

QUEST SOFTECH (INDIA) LIMITED



**ANNUAL REPORT
2009-2010**

CORPORATE INFORMATION**BOARD DIRECTORS**

Mr. Dhiren B. Kothary, Chairman & Director
 Mr. Suresh S. Vishwasrao, Non-Executive Director
 Mr. Paresh C. Zaveri, Independent Director

AUDIT COMMITTEE

Mr. Paresh C. Zaveri, Chairman
 Mr. Suresh S. Vishwasrao
 Mr. Dhiren B. Kothary

REGISTERED OFFICE

27, Maker Bhavan No 2,
 2nd Floor, 18, New Marine Lines,
 Mumbai 400020.

STATUTORY AUDITORS

M/s. Ashok Gokani & Co.,
 Chartered Accountants,
 J/4, "Mangalkunj",
 S V Road, Borivali (W),
 Mumbai - 400 092.

REGISTRAR AND TRANSFER AGENT

Purva Sharegistry (India) Private Limited
 Unit no. 9, Shiv Shakti Industrial Estate,
 J .R. Boricha Marg,
 Opp. Kasturba Hospital Lane,
 Lower Parel (E), Mumbai 400 011

BANKERS

HDFC Bank Ltd
 22-25, Ground Floor
 Crawford Market, L.T. Road,
 Mumbai 400001

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF QUEST SOFTECH (INDIA) LIMITED WILL BE HELD ON THURSDAY, 30th SEPTEMBER, 2010 AT 10.00 A.M. AT CHITHPAVAN BRAHMAN SANGH, S. V. SOVANI MARG, GIRGAON, MUMBAI - 400 004 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Dhiren B. Kothary, who retires by rotation and being eligible offers himself for re-appointment
3. To re-appoint M/s. Ashok Gokani & Co. Chartered Accountants, as Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution:

"RESOLVED THAT Mr. Paresh C. Zaveri who was appointed as an Additional Director of the Company by the Board of Directors on 1st April, 2010, and holds office under section 260 of the Companies Act, 1956 and article 142 of Articles of Association of the Company, until the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing pursuant to section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

"RESOLVED FURTHER THAT any one of the Directors of the Company be and is hereby authorized to sign and file Form 32 and all other documents with the Registrar of Companies, Ministry of Corporate Affairs, Mumbai, electronically and to do all such acts, deeds and things that are necessary to give effect to the said resolution."

DATE : 30.08.2010
PLACE : Mumbai

By order of the Board of Directors
Dhiren B. Kothary
Director

Registered Office:
27, Maker Bhavan No. 2,
2nd Floor, 18, New Marine Lines,
Mumbai - 400020.

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Proxies, in order to be effective, must be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
3. The Register of members and the share transfer book of the company shall remain closed from Saturday, 25th September, 2010 to Thursday, 30th September, 2010 (both days inclusive).
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members are requested to notify changes in address, if any, immediately to the company at its registered office, quoting their Folio Numbers.
6. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.

EXPLANATORY STATEMENT

(Pursuant to the provision of section 173 (2) of the Companies Act, 1956)

The following Explanatory Statements set out all the material facts relating to the Special Business mentioned in notice:

Item No. 4 :

Your Board of Directors had in the Board meeting held on 1st April, 2010 appointed Mr. Paresh C. Zaveri as an Additional Director of the Company. According to the provisions of section 260 of the Companies Act, 1956, he is eligible to hold office as an Additional Director only up to the date of the ensuing Annual General Meeting and is eligible for the reappointment as Director of the Company at the Annual General Meeting.

The Company has received notice under Section 257 of the Companies Act, 1956 along with the requisite deposit, proposing his candidate for the appointment as Director of the Company. Mr. Paresh C. Zaveri, an Engineer and a Management graduate, has over 17 years of experience in the areas of corporate finance, supply chain and general management as well as strategic planning.

Proposed appointment of Mr. Paresh C. Zaveri as a Director requires the approval of members in the General Meeting. The Board recommends that the Ordinary Resolution be passed.

