



DYNACONS
SOLUTIONS THAT EMPOWER

**ANNUAL REPORT
2011-2012**

DYNACONS SYSTEMS & SOLUTIONS LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|----------------------------------|--|
| Shri. Shirish M. Anjaria | Chairman & Managing Director |
| Shri. Parag. J. Dalal | Executive Director |
| Shri. Dharmesh S. Anjaria | Executive Director |
| Shri. Mukesh P. Shah | Director |
| Shri. Dilip P. Palicha | Director (Resigned w.e.f. May 30, 2012.) |
| Shri. Viren Shah | Director |
| Shri. Vishal G. Chappar | Additional Director (Appointed w.e.f. Aug 8, 2012) |

COMPANY SECRETARY

Mr. Ravishankar Singh

REGD. OFFICE

78, Ratnajyot Industrial Estate,
Irla Lane, Vile Parle (W),
Mumbai - 400 056.

Registrar & Transfer Agents

Bigshare Services Pvt. Ltd.,
E-2, Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri (E), Mumbai - 400 072.

PRINCIPAL BANKERS

Dena Bank

AUDITORS

P. C. Ghadiali & Co.
Chartered Accountants
Mumbai.

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Our Tie-ups



Cisco
CISCO Business Partner



IBM
IBM Royal Blue Partners
Authorised Service Providers



HP
HP Business Partner



Microsoft
Microsoft OEM System
Builder Partner



Lenovo
Advanced Business Partner



APC
Business Partner



Acer
Business Partner



Cyberoam
Business Partner



SONY
Business Partner



DELL
Business Partner



JUNIPER NETWORKS
Business Partner



SYMANTEC
Business Partner



NETMAGIC
Business Partner



DIGILINK
Business Partner



MCAFEE
Business Partner



CITRIX
Business Partner



AIRTEL
Business Partner



APPLE
Authorised Reseller

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the members of Dynacons Systems & Solutions Limited will be held on Friday, 28th day, September, 2012 at 3.00 P.M., at Karl Residency, 36, Lallubhai Park Road, Andheri (West), Mumbai 400058, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Profit & Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Viren Shah, who retires from the office of Director by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Vishal Chapper who was appointed by Board of Directors as an additional Director of the Company, with effect from August 08, 2012 and who hold office up to the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 125 of the Articles of Association of the Company and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member u/s 257 of the Act, proposing his candidature to the office of Directorship of the Company, be and is hereby appointed as Director of the Company whose terms of office will be determined by retirement by rotation."

By Order of the Board

For DYNACONS SYSTEMS & SOLUTIONS LTD

Shirish M. Anjaria

Chairman & Managing Director

Dharmesh S. Anjaria

Executive Director

Date: August 24, 2012

Registered Office

78, Ratnajyot Industrial Estate,
Irla Lane, Vile Parle (W),
Mumbai – 400 056

NOTES:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to special business set out in the accompanying Notice is annexed hereto and forms part of this Notice.
2. 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.
3. The instrument appointing a proxy should, however, be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
4. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote in their behalf at the Meeting.
5. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 22nd day of September, 2012 to Friday, the 28th day of September, 2012. (both days inclusive).
7. Members desirous of seeking information relating to the Accounts and operations of the Company are requested to address their queries to the Company at least 7 days before the date of the meeting, so that the information required may be made available at the meeting.
8. Shareholders holding shares in physical form are requested to advise any change of address immediately to Company's Registrar and Share Transfer Agents, Bigshare Services Pvt. Ltd. Shareholders holding shares in electronic form must advise their respective depository participants about change in address and not to the Company.
9. The relevant details as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges of person seeking re-appointment as Director under item no. 2 above is annexed hereto.
10. Members who hold shares in dematerialized form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
11. The Equity Shares of the Company are mandated for trading in the compulsory demat mode. The ISIN Number allotted for the Company's shares is INE417B01040.
12. Annual Listing fee for the year 2012-13 has been paid to all stock exchange wherein shares of the company are listed.
13. As per the provisions of Companies Act 1956, facility for making nominations is available to the shareholders in respect of the shares or deposits held by them. Nomination forms can be obtained from the Share Registrars of the Company.
14. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

15. The Ministry of Corporate Affairs has taken a “**Green Initiative in the Corporate Governance**” by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail address with **M/s.Bigshare Services Pvt. Ltd.**, Registrar and Transfer Agents of the Company.
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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) of the Companies Act, 1956 in respect of item no. 4 of the notice as set out herein before is annexed hereto.

Item No 4

Mr. Vishal Chapper was appointed as Additional Director with effect from Aug 08, 2012, in accordance with Article 125 of the Articles of Association of the Company and Sec. 260 of the Act. The director hold office only upto the date of forthcoming Annual General Meeting (AGM) but are eligible for appointment as Director. A Notice under Section 257 of the Act has been received from Members signifying their intention to propose Mr. Vishal Chapper's appointment as Director.

Mr. Vishal Chapper, aged 39 years, has done his graduation from Mithibai College, Mumbai in 1992. He did his Chartered Accountancy from ICAI in 1998. He did his management studies from NMIMS University in 2007. Being in internal audit, he did his masters in internal audits CIA (US) in 2011.

Mr. Chapper specialize in the field of Internal audits, MIS & financial management. He is currently heading Internal audit function of Bureau Veritas (A French Multi National Company). He is audit incharge of Middle East, South Asia, Russia Caspian Sea & Africa region which covers over forty four countries.

Mr. Chapper has extensive overseas experience. He has visited over thirty countries in his 8 year long tenure with Bureau Veritas. Among his overseas assignment includes internal / management audits, due diligence, company set up, revival analyses of a profit center and other management advisory assignments. Apart from his current assignments, he is also responsible as regional financial controller for Middle East Region.

He heads totally a team of over sixty people in India and overseas. His past experience includes senior finance position in manufacturing, packaging, media and Service Company. He was chosen as one of the young talent of the company in the year 2010.

The Board considers it desirable that the Company should continue to avail services of Mr. Vishal Chapper as Director, in terms of item no.4 of the accompanying Notice and commends the same for acceptance by Members of the Company.

None of the directors except Mr. Vishal Chapper is concerned or interested in item no. 4 of the accompanying Notice.

FOR DYNACONS SYSTEMS & SOLUTIONS LTD.

Shirish M. Anjaria
Chairman & Managing Director

Dharmesh S. Anjaria
Executive Director

Date: August 24, 2012

Registered Office

78, Ratnajyot Industrial Estate,
Irla Lane, Vile Parle (W),
Mumbai – 400 056

DETAILS OF DIRECTOR SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING**(In Pursuance of Clause 49 of the Listing Agreement)**

| | |
|--|---|
| Name of Director | Mr. Viren Shah |
| Age | 46 |
| Date of Appointment on the Board | March 20, 2001 |
| Qualifications | Advance Post Graduate in Computer and Systems management. Certificate in Oracle / SQL & RDBMS Concepts. |
| Expertise | Wide 21 Years of experience across a variety of industries & expertise in System Analysis, Design & Administration. |
| Directorships held in other Public Companies (excluding Foreign and Private Companies) | 1 |
| Memberships/Chairmanships of Committees across public companies | - |

| | |
|--|---|
| Name of Director | Mr. Vishal Chapper |
| Age | 39 |
| Date of Appointment on the Board | Aug 8, 2012 |
| Qualifications | B.Com, A.C.A., MBA (NMIMS distance learning), C.I.A (US) |
| Expertise | Specializes in the field of Internal audits, MIS & financial management. He is currently heading Internal audit function of Bureau Veritas (A French Multi National Company). He is audit incharge of Middle East, South Asia, Russia Caspian Sea & Africa region which covers over forty four countries. |
| Directorships held in other Public Companies (excluding Foreign and Private Companies) | - |
| Memberships/Chairmanships of Committees across public companies | - |

By Order of the Board
For DYNACONS SYSTEMS & SOLUTIONS LTD.

Shirish M. Anjaria
 Chairman & Managing Director

Dharmesh S. Anjaria
 Executive Director

Date: August 24, 2012

Registered Office
 78, Ratnajyot Industrial Estate,
 Irla Lane, Vile Parle (W),
 Mumbai – 400 056.

Directors' Report

Your Directors are pleased to present the Seventeenth Annual Report on the business and operations of the Company for the year ended March 31, 2012.

1. Financial Highlights

(Rs. In lacs)

| | Particulars | Year ended 31/03/2012 | Year ended 31/03/2011 |
|----|--------------------------------------|--------------------------|--------------------------|
| 1. | Total Income | 5219.74 | 4258.96 |
| 2. | Total Expenditure | 4854.99 | 3932.44 |
| 3. | Interest | 121.54 | 120.59 |
| 4. | Depreciation | 98.53 | 91.81 |
| 5. | Profit before Tax | 144.68 | 114.12 |
| 6. | Provision for Taxation - Current Tax | 37.35 | 21.15 |
| | - Deferred Tax | 4.21 | 16.06 |
| 7. | Profit after tax | 103.12 | 76.91 |

2. Management Analysis and Discussions

Company Performance

During the year, your Company earned total revenues of Rs. 5219.74 lacs compared with Rs. 4233.52 lacs during the previous year, reflecting a growth of 23% over the previous year. The profit before tax stood at Rs. 144.68 lacs as compared to Rs. 114.12 lacs in the previous year, a growth of 27% over the previous year. The Company has made a provision of tax totaling to Rs. 41.56 lacs and the profit after tax stood at Rs. 103.12 lacs for the current year.

Your Company has built up on the momentum achieved in the previous year and has delivered a robust performance. The business transformation initiatives taken in the last few years have yielded good results. The operating profit (earnings before interest, tax and depreciation) increased by 12% to Rs 364.75 lacs from Rs 326.52 lacs in the previous year.

Your Company continued to focus in the areas aligned with the overall vision of being a leading IT Infrastructure Solutions Provider. Key Activities that received a thrust during the previous year were turnkey system integration projects and services business.

Review of Operations

The Indian IT industry is continuing to grow despite a continuing challenging environment in the global markets. The Indian IT services market also continues to grow in spite of inflationary pressures. The exports have estimated to have increased by 16%, while domestic revenue is estimated to have increased by about 9%. The technology spending in India is expected to grow significantly higher as compared to other countries. Investment in IT is increasingly being seen by the customers as important element of growth strategies and also a fundamental enabler of cost reduction and cost optimization. Overall transformation in the global economy has created increasingly competitive markets. A high competition drives the companies to transform the manner in which they operate to attain optimum output.

