

Tanla Solutions Ltd

Annual Report for the year ended 31 March 2013

The way ahead...

This year's report:

Wall of Fame

Tanla was founded in 1999 by a multi-talented group of professionals as a telecom infrastructure solutions provider, and was among the first Indian companies focused on providing integrated solutions and products for the wireless world.

Chairman's Letter

Tanla has grown in strength in the domestic mobile VAS segment amid stringent regulatory changes and a highly volatile and competitive mobile VAS market.

GameOn

Social Gaming platform that enables developers to integrate games for providing the user a premium experience of the social element of games.

Consultancy

Tanla is poised to meet market need for expert consulting services from technology strategy and system analysis to solutions and applications development.

Game Box

An Application developed for EA to distribute their content on carriers and handset devices.

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Listed on BSE & NSE in 2007, making it the first Mobile Value Added Services company to list in India, has an overall presence of 13 years in this space having been part of the revolution from 2G to 3G to 3.5G and 4G, voice phones to feature phones and smart phones, always recognised as a leader in the space.

Wall of Fame

400 mn handsets

License Manager the patented license management solution is globally embedded in over 400 million handsets by processing transactions in more than 160 countries.

60 bn SMSs

Over 60 bn messages have been delivered over a decade, delivered over 100mn messages a day on many occasions through our SMSC platform in different deployments.

6 bn alerts

Processed over 6 bn missed call alerts in all deployments over the past 5 years. The monthly traffic exceeded 200 mn alerts during most of the months.

ZERO debt company

Zero debt since inception as internal accruals and funds raised from public issue have sustained the requirements of operational and new endeavor costs.

₹ 6.05 bn reserves

Management has always believed in prudent cash management and zero borrowings, this cautious approach together with operational profits has enabled achieve a consolidated retained earnings of ₹6.05 bn as on March 31 2013.



Gamification and the proliferation of Smart Phones are the overwhelming trends of the times we live in.

Positioned to take advantage of high growth markets

Dear Shareholders,

In a constantly changing technological environment faced with changing consumer tastes and behavior it is important for a business to evolve and re invent itself in order to stay competitive. Social media, Gamification and the proliferation of Smart Phones are the overwhelming trends of the times we live in and as a result Tanla has decided to focus on the areas of Social Gaming and Mobile Consultancy.

Social Gaming

Social Games are disrupting the traditional gaming industry by transforming gaming into a service and making it free to play. Revenues are then generated through the sale of Virtual items, advertising and lead generation offers. The average revenue per paying user on social games is \$34 per month. Continuous growth in smartphones and tablets will take the Social gaming market to new heights with the US market for Social gaming expected to be worth \$5 billion by 2015.

Tanla's solution for Social Gaming

Tanla's "GameOn" platform would have been launched by the time you read this letter. Gameon enables the user to experience all nuances of social gaming such as participation in battles, tournaments and challenges. Tanla has partnered with Electronic Arts to launch its popular racing game "NFS-The Run" on the "GameOn" platform. Gamers and Fans of this immensely popular game will for the first time be able to play this game against their friends, in tournaments, battles and challenges as well as power up their cars using virtual currency.

In addition to the above, we will be launching several new games on the "GameOn" platform during the course of the current fiscal.

Mobile Consultancy

Affordability and exponential growth of smart phones has created an urgent need for all types of businesses from banks, insurance companies, retail brands, media companies and even health and non-profit organizations to deliver their services through smart phones and tablets. Since the mobile is a device that is always with the consumer it is becoming the primary channel for all kinds of commerce.

Tanla Advantage

Tanla has vast experience of 13 years in mobile telecom industry and possesses cutting edge technology to ideally meet the needs of these companies. Tanla has worked with world-renowned handset manufacturers like Nokia & Blackberry, media houses, television companies, carriers, leading memory card vendors & companies in varied industries and understands the dynamics of the mobile telecom market, the industry players and user preferences. This experience enables Tanla understand user behavior, think ahead of the curve and provide consultancy services encompassing strategy to application development.

Mobile consultancy business models offer fixed bid, time & material and revenue sharing options.

Tanla has acquired 12 new clients including global leaders in content publishing, media and retail brands.

Legacy Business and effect on last year numbers

To align with management decision to reduce operational and capital costs, Tanla has during FY 2013 consolidated its international connectivity to handle mobile payment and mobile platforms verticals. This has resulted in lower revenues yet retained healthy margins by reducing redundant administration expenditure. Invaluable financial and human resources released due to this consolidation have been deployed in niche products on mobile social networks. Going forward, Tanla will restrict its presence in these verticals to high-margin business portals.

Overall, the company has made good progress in yet another challenging year and is poised to grow and expand continuously. On behalf of the Board I take this opportunity to thank all the stakeholders for your valuable trust and seek your continued support while we refocus the business to build for the future.

Uday Kumar Reddy Dasari

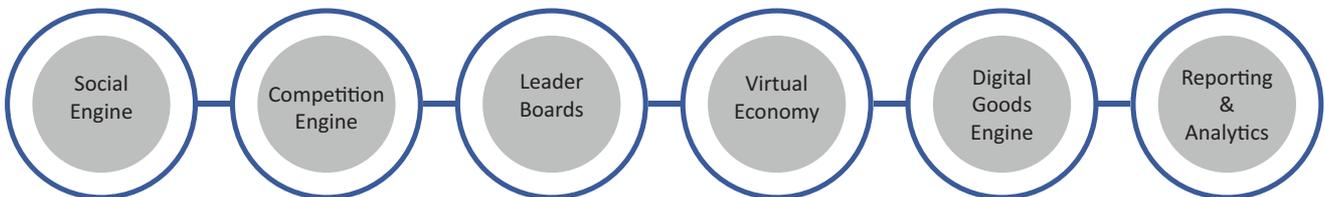
Chairman and Managing Director

Social enablement to a game for enhanced user engagement & Monetization.

GameOn

Takes gaming to the next level by bringing together the player's community and making it easier to discover new games, challenge friends, join breathtaking tournaments and compete for the best on leaderboards.

The platform Module comprises of:



Provides a seamless window for developers to launch inhouse and partnered games using J2ME, Android & iOS platforms.



iOS

Comprehensive Offerings of the platform



Distribution

- Unified Global Social Platform
- Distributed through OEM App stores and Carrier On/Off deck portals
- Preloads & Side loads at OEM factory level and retail outlets



Engagement

- Social Sharing
- Connect Friends
- Challenges, Battles and Tournaments
- Broadcast achievements
- Leaderboards



Acquisition

- Cross promotions
- User Recommendation
- Social Sharing



Virility

- Social Sharing
- Gifting
- Friend Invites
- Competitions
- Incentivized invites
- Real-time gratifications



Monetization

- Freemium, Subscription, Try & Buy etc.
- Flexible packaging and pricing
- Digital goods management



Analytics

- Robust analytics to track the acquisition, retention and monetization of the game.

TIM.. THINKS THAT HE IS A GREAT RACER WITH LOADS OF ATTITUDE AND WINNING STREAK BUT NOBODY RECOGNIZES THE FACT.

Woohoo! NFS The Run on GameOn has made me a champ! All you tough guys, here I come!



ENTER GAMEON

“Now I can select my favourite location, rent the car and upgrade with all the ammo to race”

I added my friends, let me throw a challenge...

“It’s time to test my driving skills against my friends with some virtual cash”

I am famous now !

“All my friends in my social network know that I am the #1 racer.

I also know what my buddies are upto.”

Winning battles & tournaments will make me rich!

“It’s a nerve breaking game play. I won the Gold.

NEED FOR SPEED
THE RUN

GameOn
ENABLED

At launch, GameOn is integrated with one of the most admired “Need for Speed – The Run” game from the popular Need for Speed (NFS) racing franchisee owned by a leading global publisher. GameOn platform would enable gaming enthusiasts and NFS fans to participate in Challenges, Battles and Tournaments with social friends and other GameOn members by the help of our dedicated leader boards and social integration functionalities. Furthermore, in addition to the normal game play, one could also buy New Cars and Powerups like Speed & Acceleration within the game to enhance their winning chances. Overall, with an improvised game offering combined with our Global leader boards and deep integration with Social platforms, this GameOn offering would be a perfect treat for gamers who do not own a high end smartphone.

Businesses leverage Tanla's mobile consultancy expertise to ensure they derive the best business value for their mobile initiatives

Delivering Business Value

With the advent of smartphone revolution, mobile services have taken a paradigm shift. The key driver today is delivering goods and services through mobile. The large platform providers have been successful in bringing this change with launching new feature rich devices. The idea of delivering services through mobile applications has opened up a new channel for all the enterprises.

Tanla brings in 13 years of telecom expertise to provide high quality consulting services to all the enterprises across various domains to launch their services on mobile. (Media, Life style, Retail, e-commerce and many other industries)

BENEFITS DRIVEN APPROACH

Delivering value to clients at every level with high quality delivery & cost efficiency.

Value Driven	Cost Driven	Change Driven	Metric Driven
<ul style="list-style-type: none"> • Dedicated functional/technical centers of excellence • Deep domain skills to help client achieve business goals through innovative solutions • Value driven delivery model with key performance metrics 	<ul style="list-style-type: none"> • Resources cross utilized across technology • Flexible and scalable resource model • Productivity improvement at every level • Best practice implementation and learning through reusable components 	<ul style="list-style-type: none"> • Quickly adapting changing technology landscape • Cross leveraging resources for technology span coverage • Building capabilities across emerging trends • Skills enhancement and technology certifications 	<ul style="list-style-type: none"> • KRA/ KPI based performance measurement • Metrics for every development activity – Tasks, Coding standards, Bug fixes etc • Measurable SLA & Compliance adherence • Continuous improvement processes

We have built the competency to develop applications in Native and Cross platform environments across all the OS platforms – iOS, Android, Black Berry, Windows and Symbian.



Magic Box to be embedded with a leading game publisher across several handset brands and carriers in more than 30 MN handsets in next 12 months.

Game Box

- The “Game Box” is a dynamic portal, pre-installed on Android devices, giving access, via banners, to games
- Content is defined with the OEM or Carrier embedding the Game Box based on their target market and the device specifications.
- Game Box uses Tanla’s license management solution to provide try and buy services.
- Game Box will be embedded by several leading carriers and OEM’s around the world during FY14.

Board of Directors



Mr. D. Uday Kumar Reddy,

Chairman & Managing Director,

The founder promoter of Tanla Solutions Limited is the principal architect of Tanla's leadership, growth and strategy and is responsible for Corporate Vision, M&A and Strategic decision making. Under his leadership, Tanla has evolved to be multinational in its operations and existence.



Mr. Gautam Sabharwal,

Director – Global Business Development,

Mr. Gautam Sabharwal leads Tanla's business development effort with a strong focus on strategic alliances and partnerships. Gautam was the founder of Techserv which was merged with Tanla in 2004. Prior to this he held several leadership positions in Mobile and Technology companies.



Mr. Satish Kathirisetti,

Director – Technical

Mr. Satish Kathirisetti is responsible for technology guidance, architectural design and product delivery of all products and services of Tanla. He brings his experience in diverse technologies from hardware design, Telecom Signaling programming, mobile application technologies, Enterprise software development and user experience design into one cohesive offering to enhance value of our solutions to customers.



Padmabhushan Ram Narain Agarwal,

Independent Director,

Padmabhushan Ram Narain Agarwal Project Director Agni Missile Program, a scientist of great renown, a Master of Engineering in Aerospace Engineering from the Indian Institute of Science, Bangalore, is also a recipient of several awards. A scientist of great renown, Ram Narain Agarwal hails from Jaipur, Rajasthan, where he acquired his early education. After graduation, he joined the Madras Institute of Technology (MIT) at Chromepet, Chennai, for a postgraduate course in Aeronautical Engineering.



Dr. Sudhanshu Shekhar Jamuar,

Independent Director,

Dr. Sudhanshu Shekhar Jamuar received his B. Sc. Engineering Degree in Electronics and Communication from Ranchi University, followed by an M.Tech and a Ph.D. in Electrical Engineering from IIT, Kanpur, SM IEEE, FIETE, LMISTE is a recipient of Meghnad Saha Memorial Award from IETE and a senior member of IEEE and Fellow member of IETE(India). He joined the Department of Electrical Engineering at IIT, Delhi, in 1977. Currently Dr. Jamuar is a Professor in University of Malaya, Malaysia.

Directors' Report

Dear Members,

Our Directors have pleasure in presenting the 17th Directors' Report on the business and operations of our Company for the financial year ended on March 31, 2013.

1. Results of Operations

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Financial performance of the Company (Standalone):		
Particulars	Results	Results
	March 31, 2013	March 31, 2012
Income from operations	27 21 86 941	36 83 28 675
Operating Profit (EBIDTA)	99 46 777	(65 72 494)
Less: Depreciation & amortisation	10 57 32 038	13 93 47 846
Operating Profit before Tax	(9 57 85 261)	(14 59 20 339)
Add: Other Income	7 95 24 107	49 18 636
Profit Before Tax	(1 62 61 154)	(14 10 01 703)
Less: Provision for Tax	(83 53 170)	(3 51 27 709)
Profit after Tax	(79 07 985)	(10 58 73 994)
Dividend (incl. dividend tax)	-	-
Transfer to General Reserve	-	-
Net Profit Transferred to Reserves	(79 07 985)	(10 58 73 994)
Earnings per share: Basic / Diluted (₹ 1 each)	(0.18)	(1.04)
Dividend Rate	-	-
Share Capital	101479593	10 14 79 593
Reserves & Surplus	614 64 57 605	616 42 24 834
Total shareholders funds	624 79 37 198	626 57 04 427
Book value per share (₹1 each)	61.57	62.74

1. Operational Performance Standalone

The total income of the Company for the FY 2012-13 comprises operating revenues of ₹ 272.1 Lakhs as against ₹ 368.3 Lakhs in FY 2011-12 and other income of ₹ 79.5 Lakhs for the current year as against ₹ 4.9 Lakhs in the previous year. Total sales decreased by 26% over the last financial year.

Profits

For the FY 2012-13, Profit before Tax (PBT) stood at ₹ (162.61) Lakhs as against ₹ (1410.02) Lakhs in FY 2011-12. For the FY 2012-13, Profit after Tax (PAT) stood at ₹ (79.07) Lakhs as against ₹ (1058.74) Lakhs for FY 2011-12.

Liquidity

During the financial year, cash flows have more than adequately covered working capital requirements as well as for the capital expenditure. As of 31 March, 2013, the Company has cash and cash equivalents of ₹ 2443.42 Lakhs, as against ₹ 7135.92 Lakhs on 31 March, 2012.

2. Further Issue of Equity Shares on Preferential Basis

The company has not issued Equity Shares on Preferential basis during the financial year 2012-13.

3. Public Deposits

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under during the financial year under review.

4. Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Satish Kathiriseti, Director - Chief Technology Officer retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

A brief resume of each of Director proposed to be appointed/re-appointed, their expertise in specific functional areas and names of companies in which he holds Directorship/Membership/Chairmanship of the Board/Committees, as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges, has been provided as annexure to the Notice convening Seventeenth Annual General Meeting.

Mr. Abhishek Khaitan, Independent Director resigned from the Board on May 29, 2013 after serving the Board since December 30, 2004. The Board places on record its sincere appreciation for the services rendered during his tenure on Board.

5. Management Discussion and Analysis

A separate Management Discussion and Analysis Report attached elsewhere forms an integral part of this report.

6. Subsidiaries

- (a) As on the date of this Report, the Company has the following subsidiaries:
1. Mufithumb Corporation Private Limited (earlier known as Mufithumb Entertainment Private Limited)
 2. Tanla Mobile Private Limited
 3. Tanla Mobile Asia Pacific Pte Ltd., Singapore
 4. Tanla Solutions (UK) Limited, UK
- (b) In February 2013, an application was submitted in the Companies House, UK for striking off Tanla Mobile Ltd., UK is a subsidiary of Tanla Solutions (UK) Ltd., UK.
- (c) Below mentioned are the subsidiaries of Tanla Mobile Asia Pacific Pte Limited, Singapore:
- (i) Tanla Mobile Middle East FZ LLC, Dubai
 - (ii) Tanla Mobile Inc., USA
 - (iii) Tanla Mobile South Africa Proprietary Ltd., South Africa
 - (iv) Tanla Mobile South Asia Pvt Ltd., Sri Lanka and
 - (v) Tanla Mobile Ireland Pvt Ltd., Ireland
- (d) Tanla Oy, Finland is a subsidiary of Tanla Mobile Finland Oy, which is a subsidiary of Tanla Mobile Middle East FZ LLC, Dubai.
- (e) TZ Mobile Private Limited, incorporated in July 2009 under the provisions of the Companies Act, 1956 is a Joint Venture between Tanla Mobile Pvt Ltd., a wholly owned subsidiary of Tanla Solutions Ltd and Zed Worldwide Holdings SL, Spain each holding 50% of shareholding.