Mr. Paresh C. Zaveri is considered as interested in the resolutions pertaining to his appointment. Save and except him, none of the other Directors of the Company is, in any way, considered or interested in the Resolution.

By order of the Board of Directors

Dhiren B. Kothary

Director

DATE : 30.08.2010
PLACE : Mumbai

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the Eleventh Annual Report along with the Audited Accounts for the year ended on 31st March, 2010

FINANCIAL HIGHLIGHTS

Particulars	(Rs. in Lacs)	
	Current Year 2009-10	Previous Year 2008-09
Income from Operations	141.87	114.11
Other Income	0.80	-
Profit / (Loss) before Interest, Depreciation & Taxation	(67.61)	0.08
Financial Charges	9.40	125.18
Depreciation	44.25	44.25
Profit / (Loss) before Tax	(121.26)	(169.35)
Provision for Tax (net)	(5.50)	6.55
Profit / (Loss) after Tax	(115.76)	(175.89)
Balance brought forward from Previous Year	(342.54)	0.29
Debit balance on account of Scheme of Arrangement	-	166.93
Balance carried to Balance Sheet	(458.30)	(342.54)

FINANCIAL REVIEW

During the year under review, your Company recorded Income from Operations aggregating to Rs 141.87 lac as against Rs. 114.11 lac in the previous year, registering a growth of 24.33%. The Loss before tax has been Rs. 121.26 lac as against Rs. 169.35 lac in previous year, thereby recording a decrease in loss by 28.40%.

DIVIDEND

In view of the loss incurred during the financial year by the Company, your directors express their inability to recommend any dividend for the year ended 31st March 2010.

BUSINESS OUTLOOK

The main business of the company is IT/BPO services relating to preparation and maintenance of accounting information and financial reports. Your Company seeks to elevate the clients' finance and accounting functions from transactional requirements into tools that can be used to effectively manage the business. Our unique business process outsourcing methodology and approach, work to optimize operations across the full range of finance and accounting functions. We serve as a single window outsourcing solution for all Finance, Accounting and Tax Related services. Considering the present demand scenario, the future prospect for the services offered by your Company looks very encouraging.

ALLOTMENT OF SHARES PURSUANT TO SCHEME OF ARRANGEMENT

Pursuant to the approval of the Honourable High Court of Judicature at Mumbai under sections 391-394 of the Companies Act, 1956 to the Scheme of Arrangement, the software services division of Continental Controls Limited has been demerged and transferred to the your Company. In consideration of the same, your Company has issued and allotted 4,421,256 equity shares of Rs. 10/- each fully paid of the company to the shareholders of the Continental Controls Limited on 6th July, 2009. Thereby, the equity share capital of the company has increased from Rs. 55,787,440/- to Rs 100,000,000/-.

LISTING OF EQUITY SHARES

Your directors wish to inform that the Company is in the process of listing its equity shares on the Bombay Stock Exchange Limited.

DIRECTORS

Mr. Dhiren B. Kothary, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Mr. Paresh C. Zaveri was appointed on the Board as an Additional Director with effect from 1st April 2010. He shall hold office until the ensuing Annual General Meeting. The Company has received a Notice from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Paresh C. Zaveri for office of Director of the Company. Since the appointment of Mr. Paresh C. Zaveri is in the best interest of the company, the Board recommends his appointment for your approval.

Mr. Sesa Srinivas Malladi resigned as Director of the Company with effect from 1st April, 2010. Your Directors put on record the contribution made by Mr. Sesa Srinivas Malladi during his tenure as Director of the Company.

PUBLIC DEPOSITS

During the year under review, the Company has not accepted any Public Deposits from the Public under section 58A of the Companies Act, 1956 and rules framed thereunder.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Director's Responsibilities Statement, it is hereby confirmed:

- (i) That in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors had prepared the accounts for the year under review on a 'going concern' basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The provision of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998, are not applicable to the Company as the Company is not doing any manufacturing activity.

A. Conservation of Energy

The operations of your Company are not energy intensive, therefore impact of energy saving devices are insignificant. Adequate measures have, however, been taken to reduce energy consumption.