Businesses today face a considerable challenge to effectively optimize their IT infrastructure and related operations and deliver ever-improving service levels to meet and exceed the expectations of their business-users without compromising on quality and security. Going forward, flexibility, agility, global mind set, process and customer centricity and a high-performance work culture will be vital. In order to beat the competitive edge, companies are resorting to use Information Technology as a tool to leverage costs.

Dynacons has a team of specialists with experience in leveraging technology to help improve efficiency and security. The Company provides dynamic technology solutions and has the capability to address the increased complexity, cost and risk associated with these technology platforms. The Company's System Integration capability, experience, quality processes, proven track record of selling and servicing high-end IT products and multi-platform technical knowhow have helped it benefit from the enhanced traction in the market place.

Dynacons provides comprehensive, end-to-end technology-based solutions which enables the Company to extend their network of relationships, improve interaction with key decision makers within each client, increase the points of sale for new clients and diversify our service-mix. This integrated approach helps the Company take advantage of growth opportunities available by becoming a vendor of choice for customers.

During the year under review, your Company entered into several new strategic partnership with principal Companies like IBM Global Technology Services, Vmware, Netmagic, Godrej, Aruba, etc. Your Company also added Security & Surveillance as a service to its existing bouquet of services. Your Company undertook some major projects with government organisations in this area. Your Company has also added to its current service locations, which has helped to reach its customers in the most intrinsic part of India where generally other vendors do not have a reach. The continued focus on the BFSI and the Government verticals has yielded spectacular results. Your Company has added several key customers in these segments towards managing their IT Infrastructure and Networking for their offices and branches.

During the previous year the Company has been successful in the acquisition of global clients. The Company undertakes set-up of IT Infrastructure for the offices of these global customers in India. The Company has undertaken several solution deployments such as Hotel Leela, Chennai wherein we provided the client with servers, desktop, laptops, surveillance systems, Wi-Fi - all integrated under a single domain. Your Company also provided effective security solution for Sada Jail, Goa. The gamut of solutions deployed included comprehensive Security Solution which includes video surveillance systems, Vehicle Scanning system, Metal Detector and X-ray scanning systems. Our Video surveillance system enabled Sada jail to provide comprehensive monitoring and a heightened level of safety for inmates and workers. Company also provided System Integration services which included deployment of Servers, Storages, Fiber Cabling etc. By installation of the Video Surveillance system, Visual coverage of 3 acre area was made available to jail authorities. They could Monitor inmate activities, provide visual evidence in case of any mishaps & maintain order in common areas.

Dynacons offers remote management of IT infrastructure operations and deliver project-specific consulting, design and implementation services. Dynacons acts as the single point of accountability for service delivery and support for your end users. Our track record of delivering high quality solutions across the entire Information Technology life cycle and our strong domain expertise helps us to solidify these relationships and gain increased business from our existing clients. There is a continued focus on Infrastructure Services which enabled the Company get into deeper engagement with existing customers and win large domestic deals in facility management, nationwide systems rollout and helpdesk services.

During the year under review, the several initiatives were taken for increasing the reach and market presence of the Company and leveraging on our partnerships with global IT majors to increase the spectrum of offerings for customers. Your Company also took up Branding exercise and underwent identity change and is now with a fresher and a younger look. Taking a comprehensive view of business processes, applications, infrastructure, IT processes and tools, we helped our customers transform their IT Infrastructure to optimize their investments and achieve maximum return on investments. The role of technology has evolved from supporting corporations to transforming them.

Remote Infrastructure Management (RIM) is a mission-critical service requiring sophisticated tools and reflects high customer confidence and relationships. Your Company has successfully demonstrated its RIM service capability and is moving towards becoming a fully integrated service provider. Dynacons' multi technology, multi product offering to customers ensures that they have the convenience and benefit of sourcing their IT products and solutions from a single source. We deliver value to our customers through a comprehensive portfolio of services and solutions that meets the entire lifecycle needs of a business. Several initiatives have been launched to identify new growth areas and simultaneously restructure existing growth engines. This has helped your Company to enrich its Company profile and build value for customers. The process of improving profitability and productivity has taken the required shape leading to better Leadership Development, Corporate Governance, Risk Management and Human Resources.

While the global macroeconomic scenario remains uncertain, the industry is expected to follow growth trajectory in FY 2012-13, driven by the need of the customers to be more competitive in their efforts to recover from global slowdown, and the IT Industry's readiness to provide innovative solutions and new business models.

Going forward, the Company is planning to add virtualization, cloud computing, Intelligent Building Management System and Enterprise Solution Division to our current bouquet of services and solution. For the wholesome internal as well as external growth of the Company, we are introducing ITIL standards for our operations. We may increase our reach to Tier II cities of India and internationally we are reaching out to Far East and EMEA countries.

Strengths

The Company provides the entire spectrum of Information Technology services including Business Planning, Business Availability and Business Continuity Services. The Company provides high quality, 24 hour, seven days a week support services by leveraging its expertise in managing IT Infrastructures for its customers. We undertake a systematic, aggressive and customer oriented approach to cater to this business segment.

The Company undertakes all activities related to IT infrastructure including infrastructure design and consulting services, turnkey systems integration of large network and data centre infrastructures including supply of associated equipment and software; on-site and remote facilities management of multi- location infrastructure of domestic clients.

Our key differentiators include an end-to-end services and solutions driven model with a strong focus on quality in every aspect of service and product delivery. This integrated approach helps the Company take advantage of growth opportunities available by becoming a vendor of choice for customers.

We believe our strong brand, our robust quality process and our access to skilled talent base at lower costs of providing services places us in a unique position to take advantage of the trend towards outsourcing IT services. The IT services segment is expected to grow significantly and your Company is gearing itself to derive the benefits of this growth.

Quality

Dynacons continues to strive on operational and delivery excellence and towards sustainable growth on the path of business excellence. Customer satisfaction and excellence in quality are key elements for succeeding in the competitive global market. During the year a number of initiatives were launched for better market penetration, customer centricity and taken to implement result oriented quality management models.

Your Company continues to strive towards process improvement for ensuring high quality delivery and high levels of customer satisfaction. A strong emphasis is based on quality in every aspect of the Company's activities. In line with this philosophy we have designed our quality management program and have defined several key parameters for measurement of quality levels to ensure improvement in the quality of the deliverables.

Review of key business processes like business planning, reporting and communication has been done to make them more effective in meeting business objectives. Internally, your Company has introduced Ramco's ERP which enables the business to yield higher employee productivity, save time and our employees can focus their energy and time in providing enhanced services and capturing new clients. Moving forward your company shall continue to further strengthen its processes by adopting best in class standards.

In order to be able to respond quickly to the customers, your Company continues with various internal initiatives to compete effectively, improve organizational flexibility and efficiency, streamline internal processes and institutionalize a culture of continuous improvement.

The Company has an adequate system of internal controls implemented by the management towards achieving efficiency in operations, optimum utilization of resources and effective monitoring thereof. The system comprises of a well-defined organization structure, pre-identified authority levels and documented policy guidelines and manuals for delegation of authority.

Outlook

The changes in the economy as well as IT technology changes are presenting several opportunities to your Company. The economic growth in the country has led to an increase in IT spends on infrastructure and services. In India, the higher growth is expected to come from the 2nd and 3rd tier towns and cities. The Company's pan india presence can be leveraged to capitalize on this growth.

Convergence of mobility and web and the implementation of cloud platforms has increased the focus on data security. Information security and business intelligence are fast emerging as the new growth areas. Cloud Computing and virtualization are changing the dynamics for providing solutions and services. The technology provides flexibility, convenience as well as reliability along with cost optimization. Your Company is adapting this technology for its own use as well as for its offerings.

We believe that with our diverse portfolio of solutions and services, domain expertise and increasing value-add to customers, we are best suited to be a strategic partner to our customers. We have built a strong foundation and given the increasing reliance on IT, the outlook for the future is robust.

Risks and Concerns

The Company's objectives and expectations may be forward looking within the meaning of applicable laws and regulations. The competition from large international and Indian IT companies is increasing in the domestic market space. Actual results may differ materially from those expressed. Important factors that could influence the Company's operations include change in government regulations, tax laws, increased competition, economic and political developments.

The growth in the economy and IT industry is expected to lead to higher job opportunities and increased demand. This is leading to higher attrition across the IT industry. The speed of technology obsolescence has increased as a natural reaction to fast changing technologies. The productive life of IT resources and competencies is shrinking, thereby increasing the level of investment needed to meet the market requirements.

3. Dividend

With a view to plough back the profits of the Company and keeping in mind the expansion of business activities, the Board of Directors consider it prudent and recommend not declaring any dividend for the year ended March 31, 2012.

4. Directors

During the year, Mr. Dilip Palicha, Non-executive director of the Company resigned from the post of directorship. The board appreciates his contribution and support given to the Company during his tenure as a Director of the Company.

Mr. Vishal Chapper was appointed as an Additional Director with effect from August 08, 2012, in accordance with Article 125 of the Articles of Association of the Company and Sec. 260 of the Act. The director hold office upto the date of forthcoming Annual General Meeting (AGM) and Notice under Section 257 of the Act has been received from Members signifying their intention to propose Mr. Vishal Chapper's appointment as Director.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. Viren Shah, Director of the Company, retires by rotation in the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. None of the Directors of the Company is disqualified from being appointed as Director as specified in Section 274 of the Companies Act, 1956.

5. Auditors

M/s P.C. Ghadiali & Co., the Statutory Auditors of the Company, hold office until the ensuing Annual General Meeting. The said auditors have furnished the Certificate of their eligibility for re-appointment under the Companies Act, 1956.

6. Corporate Governance

The report on Corporate Governance, stipulated by Clause 49 of the Listing Agreement, is annexed hereto and forms part of this Annual Report. A Certificate from the Auditors of the Company regarding compliance with Corporate Governance norms stipulated in Clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

7. Particulars of the Employees

The information as required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is not applicable as none of the employees are in receipt of remuneration which exceeds the limits specified under the said rules.

8. Human Resource Management

The success, performance and profitability of our Company are built on a strong foundation of talented and committed people. A robust manpower planning process ensures that all steps from business requirements to sourcing and staffing are seamlessly aligned.

