

PACE AUTOMATION LIMITED

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty Second General Meeting of the Members of Pace Automation Limited will be held on Friday, September 28, 2012 at 3:00 P.M. at the Registered Office of the Company, "Empee Towers", V Floor, 59 Harris Road, Pudupet, Chennai – 600 002, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 2012 and the Statement of Profit & Loss Account for the year ended on that date together with the Report of the Directors and Auditors of the Company.
2. To appoint a Director in place of Mrs Meera Chandru who retires by rotation and is eligible for reappointment.
3. To appoint Auditors of the Company and to authorize the Board to fix their remuneration. The retiring Auditor, Shri. N Subramanian, Chartered Accountant, Chennai is eligible for reappointment.

Special Business

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

a) "RESOLVED THAT in accordance with the provisions of Sections 198, 309 310, read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the company be and is hereby accorded to the board for the increase in the remuneration payable to Mr S G Chandru, Whole Time Director from Rs.60,000/- (Rupees Sixty Thousands) per month, to Rs.1,00,000/- (Rupees One Lakh) per month, inclusive of all perquisites and other allowances as detailed in the explanatory statement attached hereto, with effect from 01.10.2012 for the remaining period of his tenure viz., till 30.09.2013."

b) "FURTHER RESOLVED THAT the company on attaining adequate profits the Board of Directors/Remuneration committee constituted by the Board do accept to vary the terms of remuneration and perquisites with the liberty to revise the remuneration payable to the above Managerial Personnel, if it in its absolute discretion thinks fit in accordance with the provisions of Section 198 read with Section 309 and Schedule XIII i.e. within the overall ceiling of 5% or 10% of the net profits of the Company calculated in the manner specified in the Act without further reference or approval from the share holders of the company."

c) "FURTHER RESOLVED THAT the information provided above shall be treated as an Abstract under section 302 of the Companies Act, 1956.

d) "RESOLVED FURTHER THAT the Board of Directors and/ or the Company Secretary be and are hereby jointly / severally authorized to make application to the Central Government and to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its power herein conferred to any committee of directors or director(s) to give effect to the above resolution.

By Order of the Board of Directors of Pace Automation Ltd

Chennai, 24 August 2012

S. G. Chandru
Director

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll to vote instead of himself and such proxy/proxies need not be a member/members of the Company.
2. The instrument of proxy duly stamped and executed for use at the meeting must be lodged at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
3. The Register of Members and Share Transfer Books will remain closed from September 20, 2012 to September 28, 2012 (both days inclusive), in terms of the provision of Section 154 of the Companies Act, 1956

/ By Order of the Board /

Chennai, 24 August 2012

S. G. Chandru
Director

PACE AUTOMATION LIMITED

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No.4

Mr S G Chandru is currently the Whole Time Director of the Company has been instrumental in developing various products for the company. He is being paid monthly remuneration and perquisites of Rs.60,000/- . His salary and perquisites is proposed to be increased to Rs.1,00,000/- per month, the maximum permitted as per the provisions of section 198, 309 and 310 read with Schedule XIII of the Companies Act,1956 based on the time he spends for managing the affairs of the company.

All the Directors are deemed to be interested in passing the said resolution.

SALARY Rs.80,000/- per month (Rupees Eighty Thousand Only)

2. PERQUISITES

a. House Rent Allowance

25% of the salary

b. Conveyance

The Company shall provide a car with driver for use of the President & CEO.

c. Telephone

The Company shall also provide telephone facility at the residence. All personal long distance calls at actuals will be charges to his personal account.

d. Medical Reimbursement

Expenditure incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

e. Club Fees

Fees of Clubs subject to a maximum of two clubs. This will not include life time membership fees.

f. Others:

- The expenditure incurred by the Company for electricity and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of five percent of the salary of the Whole-time Directors
- He shall be entitled to reimbursement of all actual expenses including entertainment and travelling incurred in the course of the Company's business. To facilitate this, he will be provided with individual and Corporate Credit Cards both domestic and international. The annual fees for such cards will be borne by the Company.
- Gratuity as per the Company's rules.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the Twenty Second Annual Report and the audited accounts for the year ended March 31, 2012

The results for the year 2011 – 12 under review are given below:

(Rs in lacs)

Details	For the year ended March 31, 2012	For the year ended March 31, 2011
Gross Income	350.29	283.50
Total Expenses	399.64	312.81
Profit / (Loss) before Depreciation & Interest	(49.35)	(29.31)
Depreciation	100.18	100.69
Interest & Finance Charges	0.66	0.19
Profit / (Loss) before tax	(150.19)	(130.24)
Provision for Taxation - Deferred	37.05	---
Profit / (Loss) after Tax	(112.45)	(130.24)
Balance brought from previous year	(881.68)	(751.44)
Profit/(Loss) carried forward to Balance sheet	(994.13)	(881.68)

Your company is currently engaged in providing software services as a solution utilising the in-house software developed by the Company till date.

