



## DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the seventh Annual Report and the Audited Statement of Accounts of the Company for the year ended December 31, 2010.

### Financial Results

The performance of the Company for the Year ended December 31, 2010 is summarized below:

Particulars	Year ended December 31, 2010 (Rs.'000)	Period ended December 31, 2009 (Rs.'000)
Turnover	891,153	455,051
Other Income	189	289
<b>Total Income</b>	<b>891,342</b>	<b>455,340</b>
Total Expenditure (excluding depreciation)	752,953	402,827
Depreciation	22,542	9,876
Total Expenditure	775,495	412,703
Profit/(Loss) before exceptional items	115,847	42,637
Provision of diminution in value of investments	-	(43,732)
<b>Profit/(Loss) Before Tax</b>	<b>115,847</b>	<b>(1,095)</b>
Less: Tax expenses	13,626	7,970
<b>Profit/(Loss) for the year (period)</b>	<b>102,221</b>	<b>(9,065)</b>
Add: Balance B/f from previous year	(218,131)	(209,066)
Balance carried to Balance sheet	(115,910)	(218,131)

### Business Operations

Your Company's revenue from operations stood at Rs.89.11 Crores for the year ended 31<sup>st</sup> December 2010 as against Rs 45.50 Crores in the previous period registering an increase of 46%. (adjusted for short period in 2009) from the previous period. This performance was achieved mainly due to the scaling up of KPO division of the company in Bangalore. The Company's KPO offshore division in Bangalore has expanded significantly during the period taking the total KPO offshore headcount to approximately 775 by end of December 2010. The net profit after exceptional items for the year stood at Rs. 10.22 Crores as against loss of Rs 0.90 Crore in the previous period. The profit before exceptional items for the year ended 31<sup>st</sup> December 2010 stood at Rs 11.58 Crores as against Rs. 4.26 Crores during the previous period.

### Subsidiary Company

Inuva Info management private Limited, the company's subsidiary has no business operation during the year.

### General Reserves

There is no general reserve in the financials.



**Directors:**

Mr. Harinder Kohli retires by rotation and being eligible offers himself for re-appointment.

**Dividend**

Directors are not proposing to declare any dividend for this year.

**Share Capital**

There was no change in the share capital during the reporting year.

**Directors' Responsibility Statement**

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

1. in the preparation of the annual accounts, the accounting standards have been followed and that there are no material departures;
2. they have, in selection of accounting policies consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2010 and of the profit/loss of the Company for the year ended on that date;
3. they have taken proper and sufficient care, to the best of their knowledge and ability, 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 frauds and other irregularities;
4. they have prepared the annual accounts of the Company on a going concern basis;

**Committees:**

**Audit Committee:**

Your Company is having Audit Committee pursuant to Section 292A of the Companies Act. Mr. Krishna Srinivasan, Mr. Harinder Kohli and Mr. Murali Gomatam are the members of the Committee.

The major role of the Committee inter alia includes review of Internal Audit report and that of Statutory Audit Report, Re-appointment of Statutory and Internal Auditors and fixation of their remuneration thereon, Review of Financial Results, audit findings and related party transactions.

**Remuneration Committee:**

Your Company is having Remuneration Committee comprising of Mr. Krishna Srinivasan, Mr. Harinder Kohli and Mr. Murali Gomatam as the members of the Committee.

The major role of the Committee inter alia includes appointment and remuneration of Managing Directors/Whole Time Directors, compensation package, annual increments, incentives, etc.



**Auditors**

M/s. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

**Information required to be furnished under Section 217 (1)(e) of the Companies Act**

**A. Conservation of Energy**

The operations of your Company are not energy intensive. However, adequate measures have been taken to conserve and preserve energy by using efficient energy equipments.

**B. Technology Absorption**

As your Company progresses, necessary R & D activities will be initiated to meet the technology requirements for the future.

**C. Foreign Exchange Earnings and Outgo**

	<i>Total Foreign Exchange Earnings and Outgo</i>	<i>in Rupees (000's)</i>	
		<i>December 2010</i>	<i>December 2009</i>
(i)	Total Foreign currency Earnings	891,152	455,051
(ii)	Total Foreign currency outgo	47,362	20,807

**Particulars of employees**

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are attached herewith.

**Fixed Deposits**

Your Company has not accepted any fixed deposits under Section 58A of the Companies Act, 1956 and as such no amount of principal or interest was outstanding as of the balance sheet date.



**Acknowledgements**

Your Directors thank the Company's clients, vendors, investors and banks and Government Departments for their support during the year. Your Directors place on record their appreciation of the contribution made by employees at all levels.

**For and on behalf of the Board of Directors**

A handwritten signature in black ink, appearing to be 'S. K.' followed by a long horizontal flourish.