Our distinct people integration model, not only ensures faster time-to-productivity, but it also integrates culturally diverse professionals into the organisation by fostering a behavior based on a shared set of common values. Your Company has HR policy that elaborates on each aspect of human resource management including recruitment, employee development & training, staff welfare, administration services & recreation events.

The strategic initiatives for talent development through learning and development programs and experiential learning ensured that the Company had right competencies in its workforce to meet the business demand. Also your Company focuses on the development of the soft skills for the employees to enhance their skill-sets in alignment with their respective roles. The major thrust continues in the effort to bring about measurable change in training coverage and effectiveness, increasing the Leadership and Development opportunities for every staff member. We will continue to invest even more in strengthening our ability to attract develop and retain talent.

We have created a favorable work environment that encourages innovation and meritocracy. We have also set up a scalable recruitment and human resources management process. Employee relations during the year were cordial. The directors appreciate the contributions and initiatives taken by the employees at all levels for the Company's improved performance year after year. The Company offers a growth environment along with monetary benefits in line with industry standards.

9. Fixed Deposits

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as on the date of the Balance Sheet.

10. Directors Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 the Directors based on the information and representations received from the operating management confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards had been followed along with no material departures.
- ii) The Directors had selected such accounting policies and 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 at the end of the financial year and of the profit of the Company for that period.
- iii) The Directors had 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 fraud and other irregularities,.
- iv) The Directors had prepared the annual accounts on a going concern basis.

11. Conservation of Energy, Technology Absorption, Research & Development and Foreign Exchange Earnings and Outgo

Conservation of Energy: The Company's operations involve low energy consumption. However efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

Technology Absorption: The Technology available and utilized is continuously being upgraded to improve overall performance and productivity.

Research & Development: Your Company believes that research & development is a continuous process for sustained corporate excellence. Our research & development activities help us in product and service improvement, effective time management and are focused to provide unique benefits to our customers. Such methods do not involve any specific cost burden to the Company.

Foreign Exchange Earnings : Rs. Nil (previous year Nil)
Foreign Exchange Outgo : Rs. 1.17 lacs (previous year 2.17 lacs)

12. Acknowledgements

Your Directors thank the Company's Investors, Clients, Vendors, Bankers, Business and various governmental as well as regulatory agencies for their continued support and confidence in the management.

Your Directors wish to place on record their deep sense of appreciation of the dedicated and sincere services rendered by employees at all levels during the year. Your Company's consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board of Directors

Shirish Anjaria
Chairman & Managing Director

Parag Dalal
Executive Director

Mumbai: August 24, 2012

CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges.)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Dynacons firmly believes and has consistently endeavored to practice good Corporate Governance. The Company's philosophy on corporate governance is to conduct its business in a manner, which is ethical and transparent with all stakeholders in the Company, including shareholders, vendors, creditors and employees. Good governance is a continuing exercise and the Company reiterates its commitment to pursue the same in all aspects of its operations in the overall interest of all its stakeholders through the adoption and monitoring of corporate strategies, prudent business plans, monitoring of the major risks of the company's business and ensuring that the company pursues policies and procedures to satisfy its legal and ethical responsibilities.

Dynacons believes that all its operations and actions must serve the underlying goal of long term value creation for its shareholders and its investors.

2. BOARD OF DIRECTORS**Composition and category**

The present strength of Board of Directors is **SIX** Directors comprising of an Executive Chairman and Managing Director, two Executive Directors and three Non-Executive Directors. All the three Non-Executive Directors are Independent Directors. The Non-Executive Directors with their diverse knowledge, experience and expertise bring in their independent judgment in the deliberations and decisions of the Board.

The Company has an Executive Chairman and the number of Independent Directors is one-half of the total number of Directors. The Company, therefore, meets with the requirements of Clause 49 (1) (A) of the Listing Agreement with the stock exchanges.

The following table gives details of composition of the Board of Directors and also the number of other Board of Directors of which they are a member/Chairman are as under:

| Name of Director | Category of Directorship | Attendance at last AGM | No. of Board Meetings Attended | No. of other Directorship | No. of Membership/ Chairmanship of Other Committee # |
|-------------------------|--------------------------------|------------------------|--------------------------------|---------------------------|--|
| Mr. Shirish M. Anjaria | Chairman and Managing Director | Yes | 7 | 1 | - |
| Mr. Parag J. Dalal | Executive Director | Yes | 7 | 1 | - |
| Mr. Dharmesh S. Anjaria | Executive Director | Yes | 7 | 1 | - |
| Mr. Mukesh P. Shah | Director | Yes | 5 | 5 | 2 |
| Mr. Dilip P. Palicha* | Director | No | 4 | 1 | 2 |
| Mr. Viren C. Shah | Director | Yes | 5 | 1 | 2 |
| Mr. Vishal Chapper@ | Additional Director | No | - | - | - |

Note: # Memberships/Chairmanships in Audit Committee and Shareholders'/Investors' Grievance Committee of Indian public limited companies have been considered.

* Mr. Dilip Palicha has resigned from the directorship of the Company w.e.f. May 30, 2012.

@ Mr. Vishal Chapper was appointed as an Additional, Independent Director of the Company w.e.f. August 8, 2012.

The Number of Directorships and the positions held on Board Committees by the Directors are in conformity with the limits on the number of Directorships and Board committee positions as laid down in the Companies Act, 1956 and the Listing Agreement.

Seven Board Meetings were held during the year 2011-2012. The Board Meetings are held at the Registered Office of the Company.

The dates on which the Board Meetings were held are as follows:

May 30, 2011, August 12, 2011, August 29, 2011, October 24, 2011, November 15, 2011, February 14, 2012 and February 20, 2012.

Particulars of Director seeking appointment/re-appointment at the Annual general meeting have been given in the annexure to the Notice and Explanatory Statement.

3. AUDIT COMMITTEE

The Company complies with the provisions of Section 292A of the Companies Act, 1956, as well as the listing agreement pertaining to the Audit Committee and its functioning. The members of the Audit Committee and their attendance at committee meetings are as under:

| Name of The Director | Category | No. of Meetings attended |
|-----------------------------|--------------------------------------|---------------------------------|
| Mr. Mukesh Shah | Non-Executive & Independent Director | 3 |
| Mr. Dilip Palicha | Non-Executive & Independent Director | 1 |
| Mr. Viren Shah | Non-Executive & Independent Director | 4 |

The Committee is chaired by Mr. Mukesh Shah, Chartered Accountant. All the members of the committee are Non-Executive Directors having knowledge of Finance, Accounts and Company Law. Company Secretary of the Company acted as the Secretary to the Audit Committee.

The Audit Committee met four times during the financial year 2011-2012 on the following dates: May 30, 2011, August 12, 2011, November 15, 2011 and February 13, 2012.

The terms of reference of the Audit Committee includes:-

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

Recommending the appointment and removal of statutory auditor, fixation of audit fee and also approval of payment of any other services.

Reviewing with management the quarterly / annual financial statements before submission to the Board focusing primarily on the following:

Matters required to be included in the Director's Responsibility Statement.

Any change in accounting policies and practices.

Major accounting entries based on exercise of judgement by management.

Significant adjustment arising out of audit.

Compliance with accounting standards.

Compliance with listing and other legal requirements relating to financial statements.

Qualification in draft audit report.

Any related party transaction, i.e. transaction of the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of Company at large.

Reviewing with the management, statutory and internal auditors, the adequacy of internal control systems.

Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Discussion with internal auditors any significant findings and follow up thereon.

Reviewing the finding of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.

Discussion with statutory auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

Reviewing the Company's financial and risk management policies.

4. REMUNERATION COMMITTEE

Brief description of terms of reference

To approve the annual Remuneration of the Directors and Employees of the Company.

To review the performance of the Chairman and Managing Director and the Wholetime Directors after considering the company's performance.

To review overall compensation policy, service agreements, performance incentive and other employment conditions of Executive Director(s).

The Remuneration Committee consists of Non Executive Directors with the Chairman being an Independent Director. The members of the Remuneration Committee are Mr. Mukesh Shah, Mr. Viren Shah and Mr. Dilip Palicha. The committee is chaired by Mr. Viren Shah. The Remuneration committee met once during the year. Company Secretary of the Company acted as the Secretary to the Remuneration Committee.

Remuneration Policy

Remuneration of employees largely consists of basic remuneration and performance incentives. The Company while deciding the remuneration package takes into consideration the employment scenario, remuneration package of the industry and the remuneration package of other Industries. The annual variable pay of Senior Managers is linked to the performance of the Company and their individual performance for the relevant year measured against specific Key Result Areas, which are aligned to the Company's objectives.

The Remuneration of the Executive Directors is decided by the Remuneration Committee based on criteria such as industry benchmarks, the company's performance vis-à-vis the industry performance, track record of the Executive Directors.

Details of Remuneration to all the Directors for the year ended March 31, 2012

| Name of Director | Salary |
|---|----------------|
| Mr. Shirish Anjaria, Chairman & Managing Director | Rs. 4,80,000/- |
| Mr. Parag Dalal, Wholetime Director | Rs. 9,60,000/- |
| Mr. Dharmesh S. Anjaria, Wholetime Director | Rs. 9,60,000/- |

The Company has not issued any Stock options to the Executive Directors. The Non-Executive Directors of the Company have disclosed that they do not hold any Equity Shares of the Company. There has been no pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company during the year under review.

5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Functions

The Shareholders Committee is chaired by Mr. Dilip Palicha. The Company Secretary of the Company is the Compliance Officer of the Company. The composition of the committee and details of the meetings attended by the Directors are given below:

| Name of the Director | Category | No. of Meetings attended |
|----------------------|--------------------------------------|--------------------------|
| Mr. Dilip Palicha | Non-Executive & Independent Director | 2 |
| Mr. Viren Shah | Non-Executive & Independent Director | 4 |
| Mr. Mukesh Shah | Non-Executive & Independent Director | 4 |

The committee meets at frequent intervals, to approve inter-alia, transfer/ transmission of Equity shares, issue of duplicate share certificate and reviews the status of investors' grievances and redressed mechanism and recommend measures to improve the level of investor services. Details of share transfer / transmission approved by the committee are placed at the Board meetings from time to time. Company Secretary of the Company acted as the Secretary to the Shareholders / Investors Grievance Committee.