FIXED DEPOSITS

During the year the Company has not accepted / renewed any fixed deposits.

DIRECTORS

Mrs Meera Chandru retires by rotation and being eligible offer herself for reappointment.

PACE AUTOMATION LIMITED

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under the Companies Act, 1956, your Directors wish to state:

That in the preparation of the annual accounts, the applicable accounting standards have been followed and there is no material deviation there from.

Reasonable and prudent accounting policies have been applied in the preparation of the financial statements, that they have been consistently applied and that reasonable and prudent judgement and estimates have been made in respect of items not concluded by the year end, so as to give a true and fair view of the state of affairs of the Company as at 31st March 2012 and of the loss for the year ended on that date

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

The financial statements have been prepared on a going concern basis.

AUDITORS REPORT

With regard to the comments in the Auditors Report, the company is taking efforts to reconcile the debtors / creditors/ advances accounts and get confirmations and to install an internal audit system. The Company has taken steps to appoint a Company Secretary.

AUDITORS

Mr. N. Subramanian, Chartered Accountant, retires as Auditor of the Company at the end of the Eighteenth Annual General Meeting. Confirmation has been received from Shri. N Subramanian that the appointment, if made, will be within the limits specified in Section 224 of the Companies Act, 1956.

DISCLOSURE UNDER SECTION 217 (1)(e)

Particulars that are required to be disclosed in accordance with Section 217(1)(e) of the Companies Act, 1956 are given in Annexure to this report.

DISCLOSURE UNDER SECTION 217 (2-A)

There is no employee who was in receipt of remuneration during the year in excess of the limit specified under Section 217(2A) of the Companies Act, 1956..

GENERAL

Your Directors wish to keep on record their appreciation for the support and patronage of the Shareholders of the Company. The Company also wishes to keep on record its sincere thanks to all its clients who have reposed faith on the Company and its products.

Your Directors are thankful to the Electronics Corporation of Tamilnadu Limited and Bankers for their continued support and co-operation.

Your Directors are appreciative of the efforts put in by the employees.

/By order of the Board/

Chennai, 24 August 2012

S G Chandru
Director

Malathi Gopalakrishnan
Director

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

1. Conservation of Energy:

Energy conservation has always been the focus of the company from the point of view of cost control and also as a social responsibility. Strict control and monitoring of usage, good upkeep and tuning of equipments like servers, AC units etc results in optimal usage of electrical power. Energy saving gadgets like timers are deployed to avoid wastage of energy.

2. Research and Development

Your company is constantly engaged in the research and development of newer technologies. To deliver the best solutions to its customers with high level of productivity and service, your company is being investing much effort into the development of newer processes, frameworks and methodologies.

a. Specific Areas of R&D:

Your company's focus has always been on taking the initiative in the development of new application oriented software depending on the needs of the market. You will continue to invest in latest technologies to suit the business needs in the market place, focusing on training its employees in the latest technologies. The company will continue to scan the environment for emerging trends, invest in and incubate these technologies and roll them out as service offerings through business units.

b. Benefits arrived:

Your company achieved a higher degree of methodology standardization in handling software projects, which has resulted in delivering better solutions to its customers with improved margins.

3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**EFFORTS MADE IN TECHNOLOGY ABSORPTION**

Efforts were made to shift the operation from the existing platform to Oracle platform in order to reduce the processing time. Since most of the software developed are on real time the processing time plays a key role in determining the efficiency of the software.

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Rs. in Lacs
Earned	7.28
Used:	
- Components/Capital Goods	5.80
- Others	0.43

5. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement entered with the Stock Exchange, a report on Corporate Governance forms part of the Annual Report. The Company has obtained the certificate from Practising Company Secretary regarding compliance with the provisions relating to Corporate Governance as laid down in Clause 49 of the Listing Agreement. The same is appearing elsewhere in this Annual Report.