7. Consolidated Financial Statements

Vide General Circular No. 2/2011 dated February 08, 2011, the Ministry of Corporate Affairs, Government of India has granted a general exemption to companies from attaching the Balance Sheet, Profit & Loss Account and other documents referred to in Section 212(1) of the Act in respect of its subsidiary companies, subject to fulfillment of the conditions mentioned therein. Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of the subsidiary companies is contained in the report. The Annual Accounts of the subsidiary companies are open for inspection by any member/investor and the Company will make available these documents/details upon request by any member of the company to any investor of its subsidiary companies who may be interested in obtaining the same. Further, the Annual Accounts of the subsidiary companies will be kept open for inspection by any investor at the Company's Registered Office would be posted on the website of the company. In terms of Clause 32 of the Listing Agreement with the Stock Exchanges and as prescribed by Accounting Standard 21 notified by the Government of India under Section 211(3C) of the Companies Act, 1956, the Audited Consolidated Financial Statements duly signed by the Statutory Auditors are annexed.

8. Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm that:

- (i) In preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) Appropriate accounting policies have been applied consistently and reasonably prudent judgements and estimates which are

reasonable have been made so as to give a true and fair view of the state of affairs of the company as at March 31, 2013 and of the loss of the company for the year ended on that date.

(iii) Proper and sufficient care has been taken 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 annual accounts have been prepared on a "Going Concern basis".

9. Corporate Governance

Pursuant to the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance together with a certificate from M/s BS & Company, Practicing Company Secretaries features as part of this Annual Report.

10. Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, no employee has been paid a remuneration equal to or exceeding the remuneration prescribed under the above amended rules.

12. Conservation Of Energy, Research And Development, Technology Absorption, Foreign Exchange Earnings And Outgo

Conservation of Energy

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware, usage of natural light and other equipment. Air Conditioners are used only when required and air-conditioned areas have been treated with heat resistant material. We continue to evaluate new technologies and invest to conserve and reduce energy consumption. We believe energy saved is energy produced.

Research & Development, Technology Absorption

The company continues to invest in research and development of new products, processes and methodologies for improving the productivity and quality of its products and services.

Foreign Exchange earnings and outgo

The particulars regarding foreign exchange earnings and expenditure are annexed hereto and forms part of this report.

13. Employee Stock Option

Options were granted to employees in October 2009, but no options were vested with the employees pursuant to the grant.

Disclosures in compliance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999) as amended, are as under:

Nature of Disclosure	Particulars
Options granted	41,75,000 options were granted on October 16, 2009, each option gives the grantee a right to subscribe to equity share of face value of Re.1/- each.
The pricing formula	At a discount of 20% on the latest available closing market price prior to the date of grant of options of the company on the exchange having the highest trading volume.
Options Vested	No Options were vested during the year
Options Exercised	No Options were exercised during the year
Total number of shares arising as a result of exercise of option	No Options were exercised during the year
Options lapsed	No Options were vested during the year
Variation of terms of Options	No variation has been done
Money realized by exercise of Options	As no Options were exercised during the year, no money was realized.

Total number of options in force Details of Options granted to senior managerial personnel	41,75,000
Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year	No Options were granted during the year 2012-13
Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital(excluding outstanding warrants and conversions) of the company at the time of grant	No Options were granted during the year 2012-13
Diluted Earnings per share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(AS) 20 – Earnings Per Share	No shares were issued as no options were exercised.
(i) Method of calculation of employee compensation cost. (ii) Difference between the compensation cost using the intrinsic value of the stock options(which is the method of accounting used by the company) and the Compensation cost that would have been recognized in the accounts if the fair value of options had been used as method of Accounting. (iii) Impact of difference mentioned above in (i) above on the profits of the company. (iv) Impact of the difference mentioned in (i) above on the EPS of the company	As no shares were allotted during the year 2012-13, this section is in-applicable
(i) Weighted Average exercise price of options (ii) Weighted Average fair value of options	As no shares were allotted during the year 2012-13, this section is in-applicable
(i) Method used to estimate the fair value of options (ii) Significant assumptions used (Weighted Average information relating to all grants):- (a) Risk free interest rate (b) Expected life of options (c) Expected volatility (d) Expected dividend yields (e) Price of the underlying share in market at the time/of option granted	As no shares were allotted during the year 2012-13, this section is in-applicable

14. Transfer of Unclaimed Shares to Suspense Account

870 Equity Shares held by 15 shareholders, were held in the "Tanla Solutions Limited – Demat Suspense Account" in Axis Bank Ltd., Jubilee Hills Branch, Hyderabad as on March 31, 2013 in accordance with the provisions of Clause 5A of the Listing Agreement. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

15. Transfer of Unpaid/Unclaimed Dividend to the Investor Education and Protection Fund

According to the provisions of Section 205A (5) of the Companies Act, 1956, unpaid and unclaimed dividend in the dividend account of the company has to be transferred to the "Investor Education and Protection Fund" after seven years of declaration. Hence pursuant to the provisions of Section 205A of the Companies Act, 1956 and other applicable guidelines, ₹ 85,962.50 (Rupees Eighty five thousand nine hundred and sixty two and fifty paise only) representing the "Un-paid and Un-Claimed dividend for the year 2005-06" has been transferred to the "Investor Education and Protection Fund."

16. Industrial Relations

The company enjoyed cordial relations with the employees during the year under review and the Management appreciates the employees of all cadres for their dedicated services to the company, and expects continued support, higher level of productivity for achieving the targets set for the future.

17. Auditors and Auditor's Report

M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Hyderabad, the Statutory Auditors, retire at the ensuing annual general meeting and are eligible for re-appointment. The company received confirmation that their appointment, if made, would be within the prescribed limits under the provisions of Section 224(1B) of the Companies Act, 1956. The Auditors Report to the shareholders for the year ended March 31, 2013 does not contain any qualification and therefore does not call for any explanations/comments.

18. Acknowledgement

The Directors wish to express their appreciation of the support and co-operation of the Central and the State Governments, bankers, business partners, employees, associates and expects the same in future as well for sustaining the growth rates achieved in the past.

On behalf of Board of Directors

Sd/-

D. Uday Kumar Reddy
Chairman & Managing Director

Date: August 08, 2013

Place : Hyderabad

Foreign Exchange earnings & outgo:**a. Imports (valued on the cost, insurance and freight basis)**

₹

Particulars	For the Year 2012-2013	For the Year 2011-2012
Import of capital goods	-	17,25,335

b. Activity in foreign currency

₹

Particulars	For the Year 2012-2013	For the Year 2011-2012
Earnings in foreign exchange (on accrual basis)		
Income from software products and offshore development services	2,70,03,051	14,15,01,021
Interest Received	1,06,74,126	
Less: Expenditure in foreign exchange (on accrual basis)		
Cost of services	72,04,236	83,02,811
Foreign Travel Expenses	4,33,182	22,33,634
Professional Charges	-	3,20,302
Net earnings in foreign exchange	3,00,39,759	1,89,19,039

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement entered into with Stock Exchanges, the Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2013.

Company's Philosophy on Corporate Governance

Corporate Governance is an ethically driven business process ensured by taking ethical business decisions and conducting the business with a firm commitment to values, while making all efforts to meet shareholders' expectations. A comprehensive disclosure, structured accountability in exercise of powers, adhering to applicable standards and commitment in compliance with regulations and statutes is the framework within which the Board and employees conduct their business and operation.

Board of Directors as on March 31, 2013

The Board of the Company consists of Six Directors. The composition of the Board as on March 31, 2013, consisted of 3 Executive Non-Independent Directors & 3 Non-Executive Independent Directors. The Chairman & Managing Director of the Company manages the day-to-day affairs of the Company.

Number of Board Meetings held during the Financial Year 2012-13

Four meetings of the Board of Directors were held during the financial year 2012-13 on: 11th May, 2012; 14th August, 2012; 26th October, 2012 and 13th February, 2013.

Details of Attendance of Directors at the Board Meetings and last AGM

Name of the Director	Number of Board Meetings Attended/Participated	Attendance at last Annual General Meeting	Directorship in other Public Companies	No. of Committees in other Public Limited Companies	
				Chairman	Member
Executive Directors					
Mr.D.Uday Kumar Reddy	4	Yes	Nil	Nil	Nil
Mr.Satish Kathiriseti	4	Yes	Nil	Nil	Nil
Mr.Gautam Sabharwal	Nil	No	Nil	Nil	Nil
Mr.Navnit Chachan*	1	No	Nil	Nil	Nil
Non-Executive Independent Directors					
Mr.Ram Narain Agarwal	4	Yes	Nil	Nil	Nil
Mr.Sudhanshu Sekhar Jamuar	4	No	Nil	Nil	Nil
Mr.Shrikanth Madan Chitnis***	Nil	No	Nil	Nil	Nil
Mr.Abhishek Khaitan	Nil	No	Nil	Nil	Nil

*Mr. Navnit Chachan resigned on June 30, 2012.

***Mr. Shrikanth Madan Chitnis resigned on August 14, 2012.

4. Committees of the Board

The Board comprised of the following Committees as on March 31 2013:

Audit Committee:

The Audit Committee met four times during the year on 11th May, 2012, 14th August, 2012; 26th October, 2012; and 13th February, 2013.

The Composition of the Audit Committee is as follows:

S.No.	Name of Director	Designation	Category	No. of Meetings Attended/Participated
1	Mr.Ram Narain Agarwal	Chairman	Independent Non-Executive	4
2	Mr.Satish Kathirisetti	Member	Executive Non-Independent	4
3	Mr. Sudhanshu Shekar Jamuar*	Member	Independent Non-Executive	Nil
4	Mr. Shrikanth Madan Chitnis**	Member	Independent Non-Executive	4

*Mr. Shrikanth Madan Chitnis, Independent Director resigned from the Committee on August 14, 2012

** Mr. Sudhanshu Shekhar Jamuar, Independent Director participated in proceedings of the meetings through teleconference.

The Power of Audit Committee includes the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant experience, if it considers necessary.

The Role of Audit Committee includes the following:

1. Oversight of the Company financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and if required, the replacement or removal of the Statutory Auditors and fixation of the audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by them.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by the management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purpose other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing with the management, performance of Statutory and Internal Auditors, and adequacy of the Internal Control Systems.
8. Reviewing the adequacy of the internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.

9. Discussion with internal auditors, any significant findings and follow up thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters, where there is suspected fraud, irregular failure of the internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with Statutory Auditors before the audit commences, about the nature and the scope of audit as well as the post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and the creditors.
13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Carrying out such other functions as is mentioned in the terms of reference of the Audit Committee

The Chairman of the Audit Committee was present at the previous Annual General Meeting. The Statutory Auditors, Internal Auditors and Chief Financial Officer of the Company were invited to attend the Audit Committee Meetings for discussions on various issues.

Remuneration Committee

The Remuneration Committee recommends to the Board the compensation terms of Executive Directors and the senior management.

Remuneration Policy:

The remuneration strategy aims at attracting and retaining high caliber talent. The remuneration policy, therefore, is market-led and takes into account the competitive circumstances of business so as to attract and retain quality talent and leverage performance significantly. Remuneration of the Chairman & Managing Director and other Executive Directors is determined by the Board, on the recommendation of the Remuneration Committee subject to Schedule XIII of the Companies Act, 1956 and the approval of Shareholders.

Non-Executive Independent Directors are entitled to a Sitting fee of ₹ 10,000/- (Rupees Ten thousand only) per board meeting as per the Articles of Association.

Remuneration of employees consists of base remuneration, perquisites and allowances. The components of the total remuneration are governed by the industry pattern, qualification, experience, performance, responsibilities handled by the employee.

The Remuneration Committee met once during the year on August 08, 2013.

The Composition of the Remuneration Committee is as follows:

S.No.	Name of Director	Status	Nature of Directorship	No. of Meetings Attended
1	Mr. Sudhanshu Shekhar Jamuar	Chairman	Independent Non-Executive	1
2	Mr. Ram Narain Agarwal	Member	Independent Non-Executive	1
3	Mr. Gautam Sabharwal**	Member	Independent Non-Executive	Nil
4	Mr. Shrikanth Madan Chitnis*	Member	Non-Independent Executive	1

*Mr. Shrikanth Madan Chitnis resigned from the Board as Independent Director on August 14, 2012.

**Mr. Gautam Sabharwal, Director – Global Business Development was appointed pursuant to resignation of Mr. Shrikanth Madan Chitnis.

Smt. Seshanuradha Chava, AGM – Legal & Company Secretary is the Secretary of the Committee

Details of Remuneration paid to Directors for the year ended March 31, 2013:

₹

S. No.	Name	Salary and allowances	Contributions to Provident & other funds	Perquisites & incentives	Total remuneration
1	Mr. D. Uday Kumar Reddy	45,69,600	14,400	2,30,400	48,14,400
2	Mr. Satish Kathiriseti	30,62,400	14,400	2,37,600	33,14,400
3	Mr. Navnit Chachan*	3,34,080	14,400	25,920	3,74,400

* Mr. Navnit Chachan resigned on June 30, 2012

The Independent Directors were paid sitting fees for attending the Board Meetings during the year. The details of which are as follows:

₹

Name	Sitting Fees	Reimbursement of Expenses	Total
Mr. Ram Narain Agarwal	40,000	-	40,000
Mr. Shrikanth Madan Chitnis	Nil	-	Nil
Mr. Surjeet Kumar Palhan	Nil	-	Nil
Mr. Abhishek Khaitan	Nil	-	Nil
Mr. Sudhanshu Sekhar Jamuar	Nil	-	Nil

Shareholders/Investors Grievance Committee

As the company is under compulsory demat segment, the Committee is empowered to redress the complaints of shareholders pertaining to rematerialisation of shares, non-receipt of annual reports, dividends, etc.,

The Composition of the Shareholders/Investors Grievance Committee is as follows:

S.No.	Name of Director	Status	Nature of Directorship
1	Mr. Ram Narain Agarwal	Chairman	Independent & Non-Executive
2	Mr. D. Uday Kumar Reddy	Member	Non-Independent & Executive
3	Mr. Abhishek Khaitan*	Member	Independent & Non-Executive
4	Mr. Satish Kathiriseti**	Member	Non-Independent & Executive

* Mr. Abhishek Khaitan resigned from the Board as Independent Director with effect from May 20, 2013.

** Mr. Satish Kathiriseti, Director and Chief Technical Officer was appointed as the member pursuant to resignation of Mr. Abhishek Khaitan. Smt. Seshanuradha Chava, AGM - Legal & Secretarial has been designated as Compliance Officer of the Company in compliance with the Listing Agreement with the Stock Exchanges.

The status of investor complaints received during the year is as follows:

S.NO	Subject	Received	Resolved	Pending
1	Non Receipt of Annual Reports	3	3	0
2	Non Receipt of Dividend Warrants	3	3	0
	TOTAL	6	6	0

Investment Committee:

The Board constituted an Investment Committee with the following powers:

- To invest/renew and withdraw fixed deposits and other instruments in high quality interest bearing liquid instruments
- To invest surplus funds of the company in secured instruments like government securities, fixed/term deposits with banks, etc.,
- Execute bank guarantees, obtain letter of credit and perform all such activities required/stipulated by banks and financial institutions.

The Composition of the Investment Committee is as follows:

S.No.	Name of Director	Designation	Nature of Directorship
1	Mr. Uday Kumar Reddy	Chairman	Non-Independent & Executive
2	Mr. Satish Kathirisetti	Member	Non-Independent & Executive
3	Mr.Gautam Sabharwal**	Member	Non-Independent & Executive

**Mr. Gautam Sabharwal, Director - Global Business Development was appointed as the member with effect from April 10, 2013.

5. Code of Conduct:

The Board of Directors of the company laid a Code of Conduct for Directors and Senior Management personnel. All Directors and designated personnel in the Senior Management affirmed compliance with the Code for the financial year 2012-13. The Code of Conduct is posted on the Company's website www.tanla.com.

6. Initiatives on prevention of insider trading practices:

In compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2011, the company framed a comprehensive Code of Conduct for its Directors and designated employees. The Code lays down guidelines, which advises the Directors and the designated employees on the procedures to be followed and disclosures to be made, while dealing with shares of the company.

Subsidiary Companies:

All subsidiaries of the Company are board managed with their respective Board having the rights and obligations to manage such companies in the best interest of their stakeholders. The Board monitors the performance of its subsidiaries by periodically reviewing the financial statements and particulars of investments made in subsidiaries. There are no material non-listed Indian subsidiary companies under the company to nominate its Directors on such subsidiaries.

7. General Body Meetings:

Details of location and time of holding of last three AGMs.

Year	Location	Date & Time
14th AGM – 2010	Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad-500081.	September 30, 2010 10.30 A.M.
15th AGM – 2011	Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad-500081.	September 30, 2011 10.30 A.M.
16th AGM – 2012	Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad-500081.	September 28, 2012 10.30 A.M.

No Special Resolution was passed in the 16th Annual General Meeting of the Members of the Company held on September 28, 2012.

Postal Ballot:

During the year 2012-13, no postal ballot was conducted.

8. Disclosures

- There has been no materially significant related party transaction with the Company Promoters, Directors, the Management, the Subsidiaries or relatives of Directors which may have potential conflict with the interests of the Company at large.
- A summary of materially significant related party transactions is given in point 22 in the Notes to the Accounts appearing in this Report.
- Transactions made in pursuance of contracts or arrangements entered with related parties and exceeding the value of Rupees Five Lakhs in respect of each party during the financial year have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time. All transactions mentioned herein have been conducted at arm's length.
- There have been no major instances of non-compliance by the Company on any matters related to the Capital markets, nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.
- The company has adopted a Whistle Blower Policy wherein a proper mechanism is established in line with Clause 49 of the Listing Agreement to report concerns about unethical behavior and violation of Code of Conduct of the Company. No person has been denied access to the Audit Committee in this regard.
- The Company's financial statements are prepared as per Accounting Standards and the accounting principles generally accepted in India.
- There is no pecuniary relationship or transaction with the Non-Executive Directors.

