplus in the statement of profit and loss	(16,313,751)	(16,341,656)
Total	(14,920,401)	(14,948,306)

5 Deferred Taxes

The major components of the deferred tax assets and liabilities are outlined below:

Particulars	As at March 31, 2014	As at March 31, 2013
Tangible assets	290,640	280,665
Deferred tax liability	290,640	280,665

6 Other current liabilities

Particulars	As at March 31, 2014	As at March 31, 2013
Current maturities of Long term loan		
Statutory Liabilities		
Payables to others	131,594	92,677
Total	131,594	92,677

Name of the Company ENCORE BUSINESS SYSTEM LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts are in Indian Rupees, except share data or as stated)

7 Short-term provisions

Particulars	As at March 31, 2014	As at March 31, 2013
Provision for employee benefits: Provision for tax	8,917.00	-
Total	8,917.00	-

11 Non - current Investment

Particulars	As at March 31, 2014	As at March 31, 2013
Trade, unquoted (at cost)		
450000 Equity Shares of Rs.10/-each fully paid in HONEYCOMB Technologies Pvt. Ltd. (at cost price)	4,500,000	4,465,812
		-
Total	4,500,000.00	4,465,812.00

Aggregate amount of unquoted investments (non current)

4,500,000

12 Trade Receivables

Particulars	As at March 31, 2014	As at March 31, 2013
<i>Unsecured: and considered good</i>		
More than 6 months	-	-
Other debts	403,875	327,500
Total	403,875	327,500
Less: Provision for doubtful debts	-	-
Total	403,875	327,500

13 Cash and bank balance

Particulars	As at March 31, 2014	As at March 31, 2013
Cash and cash equivalents		
Cash in hand	288,183	214,787
Bank balances		
- in current accounts	18,515	66,020
Total	306,698	280,807

Name of the Company ENCORE BUSINESS SYSTEM LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts are in Indian Rupees, except share data or as stated)

14 Other current assets

Particulars	As at March 31, 2014	As at March 31, 2013
Telephone deposit/deposit with stock exchange and others	283000	103,000.00
Interest accrued but not due	-	
Total	283,000.00	103,000.00

15 Revenue from operations

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Sales of software	351,000	1,145,000
Income from training activities	893,375	-
Total	1,244,375	1,145,000

16 Other income

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Income from Investment	34,188	-
Total	34,188	-

17 Other expenses

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Audit Fee	20,000	27,575
Travelling and conveyance	100	160
Printing and stationery	6,158	6,780
Professional charges	11,500	9,000
Propotional Expenses	17,000	-
Miscellaneous expenses	319,879	63,404
Total	374,637	106,919

18 Depreciation

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Depreciation on tangible assets	842,750	1,022,515
Amortisation on intangible assets	13,990	-
Total	856,740	1,022,515

19 Finance costs

Name of the Company ENCORE BUSINESS SYSTEM LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts are in Indian Rupees, except share data or as stated)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Bank charges/Interest expenses	389	462
Total	389	462

20 Payment to auditors, excluding service tax (included in professional charges under note 24)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Statutory audit	20,000	27,575
Total	20,000	27,575

21 Details of inventory of consumables

For the current year ended March 31, 2013, none of the items are individually material and also account for less than 10% of the total value of purchases, sales and consumption and hence, particulars in respect of the same has not been furnished

22 Retirement benefits Gratuity Plan

Not Applicable

23 Related party transactions

Names of related parties and nature of relationship are as follows:

Subsidiaries	NIL
Associates	NIL
Key Management Personnel (KMP)	Rangarajan R.
Enterprise over which KMP are able to exercise significant influence	Nil

24 Micro, Small and Medium Enterprises

The management is currently in the process of identifying enterprises which have provided services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2014 has not been made in the financials statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

25 Previous year figures have been regrouped wherever necessary to conform to current year classification.

for Parimelazhagan & co
 Chartered Accountants
 Firm Registration no.6514S

for and on behalf of Board of Directors of

S.Parimelazhagan
 Proprietor
 Membership No. 200970

R.Rangarajan
 Director

R. Rajalakshmi
 Director

Place: Chennai
 Date:25.06.2014

ENCORE BUSINESS SYSTEM LIMITED
Notes to financial statements for the year ended March 31, 2014
(All amounts are in Indian Rupees, except share data or as stated)