**Chairman**

**Date : 4<sup>th</sup> May, 2011**  
**Place: Bensalem, USA**

Annexure to Directors' Report  
Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Sl.No.	Name	Designation	Qualification	Age (years)	Experience (years)	Date of commencement of employment	Remuneration Received(Rs.)	Last employment	Post Held
<b>A. Employees who were employed throughout the year and were in receipt of remuneration in aggregate of not less than Rs.50,00,000 for 12 Months</b>									
1	Ashok Radhakrishnan	COO - International Operations	MBA	49.8 Years	26	16-Aug-07	11,894,796.00	Ocwen Financial Solutions	Vice President
2	Anandhanarayanan Subramanian	Senior Vice President - Technology	B.E;MBA	42.1 Years	17	14-Jul-08	6,309,918.00	Intelligroup Asia Pvt Ltd	Vice President
<b>B. Employees who were employed for a part of the Year and were in receipt of remuneration in aggregate of not less than Rs.5,00,000 Per month:</b>									

NIL

**Notes:**

1. These persons were employed on contractual basis on various dates during the year.
2. In accordance with the clarification given by Ministry of Corporate Affairs, the remuneration has been computed on the basis of the actual expenditure incurred by the Company
3. None of the above employees is a relative of any Director of the Company
4. None of the above employees himself or alongwith his spouse and dependent Children hold 2% or more equity shares of the Company.
5. All the appointments are/were on contractual basis.

For ISG Novasoft Technologies Limited



Chairman



## AUDITORS' REPORT TO THE MEMBERS OF ISG NOVASOFT TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of **ISG NOVASOFT TECHNOLOGIES LIMITED** ("the Company") as at December 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;



## **Deloitte Haskins & Sells**

- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on December 31, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on December 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 008072S)



Bhavani Balasubramanian  
Partner  
Membership No. 22156

Place: Chennai  
Date: May 06, 2011



# Deloitte Haskins & Sells

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

- (i) Having regard to the nature of the Company's business, clauses (ii), (vi), (viii), (xii) to (xvi), and (xviii) to (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets have been verified by the Company during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the rendering of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion, the internal audit function carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

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**Deloitte  
Haskins & Sells**

- (vii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Income-tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities during the year.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Service Tax, Cess and other material statutory dues in arrears as at December 31, 2010 for a period of more than six months from the date they became payable.
  - (c) According to the information and explanations given to us, there were no Sales Tax, VAT, Income tax, Customs Duty, Wealth Tax, Service Tax, and Cess, which has not been deposited with the appropriate authorities as on December 31, 2010 on account of any dispute.
- (viii) The accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth and the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 008072S)



Bhavani Balasubramanian  
Partner  
Membership No. 22156

Place: Chennai  
Date: May 06, 2011

ISG NOVASOFT TECHNOLOGIES LIMITED  
BALANCE SHEET AS AT DECEMBER 31, 2010

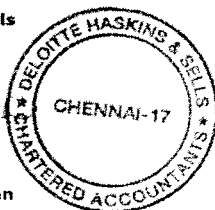
SOURCES OF FUNDS	Schedule	As at December 31, 2010 (Rs 000's)	As at December 31, 2009 (Rs 000's)
<b>Shareholders' Funds</b>			
Share capital	1	362,307	362,307
<b>Loan Funds</b>			
Secured loans	2	9,352	11,414
Unsecured loans	3	-	12,184
		<u>371,659</u>	<u>385,905</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	4	98,654	82,042
Less : Accumulated depreciation		53,740	38,767
Net block		44,914	43,275
Capital work in progress including capital advances		44,914	3,354
			46,629
<b>Deferred Tax Assets (Net)</b> (Refer Note 13 of Schedule 15)		7,495	-
<b>Investments</b>			
	5	-	-
<b>Current Assets, Loans and Advances :</b>			
Sundry debtors	6	258,065	127,069
Cash and bank balances	7	4,325	24,857
Loans and advances	8	73,505	59,736
		<u>335,895</u>	<u>211,662</u>
<b>Less : Current Liabilities and Provisions</b>			
Current liabilities	9	104,103	80,094
Provisions	10	28,452	10,423
		<u>132,555</u>	<u>90,517</u>
<b>Net Current Assets</b>		203,340	-
<b>Profit &amp; Loss Account</b>		115,910	218,131
<b>Total</b>		<u>371,659</u>	<u>385,905</u>
Notes on Accounts	15		

Schedules referred to above form an integral part of these accounts

In terms of our report of even date attached

For and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
Chartered Accountants



*Bhavani Balasubramanian*  
**Bhavani Balasubramanian**  
Partner

Place: Chennai  
Date: May 6, 2011

*S. Venkatesh* Managing Director  
*Manoj Kumar* Director

Place: Bensalem, USA  
Date: May 4, 2011

*B. Srinivasan*  
Company Secretary

ISG NOVASOFT TECHNOLOGIES LIMITED  
 PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	Schedule	Year ended December 31, 2010 (Rs 000's)	Period ended December 31, 2009 (Rs 000's)
<b>INCOME</b>			
Revenue from Business/knowledge process outsourcing and software services		891,153	455,051
Other income	11	189	289
<b>Total</b>		<b>891,342</b>	<b>455,340</b>
<b>EXPENDITURE</b>			
Employee cost	12	458,371	252,221
Operating and other expenses	13	292,366	145,970
Depreciation / Amortization	4	22,542	9,876
Financial expenses	14	2,216	4,636
<b>Total</b>		<b>775,495</b>	<b>412,703</b>
<b>Profit for the year / period before exceptional items</b>		<b>115,847</b>	<b>42,637</b>
<b>Exceptional items</b>			(43,732)
Provision for diminution in the value of Investments (Refer Note 3 of Schedule 15)			
<b>Profit/(Loss) for the year / period after exceptional items</b>		<b>115,847</b>	<b>(1,095)</b>
<b>Tax expenses</b>			
Current tax		25,260	7,970
Provision for tax of earlier years no longer required written back		(4,139)	
Deferred tax charge / (credit)		(7,485)	
<b>Net profit/(loss) after tax for the year /period</b>		<b>102,221</b>	<b>(9,085)</b>
Loss brought forward from Previous period / year		(218,131)	(209,066)
<b>(Loss) Carried to Balance Sheet</b>		<b>(115,910)</b>	<b>(218,131)</b>
<b>Earnings Per Share (in Rupees)</b>		<b>2.821</b>	<b>(0.250)</b>
- Basic and Diluted EPS (Face Value of Rs.10 per share) (Refer Note 8 of Schedule 15)			