9. Secretarial Audit:

M/s Ravi and Subramanyam, Company Secretaries, a firm of practicing Company Secretaries carried out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and the total issued and listed capital. The Secretarial Audit report 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.

10. Risk Management:

The company has a risk management system in place and a team to support our business initiatives by identifying risk and informing accordingly to Senior Managers at periodical review meetings held in the company.

The company manages business risks through strict compliance and internal checks. It will not be out of context to mention that the system has worked very effectively during the year under review.

The method adopted to assess risk within the company has been discussed in the Annexure to Director's Report.

11. Subsidiaries:

We have 11 subsidiary companies. None of them is a material non-listed Indian subsidiary as per Clause 49 of the Listing Agreement.

12. Proceeds from Public Issue, Preferential Issue, Rights Issue, etc.,

There was no Public Issue, Preferential Issue, Rights Issue during the year 2012-13.

The company has complied with all the mandatory and non-mandatory requirements of Clause 49 of the Listing Agreement.

13. Means of Communication:

- The quarterly financial results were published in English Newspapers like Mint, Economic Times and Business Standard having all India circulation and Eenadu, Andhra Jyothi & Andhra Prabha in Telugu being the vernacular language where the registered office is situated.
- The quarterly financial results are also displayed on the website of the company www.tanla.com and Stock Exchanges www.bseindia.com and www.nseindia.com
- Annual Report also forms part of communication which includes inter-alia the Director's Report, Report on Corporate Governance and Annual Audited Financial Results.

General Shareholder's Information

17th Annual General Meeting

Date	:	20 th September, 2013
Day	:	Friday
Time	:	10:30 AM
Venue	:	Regd.Office: Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad - 500081.

Financial Calender

For Quarter ending on June 30 th , 2013	:	Before August 14 th , 2013
For Quarter ending on Sept 30 th , 2013	:	Before November 14 th , 2013
For Quarter ending on Dec 31 st , 2013	:	Before February 14 th , 2014
For Quarter ending on March 31 st , 2013	:	Before May 29 th , 2014
Financial Year	:	April 01, 2013 to March 31, 2014
Date of Book Closure	:	September 18 th , 2013-September 20 th , 2013 (both days Inclusive)

The Equity Shares of the Company are listed on the following Stock Exchanges:

The Bombay Stock Exchange Limited(BSE) and National Stock Exchange of India Limited(NSE)

Stock Code:

i)	Trading Symbol at	:	Bombay Stock Exchange
			Scrip Code: 532790
			National Stock Exchange
			TANLA
ii)	Demat ISIN Numbers in NSDL & CDSL	:	INE483C01032

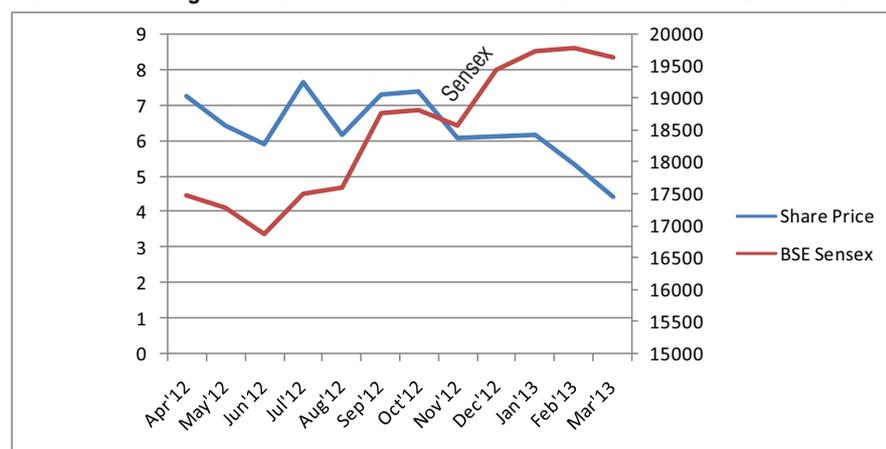
Listing and Custodial fee:

Listing fee as prescribed has been paid fully to all Stock Exchanges where shares of the company are listed. The company has paid custodial fee for the year 2012-13 to the National Securities Depository Limited and Central Depository Services (India) Limited.

Stock Market Data from April 2012 to March 2013

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	High (₹)	Low (₹)	No.of Shares Traded	High(₹)	Low (₹)	No.of Shares Traded
April 2012	7.52	6.33	5,45,535	7.50	6.25	12,97,349
May 2012	6.70	5.31	8,14,395	6.60	5.35	17,28,763
June 2012	6.20	5.25	5,66,712	6.15	5.30	14,50,164
July 2012	7.84	5.80	13,42,776	7.90	5.60	35,51,925
August 2012	6.48	5.31	6,52,197	6.40	5.25	14,55,903
September 2012	7.55	5.32	17,10,898	7.60	5.10	40,04,476
October 2012	7.55	6.05	10,91,482	8.30	5.25	32,48,707
November 2012	6.40	5.31	10,73,201	6.30	4.90	28,71,078
December 2012	6.44	5.57	9,04,364	6.50	5.05	25,45,034
January 2013	6.60	5.10	12,27,025	6.55	5.05	28,07,987
February 2013	5.55	4.00	5,64,579	5.80	3.95	15,07,844
March 2013	4.90	3.00	5,24,163	4.90	3.00	13,82,342

Chart Presenting The Share Price Movement of Tanla Solutions Limited Vs Sensex



Address for correspondence with the Registrar and Transfer Agents:

M/s Karvy Computershare Private Limited
(Unit: Tanla Solutions Limited)
Plot No.17-24, Vittal Rao Nagar, Madhapur,
Hyderabad – 500081.
Ph: 040-23420815-28
Fax: 040-23420814

Dematerialization of Shares and Liquidity:

Over 99.13% of the outstanding shares were dematerialized as on March 31, 2013. Trading in equity shares of the company is permitted only in dematerialized form as per the provisions of the Securities and Exchange Board of India (SEBI). The Company's shares are liquid and actively traded. The monthly volume of the Company's shares traded on the Stock Exchanges is a part of this report.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments:

As on March 31, 2013, the Company does not have any outstanding GDRs/ADRs/Warrants on any convertible instruments.

Distribution of Shareholding as on March 31st 2013:

No. of Shares held	Shareholders		Share(s) of Re.1 (Par Value)	
	Number	%	Number	%
Upto 5,000	79,500	98.10	3,14,61,279	31.00
5,001-10,000	856	1.06	62,11,202	6.12
10,001-20,000	362	0.45	51,20,182	5.05
20,001-30,000	131	0.16	32,52,443	3.21
30,001-40,000	46	0.06	15,74,560	1.55
40,001-50,000	27	0.03	12,38,517	1.22
50,001-1,00,000	71	0.09	49,51,307	4.88
1,00,001 & Above	49	0.06	4,76,70,103	46.98
Total	81,042	100.00%	10,14,79,593	100.00%

Shareholding pattern as on March 31st 2013:

S. No.	Category	No. of Shares of Re.1/- each	Percentage
1	Promoters	3,47,13,044	34.21
2	Foreign Institutional Investors	10,06,360	0.99
3	Bodies Corporate	1,60,38,586	15.80
4	Indian Public	4,66,95,522	46.02
5	NRI	13,14,292	1.30
6	Trusts	12,788	0.01
7	Clearing Members	63,078	0.06
8	Foreign Nationals	16,35,423	1.61
9	Overseas Corporate Bodies	1,500	0.00
	Total	10,14,79,593	100.00

Company's Registered Address & Address for Shareholder's General Correspondence:

The Company Secretary,
Tanla Solutions Limited,
Tanla Technology Centre,
Hi-tech City Road, Madhapur,
Hyderabad – 500 081.
Ph.No.040- 4009 9999,
Fax No.040 – 2313 2999.
Email: investorhelp@tanla.com

CMD & CFO certification under Clause 49 of the Listing Agreement with the Stock Exchanges

In relation to the Audited Financial Accounts of the Company as at March 31, 2013, we hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

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 and violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee, significant changes, if any in internal control over financial reporting during the year in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Hyderabad.
Date : August 08,2013

D. Uday Kumar Reddy
Chairman & Managing Director

Srinivas Kamoji Gunupudi
Chief Financial Officer

Declaration of Compliance with the Code of Conduct

I hereby confirm that the Company has laid down a Code of Conduct for all members of the Board and Senior Managerial Personnel. It is further confirmed that all Directors and Senior Managerial Personnel have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2013 as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges.

The Code of Conduct has also been posted on the website of the company www.tanla.com.

Place: Hyderabad
Date: August 08,2013

Sd/-
D. Uday Kumar Reddy
Chairman & Managing Director

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Certificate from a Company Secretary in Whole-time Practice on compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with Stock Exchanges

To,
The Members
M/s. Tanla Solutions Limited
Hyderabad

We have examined the compliance of conditions of Corporate Governance by Tanla Solutions Limited for the year ended on March 31, 2013, for which we have obtained relevant information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification, as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of 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 and according to the explanations given to us and the representation made by the Directors and the management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an 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.

Date : August 08,2013
Place : Hyderabad

For BS & Company Company Secretaries

Sd/-
Nithya Kalyani
Associate Partner
C.P. No. 10713

INDEPENDENT AUDITOR'S REPORT

To the Members of TANLA SOLUTIONS LIMITED,

Report on the Financial Statements

We have audited the accompanying financial statements of Tanla Solutions Limited ("the Company"), which comprises the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year ended, and summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of Balance Sheet, of the state affairs of the Company as at March 31, 2013;
- (b) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **RAMASAMY KOTESWARA RAO & CO.**,
Chartered Accountants
FRN: 010396S
(C.V KOTESWARA RAO)
Partner
Membership No.28353

Place : Hyderabad
Date : May 29, 2013

Annexure to the Auditors' Report (referred to in paragraph 3 of our Report of even date to the Members of Tanla Solutions Limited for the year ended March 31, 2013)

- (i) (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 its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies have been noticed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the company and nature of its assets.
- (c) Fixed Assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) Since, the Company is a service company, and accordingly, it does not hold any physical inventories. Thus, paragraph 4 (ii) of the order is not applicable.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-b), (iii-c) and (iii-d) of paragraph 4 of the order are not applicable.
- (b) The company has taken unsecured loan from its subsidiary company Tanla Mobile Private Limited, the company covered under the register maintained under section 301 of the Companies Act, 1956. The year-end balance of such loan is ₹ 2,32,42,957/-.
- (c) The rate of interest and other terms and conditions of such loans taken are, in our opinion, prima facie not prejudicial to the interests of the Company.
- (d) The principal amount is not due for repayment and the Company has been regular in payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, with regard to purchase of fixed assets and sale of services. The activity of the company does not involve purchase of inventory and the sale of goods. During the course of audit, no major weaknesses in the internal controls are noticed.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the company has entered all the transactions required to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (b) According to the information and explanations given to us, transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the explanations given to us, the company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Companies Act and Companies (Acceptance of Deposits) Rules, 1975.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the services rendered by the company.
- (ix) (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including income-tax, sales-tax, customs-duty, excise-duty, cess and other statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, there are no income tax, wealth tax, sales tax, customs duty and excise duty, which have not been deposited on account of any dispute, except in case of Service Tax Liability for the period 01.06.2007 to 31.10.2009 of ₹ 6,85,81,618 (out of this ₹ 1,93,68,932/- paid) pending before the CESTAT. There were no dues on account of cess under 441A of the Companies Act 1956, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government. The company does not have the accumulated losses as at the end of the financial year and it has incurred cash losses during the current financial year covered by our audit and the company has not incurred cash losses immediately preceding financial year.
- (x) The company does not have accumulated losses as at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) According to the records of the company and as per the explanations given to us the company, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders during the year.

- (xii) The company has not granted any loans and advances on the basis of security by way pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the said Order are not applicable to the company.
- (xiv) According to the information given to us, the company is not dealing in or trading in shares, securities, debentures and other instruments, accordingly the provisions of clause 4 (xiv) of the order is not applicable.
- (xv) According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the Company has not borrowed any term loans and accordingly the provisions of clause 4 (xiv) of the order is not applicable.
- (xvii) The Company has not raised any funds on short-term basis.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The company has not issued any debentures during the year. Accordingly, no securities have been created.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **RAMASAMY KOTESWARA RAO & CO.**,
Chartered Accountants
FRN: 010396S

(C.V KOTESWARA RAO)
Partner
Membership No.28353

Place : Hyderabad
Date : May 29, 2013

Standalone

TANLA SOLUTIONS LIMITED, HYDERABAD.
Balance Sheet as at

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	Particulars	Note	March 31, 2013	March 31, 2012
A	EQUITY AND LIABILITIES			
1	Shareholders' Funds			
	(a) Share Capital	3	10,14,79,593	10,14,79,593
	(b) Reserves and Surplus	4	614,64,57,605	616,42,24,834
			624,79,37,198	626,57,04,427
2	Non-current liabilities			
	(a) Other long-term liabilities		-	2,00,66,614
3	Current liabilities			
	(a) Trade payables	5	6,73,36,991	5,28,10,212
	(b) Other current liabilities	6	17,22,61,801	11,17,12,928
	TOTAL		648,75,35,990	645,02,94,181
B	ASSETS			
1	Non-Current Assets			
	(a) Fixed Assets			
	(i) Tangible Assets	7	45,61,91,149	53,80,28,633
	(ii) Capital Work-in-progress		11,15,47,949	10,90,47,949
	(iii) Intangible assets under development		6,73,60,631	6,33,60,631
			63,50,99,729	71,04,37,213
	(b) Non-current investments	8	474,72,94,716	465,88,20,591
	(c) Deferred tax assets (net)	7	6,77,89,229	5,94,36,060
	(d) Other non-current assets	9	1,93,68,932	1,9368,932
			546,95,52,606	544,80,62,796
2	Current Assets			
	(a) Current Investments In Short Term Mutual Funds	10	27,68,27,082	-
	(b) Trade receivables	11	40,89,54,408	46,93,28,367
	(c) Cash and cash equivalents	12	18,47,48,120	41,44,96,786
	(d) Short-term Loans and advances	13	14,74,53,774	11,84,06,233
			101,79,83,385	100,22,31,386
	TOTAL		648,75,35,990	645,02,94,181
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn. No.010396S

C.V. Koteswara Rao
Partner
Membership No.28353

Place: Hyderabad.
Date : May 29, 2013

For and on behalf of the Board of Directors

Uday Kumar Reddy Dasari
Chairman & Managing Director

Srinivas Kamoji Gunupudi
Chief Financial Officer

Satish Kathiriseti
Director & Chief Technical Officer

Seshanuradha Chava
AGM – Legal & Secretarial

Standalone

TANLA SOLUTIONS LIMITED, HYDERABAD.**Profit & Loss account for the year ended**

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	Particulars	Note	March 31, 2013	March 31, 2012
A	CONTINUING OPERATIONS			
1	Gross Revenue from operations (net off taxes)	14	27,21,86,941	36,83,28,675
2	Other income	15	7,95,24,107	49,18,636
3	Total Revenue (1 + 2)		35,17,11,048	37,32,47,311
4	EXPENDITURE			
	(a) Cost of services	16	15,59,39,449	24,52,56,023
	(b) Employee Benefits expense	17	5,67,25,916	6,89,20,023
	(c) Depreciation and Amortisation expense	7	10,57,32,038	13,93,47,846
	(d) Advertisement expense	18	26,57,811	13,02,937
	(e) Other Expenses	19	4,69,16,988	5,94,22,186
	Total Expenses		36,79,72,202	51,42,49,015
5	Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4)		(1,62,61,154)	(14,10,01,704)
6	Exceptional items		98,59,244	-
7	Profit / (Loss) before extraordinary items and tax (5 ± 6)		(2,61,20,398)	(14,10,01,704)
8	Extraordinary items		-	-
9	Profit / (Loss) Before Tax (7 ± 8)		(2,61,20,398)	(14,10,01,704)
10	Tax expense :			
	(a) Current Tax		-	-
	(b) Deferred Tax		(83,53,170)	(3,51,27,709)
11	Profit / (Loss) from continuing operations (9 ± 10)		(1,77,67,228)	(10,58,73,995)
B	DISCONTINUING OPERATIONS			
12	Profit / (Loss) from discontinuing operations (before tax)		-	-
13	Profit / (Loss) from discontinuing operations		-	-
C	TOTAL OPERATIONS			
14	Profit / (Loss) for the year (11 ± 13)		(1,77,67,228)	(10,58,73,995)
15.i	Earnings per share (of Re.1/- each):			
	(a) Basic			
	(i) Continuing operations		(0.18)	(1.04)
	(ii) Total operations		(0.18)	(1.04)
	(b) Diluted			
	(i) Continuing operations		(0.18)	(1.04)
	(ii) Total operations		(0.18)	(1.04)
15.ii	Earnings per share (excluding extraordinary items) (of Re.1/- each):			
	(a) Basic			
	(i) Continuing operations		(0.18)	(1.04)
	(ii) Total operations		(0.18)	(1.04)
	(b) Diluted			
	(i) Continuing operations		(0.18)	(1.04)
	(ii) Total operations		(0.18)	(1.04)
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,Chartered Accountants
Firm Regn. No.010396S**C.V. Koteswara Rao**Partner
Membership No.28353Place: Hyderabad.
Date : May 29, 2013**For and on behalf of the Board of Directors****Uday Kumar Reddy Dasari**
Chairman & Managing Director**Srinivas Kamoji Gunupudi**
Chief Financial Officer**Satish Kathiriseti**
Director & Chief Technical Officer**Seshanuradha Chava**
AGM – Legal & Secretarial