Declaration by the Director regarding affirmation for compliance with the Company's Code of Conduct is annexed to the Corporate Governance Report.

REPORT ON CORPORATE GOVERNANCE**Philosophy on Code of Governance:**

The Company adopts the policy of transparency in all its transactions and therefore the standards of disclosures to the shareholders, employees, government and customers is of the highest standard.

Board of Directors:

The Board of Directors consists of three directors out of which one is a whole time director who is in overall charge of the operations of the company and reports to the Board.

Composition of Board of Directors as on March 31, 2012

S No	Name of the Director	No of Shares Held	
		Equity	Preference
1	S G Chandru	55,506	---
2	Meera Chandru	27,15,600	25,00,000
3	Malathi Gopalakrishnan	27,04,800	---

Number of Board Meetings held and attended by the Directors:

Four meeting of the Board of Directors were held during the year ended 31.3.2012 viz.,(i) 30.05.2011, (ii) 31.08.2011, (iii) 28.11.2011 and (iv) 22.02.2012.

Attendance recorded of each of the Directors at the Board Meeting during the year ended 31.3.2012 as also the Annual General Meeting

Name of the Director	No. of Board Meetings attended	Attendance at the last AGM
Mr. S G Chandru	4	Yes
Ms. Malathi Gopalakrishnan	4	Yes
Mrs Meera Chandru	4	Yes

Audit Committee

The Audit Committee of the Company consists of the following Directors as its members

1. Mr. S G Chandru
2. Ms. Malathi Gopalakrishnan

The Audit Committee meetings were held on 30.05.2011, 31.08.2011, 28.11.2011 and 22.02.2012

Shareholder's / Investor's Grievance Committee

The Shareholder's / Investor's Grievance Committee of the company consists of the following Directors

1. Mr. S G Chandru
2. Ms. Malathi Gopalakrishnan

All the complaints received from the shareholders have been duly attended by the Company and there is no pending complaint.

Share Transfer System

Share Transfers are registered and returned within a maximum period of 30 days from the date of receipt. The transfers are effected in-house

Dematerialisation of Shares

The Company is yet to provide for dematerialization of shares.

Code of Conduct

The Board has laid down a Code of Conduct for all Board members of the Company. All Board members have affirmed the compliance with the Code of Conduct. A declaration to this effect signed by one of the Directors forms part of this Annual Report.

Annual General Meetings

Location, date and time of Annual General Meetings held in the last 3 years

S No	AGM	Year	Time & Date	Location
1	21 st	2011	3.00 PM / 30.09.2011	"Empee Towers, V Floor, 59 Harris Road, Pudupet, Chennai – 600 002
2	20 th	2010	3.00 PM / 30.09.2010	
3	19 th	2009	3.00 PM / 30.09.2009	

All resolutions as set out in the respective notices were duly passed by the shareholders in the meeting

No special resolution was passed in the past 3 Annual General Meetings.

PACE AUTOMATION LIMITED

General Shareholders Information

Annual General Meeting

Date & Time: September 28, 2012 at 3:00 P.M

Venue : Empee Towers, V Floor, 59 Harris Road, Pudupet, Chennai – 600 002

Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting of the Company

Mrs Meera Chandru

Date of Birth	18-12-1946
Qualification	B.A
Expertise in Specific Functional Areas	Previously working in nationalized bank for 30+ years. Well versed in banking and financial procedures
Directorship in other Companies	Nil
Shareholdings in the Company	Equity : 27,15,600 / Preference : 25,00,000

Financial Calendar (Tentative)

Quarter ending June 30, 2012	Third week of August 2012
Quarter ending September 30, 2012	Third week of November 2012
Quarter ending December 31, 2012	Third week of February 2013
Year ending March 31, 2013 (Audited)	End of May 2013

Date of Book Closure

September 20, 2012 to September 28, 2012 (both days inclusive)

Details of Stock Exchange where listed

Madras Stock Exchange (MSE)

Shareholding Pattern as on March 31, 2012

Category	Shares Held (Nos)	% of Holding
Promoters Holding (Indian and Foreign)	65,60,260	69.44
Mutual Funds	---	---
Bank, Financial Institutions, Insurance Companies and others	---	---
Corporate Bodies, Indian Public and NRI's	28,87,775	30.56
Total	94,48,035	100.00