Notes on Accounts 15

Schedules referred to above form an integral part of these accounts

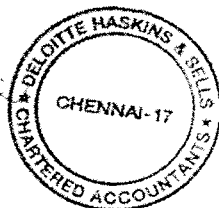
In terms of our report of even date attached

For and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
 Chartered Accountants

*Bhavana Balasubramanian*

**Bhavana Balasubramanian**  
 Partner



Place: Chennai  
 Date: May 6, 2011

*S.K.N.*

Managing Director

Place: Bensalem, USA  
 Date: May 4, 2011

*M. K. Srinivasan*

Director

*R. Srinivasan*  
 Company Secretary

ISG NOVASOFT TECHNOLOGIES LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Year Ended December 31, 2010 (Rs 000's)	Period Ended December 31, 2009 (Rs 000's)
<b>A. Cash flow from operating activities :</b>		
Profit/(Loss) before tax	115,847	(1,095)
Adjustments for :		
Depreciation/ Amortisation	22,542	9,876
Loss on sale of fixed assets	17	85
Write off/ other adjustments of fixed assets	1,539	-
Provision for diminution - Inruva Investment	-	43,732
Provision for short term compensated absences	2,992	1,547
Unrealised foreign exchange fluctuation	1,570	242
Liabilities no longer required written back	-	-
Doubtful debts/ advances written off	233	220
Interest expense	2,216	4,636
Interest income	189	(234)
<b>Operating profit before working capital changes</b>	<b>147,145</b>	<b>59,009</b>
<b>Movement in working capital :</b>		
(Increase) in trade and other receivables	(146,757)	(4,012)
Increase/(Decrease) in trade payables	21,853	(5,470)
<b>Cash generated from operations</b>	<b>22,241</b>	<b>49,527</b>
Direct taxes paid (net of refunds)	(3,928)	(11,046)
<b>Net cash generated from operating activities</b>	<b>18,313</b>	<b>38,481</b>
<b>B. Cash flow from Investing activities</b>		
Capital Expenditure	(22,512)	(34,927)
Proceeds from sale of fixed assets	129	90
Interest received	(0)	228
<b>Net cash used in Investing activities</b>	<b>(22,383)</b>	<b>(34,609)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from long term borrowings	3,304	15,282
Repayment of long term borrowings	(5,366)	(4,732)
Repayment / Proceeds of short term borrowings	(12,000)	12,000
Interest paid	(2,400)	(4,452)
<b>Net cash used in / generated from financing activities</b>	<b>(16,462)</b>	<b>18,098</b>
<b>Net (decrease) / Increase in cash and cash equivalents (A+B+C)</b>	<b>(20,532)</b>	<b>21,970</b>
<b>Cash and cash equivalents at the beginning of the year/ period</b>	<b>24,857</b>	<b>2,887</b>
<b>Cash and cash equivalents at the end of the year / period</b>	<b>4,325</b>	<b>24,857</b>
<b>Components of cash and cash equivalents as at</b>		
Cash and cheques on hand	8	-
Balances with schedule banks	4,317	24,857
	<b>4,325</b>	<b>24,857</b>

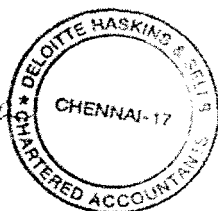
Note:

1. Figures in brackets indicate cash outflow.

In terms of our report of even date attached

For and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
Chartered Accountants



Bhavana Balasubramanian

Partner

Place: Chennai  
Date: May 6, 2011

*S. K. R.*

Managing Director

*M. K. R.*

Director

Place: Bensalem, USA  
Date: May 4, 2011

*[Signature]*  
Company Secretary

**ISG NOVASOFT TECHNOLOGIES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

**SCHEDULE 1 : SHARE CAPITAL**

Authorised Share capital  
 50,000,000 Equity shares of Rs.10/- each

As at  
 December 31, 2010  
 (Rs 000's)

As at  
 December 31, 2009  
 (Rs 000's)

500,000

500,000

500,000

500,000

Issued, Subscribed and Paid Up Share capital

36,230,700 Equity shares of Rs.10/- each, fully paid up

362,307

362,307

362,307

362,307

**Note**

36,230,000 shares are held by CFCL Ventures Ltd, Cayman Islands, the holding company and 700 shares are held by CFCL Ventures Ltd with joint holders.