Standalone

TANLA SOLUTIONS LIMITED, HYDERABAD**Cash Flow Statement for the year ended**

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	Particulars	March 31, 2013	March 31, 2012
A	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Net profit before taxation, and extraordinary items	(2,61,20,398)	(14,10,01,703)
	Adjusted for :		
	Depreciation	10,57,32,038	13,93,47,846
	Interest & other income received	(7,95,24,107)	(49,18,636)
	Operating profits before working capital charges	87,533	(65,72,494)
	Changes in current assets and liabilities		
	Products under development	(40,00,000)	3,17,45,672
	Sundry debtors	6,03,73,958	(19,49,01,070)
	Loans and advances	(2,90,47,541)	23,81,15,524
	Current liabilities and provisions	5,50,09,037	7,16,17,008
	Net cash generated from operating activities	8,24,22,988	14,00,04,640
B	CASH FLOWS FROM INVESTING ACTIVITIES:		
	Purchase of fixed assets and change in capital work-in-progress	(2,63,94,554)	22,24,70,501
	Purchase of investments	(36,53,01,207)	(15,48,70,606)
	Interest and other income received	7,95,24,107	49,18,636
	Net cash used in investing activities	(31,21,71,654)	7,25,18,531
C	CASH FLOWS FROM FINANCING ACTIVITIES:		
	Dividends and dividend tax paid during the year	-	(1,18,33,408)
	Net Cash generated from financing activities	-	(1,18,33,408)
D	Net increase / (decrease) in cash and cash equivalents	(22,97,48,666)	20,06,89,762
E	Cash and cash equivalents at the beginning of the year	41,44,96,787	21,38,07,024
F	Cash and cash equivalents at the end of the year	18,47,48,120	41,44,96,787
	See accompanying notes forming part of the financial statements		

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,Chartered Accountants
Firm Regn. No.010396S**C.V. Koteswara Rao**Partner
Membership No.28353Place: Hyderabad.
Date : May 29, 2013**For and on behalf of the Board of Directors****Uday Kumar Reddy Dasari**
Chairman & Managing Director**Srinivas Kamoji Gunupudi**
Chief Financial Officer**Satish Kathiriseti**
Director & Chief Technical Officer**Seshanuradha Chava**
AGM – Legal & Secretarial

TANLA SOLUTIONS LIMITED, HYDERABAD

Notes forming part of the financial statements

Note No.

1 Corporate information

Tanla Solutions limited (hereinafter referred to as "Tanla") was incorporated on July 28th, 1995 in Hyderabad, Andhra Pradesh. Tanla has its headquarters and development facilities in Hyderabad, India and serves a global customer base through its subsidiaries. Tanla's range of services include product development and implementation in wireless telephony industry, aggregator services and offshore development services.

2 Significant Accounting Policies

2.1 Basis of preparation of financial statements

"The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on a going concern basis, while revenue, expenses, assets and liabilities are accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

2.2 Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

2.3 Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability is recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

2.4 Fixed assets, intangible assets and capital work-in-progress

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

2.5 Depreciation, Amortization and Goodwill write off

Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

2.6 Employee Benefits

Defined Contribution Plans

a. Gratuity

In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees salary and the tenure of employment.

Liability with regard to the Gratuity Plan is determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the "Trust") managed by the Life Insurance Corporation of India.

b. Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary.

c. Employee State Insurance Fund:

Eligible employees (whose gross salary is less than ₹ 15 000 per month) are entitled to receive benefits under employee state insurance fund scheme. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee's gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Tanla's monthly contributions are charged to income in the year it is incurred.

2.7 Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

2.8 Foreign Currency Transactions

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

2.9 Taxes on Income

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and the relevant timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

2.10 Earning Per Share (EPS)

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

2.11 Investments

Long term trade investments are stated at cost & all other investments are carried at lower of cost or fair value.

2.12 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

Standalone

TANLA SOLUTIONS LIMITED, HYDERABAD**Notes forming part of the financial statements**

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Note	Particulars	As at March 31, 2013		As at March 31, 2012	
		Number of shares	Amount	Number of shares	Amount
3	SHARE CAPITAL				
	(a) Authorised				
	Equity shares of Re. 1 each	12,00,00,000	12,00,00,000	12,00,00,000	12,00,00,000
	(b) Issued Subscribed and fully paid up:				
	Equity Shares of Re.1 each fully paid-up	10,14,79,593	10,14,79,593	10,14,79,593	10,14,79,593
			10,14,79,593		10,14,79,593

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Note		As at March 31, 2013	As at March 31, 2012
4	RESERVES AND SURPLUS		
	Share Premium	428,55,01,775	428,55,01,775
	Investment subsidy	4,00,000	4,00,000
	General reserve	24,98,04,978	24,98,04,978
	Surplus / (Deficit) in Statement of Profit and Loss		
	Opening balance	162,85,18,080	173,43,92,074
	Add: Profit / (Loss) for the year	(1,77,67,229)	(10,58,73,994)
		161,07,50,852	162,85,18,080
	Closing Balance of Reserves & Surplus	614,64,57,605	616,42,24,834
5	TRADE PAYABLES		
	Other than acceptances	6,73,36,991	5,28,10,212
		6,73,36,991	5,28,10,212
6	OTHER CURRENT LIABILITIES		
	Other Liabilities	17,22,61,801	11,17,12,928
		17,22,61,801	11,17,12,928

TANLA SOLUTIONS LIMITED
Notes forming part of the financial statements

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7	FIXED ASSETS	Net Block									
		Description	As at April 1, 2012	Gross Block		Up to April 1, 2012	Depreciation/Amortisation		Up to March 31, 2013	As at March 31, 2013	As at March 31, 2012
Additions	(Deletions)			Additions	Deletions						
		Tangible Assets									
		Land & site development	4,61,71,392	-	-	-	-	-	-	-	4,61,71,392
		Building & Interiors - Owned	14,59,13,114	98,35,697	2,41,84,439	51,09,209	-	2,92,93,648	12,64,55,163	12,17,28,675	
		Building interiors & fixtures-Leasehold	1	-	-	-	-	-	1	1	
		Furniture	5,88,56,612	8,82,631	1,64,40,412	37,50,889	-	2,01,91,301	3,93,04,161	4,24,16,200	
		Computers	51,16,17,308	1,08,10,315	30,90,28,427	8,34,30,843	-	39,24,59,270	12,99,88,353	20,25,88,881	
		Office equipment	10,13,67,019	9,70,443	3,03,14,172	72,00,625	-	3,75,14,797	6,48,22,666	7,10,52,848	
		Vehicles	1,63,24,807	38,66,871	49,36,019	17,69,255	22,75,731	62,97,019	89,58,640	95,21,312	
		Air conditioning	6,30,00,165	4,32,666	1,84,50,841	44,71,217	-	2,29,22,058	4,05,10,773	4,45,49,323	
		Library books	40,136	-	40,136	-	-	40,136	-	-	
		Total	94,32,90,555	2,67,98,623	40,52,61,922	10,57,32,038	22,75,731	50,87,18,229	45,61,91,149	53,80,28,633	
		Previous Year	118,42,90,273	28,57,928	53,48,03,89	13,93,47,846	6,88,89,819	40,52,61,922	53,80,28,633	64,94,86,378	

TANLA SOLUTIONS LIMITED**Notes forming part of the financial statements**

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Note	Particulars	As at March 31, 2013	As at March 31, 2012
8	NON CURRENT INVESTMENTS		
	In Equity / Preference Shares (Un-quoted at cost)		
	Mufithumb Entertainment Pvt Ltd, India (2,50,000 equity shares of ₹ 10 each, fully paid-up)	71,74,000	71,74,000
	Tanla Solutions (UK) Ltd, UK (1,001,000 equity shares of GBP.1 each, fully paid-up)	11,36,74,125	2,52,00,000
	Tanla Mobile Asia Pacific Pte Ltd, Singapore (750,001 Equity shares of SGD.1 each, fully paid-up)	3,09,28,916	3,09,28,916
	(146,846,107 Preference shares of SGD.1 each, fully paid-up)	457,51,68,675	457,51,68,675
	TZ Mobile Pvt Ltd, India (1,03,490 Equity shares of ₹ 10 each, fully paid-up)	1,03,49,000	1,03,49,000
	Tanla Mobile Pvt Ltd, India (10,00,000 Equity shares of ₹ 10/- each, fully paid-up)	1,00,00,000	1,00,00,000
	Total	474,72,94,716	465,88,20,591
	OTHER NON CURRENT ASSETS		
9	Balances with government authorities Unsecured, considered good : Service tax input credit	1,93,68,932	1,93,68,932
	Total	1,93,68,932	1,93,68,932
10	CURRENT INVESTMENTS		
	ICICI Prudential Gilt Fund	21,97,74,116	-
	Kotak Bond Fund	5,70,52,966	-
	Total	27,68,27,082	-
	TRADE RECEIVABLES		
	(Unsecured and considered good)		
11	Trade receivables outstanding for a period exceeding six months	35,09,80,074	33,09,80,074
	Other Trade receivables	5,79,74,334	13,83,48,292
	Total	40,89,54,408	46,93,28,367
	CASH AND BANK BALANCES		
	Cash on hand	8,10,181	32,727
	Balances with banks:		
	(i) in current accounts **	9,22,58,545	16,75,00,116
12	(ii) in EEFC accounts	9,11,780	13,56,52,600
	(iii) in deposit accounts		
	** includes balances in Unclaimed Dividend accounts ₹ 11 02 218 (2011-12 ₹ 12 57 039)	9,07,67,614	11,13,11,343
	Total	18,47,48,120	41,44,96,786
	SHORTTERM LOANS & ADVANCES		
	Advances recoverable in cash or kind or for value to be received	4,82,43,243	5,83,68,551
13	Deposits with others	1,34,15,953	1,34,15,953
	Advance income tax & TDS	8,57,94,578	4,66,21,729
	Total	14,74,53,774	11,84,06,233

Standalone

TANLA SOLUTIONS LIMITED**Notes forming part of the financial statements**

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Note	Particulars	For the year ended March 31, 2013	For the period ended March 31, 2012
14	REVENUE FROM OPERATIONS		
	Overseas	2,70,03,051	14,15,01,021
	Domestic : India	24,51,83,890	22,68,27,654
	Total	27,21,86,941	36,83,28,675
15	OTHER INCOME		
	Interest on Deposits with Banks (Gross) (Tax deducted at source of ₹ 13 64 003 (31.03.2012: ₹ 3 74 466))	1,54,05,567	37,44,644
	Interest received from others	5,91,62,026	-
	Misc Income	49,56,514	11,73,992
	Total	7,95,24,107	49,18,636
16	COST OF SERVICES		
	Cost of Services	15,59,39,449	24,52,56,023
	Total	15,59,39,449	24,52,56,023
17	EMPLOYEE BENEFITS EXPENSE		
	Salaries & Wages	5,67,25,916	6,89,20,023
	Total	5,67,25,916	6,89,20,023
18	ADVERTISEMENT EXPENSES		
	Advertisement Expenses	26,57,811	13,02,937
	Total	26,57,811	13,02,937
19	OPERATING AND ADMINISTRATIVE EXPENSES		
	Travelling expenses	72,50,345	1,37,62,785
	Communication expenses	36,68,332	39,29,961
	Repairs & maintenance expenses	53,93,091	45,26,088
	Rent, rates & taxes	1,95,14,716	1,55,00,447
	Printing & stationery	9,46,610	10,36,019
	Office maintenance expenses	13,37,349	9,70,070
	Power & fuel	42,68,626	30,02,578
	General expenses	21,34,302	15,97,137
	Professional charges	56,08,966	53,58,209
	R&D Expenses	25,06,289	41,43,789
	Auditors remuneration	10,00,000	10,00,000
	Finance & bank charges	3,08,279	3,43,176
	Loss on sale of vehicles / discarded assets	22,60,288	-
	Exchange fluctuation	-	42,51,927
	Total	5,67,76,232	5,94,22,186

20 Contingent Liabilities

S.No.	Particulars	For the year 2012-13	For the year 2011-12
1	Outstanding guarantees given by the company	Nil	Nil
2	Claims against company, not acknowledged as debts	82,822,050	82,822,050
3	Claims made by company, not acknowledged as debts	Nil	Nil
4	Corporate Guarantee given to subsidiary companies	Nil	Nil

21 Segment Reporting**Business Segment:**

The Company is engaged in telecom infrastructure and related value added services business and its operations constitute a single segment in the context of Accounting Standard (AS17) "Segment Reporting"

22 Related Party Disclosures:**A) List of Related Parties:**

Name of the Related Party	Country	Relationship with the Entity
Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
Tanla Mobile South Africa Pty Limited	South Africa	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Asia Pacific Pte Limited	Singapore	Wholly-owned subsidiary
Tanla Mobile Ireland Private Limited	Ireland	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Middle East FZ LLC	UAE	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Oy	Finland	Wholly-owned subsidiary of Tanla Mobile Finland Oy
Tanla Mobile Private Limited	India	Wholly-owned subsidiary
TZ Mobile Private Limited	India	Joint Venture with ZED Worldwide Holdings S.L. Spain

B) List of Transactions with Related Parties:

Refer note 26B of notes to Consolidated Financial Statements

23 List of Transactions with key management personnel

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Name	Salary and allowances	Contributions to provident & other funds	Perquisites & incentives	Total remuneration
Mr.D. Uday Kumar Reddy - Chairman & Managing Director	45,69,600	2,30,400	14,400	48,14,400
Mr.Satish Kathiriseti, Chief Technical Officer	30,62,400	2,37,600	14,400	33,14,400
Mr.Navnit Chachan, Chief Operating Officer	3,34,080	25,920	14,400	3,74,400
Total	79,66,080	4,93,920	43,200	85,03,200

Remuneration to non-executive directors

₹

Name	Sitting Fees	Reimbursement of Expenses	Total
Mr.Abhishek Khaitan - Director	-	-	-
Dr. Sudhanshu Shekhar Jamuar - Director	-	-	-
Padmabhushan Ram Narain Agarwal - Director	40,000	-	40,000
Mr. Surjeet Kumar Palhan - Director	-	-	-
Total	40,000	-	40,000

Consolidated remuneration

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Whole-time directors		
Salary	79,66,080	1,24,66,548
Contributions to provident and other funds	4,93,920	6,57,113
Perquisites and incentives	43,200	72,000
Total	85,03,200	1,31,95,661
Non-whole-time directors		
Sitting fees	40,000	90,000
Reimbursement of expenses	-	-
Total	40,000	90,000
Grand Total	85,43,200	1,32,85,661

TANLA SOLUTIONS LIMITED
Notes forming part of the financial statements

Standalone

24 Foreign Exchange earned and outgo

a. Imports (valued on the cost, insurance and freight basis)

₹

Particulars	For the Year 2012-2013	For the Year 2011-2012
Import of capital goods	-	17,25,335
b. Activity in foreign currency		
Earnings in foreign exchange (on accrual basis)		
Income from software products and offshore development services	2,70,03,051	14,15,01,021
Interest received	1,06,74,126	-
Expenditure in foreign exchange (on accrual basis)		
Cost of services	72,04,236	11,83,02,811
Foreign Travel Expenses	4,33,182	22,33,634
Professional Charges	-	3,20,202
Net earnings in foreign exchange	3,00,39,759	1,89,19,039

25 Deferred Tax Asset / (Liability)

₹

Particulars		31-Mar-13	31-Mar-12
i.	Deferred tax liability		
	On account of depreciation	(16,12,410)	85,00,025
ii.	Deferred tax asset		
	On un-absorbed losses	6,61,76,820	6,79,36,085
		6,61,76,820	6,79,36,085
	Net deferred tax liability	(6,77,89,229)	(5,94,36,060)

26 Earnings Per Share

₹

Particulars	For the Year 2012-2013	For the Year 2011-2012
Net profit after tax	(1,77,67,229)	(10,58,73,994)
Weighted average number of equity shares of Re.1 each	10,14,79,593	10,14,79,593
Nominal value of shares	Re.1	Re.1
Earnings per share (basic/diluted) ₹	(0.18)	(1.04)

Quantitative details

27 The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conservation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn. No.010396S

For and on behalf of the Board of Directors

C.V. Koteswara Rao
Partner
Membership No.28353
Place: Hyderabad.
Date : May 29, 2013

Uday Kumar Reddy Dasari
Chairman & Managing Director

Srinivas Kamoji Gunupudi
Chief Financial Officer

Satish Kathiriseti
Director & Chief Technical Officer

Seshanuradha Chava
AGM – Legal & Secretarial

Independent Auditor's report on Consolidated Accounts of Tanla Solutions Limited, Hyderabad for the year ended 31st March, 2013.