During the year under review, 20 complaints were received from shareholders/investors which were replied/resolved to the satisfaction of the investors. Of the above, the complaints outstanding as on March 31, 2012 were Nil. The numbers of pending share transfers as on March 31, 2012 were Nil.

6. REPORT ON CORPORATE GOVERNANCE

The quarterly compliance report has been submitted to the Stock Exchanges where the Companies equity shares are listed in the requisite format duly signed by the Compliance Officer.

7. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as under :-

16th AGM : September 29, 2011 at 3.00 P.M. at Karl Residency, 36, Lallubhai Park Road, Andheri (W), Mumbai -400058.

Number of Special Resolutions passed: Three

Details of Special Resolution are as follows:

- 1) Consolidation of face value of Equity Shares from Re.1 to Rs.10 each.
- 2) Alteration of Memorandum of Association.
- 3) Issue of Shares and Warrants on Right Basis.

15th AGM : September 28, 2010 at 12.00 noon at Karl Residency, 36, Lallubhai Park Road, Andheri (W), Mumbai -400058.

Number of Special Resolutions passed : Three

Details of Special Resolution are as follows:

- 1) Re-appointment of Mr. Shirish Anjaria as a Chairman cum Managing Director.
- 2) Re-appointment of Mr. Parag Dalal as a Whole Time Director.
- 3) Re-appointment of Mr. Dharmesh Anjaria as a Whole Time Director.

Court Convened Meeting of Members of the Company was held on July 28, 2010 at 12.00 noon at Karl Residency, 36, Lallubhai Park Road, Andheri (W), Mumbai -400058 for the approval of the Scheme of Arrangement.

14th AGM : September 30, 2009 at 12.00 noon at Karl Residency, 36, Lallubhai Park Road, Andheri (W), Mumbai -400058.

Number of Special Resolutions passed : None

8. CODE OF CONDUCT

The Board of Directors has laid down Code of conduct for all Board Members and Senior Management of the Company. The copies of Code of Conduct as applicable to the Executive Director (including Senior Management of the Company) and Non Executive Directors are uploaded on the website of the Company – www.dynacons.com

9. DISCLOSURES

- a) Materially significant related party transactions i.e. transactions of the company of material nature with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large : **None**
- b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years: **NIL**
- c) A qualified Practicing Company Secretary carried out a Reconciliation of Share Capital Audit, the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- d) The Company has laid down procedures to inform the Board of Directors about the Risk Management and its minimization procedures. The Audit Committee and the Board of Directors review these procedures periodically as per guidelines of SEBI / Stock Exchange.
- e) The Company has established a mechanism called "Whistle Blower Policy" for employees to report to the management instances of unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy. No person has been denied access to the Audit Committee.
- f) During the financial year 2011-2012, the Company did not raise any proceeds through Public Issue, Right Issue and/or Preferential Issue.

10. MEANS OF COMMUNICATION

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are widely published in Leading newspapers and local language newspapers. After adoptions by the Board of Directors in their Board Meeting the financial results, presentations and official news releases are posted on the company's website: www.dynacons.com. The Management Discussion and Analysis Report is a part of the Annual Report for the year.

11. GENERAL SHAREHOLDER INFORMATION**11.1 Annual General Meeting :-**

- Date and Time
- Venue

September 28, 2012 at 3:00 P.M.
Hotel Karl Residency,
36, Lallubhai Park Road, Andheri
(West), Mumbai 400058.

**11.2 Financial Calendar: -
(Tentative)**

- Financial Reporting for quarter ending: -
- June 30
 - September 30
 - December 31
 - March 31
 - Annual Results

April'12 – March'13

Second week of August
Second week of November
Second week of February
Second week of May
End August

11.3 Book Closure Date

September 22, 2012 to September
28, 2012. (Both days inclusive)

11.4 Dividend Payment Date

N.A.

11.5 (a) Listing of Equity Shares on Stock Exchanges at:

| Name | Code Nos. |
|--|------------------|
| The Bombay Stock Exchange Ltd., Mumbai | 532365 |
| The National Stock Exchange of India Ltd. | DSSL |
| (b) Listing of Global Depository Receipts | N. A. |
| (c) Demat ISIN numbers in NSDL & CDSL | INE417B01040 |
| (d) Annual listing fees for the year 2012-2013 have been duly paid to all the above Stock Exchanges. | |

11.6 Stock Market Data

| | Bombay Stock Exchange (BSE) (in Rs.) | | National Stock Exchange (NSE) (in Rs.) | |
|------------|---|-------------------|---|-------------------|
| | Month's high price | Month's low price | Month's high price | Month's low price |
| April 2011 | 2.50 | 1.11 | 2.35 | 1.10 |
| May 2011 | 1.23 | 0.75 | 1.20 | 0.75 |
| June 2011 | 0.86 | 0.65 | 0.85 | 0.70 |
| July 2011 | 0.78 | 0.64 | 0.75 | 0.65 |
| Aug. 2011 | 0.75 | 0.66 | 0.75 | 0.65 |
| Sep. 2011 | 0.74 | 0.65 | 0.80 | 0.60 |
| Oct. 2011 | 0.80 | 0.65 | 0.85 | 0.65 |
| Nov. 2011 | 0.81 | 0.67 | 0.90 | 0.70 |
| Dec. 2011* | 8.91 | 4.57 | 9.75 | 4.55 |
| Jan. 2012 | 5.77 | 4.12 | 6.10 | 4.30 |
| Feb. 2012 | 9.00 | 5.38 | 8.85 | 5.15 |
| Mar. 2012 | 6.20 | 4.44 | 6.70 | 4.45 |

Note:

* The Company had consolidated face value of its Equity Shares from Re.1 to Rs.10 each, and trading resumed w.e.f. December 01, 2011.

11.7 Registrar and transfer Agents:

Bigshare Services Pvt. Ltd.
SEBI Regn. No. INR 00001385
E-2, Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri (E), Mumbai- 400 072
Tel : 28470652/3
Fax: 28475207

11.8 Share Transfer System

The Company's shares are traded on the Stock Exchanges compulsorily in Demat mode. Shares in physical mode which are lodged for transfer at Share Transfer Agent are processed and subject to exercise of option under compulsory transfer-cum-demat procedures. Share Certificates are either dematted or returned within the time prescribed by the authorities. The Share related information is available on-line.

11.9 Distribution of Shareholding as on March 31, 2012

| No of Equity Shares | No of Folios | % of Total | Total Holding in Rs. | % of Total |
|---------------------|--------------|---------------|----------------------|---------------|
| 1-5000 | 14906 | 92.14 | 16151930 | 27.27 |
| 5001-10000 | 728 | 4.50 | 5429910 | 9.17 |
| 10001-20000 | 299 | 1.85 | 4406210 | 7.44 |
| 20001-30000 | 73 | 0.45 | 1833590 | 3.10 |
| 30001-40000 | 71 | 0.44 | 2587120 | 4.36 |
| 40001-50000 | 24 | 0.15 | 1055030 | 1.78 |
| 50001-100000 | 38 | 0.23 | 2759110 | 4.66 |
| 100001 & above | 39 | 0.24 | 25007900 | 42.22 |
| Total | 16178 | 100.00 | 59230800 | 100.00 |

11.10 Shareholding of Directors

| Sr.No. | Name of Directors | No. of Shares | Percentage (%) |
|--------|----------------------|---------------|----------------|
| 1 | Mr. Shirish Anjaria | 360948 | 6.09 |
| 2 | Mr. Dharmesh Anjaria | 356220 | 6.01 |
| 3 | Mr. Parag Dalal | 347200 | 5.86 |

11.11 Dematerialization of Shares as on March 31, 2012

| Total No. of shares | Shares in physical form | Percentage % | Shares in demat form | Percentage % |
|---------------------|-------------------------|--------------|----------------------|--------------|
| 59,23,080 | 43248 | 0.73 | 58,79,832 | 99.27 |

11.12 Shareholding Pattern as on March 31, 2012

| Category | No of Shares held | Percentage of Shareholding |
|---------------------------|-------------------|----------------------------|
| Indian Promoters | 1757444 | 29.67% |
| Private Corporate Bodies | 372917 | 6.30% |
| Indian Public | 3728004 | 62.94% |
| NRIs/OCBs | 62969 | 1.06% |
| Trust | Nil | 0.00% |
| Clearing Member / Transit | 1746 | 0.03% |
| Total | 5923080 | 100.00% |

11.13 Outstanding GDRs / ADRs : N.A

11.14 Compliance Officer : Mr. Ravishankar Singh

11.15 Address for Investor Correspondence : Bigshare Services Pvt. Ltd.
SEBI Regn. No. INR 00001385
E-2, Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri (E), Mumbai- 400 072
Tel : 28470652/3
Fax: 28475207

Dynacons System & Solution Ltd.

78, Ratnajyot Ind. Estate,
Irla Lane, Vile Parle (west),
Mumbai – 400 056
Email : investor@dynacons.com
Cont.No. 022 - 66889900

11.16 Corporate Ethics:

The consistent endeavor of Dynacons Systems & Solutions Ltd is to enhance the reputation of the Company and irrespective of the goals to be achieved, the means are as important as the end. The Company has adopted "the Code of Conduct for prevention of Insider Trading", which contains policies prohibiting insider trading. As per SEBI / Stock Exchanges Guidelines, the Company has also promulgated Code of Conduct to be followed by Directors and Management.

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE
COMPANY'S CODE OF CONDUCT**

This is to certify that the Company has laid down Code of Conduct for all Board Members and Senior Management of the Company and the copies of the same are uploaded on the website of the Company – www.dynacons.com

Further certified that the Members of the Board of Director and Senior Management personnel have affirmed having complied with the Code applicable to them during the year ended March 31, 2012.

Mumbai, August 24, 2012

Shirish Anjaria

Chairman & Managing Director

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

The Board of Directors

Dynacons Systems & Solutions Ltd.

Mumbai.

We have examined the compliance of the conditions of Corporate Governance by Dynacons Systems & Solutions Limited for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

We state that such compliance is neither as assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **P. C. GHADIALI & CO.**
Firm Regn. No. : 103132W
Chartered Accountants

C. K. PALAN
Partner
Membership No: 100741

Place : Mumbai
Dated : August 24, 2012

August 24, 2012

The Board of Directors
Dynacons Systems & Solutions Ltd
Mumbai

As required under Clause 49 (V) of the Listing Agreement with Indian Stock Exchanges, we hereby certify that:

- a) We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
- I) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of Internal Control Systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) During the year:
- I) There has not been any significant change in internal control over financial reporting;
 - ii) There has not been any significant change in accounting policies; and
 - iii) There have been no instances of fraud of which we have become aware.