Distribution of Shareholding as on March 31, 2012

Range	No of Shareholders	No of Shares held	% of shareholding
1-500	19,843	23,55,875	24.94
501-1000	246	2,17,600	2.30
1001-2000	65	1,03,400	1.09
2001-5000	33	3,06,400	1.20
5001-10000	1	6,700	0.07
10001- above	10	66,51,560	70.40
Total	20,198	94,48,035	100.00

Address for correspondence

Registered Office

Pace Automation Limited

"Empee Towers", V Floor,

59 Harris Road, Pudupet, Chennai – 600 002

Ph: 044 2855 4821

Email : paceauto@vsnl.com

DECLARATION BY A DIRECTOR UNDER CLAUSE 49(1) (D) (ii) OF THE LISTING AGREEMENT

I, S G Chandru, Director, Pace Automation Limited declare that all the members of the Board of Directors have for the year ended March 31, 2012 affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement entered with the Stock Exchange.

For Pace Automation Limited

S G Chandru
Director

24 August 2012

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To
The Members
Pace Automation Ltd

I have examined the compliance of the conditions of Corporate Governance by Pace Automation Limited ("the Company"), for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the Directors and the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

I 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.

Place: Chennai
Date 24th August, 2012

N. SUBRAMANIAN
Chartered Accountant
Membership No.: 21628

AUDITORS REPORT

TO THE MEMBERS OF PACE AUTOMATION LIMITED

1. I have audited the attached Balance Sheet of Pace Automation Limited as at 31st March, 2012 and the Statement of Profit & Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on our audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditor's Report) Order 2003, amended by the Companies (Auditor's Report) Order, 2004 issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, I enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to my comments in the annexure referred to above and *subject to Note No.2 regarding Sundry debtors/creditors, advances pending confirmation and reconciliation.*

I report that:

- 4.1 I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
- 4.2 In my opinion, proper books of account as required by law have been kept by the Company so far as appears from my examination of those books.
- 4.3 The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- 4.4 In my opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
- 4.5 On the basis of written representations received from the directors, as on 31st March, 2012, and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - 4.5.1 In my opinion and to the best of my information and according to the explanations given to me the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - 4.5.2 in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - 4.5.3 in the case of the Profit & Loss Account, of the Loss for the year ended on that date and
 - 4.5.4 in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

Place: Chennai
Date : 24th August, 2012

N. SUBRAMANIAN
Chartered Accountant
Membership No.: 21628

PACE AUTOMATION LIMITED

ANNEXURE REFERRED TO IN PARA 1 OF THE AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF PACE AUTOMATION LIMITED

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
According to the information and explanations given to me, major portion of fixed assets have been physically verified by the management during the year. In my opinion, the frequency of such verification is reasonable having regard to the size and nature of its business, No material discrepancies have been noticed on such verification. No major fixed assets have been disposed off during the year.
- (ii) a) The inventory has been physically verified during the year by the management.
b) The procedures of physical verification on inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical records and the book records were not material.
- (iii) According to the information and explanations given to us, during the year the Company had taken unsecured loan amounting to Rs.6,05,000/- (Previous year: Rs.6,05,000/-) from one party covered in the register maintained under section 301 of the Act. No interest is paid on such loan and there is no other terms specified for its repayment The Company had not given any loan during the year to any party covered in the register maintained under section 301 of the Act.
- (iv) In my opinion and explanations given to me there are adequate internal control procedures commensurate with the size and nature of its business with regard to purchase of inventory, fixed assets and sale of goods. During the course of the audit no major weakness in the internal control system has been noticed.
- (v) a) In my opinion and according to the information and explanations given to me, the transactions that need to be entered in the register maintained under Section 301 have been so entered.
b) Based on the audit procedures applied by me and the information and explanations furnished by the management, I am of the opinion that there were no transactions during the year that need to be entered in the register maintained under section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company is not having an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to me, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the companies Act 1956 for the products and services dealt with by the company.
- (ix) a) According to the records, information and explanations given to me, the Company is regular in depositing with the appropriate authorities the undisputed statutory dues including Provident Fund, Employees State Insurance, income tax and other statutory dues applicable to it and no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31st March, 2012 for a period of more than six months from the date they become payable.
b) According to the information and explanation given to me and in my opinion there are no dues of income tax, wealth tax, sales tax, customs duty, excise duty, service tax and cess which have not been deposited with the concerned authorities on account of any dispute.
- (x) In my opinion, the accumulated losses at the end of the financial year are more than fifty percent of its net worth and the Company has incurred cash loss during the financial year covered by my audit and not in the immediately preceding financial year.
- (xi) According to the information and explanations given by the management, the Company has not defaulted in repayment of dues to any bank or financial institution.
- (xii) According to the information and explanations given to me, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/society and hence clause xiii of the Order is not applicable.
- (xiv) According to the information and explanations given to me, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to me the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) According to the information and explanations given to me the Company has not taken any term loan during the year.