To the Board of Directors Tanla Solutions Limited

We have audited the accompanying consolidated financial statements of Tanla Solutions Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

We did not audit the financial statements of 2 subsidiaries viz., i) Tanla Mobile Asia Pacific Pte Ltd., Singapore, ii) Tanla Solutions (UK) Limited, U.K. and 9 step down subsidiaries viz., iii) Tanla Mobile Ltd., UK, iv) Tanla Mobile Spain SL, v) Tanla Mobile Middle East FZ LLC, Dubai, vi) Tanla Mobile Inc., USA, vii) Tanla Mobile South Africa Proprietary Ltd., South Africa, viii) Tanla Mobile South Asia Pvt Ltd., Sri Lanka, ix) Tanla Mobile Ireland Pvt Ltd., Ireland, x) Tanla Mobile Finland Oy, xi) Tanla Oy, Finland except two subsidiaries i) Mufi thumb Entertainment Private Limited, and ii) Tanla Mobile Private Limited, whose financial statements for the year then ended as considered in the Consolidated Financial Statements.

The Financials Statements and other financial information of the above mentioned subsidiaries and step down subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and step down subsidiaries is based solely on the report of the other auditors.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the Loss for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **RAMASAMY KOTESWARA RAO & CO.,**

Chartered Accountants

FRN: 010396S

(C.V Koteswara Rao)

Partner

Membership No.28353

Place : **Hyderabad**
Date : **May 29, 2013**

Consolidated

TANLA SOLUTIONS LIMITED, HYDERABAD.
Consolidated Balance Sheet as at

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	Particulars	Note	March 31, 2013	March 31, 2012
A	EQUITY AND LIABILITIES			
	Shareholders' Funds			
1	(a) Share Capital	3	10,14,79,593	10,14,79,593
	(b) Reserves and Surplus	4	605,03,09,816	681,14,78,764
			615,17,89,409	691,29,58,357
2	Non-current liabilities			
	(a) Deferred tax liabilities (net)		-	-
	(b) Other long-term liabilities	6	-	2,00,66,614
	(c) Long-term provisions	7	13,62,831	31,76,031
3	Current liabilities			
	(a) Trade payables	8	8,37,76,367	2,64,15,168
	(b) Other current liabilities	9	2,81,69,247	6,82,47,716
	TOTAL		626,50,97,855	703,08,63,886
B	ASSETS			
1	Non-Current Assets			
	(a) Fixed Assets			
	(i) Tangible Assets	10	234,58,68,246	3,63,02,01,158
	(ii) Intangible Assets	11	2,97,91,920	35,29,41,187
	(iii) Capital Work-in-progress		175,43,51,012	37,58,99,146
	(iv) Intangible assets under development		35,44,83,738	17,43,07,194
			448,44,94,915	453,33,48,686
	(b) Deferred tax assets (net)	5	41,11,985	18,10,226
	(c) Other non-current assets	12	1,93,68,932	1,93,68,932
			450,79,75,833	455,45,27,844
2	Current Assets			
	(a) Current Investments in Short term Mutual Funds	13	27,68,27,082	-
	(b) Trade receivables	14	83,64,36,714	148,16,64,705
	(c) Cash and cash equivalents	15	24,43,42,156	71,35,91,861
	(d) Short-term Loans and advances	16	39,95,16,070	28,10,79,477
			175,71,22,022	247,63,36,043
	TOTAL		626,50,97,855	703,08,63,886
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,Chartered Accountants
Firm Regn. No.010396S**C.V. Koteswara Rao**Partner
Membership No.28353Place: Hyderabad.
Date : May 29, 2013**For and on behalf of the Board of Directors****Uday Kumar Reddy Dasari**
Chairman & Managing Director**Srinivas Kamoji Gunupudi**
Chief Financial Officer**Satish Kathirisetti**
Director & Chief Technical Officer**Seshanuradha Chava**
AGM – Legal & Secretarial

Consolidated

TANLA SOLUTIONS LIMITED, HYDERABAD.
Consolidated Profit & Loss account for the year ended

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	Particulars	Note	March 31, 2013	March 31, 2012
A	CONTINUING OPERATIONS			
1	Revenue from operations (gross)	17	117,38,53,588	178,11,14,747
2	Other income	18	12,74,05,078	1,62,96,825
3	Total Revenue (1 + 2)		130,12,58,666	179,74,11,572
4	Expenditure			
	(a) Cost of services	19	77,66,87,302	122,02,35,745
	(b) Employee Benefits expense	20	9,79,13,184	14,91,75,064
	(c) Depreciation and Amortisation expense	10	168,86,40,483	139,43,60,016
	(d) Advertisement expense	21	3,91,62,875	8,19,86,579
	(e) Bad Debts provision	22	7,69,92,217	39,77,54,123
	(f) Other Expenses	23	8,33,36,715	16,35,07,592
	Total Expenses		276,27,32,776	340,70,19,118
5	Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4)		(146,14,74,110)	(160,96,07,546)
6	Exceptional items		98,59,244	-
7	Profit / (Loss) before extraordinary items and tax (5 ± 6)		(147,13,33,354)	(160,96,07,546)
8	Extraordinary items		-	-
9	Profit / (Loss) Before Tax (7 ± 8)		(147,13,33,354)	(160,96,07,546)
10	Tax expense :			
	(a) Current Tax		-	2,56,925
	(b) Deferred Tax		(23,01,759)	(3,55,79,220)
11	Profit / (Loss) from continuing operations (9 ± 10)		(146,90,31,594)	(157,42,85,251)
B	DISCONTINUING OPERATIONS			
12	Profit / (Loss) from discontinuing operations (before tax)		(59,09,180)	-
13	Profit / (Loss) from discontinuing operations		-	-
C	TOTAL OPERATIONS			
14	Profit / (Loss) for the year (11 ± 13)		(147,49,40,774)	(157,42,85,251)
15.i	Earnings per share (of Re.1/- each):			
	(a) Basic			
	(i) Continuing operations		(14.48)	(15.51)
	(ii) Total operations		(14.48)	(15.51)
	(b) Diluted			
	(i) Continuing operations		(14.48)	(15.51)
	(ii) Total operations		(14.48)	(15.51)
15.ii	Earnings per share (excluding extraordinary items) (of Re.1/- each):			
	(a) Basic			
	(i) Continuing operations		(14.48)	(15.51)
	(ii) Total operations		(14.48)	(15.51)
	(b) Diluted			
	(i) Continuing operations		(14.48)	(15.51)
	(ii) Total operations		(14.48)	(15.51)
	See accompanying notes forming part of the financial statements			

In terms of our report attached

For **RAMASAMY KOTESWARA RAO & CO.,**Chartered Accountants
Firm Regn. No.010396S**C.V. Koteswara Rao**
Partner
Membership No.28353Place: Hyderabad.
Date : May 29, 2013

For and on behalf of the Board of Directors

Uday Kumar Reddy Dasari
Chairman & Managing Director**Srinivas Kamoji Gunupudi**
Chief Financial Officer**Satish Kathirisetti**
Director & Chief Technical Officer**Seshanuradha Chava**
AGM – Legal & Secretarial

Consolidated

TANLA SOLUTIONS LIMITED, HYDERABAD
Consolidated Cash Flow Statement for the year ended

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	Particulars	March 31, 2013	March 31, 2012
A	CASH FLOW FROM OPERATING ACTIVITIES:		
	Net profit before taxation, and extraordinary items	(147,72,42,534)	(160,96,07,546)
	Adjusted for :		
	Depreciation	130,75,34,776	106,31,62,323
	Interest & other income received	(12,74,05,078)	(1,62,96,825)
	Foreign Currency Fluctuation		
	Provision for Gratuity		
	Loss on sale of / discarded assets (net)		
	Public issue expenses & goodwill w/o	38,11,05,707	33,11,97,693
	Operating profits before working capital charges	8,39,92,871	(23,15,44,355)
	Changes in current assets and liabilities		
	Products under development	(18,01,76,543)	49,24,57,767
	Sundry debtors	64,52,27,991	16,57,08,422
	Loans and advances	(11,84,36,593)	153,00,27,228
	Current liabilities and provisions	(45,97,083)	(56,01,33,144)
	Cash generated from operations	42,60,10,642	139,65,15,917
	Income taxes paid	-	-
	Net cash generated from operating activities	42,60,10,642	139,65,15,917
B	CASH FLOW FROM INVESTING ACTIVITIES:		
	Purchase of fixed assets and change in capital work-in-progress	(140,52,50,488)	(215,61,96,141)
	Proceeds on sale of fixed assets		
	Purchase of investments	(27,68,27,082)	
	Interest received	12,74,05,078	1,62,96,825
	Net cash used in investing activities	(155,46,72,492)	(213,98,99,316)
C	CASH FLOW FROM FINANCING ACTIVITIES:		
	Dividends and dividend tax paid during the year	-	(1,18,33,409)
	Unrealised exchange gain/(loss) on conversion	65,94,12,147	58,71,40,708
	Net Cash generated from financing activities	65,94,12,147	57,53,07,299
D	Net increase / (decrease) in cash and cash equivalents	(46,92,49,704)	(16,80,76,100)
E	Cash and cash equivalents at the beginning of the year	71,35,91,860	88,16,67,961
F	Cash and cash equivalents at the end of the year	24,43,42,156	71,35,91,861
	See accompanying notes forming part of the financial statements		

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,Chartered Accountants
Firm Regn. No.010396S**C.V. Koteswara Rao**Partner
Membership No.28353Place: Hyderabad.
Date : May 29, 2013**For and on behalf of the Board of Directors****Uday Kumar Reddy Dasari**

Chairman & Managing Director

Srinivas Kamoji Gunupudi

Chief Financial Officer

Satish Kathirisetti

Director & Chief Technical Officer

Seshanuradha Chava

AGM – Legal & Secretarial

TANLA SOLUTIONS LIMITED ,HYDERABAD
Notes forming part of the financial statements
Note

Consolidated

1 Corporate information

Tanla Solutions Limited (hereinafter referred to as "Tanla") was incorporated on July 28th, 1995 in Hyderabad, Andhra Pradesh. Tanla has its headquarters and development facilities in India and serves a global customer base through its subsidiaries. Tanla's range of services include product development and implementation in wireless telephony industry, aggregator services and offshore development services

Tanla Solutions (UK) Limited, formerly Techserv Teleservices (UK) Limited, UK (hereinafter referred to as "Tanla UK"), a wholly owned subsidiary of Tanla based at London, UK, provides aggregator and offshore development services to clients in telecommunications and offshore service sectors.

MufiThumb Entertainment Private Limited, India (hereinafter referred to as "MufiThumb"), a wholly owned subsidiary of Tanla based at Hyderabad, India, is engaged in development of products and services.

Tanla Mobile Limited, formerly Mobizar Limited, UK (hereinafter referred to as "Tanla Mobile"), a wholly owned subsidiary of Tanla UK based at London, UK, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Asia Pacific Pte Limited, Singapore (hereinafter referred to as "Tanla Singapore"), a wholly owned subsidiary of Tanla based at Singapore, provides aggregator and offshore development services to clients in telecommunications and offshore service sectors.

Tanla Mobile Ireland Pvt Limited, Ireland (hereinafter referred to as "Tanla Ireland"), a wholly owned subsidiary of Tanla Singapore based at Ireland, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Middle East FZ LLC, Dubai (hereinafter referred to as "Tanla Dubai"), a wholly owned subsidiary of Tanla Singapore based at Dubai, UAE, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Inc, USA (hereinafter referred to as "Tanla Inc."), a wholly owned subsidiary of Tanla Singapore based at USA, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile South Africa Proprietary Ltd, South Africa (hereinafter referred to as "Tanla South Africa."), a wholly owned subsidiary of Tanla Singapore based at South Africa, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile South Asia Pvt Ltd, Srilanka (hereinafter referred to as "Tanla Srilanka."), a wholly owned subsidiary of Tanla Singapore based at Srilanka, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Finland Oy, Finland (hereinafter referred to as "Tanla Finland."), a wholly owned subsidiary of Tanla Dubai based at Finland.

Tanla Oy, Finland (hereinafter referred to as "Tanla Oy"), a wholly owned subsidiary of Tanla Finland Oy, Finland, provides payment solutions to clients in telecommunications and allied areas.

Tanla Mobile Private Limited, India (hereinafter referred to as "TMPL"), a wholly owned subsidiary of Tanla, is involved in development of products and services for clients in the telecommunications sector.

2 Significant Accounting Policies

2.1 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on a going concern basis, while revenue, expenses, assets and liabilities are accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the financial statements of Tanla Solutions Limited and its subsidiaries. All material inter-Company balances and transactions are eliminated on consolidation.

Assets and liabilities of subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the Balance Sheet date.

Revenues and Expenses are translated into Indian Rupees at average of the opening and closing rates.

2.2 Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

2.3 Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability has been recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

2.4 Fixed Assets, intangible assets and capital work-in-progress

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

2.5 Depreciation, Amortization and Goodwill write off

- a) Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956, except on fixed assets of Tanla UK, Tanla Singapore and their subsidiaries.
- b) On the fixed assets of Tanla UK, Tanla Singapore and their subsidiaries, depreciation is provided on Straight Line Method. The applicable rates are based on the local laws and practices of the respective countries.
- c) Goodwill has been recognized on consolidation of investment in Tanla Oy with the parent company and the same is to be written off over a period of 4 years.

2.6 Employee Benefits**Defined Contribution Plans****a. Gratuity**

In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee salary and the tenure of employment. Liability with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the "Trust") managed by the Life Insurance Corporation of India.

b. Provident Fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary.

c. Employee State Insurance Fund:

Eligible employees (whose gross salary is less than ₹ 15,000 per month) are entitled to receive benefit under employee state insurance fund scheme. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee's gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Tanla's monthly contributions are charged to income in the year it is incurred.

2.7 Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

2.8 Foreign Currency Transactions

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

2.9 Taxes on Income

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and the relevant timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

2.10 Earning Per Share (EPS)

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

2.11 Investments

Long term quoted investments are stated at cost & all other investments are carried at lower of cost or fair value.

2.12 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

Consolidated

TANLA SOLUTIONS LIMITED, HYDERABAD**Notes forming part of the financial statements**

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Note	Particulars	As at March 31, 2013		As at March 31, 2012	
		Number of shares	Amount	Number of shares	Amount
3	SHARE CAPITAL				
	(a) Authorised Equity shares of Re. 1 each	12,00,00,000	12,00,00,000	12,00,00,000	12,00,00,000
	(b) Issued Subscribed and fully paid up: Equity Shares of Re.1 each fully paid-up	10,14,79,593	1014,79,593	10,14,79,593	10,14,79,593
			10,14,79,593		10,14,79,593

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Note		As at March 31, 2013	As at March 31, 2012
4	RESERVES AND SURPLUS		
	Share Premium	428,55,01,775	428,55,01,775
	Investment subsidy	4,00,000	4,00,000
	General reserve	24,98,04,978	24,98,04,978
	Surplus / (Deficit) in Statement of Profit and Loss		
	Opening balance	188,91,84,437	346,34,69,688
	Add: Profit / (Loss) for the year	(147,49,40,775)	(157,42,85,251)
	Closing Balance	41,42,43,663	188,91,84,437
	Net reserves & surplus from joint ventures	9,32,768	(77,92,730)
	Currency translation reserve	108,90,38,432	38,39,92,102
	Closing Balance of Reserves & Surplus	605,03,09,816	681,14,78,764
5	DEFERRED TAX LIABILITY/(ASSET)		
	Deferred tax liability		
	On account of Depreciation	6,20,64,834	6,61,25,859
	Deferred tax asset		
	On un-absorbed losses	6,61,76,820	6,79,36,085
	Net deferred tax liability/(asset)	(41,11,985)	(18,10,226)
6	OTHER LONG TERM LIABILITIES		
	Dues to Asset Supplier	-	2,00,66,614
		-	2,00,66,614
7	LONG-TERM PROVISIONS		
	Taxation	13,62,831	31,76,031
		13,62,831	31,76,031
8	TRADE PAYABLES		
	Other than acceptances	8,37,76,367	2,64,15,168
		8,37,76,367	2,64,15,168
9	OTHER CURRNT LIABILITIES		
	Other Liabilities	2,81,69,247	6,82,47,716
		2,81,69,247	6,82,47,716