B. Research & Development (R&D)

Your Company is predominantly a service provider and therefore has not set up a formal R&D unit. However, continuous research and development is carried out as an integral part of the activities of the Company.

C. Technology Absorption

Your Company has not imported any technology during the year under review.

D. Foreign Exchange Earnings and Outgo

During the year under review, there were no transactions in Foreign Currency.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration in excess of the limits specified under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of the Employees) Rules, 1975.

AUDITORS

The present statutory auditors of the company M/s. Ashok Gokani & Co., Chartered Accountants, Mumbai, hold their office until the conclusion of the ensuing Annual General Meeting. The present auditors have confirmed their willingness and eligibility under section 224(1B) of the Companies Act, 1956 for their re-appointment for the financial year 2010-11 at the remuneration to be decided by the Board of Directors. The members are requested to consider their re-appointment for the current financial year 2010-11 and authorize the Board of Directors to fix their remuneration.

ACKNOWLEDGEMENTS

The Board of Directors put on record their sincere thanks to the clients, vendors, bankers for their continued support and co-operation.

Your Directors also place on record their appreciation for the business associates and shareholders.

DATE : 30.08.2010

PLACE : Mumbai

By order of the Board of Directors

Dhiren B. Kothary

Director

Registered Office:

27, Maker Bhavan No. 2,

2nd Floor, 18, New Marine Lines,

Mumbai - 400020.

AUDITORS' REPORT**TO THE MEMBERS OF
QUEST SOFTECH (INDIA) LIMITED**

I have audited the attached Balance Sheet of QUEST SOFTECH (INDIA) LIMITED as at 31st March, 2010 and also the profit and loss account and the cash flow statement for the year ended on 31st March 2010 annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to my comments in the Annexure referred to in paragraph (1) above, I report that:
 - (a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - (b) In my opinion proper books of accounts as required by law have been kept by the Company so far as appears from my examination of those books;
 - (c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) In my 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 Companies Act, 1956;
 - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on March 31, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
 - (f) In my opinion and to the best of my information and according to explanations given to me the said accounts read with the notes thereon give the information as 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 31st March 2010;
 - ii) in the case of the Profit and Loss Account of the Loss for the year ended on that date; and
 - iii) in the case of the cash flow statement of the cash flows for the year ended on that date.

For Ashok Gokani & Co.
Chartered Accountants
Ashok Gokani, Proprietor
M / No. :47708
Address :
Mangal Kunj, J/4, "B" Bldg., S.V. Road,
Borivali - West, Mumbai-400092.

Place : Mumbai
Date : 30.08.2010

ANNEXURE TO THE AUDITOR'S REPORT

(Referred in paragraph (1) of report of even date)

- (i) a In our opinion and according to the information and explanation given to us, the Company has maintained all the relevant records showing full particulars, including quantitative details and situation of fixed assets.
- b The company has a program for physical verification of fixed assets at regular intervals. In our opinion, the period of verification is reasonable having regard to the size of the company and nature of its assets. No material discrepancies have been reported on such verification.
- c During the year, the Company has not disposed off any fixed assets that affects the going concern of the company.
- (ii) a As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b The procedures of physical verification of inventory followed by the management has appeared to be reasonable and adequate in relation to the size of the Company and nature of its business.
- c The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records have been properly dealt with in the books of account.
- (iii) a The company has not granted any loan whether secured or unsecured to companies, firm or other parties covered in the registered under section 301 of the Act.
- b Not applicable
- c Not Applicable
- d Not applicable
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and nature of its business, with regard to the purchase of inventories and fixed assets and with regard to the sale of goods. Further, on the basis of our examination and according to the information and explanation given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control system.
- (v) a There is no such transaction that need to be entered into a register in pursuance of section 301 of the Act.
- (vi) The Company has not accepted any deposit from the public and hence the provisions of section 58A of the Companies Act, 1956, and the Rules framed thereunder are not applicable.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records by the company under section 209(1)(d) of the Companies Act, 1956, for any of its products.
- (ix) a The company has been regular, during the year, in depositing Provident Fund dues, Investor Education and Protection Fund dues, Employees' State Insurance, Income-tax, Sale-tax, Wealth Tax, Customs Duty, cess and any other statutory dues with appropriate authorities.