PACE AUTOMATION LIMITED

- (xvii) According to the information and explanation given to me and on an overall examination of the Balance Sheet, in my opinion, there are no funds raised on short term basis which have been used for long term investment.
- (xivii) According to the information and explanations given to me, during the year the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to me, the company has not issued any debentures.
- (xx) The company has not raised money by public issue during the year.
- (xxi) According to the information and explanations given to me by the management and based on audit procedures performed no fraud on or by the company has been noticed or reported during the course of my audit.

Place : Chennai
Date : 24th August, 2012

N. SUBRAMANIAN
Chartered Accountant
Membership No.: 21628

PACE AUTOMATION LIMITED**BALANCE SHEET AS AT 31-03-2012**

	Note	31.03.2012 Rs	31.03.2011 Rs
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2	119,480,350	119,480,350
(b) Reserves and Surplus	3	(96,911,752)	(85,666,811)
		<u>22,568,598</u>	<u>33,813,539</u>
(2) Non-Current Liabilities			
(a) Long Term borrowings	4	12,000,000	12,000,000
(b) Deferred tax liabilities (Net)		---	3,265,225
(c) Other Long term liabilities	5	1,268,000	1,350,000
		<u>13,268,000</u>	<u>16,615,225</u>
(3) Current Liabilities			
(a) Short Term borrowings	6	605,000	605,000
(b) Trade payables	7	2,282,765	1,389,594
(c) Other Current Liabilities	8	3,552,391	9,252,675
(d) Short-Term Provisions	9	---	300,029
		<u>6,440,156</u>	<u>11,547,298</u>
TOTAL		<u>42,276,754</u>	<u>61,976,062</u>
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	10A	11,969,510	15,836,624
(ii) Intangible Assets	10B	40,820	5,718,600
(iii) Capital Work-in-progress		---	4,918,720
		<u>12,010,330</u>	<u>26,473,944</u>
(b) Deferred tax assets (net)		439,745	---
(c) Long term Loans and advances	11	9,467,848	17,641,808
		<u>21,917,923</u>	<u>44,115,752</u>
(2) Current Assets			
(a) Trade Receivables	12	12,965,765	10,598,407
(b) Cash and cash equivalents	13	471,915	947,323
(c) Other Current assets		6,921,151	6,314,580
		<u>20,358,831</u>	<u>17,860,310</u>
TOTAL		<u>42,276,754</u>	<u>61,976,062</u>

Significant Accounting Policies 1
The accompanying notes form an integral part of the financial statements

Vide our report of even date attached

N. Subramanian
Chartered Accountant
Mem. No: 021628

S G Chandru
Director

Malathi Gopalakrishnan
Director

Chennai, August 24 2012

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31.03.2012

	Note	For the Year ended 31.03.2012 Rs	For the Year ended 31.03.2011 Rs
I Revenue from Operations	14	30,100,661	27,527,497
II Other Income	15	4,927,193	23,837
III Total Revenue (I+II)		35,027,854	27,551,334
IV Expenses :			
Cost of materials consumed	16	---	391,655
Employee benefits expense	17	15,143,906	16,489,884
Finance Costs	18	89,347	41,220
Depreciation and amortization expense	10	10,017,506	10,069,236
Other expense	19	24,795,753	14,376,759
Total Expenses		50,046,513	41,368,753
V Profit before exceptional and extraordinary items and taxes (III-IV)		(15,018,659)	(13,817,419)
VI Exceptional Items		(68,748)	(93,213)
Profit before extraordinary items and taxes (V-VI)		(14,949,911)	(13,024,206)
VII Extraordinary Items		---	---
IX Profit before Tax (PBT) (VII-VIII)		(14,949,911)	(13,024,206)
X Tax Expense			
Current Tax		---	---
Deferred Tax		(3,704,970)	---
For earlier years		---	---
Profit/(loss) for the period from continuing operations		(11,244,941)	(13,024,206)
XII Profit/(loss) for the period		(11,244,941)	(13,024,206)
XIII Earnings per equity share			
(1) Basic		(-) 1.19	(-) 1.38
(2) Diluted		(-) 1.19	(-) 1.38