TANLA SOLUTIONS LIMITED

Notes forming part of the financial statements

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Description	Gross Block						Depreciation/Amortisation				Net Block	
	As at April 1, 2012	Additions	Deletions	As at March 31, 2013	Up to April 1, 2012	For the year		Up to March 31, 2013	As at March 31, 2013	As at March 31, 2012		
						Additions	Deletions					
Tangible Assets												
Land & site development	4,61,71,392	-	-	4,61,71,392	-	-	-	-	4,61,71,392	4,61,71,392		
Building & Interiors - Owned	15,55,84,795	98,35,697	-	16,54,20,492	2,47,69,155	51,09,209	-	2,98,78,364	13,55,42,128	13,08,15,640		
Building interiors & fixtures Leasehold	3,94,449	-	-	3,94,449	2,92,028	-	-	2,92,028	1,02,421	1,02,421		
Furniture	6,85,88,106	8,82,631	2,43,781	6,92,26,956	3,01,59,330	37,50,889	-	3,39,10,219	3,53,16,738	3,84,28,777		
Computers	513,72,60,348	10,8,10,315	282,27,81,036	232,52,89,626	225,56,01,224	128,51,92,162	282,25,98,593	71,81,94,793	160,70,94,834	288,16,59,123		
Office equipment	81,19,96,057	9,70,443	6,54,437	81,23,12,063	33,30,42,885	72,42,044	1,44,190	34,01,40,740	47,21,71,323	47,89,53,171		
Vehicles	1,63,24,807	38,66,871	49,36,019	1,52,55,659	68,03,495	17,69,255	22,75,731	62,97,019	89,58,640	95,21,312		
Air conditioning	6,30,00,165	4,32,666	-	6,34,32,831	1,84,50,843	44,71,217	-	2,29,22,060	4,05,10,771	4,45,49,322		
Library books	40,136	-	-	40,136	40,136	-	-	40,136	-	-		
Total	629,93,60,255	2,67,98,623	282,86,15,273	349,75,43,605	266,91,59,097	130,75,34,776	282,50,18,514	115,16,75,358	234,58,68,246	363,02,01,158		
Previous Year	545,66,85,251	213,97,05,545	129,70,30,541	629,93,60,255	285,14,35,932	106,31,62,323	124,54,39,158	266,91,59,097	363,02,01,158	260,52,49,319		

10

FIXED ASSETS

Consolidated

TANLA SOLUTIONS LIMITED

Notes forming part of the financial statements

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		As at March 31, 2013	As at March 31, 2012
11	INTANGIBLE ASSETS		
	Goodwill		
	On acquisition of Mufi Thumb Entertainment Pvt Ltd	46,74,000	46,74,000
	On acquisition of Tanla Solutions (UK) Ltd.	2,51,17,920	2,51,17,920
	On acquisition of Tanla Mobile Asia Pacific Pte Ltd	71,23,03,400	65,43,46,960
		74,20,95,320	68,41,38,880
	Less: Goodwill written off on Tanla Oy acquisition	71,23,03,400	33,11,97,693
		2,97,91,920	35,29,41,187
12	OTHER NON CURRENT ASSETS		
	Balances with government authorities unsecured, considered good		
	Service tax input credit	1,93,68,932	1,93,68,932
		1,93,68,932	1,93,68,932
13	CURRENT INVESTMENTS		
	ICICI Prudential Gilt Fund	21,97,74,116	-
	Kotak Bond Fund	5,70,52,966	-
		27,68,27,082	-
14	TRADE RECEIVABLES		
	(Unsecured and considered good)		
	Trade receivables outstanding for a period exceeding six months	60,64,04,384	53,09,80,074
	Other Trade receivables	23,00,32,330	95,06,84,631
		83,64,36,714	148,16,64,705
15	CASH AND BANK BALANCES		
	Cash on hand	8,10,534	42,178
	Balances with banks:		
	(i) in current accounts **	14,18,44,535	45,56,53,175
	(ii) in EEFC accounts	9,11,780	13,56,52,600
	(iii) in deposit accounts	10,07,75,307	12,22,43,908
	** includes balances in un-claimed dividend accounts ₹ 10,84,090.00 (2011-12 - ₹ 12,57,039)	24,43,42,156	71,35,91,861
16	SHORT TERM LOANS AND ADVANCES		
	Advances recoverable in cash or kind or for value to be received	29,82,04,313	22,05,88,332
	Deposits with others	1,36,15,953	1,34,72,588
	Advance income tax & TDS	8,76,95,804	4,70,18,556
		39,95,16,070	28,10,79,477
17	REVENUE FROM OPERATIONS		
	Overseas	92,86,69,698	155,42,87,092
	Domestic : India	24,51,83,890	22,68,27,654
		117,38,53,588	178,11,14,747
18	OTHER INCOME		
	Interest on Deposits with Banks (Gross) (Tax deducted at source of ₹ 13 64 003 (31.03.2012 - ₹ 374 466)	1,63,52,298	1,51,22,833
	Interest received from others	5,91,62,026	-
	Misc Income	5,18,90,754	11,73,992
		12,74,05,078	1,62,96,825
19	COST OF SERVICES		
	Cost of Services	77,66,87,302	122,02,35,745

Consolidated

TANLA SOLUTIONS LIMITED

Notes forming part of the financial statements

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Note		As at March 31, 2013	As at March 31, 2012
20	EMPLOYEE BENEFITS EXPENSE Salaries & Wages	9,79,13,184	14,91,75,064
		9,79,13,184	14,91,75,064
21	ADVERTISEMENT EXPENSES Advertisement expenses	3,91,62,875	8,19,86,579
		3,91,62,875	8,19,86,579
22	PROVISION FOR BAD DEBTS Provision for Bad debts	7,69,92,217	39,77,54,123
		7,69,92,217	39,77,54,123
23	OPERATING AND ADMINISTRATIVE EXPENSES		
	Travelling expenses	87,46,067	1,97,56,870
	Communication expenses	45,70,707	62,93,818
	Repairs & maintenance expenses	57,63,119	46,74,747
	Rent, rates & taxes	2,80,01,580	3,23,39,477
	Printing & stationery	10,04,563	11,45,753
	Office maintenance expenses	13,39,113	27,04,949
	Power & fuel	42,68,626	35,65,713
	General expenses	1,48,84,424	3,27,97,163
	Professional charges	84,81,970	1,76,72,205
	R&D Expenses	25,06,289	41,43,789
	Auditors remuneration	15,74,126	15,73,466
	Finance & bank charges	1,06,93,819	1,22,13,492
	Loss on sale of vehicles / discarded assets	25,19,339	27,27,583
	Exchange fluctuation	47,51,396	2,18,98,567
		99,105,139	16,35,07,592

24. Contingent Liabilities

S.No.	Particulars	For the Year 2012-2013	For the Year 2011-2012
1	Outstanding guarantees given by the company	-	-
2	Claims against company, not acknowledged as debts	8,28,22,050	8,28,22,050
3	Claims made by company, not acknowledged as debts	-	-
4	Corporate Guarantee given to subsidiary companies	-	-

25 Segment Reporting**i) Business Segment:**

The Company is engaged in telecom infrastructure and related value added services business and its operations constitute a single segment in the context of Accounting Standard (AS17) "Segment Reporting"

26 Related Party Disclosures:**A) List of Related Parties:**

Name of the Related Party	Country	Relationship with the Entity
Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
Tanla Mobile South Africa Pty Limited	South Africa	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Asia Pacific Pte Limited	Singapore	Wholly-owned subsidiary
Tanla Mobile Ireland Private Limited	Ireland	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Mobile Middle East FZ LLC	UAE	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
Tanla Oy	Finland	Wholly-owned subsidiary of Tanla Mobile Finland Oy
Tanla Mobile Private Limited	India	Wholly-owned subsidiary
TZ Mobile Private Limited	India	Joint Venture with ZED Worldwide Holdings S.L. Spain

TANLA SOLUTIONS LIMITED
Notes forming part of the financial statements

26 B) List of Transactions with Related Parties:

Particulars	Tanla Solutions (UK) Limited - UK	Tanla Mobile Asia Pacific Pte Ltd - Singapore	Tanla Mobile Ireland Private Ltd - Ireland	Tanla Mobile Middle East FZ LLC - Dubai	Tanla Oy Finland	Tanla Mobile Private Limited	TZ Mobile Pvt Ltd
a Relationship between the parties	Wholly-owned subsidiary	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd	Wholly-owned subsidiary of Tanla Mobile Finland Oy	Wholly-owned subsidiary	Joint Venture with Zed Worldwide Holdings, S.L., Spain
b Nature of transactions	Sale of Services	Reimbursement of expenses	Advance for sales	Sales of Services & Reimbursement of expenses	Sales of Products, Services	Reimbursement of expenses	Sales of Products, Services & Reimbursement of expenses
c Value of transactions	3,30,58,744	-	-	-	-	55,26,130	(1,40,90)
d Amount of outstanding	10,83,07,947	8,88,501	(29,55,140)	72,85,379	2,02,82,287	(2,32,41,908)	(14,090)
e Provision for doubtful debts	-	-	-	-	-	-	-
f Amount written off	-	-	-	-	-	-	-

₹

TANLA SOLUTIONS LIMITED**Notes forming part of the financial statements****27 List of Transactions with key management personnel**

Consolidated

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Name	Salary & allowances	Contributions to provident & other funds	Perquisites & incentives	Total remuneration
D. Uday Kumar Reddy - Chairman & Managing Director	45,69,600	2,30,400	14,400	48,14,400
K. Satish - CTO	30,62,400	2,37,600	14,400	33,14,400
Navnit Chachan – COO	3,34,080	25,920	14,400	3,74,400
Total	79,66,080	4,93,920	43,200	85,03,200

Remuneration to non-executive directors

₹

Name	Sitting Fees	Reimbursement of Expenses	Total
Mr. Abhishek Khaitan - Director	-	-	-
Dr. Sudhanshu Shekhar Jamuar - Director	-	-	-
Padmabhusan Ram Narain Agarwal - Director	40,000	-	40,000
Mr. Surjeet Kumar Palhan - Director	-	-	-
Total	40,000	-	40,000

Consolidated remuneration

₹

Name	Year ended March 31, 2013	Year ended March 31, 2012
Whole-time directors		
Salary	79,66,080	1,24,66,548
Contributions to provident and other funds	4,93,920	6,57,113
Perquisites and incentives	43,200	72,000
Total	85,03,200	1,31,95,661
Non-whole-time directors		
Sitting fees	40,000	90,000
Reimbursement of expenses	-	-
Total	40,000	90,000
Grand Total	85,43,200	1,32,85,661

28 Foreign Exchange earned and outgo**a. Imports (valued on the cost, insurance and freight basis)**

₹

Name	For the Year 2012-2013	For the Year 2011-2012
Import of capital goods	-	17,25,335

b. Activity in foreign currency

Earnings in foreign exchange (on accrual basis)		
Income from software products and offshore development services	2,70,03,051	14,15,01,021
Interest received	1,06,74,126	-
Expenditure in foreign exchange (on accrual basis)		
Cost of services	72,04,236	11,83,02,811
Foreign Travel Expenses	4,33,182	22,33,634
Professional Charges	-	3,20,202
Net earnings in foreign exchange	3,00,39,759	1,89,19,039

TANLA SOLUTIONS LIMITED

Notes forming part of the financial statements

Consolidated

29 Deferred Tax Asset / (Liability) ₹

Particulars	For the Year 2012-2013	For the Year 2011-2012
i. Deferred tax liability		
On account of depreciation	6,20,64,834	66,125,859
ii. Deferred tax asset		
On unabsorbed losses	6,61,76,820	6,79,36,085
Net deferred tax liability	(41,11,985)	(18,10,226)

30 Earnings Per Share ₹

Particulars	For the Year 2012-2013	For the Year 2011-2012
Net profit after tax	(147,49,40,775)	(157,42,85,251)
Weighted average number of equity shares of Re.1 each	10,14,79,593	10,14,79,593
Nominal value of share	Re.1	Re.1
Earnings per share (basic/diluted) ₹	(14.53)	(15.51)

31 Quantitative details

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conservation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,

Chartered Accountants
Firm Regn. No.010396S

C.V. Koteswara Rao
Partner
Membership No.28353

Place: Hyderabad.
Date : May 29, 2013

For and on behalf of the Board of Directors

Uday Kumar Reddy Dasari
Chairman & Managing Director

Srinivas Kamoji Gunupudi
Chief Financial Officer

Satish Kathirisetti
Director & Chief Technical Officer

Seshanuradha Chava
AGM – Legal & Secretarial

MANAGEMENT DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS:**RESULT OF OPERATIONS**

₹

Particulars	March 2013	% of Total Revenue	March 2012	% of Total Revenue	% Change
Revenues	130 12 58 666		179 74 11 572		(27.60%)
Cost of Sales	80 65 10 918	44.9%	125 52 54 985	69.8%	(35.75%)
Gross Margin %	38.02%		30.16%		26.05%
Selling & Marketing Expenses	6 22 19 876	3.5%	10 93 33 792	6.1%	(43.09%)
General Administration Expenses	22 11 29 923	12.3%	64 80 70 325	36.1%	(65.88%)
Operating Profit (EBTDA)	21 13 97 949	11.8%	(21 52 47 530)	(12.0%)	(198.21%)
EBTDA (%)	16.25%		(11.98%)		(235.66%)
Depreciation & Amortization	168 86 40 483	93.9%	139 43 60 016	77.6%	21.11%
Earnings before Tax	(147 72 42 534)	(113.5%)	(160 96 07 546)	(89.6%)	(8.22%)
Provision for Tax	(23 01 759)	(0.2%)	(3 53 22 295)	(2.0%)	(93.48%)
Earnings after Tax	(147 49 40 775)	(113.3%)	(157 42 85 251)	(87.6%)	(6.31%)
EPS (₹)	(14.53)		(15.51)		(6.31%)

Revenue

During the financial year 2012-13, Tanla's domestic revenue increased by 8.09% YOY, stabilizing its domestic operations and strengthening its presence in the domestic mobile VAS market. Overseas revenue from services such as mobile payments rendered to enterprises and content providers decreased due to sharp decline in revenues realized from Nokia, consolidation of global carrier billing operations due to stringent regulatory issues and transition in business focus to new verticals and existing mobile market conditions.

The company continues to partner with leading handset manufacturers and mobile gaming companies thus consolidating its existing partnerships.

The segmentation of revenue by geography:

₹

Particulars	March 2013	% of Total Revenue	March 2012	% of Total Revenue	% Change
India	24 51 83 890	20.89%	22 68 27 654	12.74%	8.09%
Outside India	92 86 69 698	79.11%	155 42 87 092	87.26%	(40.25%)
Total Revenue	117 38 53 588		178 11 14 747		(34.09%)

The revenue for FY 2012-13 was INR 11738.54 Lakhs compared to INR 17811.15 Lakhs for FY 2011-12 thus registering a drop of 34.09%. Revenue from domestic sales for FY 2012-13 was INR 2451.84 Lakhs as against INR 2268.27 Lakhs for FY 2011-12 registering a growth of 8.09%. Revenue from overseas sales for FY 2012-13 was INR 9286.70 Lakhs as against INR 15542.87 Lakhs for FY 2011-12 registering a drop of 40.25%.

- Increase in domestic revenue can be attributed to monetization of services being already provided & up-gradation of product features & offerings, addition of new enterprise clients and better revenue share realizations.
- Consolidation of traditional business globally has resulted in a decrease in overseas revenue and margins.

Cost of Sales

₹

Particulars	March 2013	% of Total Revenue	March 2012	% of Total Revenue	% Change
Cost of services	77 66 87 302	66.17%	122 02 35 745	68.51%	(2.34%)
Direct manpower costs	2 07 04 959	1.76%	2 51 55 808	1.41%	0.35%
Direct administrative costs	91 18 657	0.78%	98 63 432	0.55%	0.22%
Total Cost of Sales	80 65 10 918	45.28%	125 52 54 985	70.48%	(25.19%)

Decrease in cost of sales is on account of saving in expenses as a result of change in product-mix, decrease in direct manpower costs on account of re-allocation of resources from traditional business and implementation of cost effective measures in administration.

Selling & Marketing Expenses

₹

Particulars	March 2013	% of Total Revenue	March 2012	% of Total Revenue	% Change
Sales team salaries & benefits	1 38 24 106	1.18%	1 67 95 810	0.94%	0.23%
Business promotion and Advertisement	3 91 62 875	3.34%	8 19 86 579	4.60%	(1.27%)
Other selling & marketing expenses	92 32 895	0.79%	1 05 51 403	0.59%	0.19%
Total selling & marketing expenses	6 22 19 876	3.49%	10 93 33 792	6.14%	(2.65%)

Decrease in sales salaries and benefits is on account of pyramid structuring of sales and business team with a consequent saving in business promotion and marketing expense.

General & Administrative Expenses

₹

Particulars	March 2013	% of Total Revenue	March 2012	% of Total Revenue	% Change
Staff salaries & benefits	6 33 84 119	5.40%	10 72 23 446	6.02%	(0.62%)
Provision for Bad debts	7 69 92 217	6.56%	39 77 54 123	22.33%	(15.77%)
Exchange fluctuation	47 51 396	0.40%	2 18 98 567	1.23%	(0.82%)
Other administrative expenses	7 60 02 191	6.47%	12 11 94 189	6.80%	(0.33%)
Total General & administrative expenses	22 11 29 923	18.84%	64 80 70 325	36.39%	(17.55%)

Staff Salaries & Benefits

Consolidation of global business has resulted in downsizing the teams in various geographies thus resulting in substantial saving in administrative salaries and benefits.

Provision for Bad Debts

Based on periodical assessment of receivables by the operations team in consultation with the Management and depending on the probability of not receiving certain payments, provision is made for bad and doubtful debts. The commercial and operations team regularly and intensely follow up with all debtors for realization of dues. The provision for bad debts of ₹ 769.92 lakhs is based on a fair estimate of realizable debtors.