For **Dynacons Systems & Solutions Ltd**

Shirish Anjaria
Chairman & Managing Director

Dharmesh S. Anjaria
Chief Financial Officer &
Executive Director

AUDITOR'S REPORT
TO THE MEMBERS OF DYNACONS SYSTEMS & SOLUTIONS LIMITED

We have audited the attached Balance Sheet of **DYNACONS SYSTEMS & SOLUTIONS LIMITED** as at 31st March, 2012, the related Profit and Loss Account and the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We 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 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 the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to above, we report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books.
 - c) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report are prepared in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - d) The Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of account.
 - e) On the basis of written representations received from the directors of the company, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 and
 - f) 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 March 31, 2012;
 - 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 for the year ended on that date.

For **P. C. GHADIALI & CO.**
Firm Regn. No. : 103132W
Chartered Accountants

C. K. PALAN
Partner
Membership No: 100741

Place : Mumbai
Dated : May 30, 2012

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF

DYNACONS SYSTEMS & SOLUTIONS LIMITED
ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

(Referred to in paragraph (2) of our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The company has a regular programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the company and the nature of its fixed assets. In accordance with such programme, the management has physically verified fixed assets during the year and no material discrepancies were noticed on such verification.
(c) The Company has not disposed of any substantial part of its fixed assets so as to affect the going concern assumption.
2. (a) As explained to us, the stocks of equipment and components / spares for maintenance and resale have been verified by the management during the year at reasonable intervals. In our opinion, having regard to the nature and location of stocks, the frequency of the physical verification is reasonable.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) In our opinion, the Company has maintained proper inventory records. The discrepancies noticed between the physical stocks and book records were not material and the same have been properly dealt with in the books of account.
3. According to the information and explanations given to us , the Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of sub-clauses (a), (b), (c), and (d) of clause 4(iii) of the order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services.
5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956, have been so entered.
(b) On the basis of our examination of the books of account, the Company has not entered into any transactions exceeding Rs. 5 Lacs in respect of any party during the financial year that needs to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of Section 58A and 58AA of the Companies Act, 1956, and the rules framed there under are not applicable.
7. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
9. According to the information and explanations given to us and records of the Company examined by us in our opinion :
 - a. The Company is generally regular in depositing the undisputed statutory dues including provident fund, income tax, sales tax as applicable with the appropriate authorities during the year.
 - b. There are no undisputed dues payable in respect of income tax, wealth tax, sales tax and customs duty and cess which have remained outstanding as at 31 March 2012 for a period of more than six months from the date they became payable.

10. The Company does not have any accumulated losses and has not incurred any cash losses during the current financial year and the immediately preceding financial year.
11. Based on the examination of the books of account and related records and according to the information and explanations provided to us, the Company has not defaulted in repayment of dues to the banks and financial Institutions.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or Financial Institutions.
16. According to the information and explanations given to us, the working capital term loans raised during the year were used for the purpose for which they were raised.
17. Based on the examination of the books of account and related records and according to the information and explanations provided to us, the Company has not utilized funds raised on short-term basis for long term investment and vice versa.
18. The Company has not made any preferential allotment of shares during the year.
19. During the year covered by our audit report the Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **P. C. GHADIALI & CO.**
Firm Regn. No. : 103132W
Chartered Accountants

C. K. PALAN
Partner
Membership No: 100741

Place : Mumbai
Dated : May 30, 2012

Balance Sheet as at 31 March, 2012

(₹ in Lakhs)

| Particulars | Note No. | As at 31 March, 2012 | As at 31 March, 2011 |
|--|----------|-------------------------|-------------------------|
| A EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share Capital | 1 | 592.31 | 592.31 |
| (b) Reserves and Surplus | 2 | 920.53 | 817.42 |
| | | 1512.84 | 1409.72 |
| 2 Non-current liabilities | | | |
| (a) Long-Term Borrowings | 3 | 69.48 | 84.21 |
| (b) Deferred Tax Liabilities (Net) | 4 | 91.76 | 87.55 |
| (c) Other Long Term Liabilities | 5 | 13.93 | 22.90 |
| (d) Long-Term Provisions | 6 | 8.90 | 7.13 |
| | | 184.07 | 201.79 |
| 3 Current liabilities | | | |
| (a) Short-Term Borrowings | 7 | 643.93 | 797.37 |
| (b) Trade Payables | 8 | 202.32 | 130.77 |
| (c) Other Current Liabilities | 9 | 172.82 | 75.46 |
| | | 1019.06 | 1003.59 |
| TOTAL | | 2715.98 | 2615.10 |
| B ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed Assets | | | |
| (i) Tangible Assets | | 1039.63 | 985.36 |
| (ii) Intangible Assets Under Development | | 33.80 | 42.28 |
| | | 1073.42 | 1027.63 |
| (b) Non-Current Investments | 11 | 151.11 | 151.11 |
| (c) Long-Term Loans And Advances | 12 | 51.93 | 91.05 |
| (d) Other Non-Current Assets | 13 | 26.60 | 0.20 |
| | | 229.64 | 242.35 |
| 2 Current assets | | | |
| (a) Inventories | 14 | 589.73 | 511.58 |
| (b) Trade receivables | 15 | 658.33 | 633.07 |
| (c) Cash and cash equivalents | 16 | 155.64 | 178.02 |
| (d) Short-term loans and advances | 17 | 9.22 | 8.05 |
| (e) Other current assets | 18 | - | 14.40 |
| | | 1412.91 | 1345.12 |
| TOTAL | | 2715.98 | 2615.10 |

Notes on Financial Statements

1-26

As per our report of even date attached

For **P. C. Ghadiali & Co.**
Firm Regn. No. : 103132W
Chartered Accountants

C. K. Palan
Partner
Membership No: 100741

Mumbai : May 30, 2012

For and on behalf of the Board of Directors

Shirish Anjaria
Chairman and Managing Director

Parag Dalal
Executive Director

Dharmesh Anjaria
Executive Director
Mumbai : May 30, 2012

Ravishankar Singh
Company Secretary

Statement of Profit and Loss for the year ended 31 March, 2012

(₹ in Lakhs)

| Particulars | Note | For the year ended 31 March, 2012 | For the year ended 31 March, 2011 |
|--|------|--------------------------------------|--------------------------------------|
| 1 INCOME | | | |
| (a) Revenue from Operations | 19 | 5,193.96 | 4,233.34 |
| (b) Other Income | 20 | 25.78 | 25.62 |
| 2 Total Revenue | | 5,219.74 | 4,258.96 |
| 3 EXPENSES | | | |
| (a) Purchases of Stock-in-Trade | 21 | 4,564.18 | 3,959.83 |
| (b) Changes In Inventories Of Stock-In-Trade | 22 | (78.15) | (300.08) |
| (c) Employee Benefits Expense | 23 | 231.53 | 158.79 |
| (d) Finance Costs | 24 | 121.54 | 120.59 |
| (e) Depreciation And Amortisation Expense | | 98.53 | 91.81 |
| (f) Other Expenses | 25 | 137.43 | 113.90 |
| 4 Total Expenses | | 5,075.06 | 4,144.84 |
| 5 Profit Before Tax | | 144.68 | 114.12 |
| 6 Tax Expense: | | | |
| (a) Current Tax Expense | | 37.35 | 21.15 |
| (b) Deferred Tax | | 4.21 | 16.06 |
| | | 41.56 | 37.21 |
| 7 Profit for the year | | 103.12 | 76.91 |
| 8 Earnings per Equity Shares of face value of ₹ 10 each): Basic And Diluted (In ₹) | | 1.74 | 1.30 |

Notes on Financial Statements

1-26

As per our report of even date attached

For **P. C. Ghadiali & Co.**
Firm Regn. No. : 103132W
Chartered Accountants

For and on behalf of the Board of Directors

Shirish Anjaria
Chairman and Managing
Director

Parag Dalal
Executive Director

C. K. Palan
Partner
Membership No: 100741
Mumbai : May 30, 2012

Dharmesh Anjaria
Executive Director

Ravishankar Singh
Company Secretary

Mumbai : May 30, 2012

Cash Flow Statement for the Year Ended March 31, 2012

(₹ in Lakhs)

| Particulars | For the year ended 31 March, 2012 | For the year ended 31 March, 2011 |
|---|--------------------------------------|--------------------------------------|
| A CASHFLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and extraordinary item | 144.68 | 114.12 |
| Add: Depreciation | 98.53 | 91.81 |
| (Profit)/Loss on sale of Fixed Assets | 7.71 | 4.98 |
| Finance Costs | 121.54 | 95.15 |
| Dividend received | (0.05) | (0.05) |
| | 227.73 | 191.88 |
| Operating profit before working Capital | 372.41 | 306.00 |
| Changes in current assets and Liabilities | | |
| Adjustments for (increase) / decrease in operating assets: | | |
| (Increase)/Decrease in Inventories | (78.15) | (300.08) |
| (Increase)/Decrease in Trade & Other Receivable: | 16.45 | 447.17 |
| Adjustments for increase / (decrease) in operating liabilities: | | |
| Increase/(Decrease) in current Liabilities & Provision | (29.07) | (323.81) |
| | (90.77) | (176.73) |
| Cash Generated from Operations | 281.63 | 129.28 |
| Taxes Paid | (15.77) | (19.44) |
| Net Cash Flow from operating activities | 265.87 | 109.84 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (228.40) | (136.39) |
| Sale of Fixed Assets | 76.37 | 31.30 |
| Capital Work-in-Progress and Advances | - | 17.00 |
| Net Cash Used for Investing Activities | (151.98) | (88.04) |
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase/(Decrease) In Secured/UnSecured Loans | (14.73) | 154.47 |
| Interest Paid | (121.54) | (95.15) |
| Net cash From Financing Activities | (136.26) | 59.32 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | (22.38) | 81.13 |
| Cash and Cash Equivalents (Opening Balance) | 178.02 | 96.90 |
| Cash and Cash Equivalents (Closing Balance) | 155.64 | 178.02 |
| | (22.38) | 81.13 |

Notes

1 Components of cash and cash equivalents include bank balance in current account as disclosed under Note 16 of the accounts.