**SCHEDULE 2 : SECURED LOANS**

From Others

Equipment loan  
 Finance lease obligation

3,255

6,097

9,352

5,516

5,896

11,414

**Notes:**

1. Secured by hypothecation of assets acquired through the loan / finance lease obligation.  
 2. Amount repayable within twelve months

5,626

2,246

**SCHEDULE 3 : UNSECURED LOANS**

Inter corporate Deposit  
 Interest accrued and due on inter corporate deposit

-

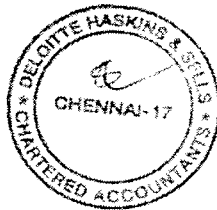
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12,000

184

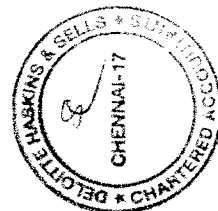
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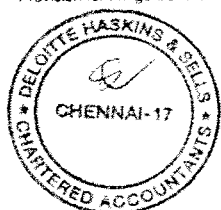
ISG NOVASOFT TECHNOLOGIES LIMITED  
SCHEDULES FORMING PART OF ACCOUNTS

Schedule 4 : Fixed Assets

Particulars	GROSS BLOCK				DEPRECIATION/MORTIZATION						Net Block	
	Cost as at December 31,2009	Additions	Deletions	FCTR on Opening Block, Acquisition of Subsidiary, Addition and Deletion	Cost as at December 31,2010	Upto December 31,2009	Adjustments during the year	For the year	On Deletions	Upto December 31,2010	As at December 31,2010	As at December 31,2009
Computers	41,615	3,481	868	-	44,228	17,454	-	10,325	668	26,911	17,317	24,161
Leasance Improvements	8,408	924	3,863	-	5,469	3,993	-	2,438	2,669	3,562	1,888	4,416
Office Equipments	11,239	4,028	3,826	-	11,641	5,616	-	2,580	3,437	4,769	6,872	5,623
Furniture and Fixturs	3,208	-	877	-	2,331	728	-	595	395	928	1,403	2,480
Vehicles	1,031	-	-	-	1,031	172	-	207	-	379	652	859
<b>Intangible Assets</b>												
Software Packages	16,540	17,433	-	-	33,973	10,804	-	6,387	-	17,191	16,782	5,796
<b>Total</b>	<b>82,042</b>	<b>25,866</b>	<b>9,254</b>	<b>-</b>	<b>98,654</b>	<b>38,787</b>	<b>0</b>	<b>22,542</b>	<b>7,589</b>	<b>53,740</b>	<b>44,914</b>	<b>43,275</b>
Capital work in progress												<b>3,354</b>
<b>Total</b>	<b>51,049</b>	<b>31,573</b>	<b>580</b>	<b>-</b>	<b>82,042</b>	<b>29,236</b>	<b>-</b>	<b>9,876</b>	<b>405</b>	<b>38,787</b>		<b>46,629</b>
Previous year												



SCHEDULE 5 : INVESTMENTS	As at December 31, 2010 (Rs 000's)	As at December 31, 2009 (Rs 000's)
(Long Term - Trade, Unquoted) in a Subsidiary Company:		
16,900 Equity shares of Rs.10/- each in Inuva Info Management Private Limited, fully paid up	-	43,732
Less: Provision for Diminution (Refer Note 3 of Schedule 15)	-	(43,732)
	<u>-</u>	<u>-</u>
<b>SCHEDULE 6 : SUNDRY DEBTORS</b>		
Debts outstanding for a period exceeding six months Unsecured, considered doubtful	1,364	1,364
Other debts	258,065	127,069
(Less: Provision for doubtful debts)	(1,364)	(1,364)
	<u>258,065</u>	<u>127,069</u>
<b>SCHEDULE 7 : CASH AND BANK BALANCES</b>		
Cash in Hand	8	-
Balances with Schedule Bank - In Current Account	4,317	24,857
	<u>4,325</u>	<u>24,857</u>
<b>SCHEDULE 8 : LOANS AND ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received		
- Advances to suppliers	608	4,746
- Other advances recoverable in cash or in kind or for value to be received	44,084	26,670
Interest accrued	195	7
Deposits - others	28,618	28,313
	<u>73,505</u>	<u>59,736</u>
Note:		
Advances recoverable in cash or in kind or for value to be received include dues from companies under the same management		
(a) Balances at the year end		
Inuva Info Management Pvt Ltd	98	327
(b) Maximum amount due at any time during the year.		
Inuva Info Management Pvt Ltd	916	327
<b>SCHEDULE 9 : CURRENT LIABILITIES</b>		
Sundry creditors		
- Due to Micro enterprises and small enterprises (Refer Note 9 of Schedule 15)	-	-
- Due to other than Micro enterprises and small enterprises	71,825	41,017
Short term compensated absences	9,099	6,107
Purchase consideration payable **	13,479	25,715
Other liabilities	9,700	7,255
** Represents balance purchase consideration payable on Inuva Info Management Pvt Ltd acquisition.	<u>104,103</u>	<u>80,094</u>
<b>SCHEDULE 10 : PROVISIONS</b>		
Provision for taxation (Net of Advance Tax and TDS of Rs.10,769 thousands P.Y 4,914 thousands)	23,699	6,506
Provision for gratuity	4,753	3,917
Provision for Fringe Benefit Tax (Net of Advance tax -Rs 9,460 Thousands (P.Y Rs 9,460 thousands)	-	-
	<u>28,452</u>	<u>10,423</u>





**ISG NOVASOFT TECHNOLOGIES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

Year ended  
 December 31, 2010  
 (Rs 000's)

Period ended  
 December 31, 2009  
 (Rs 000's)