- b There are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess.
- (x) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and has also incurred cash loss in immediate preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to a financial institutions or banks or debenture holders.
- (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute as specified under paragraph 4(xiii) of the Order are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in securities.
- (xv) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) This clause is not applicable as no term loans have been raised during the year.
- (xvii) Based on our examination of the books of account and balance sheet of the company, we are of the opinion that funds raised for short term basis have not been used for long term investments and vice versa.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

Place : Mumbai
Date : 30.08.2010

For Ashok Gokani & Co.
Chartered Accountants
Ashok Gokani
Proprietor
M / No. : 47708

BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	Schedule	As at 31.03.2010 (Rupees)	As at 31.03.2009 (Rupees)
SOURCES OF FUNDS			
Shareholders Funds :			
Share Capital	1	100,000,000	100,000,000
Loan Funds :			
Unsecured Loans	2	37,324,737	40,340,555
Deferred Tax Liability	3	261,325	811,157
TOTAL		137,586,062	141,151,712
APPLICATION OF FUNDS			
Fixed Assets :			
Gross Block	4	28,002,129	28,002,129
Less: Depreciation		25,393,934	20,968,541
Net Block		2,608,195	7,033,588
Investments	5	5,777,000	53,777,000
Current Assets, Loans and Advances :			
Inventories		15,890,736	7,215,000
Sundry Debtors	6	3,026,978	15,078,678
Cash & Bank Balances	7	89,976	2,205,229
Loans & Advances	8	85,194,636	51,066,814
		104,202,326	75,565,721
Less : Current Liabilities & Provisions	9	20,831,494	30,169,351
Net Current Assets		83,370,832	45,396,370
Miscellaneous Expenditure	10	-	691,127
Profit and Loss Account (Debit Balance)		45,830,035	34,253,627
TOTAL		137,586,062	141,151,712
Significant Accounting Policies & Notes to Accounts	12		

AS PER OUR REPORT OF EVEN DATE

For Ashok Gokani & Co.
Chartered Accountants(Ashok Gokani)
Proprietor
M. No . 47708Place : Mumbai
Date : 30th August, 2010

For and on behalf of Quest Softech (India) Ltd.

Dhiren Kothary
DirectorSuresh Vishvasrao
DirectorPlace : Mumbai
Date : 30th August, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

PARTICULARS	Schedule	For the year ended 31.03.2010 (Rupees)	For the year ended 31.03.2009 (Rupees)
I. INCOME			
Income from Operations		14,186,550	11,411,104
Other Income		80,000	658
Increase / (Decrease) in Stock		8,675,736	529,000
TOTAL		22,942,286	11,940,762
II. EXPENDITURE			
Operating Expenses	11	29,703,024	11,932,357
Financial Charges		940,109	12,517,513
Depreciation & Amortisation		4,425,392	4,425,392
TOTAL		35,068,525	28,875,262
III Profit/(Loss) before Tax		(12,126,239)	(16,934,500)
IV. Less: Provision for Deferred Tax		(549,832)	654,973
V. Profit/(Loss) after Taxes		(11,576,407)	(17,589,473)
VI. Add: Balance b/f from Previous Year		(34,253,627)	28,641
Debit Balance b/f on Demerger of Continental Controls Limited - Software Services Division		-	(16,692,795)
VII. Balance c/f to Balance Sheet		(45,830,035)	(34,253,627)

AS PER OUR REPORT OF EVEN DATE

For Ashok Gokani & Co.
Chartered Accountants(Ashok Gokani)
Proprietor
M. No . 47708Place : Mumbai
Date : 30th August, 2010

For and on behalf of Quest Softech (India) Ltd.