2 Cash flow statements has been prepared under the "Indirect Method" as set out in According Standard issued (AS 3) "Cash Flow Statements" by The Institute of Chartered Accountants of India.

3 Previous years figure have been regrouped, rearranged and reclassified wherever necessary to correspond with the figures of the current year as per revised schedule VI.

For **P. C. Ghadiali & Co.**
Firm Regn. No. : 103132W
Chartered Accountants

C. K. Palan
Partner
Membership No: 100741
Firm Regn. No. : 103132W

Shirish Anjaria
Chairman and Managing Director

Parag Dalal
Executive Director

Dharmesh Anjaria
Executive Director

Ravishankar Singh
Company Secretary

Mumbai : May 30, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS**SIGNIFICANT ACCOUNTING POLICIES****Company Overview**

Dynacons Systems & Solutions Ltd. is an IT solutions company with global perspectives and is engaged in providing a comprehensive range of end-to-end solutions to customers. Dynacons has the technical expertise and the service delivery infrastructure to serve Customers at a level of quality consistent with their expectations. Dynacons helps in the selection of the right technology and application that will yield the greatest return and build a business case for implementation based on lower Total cost of ownership and higher performance.

Pursuant to the Scheme of Arrangement (the Scheme) entered into by the Company with Dynacons Technologies Limited (DTL), the Marketing and Distribution Business and Manufacturing Business of the Company was transferred to DTL with effect from 1st April, 2009, the Appointed Date.

SIGNIFICANT ACCOUNTING POLICIES :**1. Basis of accounting**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known/materialise.

3. Revenue Recognition

Revenue relating to equipment supplied is recognized on delivery to the customers and acknowledgement thereof, in accordance with the terms of the individual contracts. Revenue from software development on time-and-material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognised based on the completion method. Revenue from the sale of software products is recognised when the sale has been completed and the title has been passed to the client. Revenue from Annual Maintenance Contracts and services is recognized over the life of the contracts.

4. Expenditure Recognition

Expenses are accounted on the accrual basis and provisions for all known losses and liabilities are made.

Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. Expenses on software development on time-and-material basis are accounted for in the year in which it is expended. Expenses incurred for future software projects are carried forward and will be adjusted against revenue, based on the completion method. In case of new products, which are clearly defined and the costs are attributable to the products, such costs are deferred and amortized equally over a period of three to five years based on Management's evaluation of expected sales volumes and duration of the product life cycle.

5. Fixed Assets & Intangible Assets

Fixed Assets are stated at their cost less accumulated depreciation. Fixed assets are capitalised at the cost of acquisition including all expenses directly attributable to bringing the asset to its working condition for intended use. Capital Work-in-Progress comprises the costs of fixed assets that are not ready for the intended use at the Balance Sheet date and includes advances paid to acquire fixed assets. No depreciation has been calculated on the same. Fixed Assets which are not in active use and scrapped, due to

technological obsolescence or otherwise, are written off. Intangible Assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use.

6. Research & Development Expenditure

Revenue expenditure incurred on research is charged to revenue in the year it is incurred. Assets used for research are included in Fixed Assets. Development Expenditure are capitalized only if future economic benefits are expected to flow.

7. Depreciation

Depreciation on Fixed Assets is provided using the straight-line method at the rates provided and in the manners specified in Schedule XIV of the Companies Act, 1956. Depreciation on assets purchased/sold during the year has been provided on pro rata basis. Individual assets costing less than Rs. 5,000/- are depreciated in full in the year of purchase. Intangible assets are amortized on a straight-line basis over their respective individual estimated useful lives, generally not exceeding ten years.

8. Inventories

Inventories are valued at the lower of the cost and the net realizable value. A periodic review is made of slow-moving stock and appropriate provisions are made for anticipated losses, if any. Cost is determined using the first-in first-out method.

9. Investments

Trade investments are the investments made to enhance the company's business interests. Investments being long term in nature are carried at cost, and provision is made to recognise any decline, other than temporary, in the value of such investment. Earnings from investments are accounted for on an accrual basis.

10. Foreign Currency transactions

Sales and Expenditure in foreign currency are accounted at the exchange rate prevalent as of the date of the respective transactions. The exchange differences, if any, arising on foreign currency transactions are recognized as income or expense in the year in which they arise. Current Assets and Current Liabilities denominated in foreign currency are translated at the exchange rate prevalent as at the date of the Balance Sheet. The resulting difference is also recorded in the Profit and Loss Account.

11. Retirement Benefits to employees

i. Post-employment benefit plans Defined contribution plan

Payment to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Defined Benefit plan

For defined benefit schemes, the cost of providing benefits is determined using Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit & loss account for the period in which they occur. Past service cost is recognized to the extent the benefits are already vested, and otherwise is amortized on a Straight-Line method over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligations as adjusted for unrecognized past service cost.

ii. Short-term employee benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange of services rendered by employees is recognized during the period when the employee renders the service. These benefits include performance incentives, paid annual leave, medical allowance, etc.

12. Income Tax

The tax expense for the year comprises of Current Tax and Deferred Tax. Current Taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rates enacted or substantively enacted by the balance sheet date.

13. Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

14. Impairment

At each Balance Sheet date, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and the value in use. In assessing the value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to the present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. Reversal of impairment loss is recognized immediately as income in the profit and loss account.

15. Leases**Operating Lease**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Operating lease charges are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

Finance Lease

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. The lower of fair value of asset and present value of minimum lease rentals is capitalized as fixed assets with corresponding amount shown as lease liability. The principle component in the lease rentals is adjusted against the lease liability and interest component is charged to profit and loss account.

16. Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 'Earnings per share'. Basic earnings per equity share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year by the weighted average number of equity shares during the year as adjusted to the effects of all dilutive potential equity shares, except where results are anti dilutive.

Notes forming part of the financial statements for the financial year ended 31st March, 2012

(₹ in Lakhs)

| Particulars | As at 31 March, 2012 | As at 31 March, 2011 |
|---|-------------------------|-------------------------|
| 1 SHARE CAPITAL | | |
| (a) Authorised Share Capital 30,000,000 Equity shares of ₹ 10 each (Previous Year 300,000,000 Equity shares of ₹ 1 each) | 3,000.00 | 3,000.00 |
| (b) Issued, Subscribed and Paid up : 59,23,080 Equity shares of ₹ 10 each (Previous Year 59,230,800 Equity shares of ₹ 1 each.) | 592.31 | 592.31 |

1.1 Pursuant to the Scheme of Arrangement the Equity Share Capital of the Company has been reorganised in the year 2010-11

1.2 The face value of equity shares of the company has been consolidated from ₹ 1 each to ₹ 10 each

1.3 The reconciliation of the number of shares outstanding is set out below :

| Particulars | As at 31 March, 2012 | As at 31 March, 2011 |
|--|-------------------------|-------------------------|
| | No. of Shares | No. of Shares |
| Equity Shares at the beginning of the year | 59,230,800 | 59,230,800 |
| Less : Reduction on Consolidation | 53,307,720 | - |
| Equity Shares at the end of the year | 5,923,080 | 59,230,800 |

1.4 The details of Shareholders holding more than 5% shares :

| Name of the Shareholder | As at 31 March, 2012 | As at 31 March, 2011 |
|---|-------------------------|-------------------------|
| Shirish Mansingh Anjaria No. of Shares % held | 360,948 6.09 | 3,609,484 6.09 |
| Dharmesh Shirish Anjaria No. of Shares % held | 356,220 6.01 | 3,562,200 6.01 |
| Parag Jitendra Dalal No. of Shares % held | 347,200 5.86 | 3,472,000 5.86 |

1.5 As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents the both legal and beneficial ownership of shares.

1.6 The company has only one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held.

1.7 No bonus shares have been issued to equity share holders in last five years

1.8 No equity share shares been bought back in last five years.

2 RESERVES & SURPLUS**(a) General reserve**

| | | |
|---------------------------|--------|--------|
| As per last Balance Sheet | 190.46 | 190.46 |
|---------------------------|--------|--------|

(b) Surplus in Statement of Profit and Loss

| | | |
|---------------------------|---------------|---------------|
| As per last Balance Sheet | 626.96 | 550.05 |
| Add: Profit for the year | 103.12 | 76.91 |
| Closing Balance | <u>730.07</u> | <u>626.96</u> |
| Total | <u>920.53</u> | <u>817.42</u> |

3 LONG TERM BORROWINGS

Term loans

From banks

| | | |
|---------|-------|-------|
| Secured | 62.37 | 73.50 |
|---------|-------|-------|

From Others

| | | |
|---------|------|-------|
| Secured | 7.11 | 10.71 |
|---------|------|-------|

Total

| | |
|--------------|--------------|
| <u>69.48</u> | <u>84.21</u> |
|--------------|--------------|

3.1 Term loans from banks are Secured by way of first mortgage / charge on the Plant & Machinery of the Company

3.2 Term loans from Other Parties are Secured by way of first mortgage / charge on the Vehicles of the Company

3.2 Maturity Profile of Secured Term Loans are as set out below :

| Maturity Profile | | |
|------------------|---------|---------|
| 2013-14 | 2014-15 | 2015-16 |

Term Loans- from banks

| | | | |
|-------------|-------|-------|-------|
| - Dena Bank | 19.60 | 19.60 | 14.70 |
| - HDFC Bank | 3.51 | 3.92 | 1.05 |

| | | | |
|-------------------------|------|------|---|
| Term Loans- from Others | 3.93 | 3.18 | - |
|-------------------------|------|------|---|

3.3 Details of long-term borrowings guaranteed by some of the directors :

| Particulars | As at | As at |
|------------------------|----------------|----------------|
| | 31 March, 2012 | 31 March, 2011 |
| Term loans from banks | 62.37 | 73.50 |
| Term loans from Others | 7.11 | 10.71 |

3.4 Other Details

| Particulars | Security Coverd | Date of Maturity | Number Of Installments Due | Applicable Rate Of Interest |
|-------------|-----------------|------------------|----------------------------|-----------------------------|
|-------------|-----------------|------------------|----------------------------|-----------------------------|