**SCHEDULE 11 : OTHER INCOME**

Interest on		
- Deposit (Gross)	-	151
- Interest received from Others (Gross)	189	77
Miscellaneous income	-	61
	<b>189</b>	<b>289</b>

**SCHEDULE 12 : EMPLOYEE COST**

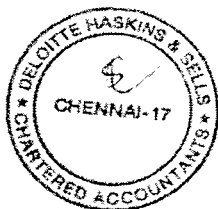
Salaries, wages and bonus	431,956	238,528
Contribution to provident and other funds	18,198	9,846
Gratuity expenses	1,325	853
Staff welfare expenses	6,892	2,994
	<b>458,371</b>	<b>252,221</b>

**SCHEDULE 13 : OPERATING AND OTHER EXPENSES**

Power and fuel	17,547	9,032
Rent	76,081	32,661
Rates and taxes	107	202
Insurance	5,782	2,202
Repairs and maintenance :		
- Plant and Machinery	312	240
- Others	16,100	6,455
Travelling and conveyance	115,867	50,220
Communication costs	20,460	15,973
Printing and stationery	1,227	536
Legal and professional fees	16,923	12,592
Auditor's remuneration (Refer Note 4 of schedule 15)	983	800
Business promotion expenses	465	-
Donations and contribution to charitable institutions	-	150
Loss on sale of fixed assets (Net)	17	85
Doubtful debts and advances written off	233	220
Foreign Exchange differences. (Net)	9,041	12,521
Assets written off	1,539	-
Miscellaneous expenses	9,662	2,081
	<b>292,366</b>	<b>145,970</b>

**SCHEDULE 14 : FINANCIAL EXPENSES**

Interest :		
- On Inter corporate deposit	886	3,265
- Others	1,330	1,371
	<b>2,216</b>	<b>4,636</b>



## **ISG Novasoft Technologies Limited**

### **Schedule forming part of accounts**

#### **Schedule 15: Notes on Accounts**

##### **Back ground**

ISG Novasoft Technologies Limited ("ISGN"), a company incorporated under the Indian Companies Act, 1956 is a 100% wholly owned subsidiary of CFCL Ventures Limited, Cayman Islands ("CVL"). CVL in turn is a 100% wholly owned subsidiary of CFCL Technologies Limited, Cayman Islands ("CFCLT"). CFCLT is a subsidiary of Chambal Fertilizers and Chemicals Limited, a company incorporated and listed in the stock exchanges of India.

ISGN is engaged in the business of providing Knowledge Process Outsourcing ("KPO") services and Software products support services catering mainly to the mortgage lending industry in the U.S. ISGN operates as the off-shore hub and along with its affiliates in the U.S. delivers solutions and services to the customers base consisting primarily of mortgage banks and financial institutions. With the KPO offering, ISGN's revenue from operations have increased significantly in the past two years and this has helped the company to become profitable.

##### **1. Significant accounting policies**

###### **a) Basis of Preparation**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and comply in all material respects with the accounting standards prescribed in the Companies (Accounting Standards) Rules 2006 (as amended) and with the relevant provisions of the Companies Act, 1956.

###### **b) Use of Estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and the disclosures relating to contingent assets and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates

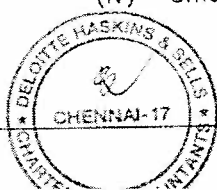
###### **c) Fixed Assets**

Fixed assets are stated at historical cost less accumulated depreciation. The cost of an asset comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

###### **d) Depreciation**

Depreciation is provided on fixed assets on Straight Line Method over their estimated useful lives. The depreciation rates used are higher than the minimum rates specified in Schedule XIV to the Companies Act, 1956, wherever applicable.

(i) Leasehold improvements	amortized over the period of respective leases.
(ii) Computers	3 years
(iii) Furniture and Fittings	5 years
(iv) Office equipment	5 years



## **ISG Novasoft Technologies Limited**

### **Schedules forming part of accounts**

#### **Notes on Accounts (contd.)**

(v) Mobile phones (included under office equipment) 100% in the year of purchase

(vi) Vehicles 5 years

Cost of Software is amortized over a period of three to five years.

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase. Depreciation charge in respect of additions / deletions is restricted to the period of use.

#### **e) Investments**

Long term investments are stated at cost. However, provision for diminution in the value is made to recognize the decline (other than temporary) in the value of investments.

#### **f) Revenue recognition**

Revenue from software services and business process and knowledge process outsourcing services is recognized on rendering of such services based on the terms of contracts with the customers.

#### **g) Foreign currency transactions**

Foreign currency transactions are accounted at the exchange rate ruling on the date of the transaction. At the year end all monetary assets and liabilities denominated in foreign currency are restated at the closing exchange rate. Exchange differences arising out of settlements and from the year end restatement referred to above are recognized in the Profit and Loss account.

#### **h) Employee Benefits**

##### **Short term**

Short term employee benefits including compensated absence are recognized as an expense as per the company's scheme based on expected obligations, as at the balance sheet date on an undiscounted basis.

##### **Post retirement**

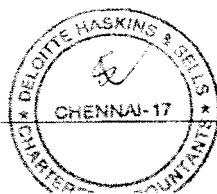
Post retirement benefits comprise of provident fund and gratuity which are accounted for as follows:

##### **a. Provident Fund**

This is a defined contribution plan and contributions are remitted to Provident Fund authorities in accordance with the relevant statute and charged to Profit and Loss Account as and when due. The company has no further obligations for future Provident Fund benefits other than its monthly contributions.