The accompanying notes form an integral part of the financial statements

As per my report of even date

N Subramanian
Chartered Accountant
Mem. No: 021628

S G Chandru
Director

Malathi Gopalakrishnan
Director

Chennai, 24 August 2012

PACE AUTOMATION LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2012**

	For the Year ended 31.03.2012 Rs	For the Year ended 31.03.2011 Rs
Cash Flow from Operating Activities		
Net Profit Before Tax and Extraordinary Items	(15,018,659)	(13,817,419)
Adjustments For -		
Depreciation	10,017,506	10,069,236
Bad Debts Written Off	364,933	764,283
Advances Written Off	---	60,533
Obsolete Projects Written Off	9,284,774	---
Preoperative Expenses Written Off	27,260	---
Excess Provision Written Back	68,748	---
Extraordinary Items	---	793,213
Interest Expenses	89,347	41,220
Operating Profit before Changes in Working capital	4,833,909	(2,088,934)
(Increase)/ Decrease in Working Capital		
Sundry Debtors	(2,732,291)	(547,604)
Loans and Advances	(1,110,814)	377,181
Other current assets	(633,830)	(1,029,787)
Current Liabilities	(5,189,142)	1,493,517
Capital Work In Progress	4,918,720	---
Net Cash Flow from Operating Activities	A (4,747,357)	293,307
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(4,72,613)	(38,490)
	B (4,72,613)	(38,490)
Cash Flow from Financing Activities		
Interest Charges	89,347	41,220
	C 89,347	41,220
Increase/(Decrease) in Cash and Cash Equivalents	A+B+C (475,408)	(1,875,337)
Cash and Cash Equivalents at the Beginning of the year	947,323	2,822,660
Cash and Cash Equivalents at the end of the year	471,915	947,323

As per my report of even date

N Subramanian
Chartered Accountant
Mem. No: 021628**S G Chandru**
Director**Malathi Gopalakrishnan**
Director

Chennai, 24 August 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2012**1. ACCOUNTING POLICIES**

1.1 All revenue costs, assets and liabilities are accounted for on accrual basis.

1.2 SALES & SERVICE INCOME

1.2.1 Sales are accounted on despatch net of sales tax and returns.

1.2.2 Revenue from Software Development is recognised based on the terms of contract with the customer. Revenue from Software / Technical Services is recognised proportionately over the period in which services are rendered, notwithstanding the billing at a later date.

1.3 FIXED ASSETS AND DEPRECIATION / IMPAIRMENT

Fixed assets are stated at cost less accumulated depreciation and impairment loss.

Expenditure which are of capital nature are capitalised at cost, which comprises of purchase price (net of rebates and discounts), duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use including interest on borrowed funds attributable to acquisition of fixed asset upto the date the asset is ready for use.

Software development costs which comprise of allocated and apportioned costs and materials which are attributable to In-house Software Development are capitalised based on the prevalent accepted accounting principles.

Depreciation on all assets has been provided under straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 on prorata basis, except as under:

Impairment loss is recognized when carrying amount of assets net of accumulated depreciation is less than the estimated recoverable amount of those assets.

COMPUTERS

Computers used for development of software are treated as Plant & Machinery used in production and accordingly rate applicable under Schedule XIV to machineries used in manufacture of electronic goods or components has been applied. However, computers and software acquired on or after 1.7.2002 have been charged on straight line method over their estimated useful life of 4 years which is higher than the rates specified under Schedule XIV of the Companies Act, 1956.

SOFTWARE

Software development costs are amortized on prorata basis over the technically estimated useful life span of the software developed which has been estimated as 5 years.

Where the value of an individual asset acquired during the year does not exceed Rs. 5000/-, depreciation has been provided at 100%.

Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the assets' revised carrying amount over its remaining useful life.

1.4 RETIREMENT BENEFITS

Contribution to Provident Fund is made monthly at the prescribed rate, to the Provident Fund Commissioner and debited to Profit & Loss Account on accrual basis. The Company has taken a Group Gratuity Scheme policy with Life Insurance Corporation of India, the premium of which is debited to the Profit and Loss Account. There is no benefit in the nature of short / long term compensated absence.