A Motor Car Loan

| | | | | | |
|---|-------------------|-----------|------------|----|--------|
| 1 | HDFC Bank | Motor Car | 07/06/2015 | 39 | 11.15% |
| 2 | Tata Capital Ltd. | Motor Car | 03/12/2014 | 33 | 9.00% |

B Term Loan

| | | | | | |
|---|-----------|-------------------------|------------|----|--------|
| 3 | Dena Bank | Deposits & Fixed Assets | 31/12/2015 | 45 | 13.70% |
|---|-----------|-------------------------|------------|----|--------|

| | | | |
|----------|---|---------------|---------------|
| 4 | DEFERRED TAX LIABILITY NET | | |
| | Deferred Tax Liability | | |
| | Related to fixed assets | 93.12 | 88.54 |
| | Deferred Tax Assets | | |
| | Disallowances under the Income Tax Act, 1961 | 1.36 | 0.99 |
| | Total | <u>91.76</u> | <u>87.55</u> |
| 5 | OTHER LONG TERM LIABILITIES | | |
| | Statutory Liabilities | 2.59 | 11.81 |
| | Dues to Staff | 11.34 | 11.09 |
| | Total | <u>13.93</u> | <u>22.90</u> |
| 6 | LONG TERM PROVISIONS | | |
| | Provision for employee benefits: | | |
| | Provision for other defined benefit plans (Refer Note 22.1) | 8.90 | 7.13 |
| | Total | <u>8.90</u> | <u>7.13</u> |
| 7 | Short Term Borrowings | | |
| | Secured | | |
| | Working Capital Loans : | | |
| | From Banks | 643.93 | 797.37 |
| | Total | <u>643.93</u> | <u>797.37</u> |
| 7.1 | Working capital loans are secured by hypothecation of present and future stock, book debts, outstanding monies, receivables, claims, bills, material in transit and Fixed Assets. | | |
| 8 | TRADE PAYABLES | | |
| | Micro, Small and Medium Enterprises | - | - |
| | Others | 202.32 | 130.77 |
| | Total | <u>202.32</u> | <u>130.77</u> |
| | The company has initiated process of identifying supplier registered under MSMED Act, 2006 by obtaining confirmation. The company has not received an intimation regarding their status under MSMED Act, 2006 and hence disclosures if any relating to amounts unpaid alongwith interest have not been furnished. | | |
| 9 | OTHER CURRENT LIABILITIES | | |
| | Current maturities of long-term debt | 26.34 | 17.20 |
| | Statutory dues | 65.89 | 39.59 |
| | Others | 80.60 | 18.66 |
| | Total | <u>172.82</u> | <u>75.46</u> |
| 9.1 | Others | | |
| | Dues to Staff | 22.10 | 16.95 |
| | Provision for Taxation | 58.50 | 1.71 |
| | | <u>80.60</u> | <u>18.66</u> |

Notes forming part of the financial statements for the financial year ended 31st March, 2012

10 FIXED ASSETS

(₹ in Lakhs)

| Sr. No | Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|--------|--|------------------------|--------------------------|---------------------------|------------------|------------------------|--------------------------|---------------------------|------------------|----------------------|----------------------|
| | | Value at the beginning | Addition during the year | Deduction during the year | Value at the end | Value at the beginning | Addition during the year | Deduction during the year | Value at the end | WDV as on 31.03.2012 | WDV as on 31.03.2011 |
| I | Tangible Assets | | | | | | | | | | |
| 1 | Premises | 600.50 | - | - | 600.50 | - | - | - | - | 600.50 | 600.50 |
| 2 | Furnitures & Fixtures | 8.88 | - | - | 8.88 | 6.60 | 0.56 | - | 7.16 | 1.71 | 2.28 |
| 3 | Vehicles (Cars) | 33.91 | 16.53 | 7.36 | 43.08 | 8.57 | 3.89 | 3.43 | 9.04 | 34.04 | 25.34 |
| 4 | Office Equipment | 5.51 | 0.32 | - | 5.82 | 2.23 | 0.27 | - | 2.50 | 3.33 | 3.28 |
| 5 | Computer | 469.51 | 211.56 | 139.06 | 542.01 | 115.56 | 85.33 | 58.93 | 141.97 | 400.04 | 353.96 |
| | SUB TOTAL (A) | 1,118.32 | 228.40 | 146.43 | 1,200.29 | 132.96 | 90.06 | 62.35 | 160.66 | 1,039.63 | 985.36 |
| II | Intangible Assets Under Development | | | | | | | | | | |
| | Software Dev. Exp | 84.55 | - | - | 84.55 | 42.28 | 8.48 | - | 50.75 | 33.80 | 42.28 |
| | SUB TOTAL (B) | 84.55 | - | - | 84.55 | 42.28 | 8.48 | - | 50.75 | 33.80 | 42.28 |
| | Total [A + B] (Current Year) | 1,202.87 | 228.40 | 146.43 | 1,284.84 | 175.23 | 98.53 | 62.35 | 211.42 | 1,073.42 | 1,027.63 |
| | (Previous Year) | 1,182.27 | 136.39 | 115.80 | 1,202.87 | 162.94 | 91.81 | 79.52 | 175.23 | 1,027.63 | 1,019.33 |

11 NON-CURRENT INVESTMENTS

Trade Investments

In Equity Shares - Unquoted, fully paid up

| | | |
|---|--------|--------|
| Kapol Co-op Bank Ltd 5,000 Equity Shares of ₹ 10 each | 0.51 | 0.51 |
| Dynacons Technologies Limited (15,000,000 (Previous year 15,000,000) Equity Shares of ₹ 1 each, fully paid up) | 150.00 | 150.00 |
| Aggregate value of Unquoted Investments | | |

Aggregate value of Unquoted Investments

150.51 150.51

In Equity Shares - Quoted, fully paid up

| | | |
|---|------|------|
| Dena Bank (2,000 (Previous year 2,000) Equity Shares of ₹ 10 each fully paid up) | 0.60 | 0.60 |
|---|------|------|

Aggregate value of Quoted Investments

0.60 0.60

(Market Value of Quoted investments ₹ 1,80,000 (Previous year ₹ 208,000))

Total

151.11 151.11

12 Long Term Loans And Advances

(Unsecured and considered good)

| | | |
|--|-------|-------|
| Security deposits | 17.00 | 37.81 |
| Advance income tax (Net of provisions) | 15.77 | 20.74 |
| Other loans and advances | 19.16 | 32.50 |

Total

51.93 91.05

13 OTHER NON-CURRENT ASSETS

| | | |
|----------------|--------------|-------------|
| Others | | |
| Duties & Taxes | 26.60 | 0.20 |
| Total | <u>26.60</u> | <u>0.20</u> |

14 INVENTORIES

| | | |
|----------------|---------------|---------------|
| Stock-in-trade | 589.73 | 511.58 |
| Total | <u>589.73</u> | <u>511.58</u> |

14.1 Inventories are valued at lower of cost or net realisable value whichever is low

15 TRADE RECEIVABLES

(Unsecured and Considered Good)

| | | |
|-------------------------|---------------|---------------|
| Over six months | 24.84 | 125.14 |
| Other Trade receivables | 633.49 | 507.92 |
| Total | <u>658.33</u> | <u>633.07</u> |

16 CASH AND CASH EQUIVALENTS

| | | |
|--|---------------|---------------|
| Cash on hand | 8.19 | 12.68 |
| Balances with banks : | | |
| In current accounts | 1.89 | 3.02 |
| Other Bank Balances : | | |
| In deposit accounts | 113.94 | 156.62 |
| In earmarked accounts | | |
| - Balances held as margin money against guarantees | 31.62 | 5.70 |
| Total | <u>155.64</u> | <u>178.02</u> |

16.1 Maturity Profile of Fixed Deposits with Bank are as set out below :

| Maturity Profile | | |
|--------------------|-------------|------------------|
| less than 3 months | 3-12 months | Beyond 12 Months |

| | | | |
|---------------|---|-------|--------|
| Bank Deposits | - | 16.44 | 129.12 |
|---------------|---|-------|--------|

16.2 Balances with Bank in Deposits Accounts are held as as margin money or security against the borrowings, guarantees, other commitments

**17 SHORT TERM LOANS AND ADVANCES
(Unsecured and Considered Good)**

| | | |
|---------------------------------|-------------|-------------|
| Loans and advances to employees | 2.57 | 2.00 |
| Prepaid expenses | - | 0.05 |
| Others | | |
| - Advances for services | 6.65 | 6.00 |
| Total | <u>9.22</u> | <u>8.05</u> |

| | | | |
|-----------|--|-----------------|-----------------|
| 18 | OTHER CURRENT ASSETS (Unsecured and Considered Good) | | |
| | Duties & Taxes | - | 14.40 |
| | Total | <u>-</u> | <u>14.40</u> |
| 19 | REVENUE FROM OPERATIONS | | |
| | Revenue from Information Technology Solutions | 5,193.96 | 4,233.34 |
| | Total | <u>5,193.96</u> | <u>4,233.34</u> |
| 19.1 | The Company is engaged in systems Integration which includes the sales of products and services as a complete solution | | |
| 20 | Other Income | | |
| | Interest income | 15.99 | 25.44 |
| | Dividend income: | | |
| | From Long Term Investments | 0.05 | 0.05 |
| | Other operating income | | |
| | - Excess Provision for tax | 9.74 | - |
| | Miscellaneous income | 0.00 | 0.13 |
| | Total | <u>25.78</u> | <u>25.62</u> |
| 20.1 | Interest income comprises: | | |
| | Interest from banks on: | | |
| | deposits | 13.60 | 25.44 |
| | Interest on income tax refund | 2.39 | - |
| | Total - Interest income | <u>15.99</u> | <u>25.44</u> |
| 21 | PURCHASE OF TRADED GOODS | | |
| | Stock in Trade | 4,564.18 | 3,959.83 |
| | Total | <u>4,564.18</u> | <u>3,959.83</u> |
| 22 | CHANGES IN INVENTORIES OF STOCK-IN-TRADE | | |
| | Inventories at the end of the year: | | |
| | Stock-in-Trade | 589.73 | 511.58 |
| | | <u>589.73</u> | <u>511.58</u> |
| | Inventories at the beginning of the year: | | |
| | Stock-in-Trade | 511.58 | 211.49 |
| | | <u>511.58</u> | <u>211.49</u> |
| | | <u>(78.15)</u> | <u>(300.08)</u> |