Dhiren Kothary
DirectorSuresh Vishwasrao
DirectorPlace : Mumbai
Date : 30th August, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010

PARTICULARS	Schedule	For the year ended 31.03.2010 (Rupees)	For the year ended 31.03.2009 (Rupees)
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Net Profit / (Loss) before Taxation		(12,126,239)	(16,934,500)
Adjustment for :			
Depreciation & amortisation		4,425,392	4,425,392
Interest Expenses		940,109	12,517,513
Loss on sale of Shares		5,600,000	-
Expenditure W/off		691,127	76,791
Operating Profit before working capital changes		(469,611)	85,196
Adjustment for :			
Change in Inventories		(8,675,736)	821,000
Change in Sundry Debtors		12,051,700	(4,099,230)
Change in Loans & Advances		(34,127,822)	(28,884,612)
Change in Current Liabilities		(9,337,857)	8,128,804
		<u>(40,089,716)</u>	<u>(24,034,038)</u>
Cash Generated from Operations		(40,559,326)	(23,948,842)
Taxes Paid (net of refunds, if any)		-	-
Net Cash Flow from Operating Activities		<u>(40,559,326)</u>	<u>(23,948,842)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :			
Sale of Investments		42,400,000	(777,000)
Net Cash from Investment Activities		<u>42,400,000</u>	<u>(777,000)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :			
Increase / Decrease in Term Loan		(3,015,318)	37,395,897
Interest and Finance Charges paid		(940,109)	(12,517,513)
Amalgamation Exp. Incurred		-	(335,468)
Net Cash from from Financing Activities		<u>(3,955,927)</u>	<u>24,542,916</u>
Net (Decrease)/Increase in cash and cash equivalent		<u>(2,115,253)</u>	<u>(182,926)</u>
Cash and cash equivalent at the beginning of the year		2,205,229	2,388,154
Cash and cash equivalent at the end of year		89,976	2,205,229
Net (Decrease) / Increase as above		<u>(2,115,253)</u>	<u>(182,926)</u>

Notes:

- The above Cash Flow statement has been prepared under indirect method set out in AS-3 issued by the Institute of Chartered Accountants in India
- Figures in brackets indicate cash outflow.
- Previous period figures have been regrouped and recast wherever necessary to conform to the current year classification.
- Components of Cash and Cash Equivalents (closing):

	As at 31.03.2010 (Rupees)	As at 31.03.2009 (Rupees)
Cash Balance on hand	4,026	3,026
Bank balances: - With scheduled banks in Current Accounts	85,950	2,202,203
	<u>89,976</u>	<u>2,205,229</u>

AS PER OUR REPORT OF EVEN DATE

For Ashok Gokani & Co.
Chartered Accountants

For and on behalf of Quest Softech (India) Ltd.

(Ashok Gokani)
Proprietor
M. No. 47708Dhiren Kothary
DirectorSuresh Vishvasrao
DirectorPlace : Mumbai
Date : 30th August, 2010Place : Mumbai
Date : 30th August, 2010

**SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 2010**

	As at 31.03.2010 (Rupees)	As at 31.03.2009 (Rupees)
SCHEDULE "1"		
SHARE CAPITAL		
AUTHORISED CAPITAL		
10,000,000 (P.Y 6,000,000) Equity Shares of Rs. 10/- each.	<u>100,000,000</u>	<u>60,000,000</u>
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
10,000,000 (P.Y. 5,578,744) Equity Shares of Rs.10/- each Fully Paid (Of the above 4,421,256 Equity shares of Rs.10/- each fully paid up has been allotted for consideration other than cash. Refer Note No.4 of Schedule 12)	100,000,000	55,787,440
Share Capital Issued in the Scheme of Demerger of Continental Controls Limited as Approved by Bombay High Court.	-	44,212,560
	<u>100,000,000</u>	<u>100,000,000</u>
SCHEDULE "2"		
UNSECURED LOAN		
Inter Corporate Deposits	37,324,737	40,340,555
	<u>37,324,737</u>	<u>40,340,555</u>
SCHEDULE "3"		
DEFERRED TAX LIABILITY		
Deferred tax	811,157	156,184
Add: During the year	(549,832)	654,973
	<u>261,325</u>	<u>811,157</u>
SCHEDULE "5"		
INVESTMENTS		
In Shares (Other than Listed Companies)	5,777,000	53,777,000
	<u>5,777,000</u>	<u>53,777,000</u>
SCHEDULE "6"		
SUNDRY DEBTORS		
More than Six Months	1,175,950	2,664,480
Others	1,851,028	12,414,198
	<u>3,026,978</u>	<u>15,078,678</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2010**