##### **b. Gratuity**

This is a defined benefit plan and the liability towards gratuity as at the balance sheet date is determined based on actuarial valuation using Projected Unit Credit



## ISG Novasoft Technologies Limited

### Schedules forming part of accounts

#### Notes on Accounts (contd.)

Method. Actuarial gains and losses comprising of experience adjustments and the effects of changes in actuarial assumptions are recognized immediately in the Profit and Loss Account as income or expense.

#### i) Taxation

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and the tax laws. Provision for deferred tax is made for all timing differences arising between the taxable income and accounting income at the tax rates enacted or substantively enacted, by the Balance sheet date. Deferred tax assets are recognized only if there is virtual certainty that they will be realized and are reviewed for the appropriateness of their carrying values at each Balance sheet date.

#### j) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

#### 2. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 504 thousands (Previous period Rs. 3,485 thousands).

#### 3. Subsidiary

Effective January 1, 2010, the company's subsidiary Inuva Info Management Private Limited, a company incorporated under the Indian Companies Act, has discontinued its operations. Consequently the Company had, in the previous period ended December 31, 2009, considered 100% impairment in respect of cost of investment, being a permanent diminution of value and accordingly created a provision. During the year the management had decided to write off the investments in full and the provision made in earlier years was fully utilized.

#### 4. Professional charges include Payment to Auditors (Excluding Service Tax)

Amount in (Rs 000's).

Particulars	For the Year ended December 31, 2010	For the Period ended December 31, 2009
<b>(a) As Auditors</b>		
(i) Statutory audit	600	600
(ii) Tax audit	200	200
(iii) Out of pocket Expenses	-	-
<b>(b) For Other Services</b>		
(i) Miscellaneous certification	183	-
<b>TOTAL</b>	<b>983</b>	<b>800</b>



**ISG Novasoft Technologies Limited**

**Schedules forming part of accounts**

**Notes on Accounts (contd.)**

**5. Leases**

**(a) Operating Leases**

The Company has taken certain fixed assets under a non-cancellable operating lease.

(i) Future minimum lease payments as of December 31, 2010 are as follows:

	(Rs.000's) Dec'10	(Rs. 000's) Dec'09
Not later than one year	13,249	9,728
Later than one year and not later than five years	12,019	12,758
Later than five years		-

(ii) The lease payments recognized in the Profit and Loss Account during the year amounts to Rs11,242 thousands (Dec 31, 2009 – Rs. 5,280 thousands).

**(b) Finance Lease**

The company has entered into an arrangement for lease of office equipments and computers. The lease arrangements are for a period between two and three years. Under the terms of the lease, the company is required to pay fixed monthly installments over the lease term.

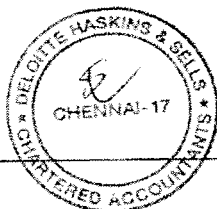
(i) The details of assets acquired under finance lease are as follows:

(Rs. 000's)			
Asset	Gross Cost	Carrying value as at December 31, 2010	Carrying value as at December 31, 2009
Computers	10,392	7,325	6,788
Office equipments	1,089	526	744
Total	11,481	7,851	7,532

(ii) Future minimum lease payments:

(Rs. 000's)			
December 31, 2010	Lease Payment	Principal	Finance Lease Charges
Not later than one year	3,705	3,079	626
Later than one year and not later than five years	3,022	2,737	285
Later than five years			
December 31, 2009	Lease Payment	Principal	Finance Lease Charges
Not later than one year	2,872	2,246	626
Later than one year and not later than five years	4,058	3,652	406
Later than five years	-	-	-

Finance lease charges recognized in the Profit and Loss Account amounts to Rs. 625 thousands (Dec 31, 2009 – Rs. 203 thousands)



## ISG Novasoft Technologies Limited

### Schedules forming part of accounts

#### Notes on Accounts (contd.)

#### 6. Segment Information

Business segment has been considered as the primary segment

a. Primary Segment Information (by Business Segments)

The Company is primarily engaged in a single business segment Viz Business process outsourcing services which comprises of business activities such as business process outsourcing services, knowledge process outsourcing services and Software support services. Risk and returns of a business activity are not different from that of the other two business activities. Accordingly there are no reportable segments.

b. Secondary Segment Reporting (by Geographical Segments)

Domestic and Exports are the geographic segments considered as reportable secondary segments.

(Rs. 000's)

Particulars	Domestic Year / Period ended		Outside India Year / Period ended		Total Year / Period ended	
	Dec'10	Dec'09	Dec'10	Dec'09	Dec'10	Dec'09
Segment revenue			891,153	455,051	891,153	455,051
Segment Assets	127,556	129,104	260,683	129,328	388,239	258,432
Capital Expenditure	25,866	31,573			25,866	31,573

There are no operational assets situated outside India.