1.5 INVENTORIES

Components, spares and traded products are valued at lower of cost or market value. Work-in progress is valued at lower of cost or net realisable value after providing for obsolescence.

1.6 FOREIGN CURRENCY TRANSLATION

Current Assets and liabilities related to foreign currency transaction are translated at the year end rate and the exchange difference other than for fixed assets is recognised in the Profit & Loss Account.

1.7 TAXATION

Current Tax is determined in accordance with the Income Tax Act, 1961. Deferred Tax arising on timing difference between the book and tax profit is accounted for using the tax rates and laws as of the Balance Sheet date. Deferred Tax Assets are reassessed and recognised on prudence, based on reasonable certainty of future taxable income.

Both Deferred tax liability and asset are recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. In the case of deferred tax asset, the same will be recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income available against which such deferred tax assets can be realised.

1.8 CONTINGENT LIABILITIES & PROVISIONS

Contingent liabilities are not recognised but are disclosed in the notes. Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be outflow of resources.

PACE AUTOMATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2012

	As at 31.03.2012 Rs	As at 31.03.2011 Rs
2.(A) Share Capital		
(a) Authorised Share Capital		
(I) 95,00,000 (Previous Year: 95,00,000) Equity Shares of Rs.10/each	95,000,000	95,000,000
	<u>95,000,000</u>	<u>95,000,000</u>
25,00,000 (Previous year: 25,00,000) 5% 2019 Redeemable Preference Shares of Rs.10/- each.	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>
(b) Issued & Subscribed Share Capital		
(I) 94,48,035 Equity Shares of Rs.10/each fully paid up	94,480,350	94,480,350
	<u>94,480,350</u>	<u>94,480,350</u>
(II) 25,00,000 5% 2019 Redeemable Preference Shares of Rs.10/- each fully paid up	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>
(c) Paid-up Share Capital		
(I) 94,48,035 Equity Shares of Rs.10/each fully paid up	94,480,350	94,480,350
(II) 25,00,000 5% 2019 Redeemable Preference Shares of Rs.10/- each fully paid up	25,000,000	25,000,000
	<u>119,480,350</u>	<u>119,480,350</u>

2.(B) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

Number of shares outstanding as the beginning of the year

Equity Shares	94,48,035	94,48,035
Redeemable Preference Shares	25,00,000	25,00,000

Number of shares outstanding as at the end of the year

Equity Shares	94,48,035	94,48,035
Redeemable Preference Shares	25,00,000	25,00,000

2.(C) Shares in the company held by each shareholder holding more than 5% shares as on the balance sheet date

	31-03-2012		31-03-2011	
	No of Shares held	Percentage of Shares held	No of Shares held	Percentage of Shares held
Equity Shares				
Mrs C Meera	27,15,600	28.74%	27,15,600	28.74%
Ms Malathi Gopalakrishnan	27,04,769	28.63%	27,04,769	28.63%
Electronics Corporation of Tamil Nadu Ltd	4,89,285	5.18%	4,89,285	5.18%
Redeemable Preference Shares				
Mrs C Meera	25,00,000	50%	25,00,000	50%
Ms Malathi Gopalakrishnan	25,00,000	50%	25,00,000	50%

3. Reserves and Surplus

(A) Capital Reserves

(i) Export Market Development Grant

Opening Balance	192,839	192,839
Add: Transfer from Profit and Loss Account	---	---
Closing Balance	<u>192,839</u>	<u>192,839</u>