Schedule - "4"

(Amount in Rupees)

Fixed Assets

Particulars	Depreciation Rate	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 01.04.2009	Additions during the year	As on 31.03.2010	As on 01.04.2010	For the Year 31.03.2010	Total As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Tangible Assets									
Computers	16.21%	26,891,014	-	26,891,014	20,304,793	4,359,033	24,663,826	2,227,188	6,586,221
Electrical Installation	4.75%	110,451	-	110,451	74,442	5,246	79,689	30,762	36,009
Furniture & Fixture	6.33%	859,564	-	859,564	531,483	54,410	585,894	273,670	328,081
Intercom Service	4.75%	141,100	-	141,100	57,822	6,702	64,525	76,576	83,278
Total		28,002,129	-	28,002,129	20,968,541	4,425,392	25,393,934	2,608,195	7,033,588
Previous Year		1,018,050	26,984,079	28,002,129	229,451	4,425,392	20,968,541	7,033,588	788,599

**SCHEDULES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2010**

	As at 31.03.2010 (Rupees)	As at 31.03.2009 (Rupees)
SCHEDULE "7"		
CASH AND BANK BALANCES		
Cash in Hand	4,026	3,026
Balance in Current Account		
HDFC Bank Ltd	85,675	2,201,928
State Bank of Saurashtra	275	275
	<u>89,976</u>	<u>2,205,229</u>
SCHEDULE "8"		
LOANS AND ADVANCES		
Advances receivable in Cash or kind	84,372,540	50,630,746
Deposits	707,860	321,832
Others	114,236	114,236
	<u>85,194,636</u>	<u>51,066,814</u>
SCHEDULE "9"		
CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors	20,748,840	28,822,048
Provisions	82,654	82,654
Deposits	-	1,264,649
	<u>20,831,494</u>	<u>30,169,351</u>
SCHEDULE "10"		
MISCELLANEOUS EXPENDITURE		
Preliminary Expenses	-	355,659
Amalgamation Expenses	-	335,468
	<u>-</u>	<u>691,127</u>
SCHEDULE "11"		
ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Administrative, Selling & Other Expenses	1,237,309	223,599
Loss on sale of shares	5,600,000	-
Software Cost	22,363,715	11,222,500
Staff Cost	502,000	486,258
	<u>29,703,024</u>	<u>11,932,357</u>

Schedule 12:**Significant Accounting Policies and Notes to Accounts****A. Significant Accounting Policies****1. Basis of Accounting**

The financial statements have been prepared on accrual basis following the historical cost convention in accordance with the Accounting Standards referred to in section 211 (3C) and other requirements of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the results and estimates are recognized in the period in which the results are known / materialized.

3. Revenue Recognition

(i) Revenue from sale of products is recognized when the risk and reward of ownership of the product is passed on to the customers, which is generally on delivery / installation of software products. Sales are stated as net of Sales tax.

(ii) Revenue in respect of other income is recognized when no significant uncertainty as to its determination or realization exists.

4. Fixed Assets

Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing the assets to its working condition for the intended use.

5. Depreciation

Depreciation on fixed assets is provided on straight-line method over useful life of assets at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956. Subsequent upgrades of hardware are entirely charged off to revenue in the year of purchase.

6. Inventories

Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are valued at Cost or Net Realizable Value, whichever is less.

7. Accounting for Taxes on Income and Deferred Tax

Deferred tax resulting from timing differences between accounting and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual/ reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date. Where there is Unabsorbed Depreciation or carry forward loss under tax laws, Deferred Tax Asset are recognized only if there is virtual certainty of realization of Assets.