FIXED ASSET

NAME OF THE ASSET	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	As on 31.03.2013	Additions/ (Deletions) for the year	Value as on 31.03.2014	Opening balances upto 31.03.2013	For the year	Total upto 31.03.2014	As on 31.03.2014	As on 31.03.2013
8 Tangible assets								
Furniture and fittings	3,665,105	-	3,665,105	1,129,949	232,001	1,361,950	2,303,155	2,535,156
Office equipments	215,311	-	215,311	195,078	15,222	210,301	5,010	20,233
Vehicles	60,158	-	60,158	60,158	-	60,158	-	-
Computer and accessories	10,432,875	-	10,432,875	9,837,349	595,526	10,432,875	-	595,526
Others	161,361	-	161,361	161,361	-	161,361	-	-
Total	14,534,810		14,534,810	11,383,895	842,750	12,226,645	2,308,165	3,150,915
9 Intangible assets								
Software	-	2,100,000	2,100,000	-	13,990	13,990	2,086,010	-
Total	-	2,100,000	2,100,000	-	13,990	13,990	2,086,010	-
10 Intangible Assets WIP								
Capital WIP	8071212	-1474000	6,597,212				6,597,212	8,071,212
Grand Total	22606021.97	626000.00	23232021.97	11383894.81	856740.00	12240634.92	10991387.00	11222127.16

ENCORE BUSINESS SYSTEM LIMITED
Cash flow Statement for the year ended March 31, 2014
 (All amounts are in Indian Rupees, except share data or as stated)

	Note No.	For the year ended March 31, 2014	For the year ended March 31, 2013
Cash flow from operating activities			
Profit before taxation		46,797	15,104
Adjustments for:			
Depreciation / amortisation		856,740	1,022,515
Interest expenses		389	462
Loss on sale of investments		-	-
Interest income		-	-
Dividend income		-	-
Provision for doubtful debts/ Provision written back		-	-
Loss on sale of tangible assets		-	-
Operating cash flow before working capital changes		903,926	1,038,081
<i>Adjustments for:</i>			
(Increase)/decrease in trade receivables		(76,375)	(327,500)
(Increase)/decrease in loans and advances and other current assets		(180,000)	-
Increase/(decrease) in current liabilities and provisions		38,917	(22,476)
Increase /(decrease) in provisions		-	-
Cash generated from operations		686,468	688,105
Income taxes paid		-	-
Net cash provided/(used) by operating activities	A	686,468	688,105
Cash flow from investing activities			
Purchase of tangible assets/intangible asset		(626,000.00)	(425,730.00)
Proceeds from sale of tangible assets		-	-
Purchase of investment		-	-
Sale of investment		-	-
Loss on sale of investment		-	-
Dividend income		-	-
Interest income		-	-
Net cash (used)/provided by investing activities	B	(626,000)	(425,730)
Cash flow from financing activities			
Repayment of finance lease obligations		-	-
Increase/(decrease) in cash credit and overdraft facilities		-	-
Interest paid		(389)	(462)
Income from Investment		(34,188)	-
Dividend paid (including dividend tax)		-	-
Net cash (used)/provided by financing activities	C	(34,577)	(462)
Net (decrease)/increase in cash and cash equivalents	A+B+C	25,891	261,913
Cash and cash equivalents / margin money at the beginning of the year		280,807	18,894
Cash and cash equivalents / margin money at the end of the year	13	306,698	280,807

Supplementary information

The schedules referred to above and notes thereon form an integral part of the financial statements

This is the cash flow statement referred to in our report of even date

for Parimelazhagan & co
 Chartered Accountants
 Firm Registration no.6514S

for and on behalf of Board of Directors of

S.Parimelazhagan
 Proprieter
 Membership No. 200970

R.Rangarajan
 Director

R. Rajalakshmi
 Director

Place: Chennai
 Date:25.06.2014