

Cades Technology Canada Inc

Director's Report

To The Members
Cades Technology Canada Inc

Your Directors are pleased to present their report on the business operations of the company for the period from 04th June 10 to 31st March 11 and subsequent events to date. While audit is not mandated in Canada for small enterprises, however **Cades Technology Canada Inc** has got its accounts audited by G D & Associates, Chartered Accountants, Bangalore, India for the purpose of publishing the Audited accounts of its parent company Cades Digitech Private Limited in accordance with the statutory requirements in India.

I. Financial Results for 4/06/2010-3/31/2011 (in CAD\$)

PARTICULARS	FY 2010-11
Income	228,607
Expenditures excluding Tax	207,992
Net Profit before Tax	20,615
Less: Tax	9895
Profit after Tax	10,720

II. Business Activity

The Company is engaged in rendering engineering design service for the aerospace sector in Canada and has started operations in December 2010 and has shown good progress during the period.

III. Directors

Mr. S. Ravi Narayanan is the sole Director, President-Secretary and Treasurer of the Company


S. Ravinarayanan
Chairman and Director

Date: 23rd May, 2011
Place: Bangalore



AUDITORS REPORT

1. We have examined the attached Balance Sheet of **M/s. CADES TECHNOLOGY CANADA INC (subsidiary of M/s. Cades Digitech Private Limited)** as at **March 31, 2011** and the Profit and Loss Account for the year ended on **March 31, 2011**. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on 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 the management as well as evaluating the overall financial Statement presentation. We believe our audit provides a reasonable basis for our opinion.
3. 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 those books;
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts
 - d. In our opinion, the Balance sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e. In our opinion and to the best of my information and according to the explanations given to us, the said accounts together with the notes attached thereto give the information required by the Act, in a 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 at March 31, 2011.
 - ii. In the case of Profit and Loss account Profit of the Company for the period ended on that date.



Place : Bangalore
Date : May 23, 2011

For G D & ASSOCIATES
Chartered Accountants
Firm Registration No - 011187S

GURULINGAYYA G.
Partner.
Membership No.212962

CADES TECHNOLOGY CANADA INC.
BALANCE SHEET AS AT MARCH 31, 2011

	SCH	As at 31-Mar-11 Rs
SOURCES OF FUNDS		
<i>Shareholders' funds:</i>		
Share Capital	A	4,596
Reserves and Surplus	B	498,503
Secured Loans		NIL
Unsecured Loans		NIL
TOTAL		<u>503,100</u>
APPLICATION OF FUNDS		
<i>Fixed assets:</i>		
Gross Block		NIL
Less: Depreciation		<u>NIL</u>
Net Block		<u>NIL</u>
<i>Current assets, loans and advances:</i>		
Sundry Debtors	C	9,169,755
Cash and Bank Balances	D	131,865
Loans & Advances and Deposits	E	123,305
		<u>9,424,925</u>
Less: Current Liabilities and Provisions	F	<u>8,921,825</u>
		<u>8,921,825</u>
 <i>Net Current Assets</i>		 <u>503,100</u>
 Miscellaneous Expenditure <i>to the extent not written off or adjusted</i>		 NIL
TOTAL		<u>503,100</u>

Significant accounting policies and notes to accounts - L
Schedules A to E & L attached to Balance Sheet are an integral part thereof

As per our report of even date
for G D & ASSOCIATES
Chartered Accountants


GURULINGAYYA G.
Partner
Membership No. 212962



for and on behalf of the Board


S. RAVI NARAYANAN
Director



Place: Bangalore
Date : May 23, 2011

CADES TECHNOLOGY CANADA INC.

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDING MARCH 31, 2011

for the ten months

period ending

31-Mar-11

SCH

Rs

INCOME

Sales	G	10,371,200
Other Income	H	681
		<u>10,371,881</u>

EXPENDITURE

Manpower Cost	I	5,789,091
Administrative Expenses	J	3,582,051
Finance Cost	K	65,464
		<u>9,436,606</u>


Profit/(Loss) before Tax		935,274
Less: Provision for taxation		
Current Tax		448,932
Profit/(Loss) After Tax		<u>486,343</u>
Add: Balance brought forward from last year		NIL
Balance Carried to Balance sheet		<u>486,343</u>

Significant accounting policies and notes to accounts L

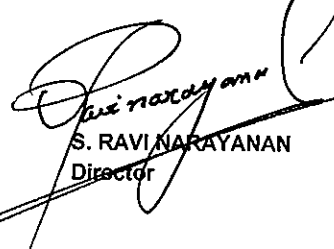
Schedules G to K & L attached to Profit & Loss Account are an integral part thereof

As per our report of even date
for G D & ASSOCIATES
Chartered Accountants

for and on behalf of the Board


GURULINGAYYA G.
Partner
Membership No. 212962




S. RAVI NARAYANAN
Director



Place: Bangalore
Date : May 23, 2011

CADES TECHNOLOGY CANADA INC.
SCHEDULES FORMING PART OF BALANCE SHEET

As at
 31-Mar-11
 Rs

SCHEDULE A : SHARE CAPITAL

Authorised Capital

100 Class A shares of Canada\$ 1 per share	4,540
	<u>4,540</u>

Issued, Subscribed and Paid up

100 Class A shares of Canada\$ 1 per share	4,596
	<u>4,596</u>

SCHEDULE B : RESERVES & SURPLUS

Foreign Currency translation reserve	12,160
Profit & Loss Account	486,343
	<u>498,503</u>