#### 7. Related Party disclosures

(a) List of related parties where control exists:

**Ultimate holding company**

Chambal Fertilizers and Chemicals Limited\*

**Holding Company:**

CFCL Ventures Ltd - Cayman Islands

**Subsidiaries**

Inuva Info Management Pvt. Ltd\*

**Fellow subsidiaries:**

ISGN Corporation, USA\*

ISGN Solutions Inc., USA\*

**Company in which KMP has substantial interest:**

Witmer Enterprises Private Limited\*

\* Represents parties with whom the Company had transactions during the year



**ISG Novasoft Technologies Limited**

**Schedules forming part of accounts**

**Notes on Accounts (contd.)**

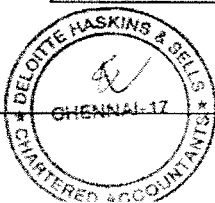
b) Key management personnel

Krishna Kumar Srinivasan, Managing Director

c) The above Information regarding related parties have been determined to the extent such parties have been identified on the basis of information available with the Company.

d) List of transactions with related parties

Particulars	(Rs. 000's)							
	Ultimate Holding Company		Fellow Subsidiaries		Subsidiaries		Total	
	Dec'10	Dec'09	Dec'10	Dec'09	Dec'10	Dec'09	Dec'10	Dec'09
<b>Transactions during the year</b>								
<b>Revenue from Business/Knowledge process outsourcing and Software services</b>			<b>891,152</b>	<b>455,051</b>			<b>891,152</b>	<b>455,051</b>
ISGN Corporation Inc			240,329	141,349			240,329	141,349
ISGNSolutions Inc			650,823	313,702			650,823	313,702
Inuva Info Management Pvt Ltd								
<b>Reimbursement of Expenses</b>			<b>16,935</b>	<b>9,519</b>	<b>1,154</b>	<b>327</b>	<b>18,089</b>	<b>9,846</b>
ISGN Corporation Inc			10,311	8,994			10,311	8,994
ISGN Solutions Inc			6,624	525			6,624	525
Inuva Info Management Pvt Ltd					1154	327	1154	327
<b>Rent Paid</b>								
Chambal Fertilizers & Chemicals Limited								
<b>Investments Made</b>								
Inuva Info Management Pvt. Ltd								
<b>Reimbursement of Expenses made</b>								
Chambal Fertilizers & Chemicals Limited								
<b>Loans repaid</b>								
	58000	70,000					58000	70,000
Chambal Fertilizers & Chemicals Limited	58000	70,000					58000	70,000
<b>Loans received</b>								
	46000	82,000					46000	82,000
Chambal Fertilizers & Chemicals Limited	46000	82,000					46000	82,000
Interest paid	939	3,265					939	3,265



**ISG Novasoft Technologies Limited**

**Schedules forming part of accounts**

**Notes on Accounts (contd.)**

Particulars	Ultimate Holding Company		Fellow Subsidiaries		Subsidiaries		Total	
	Dec'10	Dec'09	Dec'10	Dec'09	Dec'10	Dec'09	Dec'10	Dec'09
<b>Amounts Receivable(net)</b>			260,683	129,328	98	327	260,781	129,655
Inuva Info Management Pvt Ltd					98	327	98	327
ISGN Corporation			193,091	45,608			193,091	45,608
ISGN Solutions			67,592	83,720			67,592	83,720
<b>Amounts payable (net)</b>								
Chambal Fertilizers & Chemicals Limited		12,273						12,273
		12,273						12,273

e) List of transactions made by the company in which KMP has substantial interest

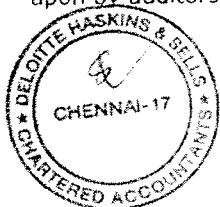
Particulars	(Rs.000's)	
	Year ended December, 2010	Period ended December, 2009
<b>Rental Deposit</b>	7,470	7,470
<b>Rent Paid</b>	12,874	-

**8. Earnings per share**

	Year ended December 31, 2010	Period ended December 31, 2009
Profit/(Loss) for the year/(period) as per Profit and Loss account (A) (Rs.000's)	102,221	(9,065)
Weighted average no: of shares outstanding (B)	36,230,700	36,230,700
Earnings per share (A/B) (in Rs)	2.821	(0.250)

**9. Micro, Small and Medium Enterprises**

As at December 31, 2010 there are no amounts including interest payable to Micro, Small and Medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company, and relied upon by auditors.





**ISG Novasoft Technologies Limited**

**Schedules forming part of accounts**

**Notes on Accounts (contd.)**

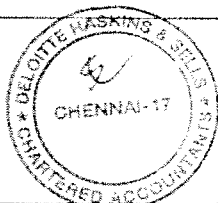
**10. Employee Benefit**

The company obligation towards gratuity is a defined benefit plan. The details of actuarial valuation is given below

**a. Defined Benefit Plan – Gratuity**

(Rs .000's)

	Year ended December 31, 2010	Period ended December 31, 2009
<b>Present value of obligation as at the beginning of the period</b>	3,917	3,065
Interest cost	298	245
Current service cost	2,497	1,998
Benefits paid	(489)	-
Actuarial (gain) loss on obligation	(1,470)	(1,391)
<b>Present value of obligation as at the end of the period</b>	<b>4,753</b>	<b>3,917</b>
Fair value of plan assets at the beginning of the period		
Expected return on plan assets	-	-
Contributions	489	-
Benefits paid	(489)	-
Actuarial gain (loss) on plan assets	-	-
Fair value of plan assets at the end of the period	-	-
<b>Amounts recognized in the balance sheet</b>	-	-
Present value of the obligation at the end of the period	4,753	3,917
Fair value of plan assets		-
<b>Funded status of the plan- (asset)/ liability</b>	<b>4,753</b>	<b>3,917</b>
<b>Cost for the period</b>		
Current service cost	2,497	1,999
Interest cost	298	245
Expected return on plan assets		
Net actuarial (gain)/ loss recognised in period	(1,470)	(1,391)
Past service cost - non-vested benefits		
Past service cost – vested benefits		
<b>Expense recognised in the statement of profit and loss</b>	<b>1,325</b>	<b>853</b>
<b>Principal actuarial assumptions</b>		
Discount Rate (%)	8.00%	8.00%
Salary escalation (%)	7%	10%
Attrition rate	30%	20%