8. Foreign Exchange Transactions

Transactions in foreign currency are generally recorded at the exchange rate prevailing on the date of transaction. Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are translated at the exchange rate ruling at that date. Exchange differences on foreign exchange transactions are recognized in the profit and loss account.

9. Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the amount of such impairment loss is charged to profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

10. Provisions and Contingencies

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

11. Investments

Investments are classified into long-term investments and current investments based on the management's intention at the time of purchase. Long-term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments, determined separately for each investment. Current investments are carried at the lower of the cost and fair value and provision is made to recognize any decline in the carrying value. The comparison of cost and fair value is done separately in respect of each category of investments.

12. Accounting of Employee Benefits

The Company has for its employees in India, benefits such as Gratuity and Provident Fund. The Company's contribution to the provident fund along with the employee share of provident fund deducted from the salary is paid into Employee Provident Fund of Government of India. The Company's contribution to EPF is charged to revenue.

B. NOTES TO ACCOUNTS

1. Previous year figures have been regrouped & re arranged wherever found necessary.
2. Balances of, Sundry Debtors, Creditors & Loans & Advances are subject to confirmation.
3. In the opinion of the Board of Directors, the Current Assets, Loans & Advances are approximately of the value stated, if realized in the ordinary course of business and Provisions for all known and determined liabilities are adequate and not in excess of the amount reasonably stated.
4. The software services division undertaking of Continental Controls Limited was demerged into the Company alongwith its assets and liabilities as per the Scheme of Arrangement approved by the

Bombay High Court on 5th September, 2008. Thus, in terms of the Scheme of Arrangement, the Company has allotted 4,421,256 equity shares of Rs. 10/- each to the share holders of Continental Controls Limited during the year.

5. Auditors Remuneration :

(Amount in Rupees)

	For the year 2009-2010	For the year 2008-2009
For Statutory Audit	7,500	7,500
For Tax Audit	2,500	2,500
	10,000	10,000

6. Transactions in Foreign Currency

The Company has not entered in any foreign currency transaction during the year.

7. Deferred Tax :

The Company has recognized deferred tax arising on account of timing differences, being the difference between the taxable incomes and accounting income, that originates in one period and is capable of reversal in one or more subsequent period(s) in compliance with Accounting Standard 22 (AS 22) – Accounting for Taxes on Income issued by Institute of Chartered Accountants of India.

(Amount in Rupees)

Particulars	For the year 2009-2010	For the year 2008-2009
Opening Deferred Tax Liability	8,11,157	1,56,184
Addition during the year	(5,49,832)	6,54,973
Closing Deferred Tax Liability	2,61,326	8,11,157

8. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED):

As per information available with the Company, none of the 'suppliers' have been identified under the meaning of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into Force from 2nd October, 2006.

9. Quantitative Detail:

The company is primarily engaged in software services. Hence, it is not possible to give the quantitative details of sales and other information as required under paragraphs 3, 4C and 4D of part II of Schedule VI of Companies Act, 1956.

10. Related Party Transactions (in respect of related parties as of the date of this report):**A. Name of the related parties:****Key Managerial Personnel:**

1. Dhiren B. Kothary - Director

Enterprises controlled by Key Management Personnel and Individual having significant influence:

1. Quest Profin Advisor Private Limited
2. Quest Finap Limited
3. Quest (East India) Advisory Private Limited
4. Quest Finlease Private Limited

B. Transactions with related parties :

1. Refund of Advance Received : Rupees 86,55,150/-
2. Repayment of Unsecured Loans : Rupees 10,00,000/-

11. Segment Reporting

- A. The company operates only in one segment IT & ITES.
- B. During the year, the company has catered mainly to the needs of the Indian market and thus there are no reportable geographical segments.