Exchange Fluctuations

Foreign exchange loss of INR 47.51 lakhs is on account of variation in exchange rates on invoice realization/ payment and restatement of debtors.

Earnings before depreciation & amortization and taxes (EBITDA)

EBITDA for FY 2012-13 stood at INR 2113.98 lakhs as compared to (INR 2152.48) lakhs in FY 2011-12 primarily on account of improvement in margins and increase in other income. Surplus cash has been invested in fixed deposits with strong private banks and debt mutual funds having moderate credit risk rating.

Depreciation & Amortization**Depreciation**

₹

Particulars	March 2013	March 2012
Depreciation	130,75,34,776	106,31,62,323

₹ 1,30,75,34,776 has been charged as depreciation on average gross block of assets of ₹ 4,89,84,51,930 for FY 2012-13 as against depreciation of ₹ 106 31 62 323 on average gross block of ₹ 5,87,80,22,753 for FY 2011-12. The company operates in a technology-intensive business and hence software and hardware needs to be upgraded on a regular basis to replace old assets. Technical teams constantly monitor, review and recommend discarding of obsolete assets periodically. As a part of this exercise, during the year assets aggregating ₹ 2,82,27,81,036 that have been fully depreciated have been written off. As a result of the net-off of cost and accumulated depreciation in respect of fully depreciated assets, depreciation for future years would be provided on the existing block of assets of ₹ 3,49,75,43,605.

Amortization

₹

Particulars	March 2013	March 2012
Amortization of goodwill	38,11,05,707	33,11,97,693

The company's policy of amortizing the goodwill on acquisition of Tanla Oy @ 10% every year was revised in accordance of the steep drop in revenues received from Nokia, as a result the unwritten balance under this head was written off during the current year. Out of the total goodwill on acquisition of Tanla Oy of Rs. 71 23 03 400 balance of Rs. 38 11 05 707 that was not written off in the earlier years has been written off in the current year.

Provision for taxation

Depreciation provided as per the Companies Act differs from the depreciation as allowed under the Income Tax Act due to the difference in rates applied under the respective laws. Such differences are termed as timing differences. To normalize the effect of these timing differences on the profit or loss in the financials, companies are required to provide for tax on the same. This is referred to as deferred tax and is disclosed under the head Tax in the profit and loss account. Deferred Tax for FY 2012-13 is INR (23.02) Lakhs as against INR (353.22) lakhs in FY 2011-12 on account of timing difference on depreciation.

FINANCIAL CONDITION**Share capital**

The authorized share capital of Tanla is ₹ 1200 lakhs, comprising of 12 00 00 000 equity shares of Re. 1/-each. As at March 31, 2013, the issued and paid up share capital of Tanla is ₹ 10,17,49,593 comprising of 10,17,49,593 equity shares of Re.1/- each. The company has not issued any shares during FY 2012-13

Reserves & Surplus

₹

Particulars	March 2013	March 2012
Share Premium	429 58 89 975	429 58 89 975
Investment subsidy	4 00 000	4 00 000
General reserve	24 98 04 978	24 98 04 978
Balance in profit and loss account	41 42 43 663	188 91 84 437
Currency translation reserve & surplus from joint ventures	108 99 71 200	37 61 99 373
TOTAL	605 03 09 816	681 14 78 764

Currency translation reserve has increased on account of positive foreign exchange fluctuations on assets in various geographies. Currency fluctuation on account of revenue items is included under exchange fluctuation and charged to profit and loss account.

The balance retained in profit & loss account as on 31st March'2013 is INR 4142.44 Lakhs post tax.

The total net worth of the company as on 31st March'2013 is INR 61219.97 Lakhs with the book value of each share being INR 60.33 as against the corresponding numbers for the FY 2011-12 of INR 65600.17 Lakhs and INR 64.64 respectively. The difference in net worth is on account of loss in FY 2012-13.

Sundry debtors

Sundry Debtors (net of provision for doubtful debts) amount to INR 8364.37 Lakhs as on 31st March 2013 as compared to INR 14816.65 Lakhs as on 31st March 2012. The Management has put in place a mechanism entrusted to a team for constant follow up to ensure minimum non-realization, this mechanism has helped in faster realizations as evidenced by a lower outstanding of debtors aged less than 6 months. Debtors include unbilled transactions at the end of the year. These transactions are reconciled with the partners before raising the final invoice.

Summary of debtors is given below:

₹

Particulars	March 2013	March 2012
More than 6 months	60 64 04 384	53 09 80 074
Less than 6 months	23 00 32 330	95 06 84 631

Cash & Bank balances

With a view to reap the advantage of a better money market in India, the management took a view to focus on treasury management and streamlined the surplus cash into investments moderately in rated debt mutual funds and fixed deposits with strong banks. Surplus funds of INR 2768.27 lakhs was invested in short term mutual funds namely ICICI Prudential Gilt Fund and Kotak Bond Scheme. These are investment

grade financial products yielding average annual return of 10-12%.

The cash and bank balance as on 31st March 2013 was INR 2443.42 lakhs as against a balance of INR 7135.92 lakhs as on 31st March 2012.

The company follows a policy of timely payments to all vendors/clients without waiting for realizations, thereby resulting in a impact on the bank balance – hence the decrease in the bank balance.

Short Term Loans and Advances

Loans and advances include advances paid to content providers, aggregator clients, rent deposits for premises, direct and indirect taxes such as TDS, advance income tax, VAT, sales tax and service tax.

The loans and advances outstanding as on 31st March 2013 is INR 3995.16 lakhs as compared to INR 2810.79 Lakhs as on 31st March 2012. The table below gives an overview of the short term loans and advances:

₹

Particulars	March 2013	March 2012
Advances recoverable in cash or kind or for value to be received	29,82,04,313	22,05,88,332
Deposits with others	1,36,15,953	1,34,72,588
Advance income tax & TDS	8,76,95,804	4,70,18,556
TOTAL	39,95,16,070	28,10,79,477

Current Liabilities and Provisions

Current Liabilities and Provisions comprising of sundry creditors and other current liabilities stood at INR 1119.46 Lakhs as on 31st March 2013 as compared to INR 946.63 lakhs as on 31st March 2012. Increase of INR 172.83 Lakhs is on account of current liabilities payable in the immediately succeeding quarter.

Capital work in progress

The company in its bid to launch new verticals is in the process of developing new products for the mobile telecom market. New products that are developed for subscriber market are subjected to extensive testing and debugging processes involving extended timelines and deployment of huge financial and human resources. The development costs incurred on new products are captured in the balance sheet under the heads Intangible Assets under Development and Capital Work in Progress aggregating to ₹ 210,88,34,749 as on March 31, 2013. These costs shall be capitalized after the launch of the respective products.

Report on Risk Management

Readers of this annual report are hereby cautioned that certain statements in this Report on Risk Management might be forward-looking in nature hence the readers are requested to exercise their own judgment in assessing the associated risks.

The Indian economy has faced tough challenges in FY 2012-13 with growth slowing down and the Rupee sliding to record low. The saving grace has been a slowdown in inflation which has prompted RBI to take necessary measures in the form of rate cuts to move the economy into a growth phase.

The company's major business verticals are Telecom Products, Aggregator and Mobile Payments. Mobile gaming and consultancy the 2 new products presently under development would be the new additions to the company's offerings (products & services) portfolio. The company is committed to provide cost-effective products and solutions for global handset manufacturers in line with their requirements.

Management continuously assesses the risks involved in projects. Prospective risks are assessed by the business managers and discussed & reviewed in departmental meetings followed by final review at the Board meeting for appropriate decisions. Critical items are escalated to management through functional heads. The Board of Directors is updated on the status of new projects and the attendant risks at their meetings. The Board is responsible for addressing the risks involved in projects and provides guidance on the risk management policies to be followed. All projects are continuously monitored to enable mitigation of inherent risks to the extent possible.

The company operates in mobile value-added services sector of the telecom industry, which is a dynamic environment. Rapid changes in regulations, technology and customer-preferences are the hallmark of this sector of the telecom industry. Management makes a multi-pronged effort to mitigate risk, in this dynamic nature of the environment in which the company operates. The major risks which are relevant to the company and its operations are explained below.

1. Financial Risks

Liquidity risk and foreign exchange fluctuation risks are the major financial risks faced by the Company.

Liquidity

Current and Liquid assets are those which can be realized within a period of one year and comprise of Cash and Cash equivalents, Trade receivables, Loans and advances given.

Current assets are available to meet business needs within a one year time frame and are realized within the working capital cycle. Liquid assets in the form of Cash and Cash equivalents are readily available for business needs as also to address new business opportunities. Cash and Cash equivalents carry the least risk of realization among current assets. However surplus cash balances are a burden and need to be judiciously deployed to realize positive real returns.

The surplus cash is thus invested in debt mutual funds with A+ rating and fixed deposits in nationalized banks such as Union Bank to minimize the risk of non-realization and devaluation of the investments and returns associated therewith.

Trade receivables are realized based on the credit period extended to clients. Delay in recovery of trade receivables have an impact on the liquidity of the Company and need to be monitored and followed-up closely for realisation.

The following is position of liquid assets of the Company:

Ratio	2013	2012
Cash and cash equivalents as % of assets *	8.32%	10.15%
Cash and cash equivalents as % of revenue	40.05%	39.70%

*Cash and cash equivalents include Investments in Debt Mutual Funds/fixed deposits with banks which have a maturity of one year or less as at the date of the balance sheet.

The Company settles dues in respect of trade and other current payables based on credit period negotiated with the respective creditors. The company maintains adequate cash balances to meet working capital requirements.

1. Foreign currency fluctuations

The company by virtue of its global presence is exposed to significant currency fluctuations and changes in the regulatory framework in multiple geographies.

The Company derives a significant portion of its revenues in Foreign Currencies. In India, the Company retains foreign currency in EEFC accounts with Banks to the extent permissible by RBI to mitigate the impact of unfavorable exchange fluctuation on overseas payments. The principal foreign currencies dealt with by the Company include Great Britain Pound, US Dollar and Euro.

2. Business Portfolio Risks

A business is subject to the risks involved with respect to the services offered by it, the geographies in which it operates clients on which it is highly dependent, etc.

Mobile VAS and telecom infrastructure services, the segment of the telecom industry in which the company operates, is subject to a number of factors like subscriber preferences, regulatory framework changes, new products/services/applications launched by competitors, pricing dynamics of competitors, ability of the company to capture market share, ability of the company to acquire and retain talent to meet the demands of business and general economic conditions.

2.1 Business vertical diversification

The services offered by the company to subscribers of its clients are termed 'Business verticals'. The Company operates in the major business verticals as mentioned above.

Traditional business comprises Aggregator business, products and mobile payments. The Company is in the process of expanding its product mix by adding mobile gaming, mobile music and mobile consultancy verticals to provide a diversified product mix to its clients, as a move towards launching innovative products and to minimize dependency on traditional business.

The Company continues to partner with leading handset manufacturers and has teamed up with game developers to launch its new products. During the year, the Company had a revenue distribution in the ratio of 58:22:19 among the aggregator, products and mobile payments verticals respectively.

To mitigate the risk of losing business to new entrants into the field, the company is constantly engaged in analysis of customer preferences across geographies and age groups. As an offshoot of this analysis the company has identified social gaming as a vertical with a huge potential for new products.

A social network game is a type of online game that is played through social networks, and typically features multiplayer and asynchronous game play mechanics. Social network games are most often implemented as browser and mobile games on mobile devices. By 2014, 50% of social networking users and 34% of total internet users will play social games.

Top Social Gaming Developers Based on Monthly Active Users (MAU): Zynga 213,557,360 (MAU), King.com 99,457,975 Wooga 46,556, 808, Social Point 38,987, 966 Electronic Arts 33, 675, 645.

2.2 Additions to Product portfolio

Social Gaming platform (Gameon) and music based desktop and mobile application (Intune) are 2 products under development over last few quarters. The social gaming platform is presently being developed in Android and Java platforms in view of the immediate market release in Asian countries followed by a global launch.

Intune – the music based app which is more of a desktop application has been developed into a mobile app which aims to help amateur singers propagate their abilities, thereby creating an opportunity for the media houses to tap talent on the go, through a tie up with mobile network operators.

Regulatory changes ruling the telecom industry accompanied with natural and economic unfavorable conditions prevalent in most parts of the world would be a challenge the proposed new products would have to stand up against. The success of new products launched also depends on the performance of partners in the eco system to which the company belongs.

2.3 Client portfolio

The Company endeavors to have a mix of large and medium-sized clients spread across verticals to maintain a diverse client portfolio. This helps to mitigate the risk of dependence on a few clients and the consequent risk of lower business from them. The company is in advanced stages of testing and deployment of its Gameon with a leading gaming company and two global handset manufacturers. For the music based Intune product the company has tied up with network operators in India and would experience the results of traction in the future.

2.4 Geographical distribution

Distribution of revenues over diverse geographies reduces the risk on account of unfavorable economic conditions, trade policies and political situation in certain geographies.

The company's successful traction in the domestic Indian market for the last two years has provided a strong base to foray into new verticals with confidence and has helped the company reduce its dependence on the overseas business. Partnering with handset manufacturers and large companies in mobile gaming provides the company the much needed platform to explore the options of entering the matured markets for VAS services in mobile space.

The company's presence in matured market like Europe has exposed it to stringent & dynamic regulatory issues coupled with a tough competition. This exposure to matured markets has lead to delivering niche products in the emerging markets where revenue payouts and realizations are comparatively competitive and slow as compared to matured markets. The company is balancing between these toe varied market conditions to strike a optimum economic balance.

3. Technological obsolescence

Numerous launches of upgraded products by OEMS with new platforms is rendering the existing technology/ platform redundant thereby requiring to invest in up gradation/ development of new platforms. The company closely monitors its partner's movement and accordingly strategises its business and technology spent. The success of the company's products and solutions is to a large extent dependent on its capability of adapting to varied client demands.

When earlier technologies become redundant, write off of certain assets becomes necessary while on the other hand latest technological products are added to the company's asset base. The company has been investing large sums in development of the 2 new products apart from investing in procurement of upgraded mobiles and other gadgets.

The following table gives depreciation expense as a proportion of revenues for the last two years.

Ratio	FY 2013	FY 2012
Depreciation/Average Gross Block	26.69%	18.09%

Legal and Statutory Risks

Contractual Liabilities
Statutory Compliance

4. Legal and Statutory Risks: The company has always endeavored to be cautious in executing contracts and has till date no material litigation in relation to contractual obligations pending against it in any court in India or abroad. Global presence of the company requisites compliance with various regulations in the country of incorporation, the company has developed an internal control system to ensure timely compliances in all jurisdictions.

5. Competition Risks

As market leaders in the telecom VAS sector, the company has since inception believed in planning ahead and making decisive moves to meet competition head-on, given this edge, the company is in this era of decreased revenue realizations trying to differentiate from competitors for better market share. Competition and Technology risks are determined by the success of the technology adopted by the Company's client and the success of the Client's product. The management keenly follows market trends and in co-ordination with clients deeply analyses customer preferences to mitigate this risk.

6. Macro Economic Risks

Changes in the global economic environment are bound to have an impact on the progress of every company's growth. The Company has succeeded in establishing a strong base in the domestic market over the last two years and is working relentlessly to further consolidate this position. The management has invested significant time in meeting clients to provide insights and various advantages along with the assurance, which is important to build a global delivery model

Internal Control Systems:

The Company has adequate internal control systems in place commensurate with the nature of its operations which provide reliable financial and operational information complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorizations and ensuring compliance of corporate policies.

The internal auditor conducts a periodic audit on the statutory compliances and other factors impacting the business of the Company and presents an exhaustive report to the Audit Committee for its review. The internal audit report identifies non-compliance and other important issues having a bearing on the operations of the Company and suggests corrective action to ensure these instances do not recur.

Human Resources Development and industrial Relations:

The Company believes in identifying and encouraging the right talent required for the niche mobile based software development. The Human Resources Department conducts consultation, dialogue, deliberations and negotiations with employees to ensure employee job satisfaction, as the Company believes in procuring and retaining talent. Employees are adequately rewarded for their performance and loyalty. The Company has during the year conducted a recruitment drive and taken on board fresh technical graduates, provided them training on the required platform to acquire the skills required in developing the new products proposed to be launched by the Company.

The Company strives to provide congenial atmosphere to the employees and sets high standards of efficiency and performance to ensure a win-win situation for the employees and the clients.