**ISG Novasoft Technologies Limited****Schedules forming part of accounts****Notes on Accounts (contd.)****11. Managerial Remuneration**

Particulars	Rs. (000's)	
	Year ended December 2010	Period ended December 2009
Remuneration paid by ISG Novasoft Technologies Limited, India	NIL	NIL
Remuneration paid by overseas fellow subsidiary, ISGN Corporation, USA. • Salaries & Perquisites	18,452	12,561

**12. Additional Information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956**

	Year ended December 31, 2010	Period ended December 31, 2009
	(Rs. 000's)	(Rs. 000's)
a. Expenditure in foreign currency		
Travelling and Conveyance	44,613	28,169
b. Earnings in foreign currency		
Revenue from Business/Knowledge process outsourcing and Software services	891,153	455,051

- 13.** Current tax is determined based on estimated taxable income for the year ended December 31, 2010. The ultimate current tax liability will be determined on the basis of taxable income for the year April 01, 2010 to March 31, 2011.

Provision for tax for the current period represents Regular computation of tax payable under the Income tax Act 1961, after adjusting the MAT Tax credit of the previous years

The Company reviewed the deferred tax assets and liabilities. The timing differences relate mainly to depreciation and other 43B items under Income tax act 1961 and accordingly the company has recognized DTA of Rs.7,495 thousands in the current year.

Deferred tax assets	Amount
On account of 43B items under the Income tax Act	5,585
Depreciation	1,910
Total	7,495

- 14.** The Company will initiate a review of the transactions with overseas associates to ascertain compliance with transfer pricing requirements under the Income Tax Act, 1961 during the year ending March 31, 2011. Therefore, adjustments, if any, arising out of such study, have not been made in the attached financial statements.



**ISG Novasoft Technologies Limited**

**Schedules forming part of accounts**

**Notes on Accounts (contd.)**

**15.** As part of the Employment agreement, the eligible employees of ISG Novasoft Technologies Limited were granted an option under 2007 Share Option Plan of CFCL Technologies Limited, the Holding Company, to acquire shares of the Holding Company. Any benefit arising to the employee of ISG Novasoft Technologies Limited under the stock option plans shall be considered as a benefit provided by CFCL Technologies Limited, the Holding Company, for and on behalf of ISG Novasoft Technologies Limited and no expense will be passed on to ISG Novasoft Technologies Limited in relation to the said Stock Option

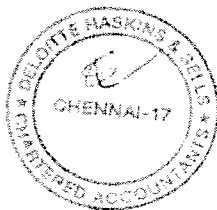
**16. Contingent liability**

Adjustments to taxable income made to the tune of Rs. 94,179 thousands by the Deputy Commissioner of Income-tax u/s 143(3) of the Act for the Assessment Year 2007-2008 (Financial Year 2006-07) is contested before the Commissioner of Income-tax , New Delhi, India.

**17.** The previous financial period was for nine months and hence the Profit and Loss Account of the previous period is not comparable with that of the current year which is for a period of 12 months. Previous period figures have been regrouped / reclassified, wherever necessary to conform to the current year's classification.

**Signature to Schedules 1 to 15**

For and on behalf of the Board of Directors



*S.K.*  
Managing Director

*[Signature]*  
Director

*[Signature]*  
Company Secretary

Place: Bensalem, USA  
Date: May 4, 2011

**ISG Novasoft Technologies Limited**

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies for the period ended December 2010

Name of the subsidiary	Inuva Info Management Private Limited
Financial Period ended	December 31, 2010
Holding Company's interest (in equity shares)	71%
Shares held by the holding company in subsidiary	16900 equity shares of Rs. 10/- each
	Rs.
The net aggregate profits or losses of the subsidiary for the current period so far as it concerns the members of the holding company	
a. dealt with or provided for the accounts of the holding company	-
b. not dealt with or provided for the accounts of the holding company	(3,591,130)
The net aggregate profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for the accounts of the holding company	-
b. not dealt with or provided for the accounts of the holding company	1,792,406
Issued and subscribed share capital (Equity)	238,000
Issued and subscribed share capital (Preference)	-
Reserves	4,222,118
Loans	-
Total Assets	4,460,118
Total Liabilities	4,460,118
Investments	
Long Term	-
Current Term	-
Total	-
Turnover & Other Income	319,445
Profit/(Loss) before Taxation	(5,057,930)
Provision for Taxation	-
Profit/(Loss) after Taxation	(5,057,930)
Proposed Dividend	-
Country	India

Note:


1. The company has acquired 71% shares during the year 2007-08 .
2. During the period ended 31-12-2009 the Company has made dimunition in the value of investments made in Inuva info Management Private Limited .

For and on behalf of the Board of Directors

  
Managing Director

  
Director

Date : May 04, 2011  
Place: Bensalem, USA

  
Company Secretary