12. Earning per share has been computed as under :

(Amount in Rupees)

	For the year 2009-2010	For the year 2008-2009
Net Profit after Tax available for the Equity Shareholder	(1,15,76,407)	(1,75,89,473)
Weighted average number of Equity Shares (in nos.)	88,37,149	55,78,744
Nominal/Face Value of Equity Share	10	10
Basic and Diluted Earnings Per Share	(1.31)	(3.15)

AS PER OUR REPORT OF EVEN DATE

For Ashok Gokani & Co.
Chartered Accountants

For and on behalf of Quest Softech (India) Ltd.

(Ashok Gokani)
Proprietor
M. No . 47708

Dhiren Kothary
Director

Suresh Vishvasrao
Director

Place : Mumbai
Date : 30th August, 2010

Place : Mumbai
Date : 30th August, 2010

(II) Additional information as required under Part IV of schedule VI to the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**Registration Details**Registration No. State Code Balance sheet **Capital Raised during the year (Amount in Rupees)**Public Issue Bonus Issue
Right Issue Private Placement **Position of Mobilisation and Deployment of Funds (Amount in Rupees)**Total Liabilities Total Assets **Sources of Funds**Paid up Capital Share Application
Reserve & Surplus Secured Loans
Unsecured Loans Deferred Tax Liability **Application of Funds**Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses **Performance of Company**Turnover Total Expenditure
Profit & Loss Before Tax Profit & Loss after Tax
Earning per share Dividend Rate **Generic name of the Principal Products / Services of Company**Item Code No. (ITC Code)
Product Description

AS PER OUR REPORT OF EVEN DATE

For Ashok Gokani & Co.
Chartered Accountants

For and on behalf of Quest Softech (India) Ltd.

(Ashok Gokani)
Proprietor
M. No. 47708Dhiren Kothary
DirectorSuresh Vishvasrao
DirectorPlace : Mumbai
Date : 30th August, 2010Place : Mumbai
Date : 30th August, 2010

QUEST SOFTECH (INDIA) LIMITED

27, Maker Bhavan No 2, 2nd Floor, 18, New Marine Lines, Mumbai 400020.

PROXY FORM

Registered Folio No. _____ No. of Shares _____

I/We _____ of _____ at the District of _____ being a Member /members of the above named company hereby appoint _____ of _____ in the District of _____ failing him/her _____ of _____ in the District of _____ as my /our Proxy to attend and vote on my/our behalf at the 11th Annual General Meeting of the Company to be held on Thursday, 30th September, 2010 at 10.00 a.m. at Chithpavan Brahman Sangh, S. V. Sovani Marg, Girgaon, Mumbai - 400 004 and at any adjournment thereof.

Signed this _____ day of _____ 2010 Signature _____

Affix
Rs. 1/-
Revenue
Stamp

Note: This proxy form duly completed should be deposited at the Registered Office of the Company not later than 48 (Forty Eight) hours before the time fixed for holding of the meeting.

----- ✂ (CUT ALONG) ✂ -----

QUEST SOFTECH (INDIA) LIMITED

27, Maker Bhavan No 2, 2nd Floor, 18, New Marine Lines, Mumbai 400020.

ATTENDANCE SLIP

Registered Folio No.: _____ No. of Shares: _____

I, hereby record my attendance at the 11th Annual General Meeting of the Company on Thursday, 30th September, 2010 at 10.00 a.m. at Chithpavan Brahman Sangh, S. V. Sovani Marg, Girgaon, Mumbai - 400 004.

Name of the Shareholder: _____
(In Capital Letters)

Name of Proxy: _____
(In Capital Letters)

Signature of the Shareholder / Proxy

Note: 1. Shareholder /Proxy Holder wishing to attend the meeting must bring this attendance slip duly signed, to the meeting and hand it over at the entrance.
2. Shareholder / Proxy holder desiring to attend the meeting should bring his/her copy of Annual Report for reference at the meeting.

BOOK - POST

IF UNDELIVERED, PLEASE RETURN TO :

QUEST SOFTECH (INDIA) LIMITED

Registered Office :

27, Maker Bhavan No 2, 2nd Floor, 18, New Marine Lines, Mumbai 400020.