23 EMPLOYEE BENEFITS EXPENSE

| | | |
|--|-----------------|-----------------|
| Salaries and wages | 2,301.17 | 1,577.47 |
| Contributions to provident and other funds | 14.16 | 10.44 |
| | <u>2,315.32</u> | <u>1,587.90</u> |

23.1 As per Accounting Standard 15 "Employee benefits", the disclosures as defined in the Accounting Standard are given below :

| | Particulars | 2012 Amount (₹) | 2011 Amount (₹) |
|------------|--|--------------------|--------------------|
| I. | Assumptions : | | |
| | Discount Rate | 8.50% | 8.25% |
| | Salary escalation rate | 4.00% | 4.00% |
| II. | Table Showing Change in Benefit Obligation : | | |
| | Liability at the beginning of the year | 3.31 | 2.98 |
| | Interest Cost | NIL | NIL |
| | Current Service Cost | 1.23 | 0.33 |
| | Past Service Cost (Non Vested Benefit) | NIL | NIL |
| | Past Service Cost (Vested Benefit) | NIL | NIL |
| | Benefit Paid | NIL | NIL |
| | Balance | 4.55 | 3.31 |
| | Actuarial (gain)/loss on obligations | NIL | NIL |
| | Liability at the end of the year | 4.55 | 3.31 |
| III | Amount Recognized in the Balance Sheet | | |
| | Liability at the end of the year | 4.55 | 3.31 |
| | Fair Value of Plan Assets at the end of the year | NIL | NIL |
| | Difference | 4.55 | 3.31 |
| | Unrecognized Past Service Cost | NIL | NIL |
| | Amount Recognized in the Balance Sheet | 4.55 | 3.31 |
| IV. | Expenses Recognized in the Income Statement : | | |
| | Current Service Cost | 1.23 | 0.33 |
| | Interest Cost | NIL | NIL |
| | Expected Return on Plan Assets | NIL | NIL |
| | Net Actuarial Gain/(Loss) To Be Recognized | NIL | NIL |
| | Past Service Cost (Non Vested Benefit) Recognized | NIL | NIL |
| | Past Service Cost (Vested Benefit) Recognized | NIL | NIL |
| | Expense Recognized in P& L | 1.23 | 0.33 |

24 FINANCE COST

| | | |
|------------------|---------------|---------------|
| Interest expense | 121.54 | 120.59 |
| Total | <u>121.54</u> | <u>120.59</u> |

| | | | |
|------|----------------------|---------------|---------------|
| 24.1 | Interest expense on: | | |
| | (i) Borrowings | 120.90 | 120.59 |
| | (ii) Others | 0.64 | - |
| | | <u>121.54</u> | <u>120.59</u> |

25 Other Expenses

| | | |
|------------------------------------|---------------|---------------|
| Electricity Expenses | 3.31 | 3.81 |
| Rent | 7.34 | 3.15 |
| Communication Expenses | 5.42 | 5.95 |
| Auditors Remuneration | 2.90 | 2.60 |
| Staff Welfare Expenses | 2.86 | 4.41 |
| Bank Charges | 5.96 | 7.31 |
| Conveyance And Travelling Expenses | 24.42 | 16.15 |
| Discount Allowed | 0.04 | 0.38 |
| Insurance Charges | 1.50 | 4.52 |
| Legal & Professional Charges | 16.80 | 18.61 |
| Sub-contracting Expenses | 18.17 | - |
| Loss On Sale Of Fixed Assets | 7.71 | 4.98 |
| Membership & Subscription | 1.01 | 0.68 |
| Miscellaneous Expenses | 6.60 | 8.83 |
| Motor Car Expenses | 3.66 | 3.47 |
| Printing & Stationary Expenses | 3.72 | 5.52 |
| Rates & Taxes | 0.43 | 1.85 |
| Repairs & Maintenance -Building | 0.58 | 1.04 |
| Repairs & Maintenance - Others | 3.36 | 3.80 |
| Sales Promotion Expenses | 13.69 | 4.13 |
| Transportation Charges | 7.95 | 12.71 |
| Total | <u>137.43</u> | <u>113.90</u> |

25.1 PAYMENT TO AUDITORS AS

| | | |
|---|-------------|-------------|
| (a) Auditor | | |
| Statutory Audit Fees | 2.40 | 2.40 |
| VAT Audit Fees | 0.20 | 0.20 |
| (b) Certification and Consultation Fees | 0.30 | - |
| | <u>2.90</u> | <u>2.60</u> |

26. Additional Information to the financial statements

26.1 Contingent Liabilities

- a) Claims against the Company not acknowledged as debts: Nil
b) Guarantees given by the company's bankers ₹252.04/- (previous year ₹ 219.82)

26.2 Expenditure in Foreign Currency

| | 2012 | 2011 |
|---------------------|-------|-------|
| Travelling Expenses | ₹1.17 | ₹2.17 |

26.3 Segment Information

The company operates in the single segment of System Integration and Services.

26.4 Related Party Disclosures

- a. The names of related parties and the nature of relationship are as under:

| | |
|-------------------------------|--|
| S. P. Corporation | Firm in which Wholetime Directors have substantial interest. |
| Shirish M. Anjaria | Chairman and Managing Director |
| Parag J. Dalal | Wholetime Director |
| Dharmesh S. Anjaria | Wholetime Director |
| Trigem Infosolutions Limited | Company in which Wholetime Directors have substantial interest |
| Dynacons Technologies Limited | Company in which Directors have substantial interest |

- b. The transactions with the related parties are as under:

| Party | Nature of Payment | 2012 (₹/lakhs) | 2011 (₹/lakhs) |
|-------------------------------|--|-------------------|-------------------|
| M/s S.P. Corporation | Rent for Premises | 0.60 | 1.05 |
| M/s S.P. Corporation | Reimbursement of Expenses | 0.56 | 0.98 |
| Mr. Shirish M. Anjaria | Remuneration | 4.80 | 4.80 |
| Mr. Parag J. Dalal | Remuneration | 9.60 | 9.60 |
| Mr. Dharmesh S. Anjaria | Remuneration | 9.60 | 9.60 |
| Dynacons Technologies Limited | Investment in Share Capital | 150.00 | 150.00 |
| Dynacons Technologies Limited | Amount receivable / (payable) as at year end | (31.37) | (86.93) |

26.5 Earnings per Share (Basic and Diluted)

| | Units | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|---|-----------|------------------------------|------------------------------|
| Profit after Tax | (₹/lakhs) | 103.12 | 76.91 |
| Weighted Number of Equity Shares | Nos.Lakhs | 592.31 | 592.31 |
| Earnings Per Share (of paid up Value of ₹10 each) | | 1.74 | 1.30 |

26.6 Lease Commitments

Operating Lease

The company has taken office premises on lease under cancelable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental payments under such leases are ₹ 7.34 (Previous year ₹ 3.15).

26.7 Foreign Exchange Exposure:

The company has not entered in any forward contract for hedging or otherwise in respect of foreign currencies during the year, and there are no such contracts outstanding at the end of the year.

As of the Balance Sheet date, the Company has net foreign currency exposure that are not hedged by a derivative instrument or otherwise, amounting to ₹ 22.25 (Previous year ₹ 8.24).

26.8 Other Notes

- a) In the opinion of the Board of Directors, Current Assets, Loans and Advance have the value at which these are stated in the Balance Sheet, if realised in the ordinary course of business and the provisions for all known liabilities is adequate and not in excess of or less than the amount reasonably necessary.
- b) The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

AS PER OUR REPORT OF EVEN DATE

As per our report of even date
For **P. C. Ghadiali & Co.**
Firm Regn. No. : 103132W
Chartered Accountants

For and on behalf of the Board of Directors

C. K . Palan
Partner
Membership No: 100741

Shirish Anjaria
Chairman & Managing Director

Parag Dalal
Executive Director

Place : Mumbai
Date : May 30, 2012

Dharmesh S. Anjaria
Executive Director

Ravishankar Singh
Company Secretary

Book-Post

If undelivered, please return to:



DYNAGONS
SOLUTIONS THAT EMPOWER

78, Ratnajyot Industrial Estate, Irla Lane,
Vile Parle (W), Mumbai - 400 056.

DYNACONS SYSTEMS & SOLUTIONS LIMITED

Regd. Office : 78, Ratnajyot Industrial Estate, Irla Lane, Vile Parle (W), Mumbai - 400 056.

| | | | |
|--------------|--|-------------------|--|
| DP ID No | | L.F. No | |
| Client ID No | | No of Shares held | |

ATTENDANCE SLIP

TO BE SURRENDERED AT THE TIME OF ENTRY

Members are requested to produce the attendance slip duly signed in accordance with their specimen signatures registered with the Company for admission to the meeting at the hall.

| Name and address of Shareholder | No. of Shares held | Reg. Folio No. |
|---------------------------------|--------------------|----------------|
| | | |

I hereby record my presence at the Seventeenth Annual General Meeting of the Company to be held at Karl Residency, Lallubhai Park Road, Andheri [West], Mumbai - 400 058 at 03:00 pm on Friday, September 28, 2012.

Name of the Proxy in Block Letters

(if the Proxy attend instead of the Member)

Signature of Member/Proxy

NOTES: Members are informed that no duplicate attendance slips will be issued at the hall and are requested to bring this slip for the meeting.

PLEASE CUT HERE AND TENDER THE ABOVE ATTENDANCE SLIP AT THE MEETING

DYNACONS SYSTEMS & SOLUTIONS LIMITED

Regd. Office : 78, Ratnajyot Industrial Estate, Irla Lane, Vile Parle (W), Mumbai - 400 056.

PROXY FORM

| | | | |
|--------------|--|-------------------|--|
| DP ID No | | L.F. No | |
| Client ID No | | No of Shares held | |

I/We _____

having address at _____

being a Member/Members of the above mentioned Company hereby appoint

Shri / Smt. _____ having address at

_____ or failing him/her

as my/our Proxy to vote for me/us and on my/our behalf, at the Seventeenth Annual

General Meeting of the Company, to be held at Karl Residency, Lallubhai Park Road, Andheri

[West], Mumbai - 400 058 at 03:00 pm on Friday, September 28, 2012 or at any

adjournment thereof.

Signed this _____ day of _____ 2012

Signature _____

Revenue Stamp

Note : This proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting. The proxy need not be a member of the Company