SCHEDULE C : SUNDRY DEBTORS

(Unsecured - Considered good)

Debts outstanding for not more than 6 months	9,169,755
Others	NIL
	<u>9,169,755</u>

SCHEDULE D : CASH AND BANK BALANCES

Cash balance on hand	NIL
Balances with Scheduled banks:	
On current account	131,865
	<u>131,865</u>

SCHEDULE E : LOANS & ADVANCES

(Unsecured - Considered good)

Advances recoverable in cash or in kind or for value to be recovered	88,887
Deposits	34,418
	<u>123,305</u>

SCHEDULE F : LIABILITIES

Sundry Creditors	10,420
Dues Holding Company	5,988,697
Outstanding expenses payable	1,115,111
Other Liabilities	1,807,597
	<u>8,921,825</u>



**CADES TECHNOLOGY CANADA INC.
SCHEDULE TO PROFIT AND LOSS ACCOUNT**

for ten months
period ending
31-Mar-11

SCHEDULE G - SALES

Service Income
10,371,200
10,371,200

SCHEDULE H - OTHER INCOME

Misc. Income
681
681

SCHEDULE I - MANPOWER COST

Salaries & Wages 5,287,202
Social Security - Employers 467,227
Welfare Expenses 34,663
5,789,091
5,789,091

SCHEDULE J - ADMINISTRATIVE EXPENSES

Professional & Consultancy 2,893,588
Rent 80,968
Travelling & Conveyance 607,494
3,582,051
3,582,051

SCHEDULE K - FINANCE COST

Bank Charges
65,464
65,464



CADES TECHNOLOGY CANADA INC.

SCHEDULE - L : SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Company overview

Cades Technology Canada Inc. was incorporated in Canada on June 04, 2010 as fully owned subsidiary of M/s. Cades Digitech Private Limited an Indian Company registered under the Indian Companies Act, 1956 and hence Financial statements are drawn for ten months period ending March 31,2011

Cades Technologies Canada Inc. ('The Company') is a subsidiary of Cades Digitech Private Limited. Cades Digitech Private Limited is a subsidiary of M/s. Axis IT & T Limited.

I. SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of Preparation of financial Statements

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles in India (GAAP), under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in The Companies (Accounting Standard) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956, to the extent applicable. These financial statements have been prepared for the purpose of compliance by the Company's holding company under Section 212 of the Indian Companies Act, 1956.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenditure during the year. Actual results could differ from those estimates. Any revision in accounting estimate is recognized prospectively in current and future periods.

3. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation. Depreciation on furniture and fixture and plant and equipments has been provided on a straight line method over an estimated useful of the assets.

4. Foreign exchange transactions and translation of financial statements

The local currency of the Company is Canadian Dollar (CAD)

The Company is a foreign subsidiary of Cades Digitech Private Limited and is considered an non-integral operation in accordance with Accounting Standard-11, The Effect of changes in Foreign Exchange Rates. Accordingly, these financial statements have been presented in Indian Rupees and CAD is considered as foreign currency. Foreign currency transactions are recorded at the average foreign exchange rates during the period. All monetary assets and liabilities are translated at the foreign exchange rate as of the balance sheet date and non monetary assets and liabilities are translated at the historical foreign exchange rates. All resulting exchange difference arising out of year-end translations are recorded as in foreign currency translation reserve.



5. Income tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements of the Company.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment/substantive enactment date. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Accordingly, in view of carried forward business losses the Company has not recognized deferred tax assets as at balance sheet date.

Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

6. Provisions and contingent liabilities

The Company creates a provision when there is a present obligation as a result of an obligating 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. Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

7. Impairment of assets

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 of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the 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 depreciated historical cost.

8. Earnings per share

The number of equity shares used in computing basic earnings / (loss) per share is the weighted average number of shares outstanding during the period. Dilute earning / (loss) per share is computed by dividing net profit / (loss) by the diluted weighted average number of shares outstanding during the period. Diluted earnings / (loss) per share reflects the potential dilution from shares issuable through conversion of preference shares.

The Company treats potential equity shares as dilutive when and only when the conversion to equity shares would decrease net profit per share from continuing ordinary operations.



ii **Notes to Accounts**

1. **Related party transaction:**

Related parties with whom control exists and no transactions have taken place during the year :-

Cades Digitech Private Limited - the holding Company
Cades Digitech USA - Branch of a Holding Company

The following is the listing of payables to related parties:

Name of the Party	As at March 31,2011
Cades Digitech Private Limited	49,99,400
Cades Digitech USA	10,68,261

2. **Earnings/(Loss) per share**

Profit or (Loss) for the year	Rs.486,343
Weighted average number of equity shares	83.33 shares
[100 shares of face value of CAD\$1 for 10 months)	5,836


3. **Segment reporting**

The Company has one business segment and geographic segment; hence segment information is not required to be disclosed.

As per our report of even date

for and on behalf of the Board

for G D & ASSOCIATES
Chartered Accountants


GURULINGAYYA G.
Partner
Membership No. 212962




S. RAVI NARAYANAN
Director



Place: Bangalore
Date : May 23, 2011