Financial Information of Subsidiary Companies u/s 212

S.No.	Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1	Tanla Mobile Asia Pacific Pte Ltd., INR Lakhs Exchange rate as on 31.03.2013	SGD	14,75,96,108 63,372.16 42.94	(3,13,08,002) (13,442.47) 42.94	11,70,19,560 50,243.75 42.94	11,70,19,560 50,243.75 42.94	1,50,98,889 6,482.80 42.94	1,84,020 80.07 43.51	(67,70,557) (2,946.00) 43.51	-	(67,70,557) (2,946.00) 43.51	-	Singapore
2	Tanla Mobile Inc, USA INR Lakhs Exchange rate as on 31.03.2013	USD	751.62 53.27	(748.34) 53.27	3.28 53.27	3.28 53.27	-	-	(0.08) 54.08	(0.36) 54.08	(0.45) 54.08	-	USA
3	Tanla Mobile Ireland Pvt Ltd., INR Lakhs Exchange rate as on 31.03.2013	EURO	60,02,625 4,097.97 68.27	(30,83,681) 2,105.22 68.27	29,18,944 1,992.75 68.27	29,18,944 1,992.75 68.27	-	2,16,073 150.46 69.64	(24,16,780) (1,682.95) 69.64	-	(24,16,780) (1,682.95) 69.64	-	Ireland
4	Tanla Mobile South Africa Pty Ltd., INR Lakhs Exchange rate as on 31.03.2013	ZAR	-	-	-	-	-	9,50,972	(8,71,877)	68,839	(9,40,716)	-	South Africa
5	Tanla Mobile South Asia Pvt Ltd., INR Lakhs Exchange rate as on 31.03.2013	SLR	57,21,414 24.03 0.42	(48,81,766) (20.50) 0.42	10,71,648 4.50 0.42	10,71,648 4.50 0.42	-	272,000 1.13 0.42	5,096 0.02 0.42	2,618 0.01	2,478 0.01 0.42	-	Sri Lanka
6	Tanla Mobile Middle East FZ LLC INR Lakhs Exchange rate as on 31.03.2013	USD	13,605 7.25 53.27	1,26,33,219 67,29.45 53.27	6,77,35,810 36,081.44 53.27	6,77,35,810 36,081.44 53.27	1,60,07,701	86,81,891	(1,09,28,373)	-	(1,09,28,373)	-	UAE
7	Tanla Mobile Finland Oy INR Lakhs Exchange rate as on 31.03.2013	Euro	2,500 1.73 69.16	94,91,215 6,522.56 69.16	1,73,47,709 11,997.55 69.16	1,73,47,709 11,997.55 69.16	1,73,45,348	2,87,440	(5,910.42)	-	2,87,440	-	Finland
8	Tanla Oy INR Lakhs Exchange rate as on 31.03.2013	Euro	2,61,013 180.51 69.16	27,22,663 1,882.97 69.16	60,96,794 4,216.50 69.16	60,96,794 4,216.50 69.16	-	6,37,185	3,46,476	-	3,46,476	-	Finland
9	Tanla Solutions UK Ltd INR Lakhs Exchange rate as on 31.03.2013	GBP	10,00,100 809.91 80.91	(17,35,164) (1,40,392) 80.91	(734,164) (594.01) 80.91	(734,164) (594.01) 80.91	-	78,62,402	(38,08,978)	-	(38,08,978)	-	UK
10	Tanla Mobile Ltd., INR Lakhs Exchange rate as on 31.03.2013	GBP	103 0.08 80.91	103 0.08 80.91	-	-	-	(3006) (257) 85.48	(103) (0.09) 85.48	-	-	-	UK
12	Tanla Mobile Spain, Sociedad Limitada INR Lakhs Exchange rate as on 31.03.2013	Euro	-	-	-	-	-	-	-	-	-	-	Spain
13	Mufi Thumb Pvt Ltd INR Lakhs	INR	25,00,000	9,56,955	34,56,955	34,56,955	-	-	(7,610)	-	(7,610)	-	India
13	Tanla Mobile Private Limited INR Lakhs	INR	100,000	9,15,52,983	10,15,52,983	10,15,52,983	-	2,62,97,272	1,31,039	-	1,31,039	-	India

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Information Pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956 Statement on Balance Sheet Abstract and General Business Profile of the Company:

Registration Details

• Registration No.	:	L72200AP1995PLC0212362
• State Code	:	01
• Balance Sheet Date	:	31.03.2013
• Public Issue	:	Nil
• Rights Issue	:	Nil
• Bonus Issue	:	Nil
• Private Placement	:	Nil
• Capital Raised during the year	:	Nil

Position of Mobilization and Deployment of Funds

• Total Liabilities	:	₹ 645,02,94,181
• Total Assets	:	₹ 645,02,94,181

SOURCES OF FUNDS:

• Paid-up Capital	:	₹ 10,14,79,593
• Reserves & Surplus	:	₹ 616,42,24,834
• Deferred Tax Liability	:	Nil

Application Of Funds:

• Net Fixed Assets	:	₹ 71,04,37,213
• Investments	:	₹ 465,88,20,591
• Net Current Assets	:	₹ 77,83,84,593
• Misc.Expenditure	:	Nil

Performance of Company

• Turnover/Income	:	₹ 37,32,47,312
• Total Expenditure	:	₹ 51,42,49,015
• Profit Before Tax	:	₹ (14,10,01,704)
• Profit After Tax	:	₹ (10 58 73 995)
Earning per Share (face value Re.1 each) ₹	:	(1.04)
• Dividend Rate %	:	Nil

Generic Names of three principal products/services of Company

• (As per monetary terms)	
• Item Code No. (IIC Code)	: 85249009.10
• Product Description	: Software Development and related services

In terms of our report attached

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn. No.010396S

For and on behalf of the Board of Directors

C.V. Koteswara Rao
Partner
Membership No.28353

Uday Kumar Reddy Dasari
Chairman & Managing Director

Satish Kathiriseti
Director & Chief Technical Officer

Place: Hyderabad.
Date : May 29, 2013

Srinivas Kamoji Gunupudi
Chief Financial Officer

Seshanuradha Chava
AGM – Legal & Secretarial

NOTICE OF 17th ANNUAL GENERAL MEETING

NOTICE is hereby given that the Seventeenth Annual General Meeting of the members of Tanla Solutions Limited will be held on Friday 20th September, 2013 at 10.30 am at the Registered Office of the Company situated at Tanla Technology Centre, Hi-tech City Road, Madhapur, Hyderabad – 500 081, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and Statement of Profit and Loss for the year ended March 31, 2013 together with the Report of Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Satish Kathiriseti, Director – Chief Technical Officer, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, Hyderabad as the Statutory Auditors of the Company.
"RESOLVED THAT M/s Ramasamy Koteswara Rao & Co., (Firm Regd. No: 010396 S) Chartered Accountants, Hyderabad be and are hereby re-appointed as Statutory Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company."

SPECIAL BUSINESS:

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

"RESOLVED THAT, pursuant to Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Part I and Part II of Schedule XIII of the Companies Act, 1956, Mr. D. Uday Kumar Reddy, Chairman & Managing Director, be and is hereby paid a remuneration of ₹ 48 lakhs per annum as approved by the Remuneration Committee in its meeting held on August 08, 2013 for a period of three years from the month of October 2013 including other benefits, allowances, perquisites."

"RESOLVED FURTHER THAT, Mr. D. Uday Kumar Reddy, Chairman & Managing Director would be eligible for the following perquisites as approved by the Remuneration Committee in its meeting held on August 08, 2013 under Sections 198, 269 and 309 read with Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any Statutory modification(s) or re-enactment thereof:

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules.
- b. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- c. Encashment of leave as per the Company's rules at the end of tenure."

"RESOLVED FURTHER THAT for the purpose of giving effect to the payment of remuneration, the Company Secretary of the Company be and is hereby authorized on behalf of the company to do all such acts, deeds, things and matters as may be deemed expedient or desirable to give effect to the above said resolution."

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Special Resolution:

"RESOLVED THAT, pursuant to Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Part I and Part II of Schedule XIII of the Companies Act, 1956, Mr. Satish Kathiriseti, Director – Chief Technical Officer be and is hereby paid a remuneration of ₹ 43 lakhs per annum as approved by the Remuneration Committee in its meeting held on August 08, 2013 for a period of three years from the month of October 2013 including other benefits, allowances, perquisites."

"RESOLVED FURTHER THAT, Mr. Satish Kathiriseti, Director – Chief Technical Officer would be eligible for the following perks as approved by the Remuneration Committee in its meeting held on August 08, 2013 under Sections 198, 269 and 309 read with Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any Statutory modification(s) or re-enactment thereof:

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules.
- b. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- c. Encashment of leave as per the Company's rules at the end of tenure."

"RESOLVED FURTHER THAT for the purpose of giving effect to the payment of remuneration, the Company Secretary of the Company be and is hereby authorized on behalf of the company to do all such acts, deeds, things and matters as may be deemed expedient or desirable to give effect to the above said resolution."

Place: Hyderabad.
Date : August 08, 2013

Registered Office:
Tanla Technology Centre,
Hi-tech City Road,
Madhapur, Hyderabad – 500081

By the order of the Board of Directors
For Tanla Solutions Limited
Sd/-
CS Seshanuradha Chava
AGM – Legal & Secretarial

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote thereat instead of himself/herself and such proxy need not be a member of the company.
2. The instrument appointing proxy in order to be effective should be duly stamped, signed and shall be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
3. Corporate members intending to send or nominate their authorized representatives to attend and vote at the meeting are requested to send a certified copy of the board resolution authorizing their representatives to attend and vote on their behalf at the meeting.
4. The register of members and share transfer books shall remain closed from September 18, 2013 to September 20, 2013 (both days inclusive) for the purpose of annual general meeting.
5. Members desirous of asking any questions at the annual general meeting are requested to send their questions so as to reach the registered office at least 7 days before the meeting so that the same can be suitably replied to.
6. All documents referred to in the notice and annexure thereto along with other mandatory registers / documents are open for inspection at the registered office of the Company on all working days (except Saturdays and Sundays) between 11.00 am to 1.00 pm prior to the date of Annual General Meeting.
7. The Ministry of Corporate Affairs has taken a corporate "Green initiative in the corporate governance" by allowing paperless compliance by companies. As per the MCA Circular, Service of documents through electronic mode i.e., e-mail by the company will be a valid compliance of Section 53 of the Companies Act, 1956. A recent amendment to the Listing Agreement with the Stock Exchange permits companies to send soft copies of the Annual Report to all those shareholders who have registered their e-mail id's for the said purpose. As such the members who have not yet registered their e-mail id's are requested to furnish/register their e-mail id's at einward.ris@karvy.com to enable the Company to send all notices, periodical statements etc., of the company through electronic mode.

Place: Hyderabad.
Date : August 08,2013

Registered Office:
Tanla Technology Centre,
Hi-tech City Road,
Madhapur, Hyderabad – 500081

By the order of the Board of Directors
For Tanla Solutions Limited
Sd/-
CS Seshanuradha Chava
AGM – Legal & Secretarial

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.4

Mr. D. Uday Kumar Reddy was re-appointed as the Chairman & Managing Director on May 15, 2010 for a period of 5 years at an annual remuneration of ₹ 48 Lakhs for a period of 3 years including other allowances, perquisites and other benefits.

Past Remuneration:

The Remuneration Committee in its meeting dated 20th October, 2010 fixed the total remuneration of ₹ 48 Lakhs for a period of three years from the month of October, 2010 including other benefits, allowances and perquisites. Mr. D. Uday Kumar Reddy drew annual Salary of ₹ 48,14,400 during the year ended March 31, 2013.

Proposed Remuneration :

Remuneration Committee in its meeting held on August 08, 2013 proposed an Annual Remuneration of ₹ 48,00,000 for a period of 3 years from October 2013 subject to the approval of members by passing Special Resolution in the ensuing 17th Annual General Meeting.

Reasons for Inadequate Profits:

Though domestic revenue increased by 8.09% year on year basis, overseas revenue declined substantially due to consolidation of global carrier billing operations as a result of stringent regulatory issues and transition in business focus to new verticals and existing mobile market conditions. Consolidation of traditionally business globally has resulted in a decrease overseas revenues and margins.

For the year ended on March 31, 2013, the Company reported loss of ₹ 79.07 lakhs, the total remuneration payable to all the Managerial personnel cannot exceed ₹ 48 Lakhs per annum as per Part II of Schedule XIII of the Companies Act, 1956. Remuneration Committee has been authorized to review and fix monthly salary and also to determine performance linked incentives including commission, either on quarterly, half yearly or yearly basis, considering the maximum remuneration payable under Section 198 and Schedule XIII of the Companies Act, 1956. The Remuneration Committee in its meeting held on August 08, 2013 and passed a resolution approving the salary payable.

Steps taken for improvement:

The company continues to partner with leading handset manufacturers and mobile gaming companies to launch new products thus consolidating its existing partnerships to improve revenues and margins.

There is no pecuniary relationship either directly or indirectly with the company, or relationship with the managerial personnel except with Mrs. D. Tanuja Reddy, the co-promoter of Tanla Solutions Limited.

Your Directors recommend that the said resolution may be passed as a Special Resolution.

None of the Directors except Mr. D. Uday Kumar Reddy is interested or concerned in the said resolution.

Mr. D. Uday Kumar Reddy holds 1,44,96,493 equity shares constituting 14.29% of the paid up capital of the company.

Item No.5

Mr. Satish Kathiriseti was re-appointed as Director - Technical on September 30, 2009 in the Annual General Meeting for a period of 5 years at an annual remuneration of ₹ 48.43 Lakhs including other allowances, perquisites and other benefits.

Past Remuneration :

The Remuneration Committee in its meeting dated 20th October, 2010 fixed the total remuneration of ₹ 43 Lakhs for a period of three years from the month of October, 2010 including other benefits, allowances and perquisites. Mr. Satish Kathiriseti drew annual Salary of ₹ 33,14,400 during the year ended March 31, 2013.

Proposed Remuneration :

Remuneration Committee in its meeting held on August 08, 2013 proposed an Annual Remuneration of ₹ 43,00,000 for a period of 3 years from October 2013 subject to the approval of members by passing Special Resolution in the ensuing 17th Annual General Meeting.

Reasons for Inadequate Profits:

Though domestic revenue increased by 8.09% year on year basis, overseas revenue declined substantially due to consolidation of global carrier billing operations as a result of stringent regulatory issues and transition in business focus to new verticals and existing mobile market conditions. Consolidation of traditionally business globally has resulted in a decrease overseas revenues and margins.

For the year ended on March 31, 2013, the Company reported loss of ₹ 79.07 lakhs, the total remuneration payable to all the Managerial personnel cannot exceed ₹ 48 Lakhs per annum as per Part II of Schedule XIII of the Companies Act, 1956. Remuneration Committee has been authorized to review and fix monthly salary and also to determine performance linked incentives including commission, either on quarterly, half yearly or yearly basis, considering the maximum remuneration payable under Section 198 and Schedule XIII of the Companies Act, 1956. The Remuneration Committee in its meeting held on August 08, 2013 and passed a resolution approving the salary payable.

Steps taken for improvement:

The company continues to partner with leading handset manufacturers and mobile gaming companies to launch new products thus consolidating its existing partnerships to improve revenues and margins.

There is no pecuniary relationship either directly or indirectly with the company, or relationship with the managerial personnel.

Your Directors recommend that the said resolution may be passed as a Special Resolution.

None of the Directors except Mr. Satish Kathiriseti is interested or concerned in the said resolution.

Mr. Satish Kathiriseti holds 13,40,000 equity shares constituting 1.32% of the paid up capital of the company

Place: Hyderabad.
Date : August 08,2013

Registered Office:
Tanla Technology Centre,
Hi-tech City Road,
Madhapur, Hyderabad – 500081

By the order of the Board of Directors
For Tanla Solutions Limited
Sd/-
CS Seshanuradha Chava
AGM – Legal & Secretarial

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TANLA SOLUTIONS LIMITED

Registered Office: Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081

Regd. Folio / Client ID

No.No. of Shares

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[Empty dotted box for No.No. of Shares]

**Attendance Form
17th ANNUAL GENERAL MEETING**

I certify that I am Member / Proxy for the Member of the Company.

I hereby accord my presence at the 17th Annual General Meeting of the Company held on Friday, September 20th, 2013, at 10:30 am at the Registered Office of the Company situated at Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081

Signature of the Member/Proxy

Note:

1. Please sign this attendance slip and hand it over at the Attendance Verification Counter at the Entrance of the Meeting Hall.
2. This Attendance is valid only in case shares are held on the date of the Meeting.

TANLA SOLUTIONS LIMITED

Registered Office: Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081

Regd. Folio / Client ID

No.No. of Shares

[Empty dotted box for Regd. Folio / Client ID]

[Empty dotted box for No.No. of Shares]

**Proxy form
17th ANNUAL GENERAL MEETING**

I/We of being Member(s) of M/s. TANLA SOLUTIONSLIMITED hereby appoint Mr./Mrs. of or failing which Mr./Mrs. of as my/our proxy to attend and vote for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held on Friday, September 20, 2013, at 10:30 am at the Registered Office of the Company situated at Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081 and any adjournment thereof.

Signed this day of September, 2013



Signature of the Member

Note:

(a) The Proxy Form signed across revenue stamp must be deposited at Registered Office of the Company at Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081 not less than 48 hours before the meeting.

NEED FOR SPEED THE RUN

DOWNLOAD CONNECT CHALLENGE COMPETE



“Need for Speed – The Run” game from the popular Need for Speed (NFS) racing franchisee owned by EA has now been integrated with GameOn. You can now participate in Challenges, Battles and Tournaments with your friends and other GameOn users.

Will be available soon for Nokia Asha series phones @ <http://store.ovi.com>



TANLA TECHNOLOGY CENTRE, HITECH CITY ROAD,
MADHAPUR, HYDERABAD, INDIA
www.tanla.com