PACE AUTOMATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2012**

	As at 31.03.2012 Rs	As at 31.03.2011 Rs
(ii) Capital Subsidy		
Opening Balance	2,309,000	2,309,000
Add: Transfer from Profit and Loss Account	---	---
Closing Balance	<u>2,309,000</u>	<u>2,309,000</u>
(B) Surplus / (Deficit)		
Balance of Profit / (Loss) brought forward	(88,168,650)	(75,144,444)
Add: Profit / (Loss) for the period	(11,244,941)	(13,024,206)
Closing Balance	<u>(99,413,591)</u>	<u>(88,168,650)</u>
Balance carried to Balance Sheet	<u>(96,911,752)</u>	<u>(85,666,811)</u>
4. Long Term Borrowings		
UNSECURED LOANS		
From Others	<u>12,000,000</u>	<u>12,000,000</u>
	<u>12,000,000</u>	<u>12,000,000</u>
5. Other Long Term Liabilities		
Trade Deposits	<u>1,268,000</u>	<u>1,350,000</u>
	<u>1,268,000</u>	<u>1,350,000</u>
6. Short Term Borrowings		
(A) UNSECURED LOANS		
From Directors	<u>605,000</u>	<u>605,000</u>
	<u>605,000</u>	<u>605,000</u>
7. Trade Payables		
Trade Creditors	<u>2,282,765</u>	<u>1,389,594</u>
	<u>2,282,765</u>	<u>1,389,594</u>
8. Other Current Liabilities		
Advance against Sales	---	4,532,253
Other payables		
- PF payable	49,843	43,747
- ESI payable	9,764	8,196
- Service Tax Cenvat	32,828	795,580
- TDS payable	169,343	97,032
- Other Creditors	3,290,613	3,775,867
	<u>3,552,391</u>	<u>9,252,675</u>
9. Short-Term Provisions		
Provision for Income Tax	---	300,029
	---	<u>300,029</u>

PACE AUTOMATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2012
10A. FIXED ASSETS - TANGIBLE

Name of Asset	GROSS BLOCK			DEPRECIATION / IMPAIRMENT			NET BLOCK	
	As At 01.04.2011	Additions	As At 31.03.2012	As At 01.04.2011	For the Year	Up to 31.03.2012	As At 31.03.2012	As At 31.03.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Plant & Machinery	19,414,468	181,311	19,595,779	16,128,929.00	433,519	16,562,448	3,033,331	3,285,539
Computers & Printers	62,737,707	291,302	63,029,009	53,846,653	3,459,624	57,306,277	5,722,732	8,891,054
Office Equipments	3,700,191	---	3,700,191	1,947,339	214,760	2,162,099	1,538,092	1,752,852
Furniture & Fittings	6,400,331	---	6,400,331	4,493,152	231,824	4,724,976	1,675,355	1,907,179
Total	92,252,697	472,613	92,725,310	76,416,073	4,339,727	80,755,800	11,969,510	15,836,624
Previous Year	92,214,207	38,490	92,252,697	72,024,617	4,391,456	76,416,073	15,836,624	20,189,590

10B. FIXED ASSETS –INTANGIBLE

Name of Asset	GROSS BLOCK			DEPRECIATION / IMPAIRMENT			NET BLOCK	
	As At 01.04.2011	Additions	As At 31.03.2012	As At 01.04.2011	For the Year	Up to 31.03.2012	As At 31.03.2012	As At 31.03.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Software Developed	64,560,658		64,560,658	58,842,058	5,677,780	64,519,838	40,820	5,718,600
Total	64,560,658		64,560,658	58,842,058	5,677,780	64,519,838	40,820	5,718,600
Previous Year	96,734,624		96,734,624	85,338,244	5,677,780	91,016,024	5,718,600	11,396,380

PACE AUTOMATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2012

	As at 31.03.2012 Rs	As at 31.03.2011 Rs
11. Long-Term Loans And Advances		
(A) Security Deposits		
(i) Secured, Considered good	330,045	330,045
(ii) Unsecured, Considered good	2,254,076	2,253,295
	<u>2,584,121</u>	<u>2,583,340</u>
(B) Other Loans and Advances		
(i) Secured, Considered good	---	---
(ii) Unsecured, Considered good	6,883,727	15,058,468
	<u>6,883,727</u>	<u>15,058,468</u>
	<u>9,467,848</u>	<u>17,641,808</u>
12. Trade Receivables		
Trade receivables		
Others		
(i) Secured, Considered good	---	---
(ii) Unsecured, Considered good	12,965,765	10,598,407
(iii) Doubtful	---	---
	<u>12,965,765</u>	<u>10,598,407</u>
13. Cash And Cash Equivalents		
(A) Balance with Banks		
(i) Current Account	459,728	934,551
(ii) Fixed Deposit	12,000	12,000
(B) Cash on hand		
	187	772
	<u>471,915</u>	<u>947,323</u>
Note		
(1) Earmarked Bank Balances	---	---
(2) Bank balances held as margin money or as security	---	---
(3) Repatriation restrictions	---	---
(4) Bank Deposit with more than 12 months maturity	12,000	12,000
Contingent Liabilities and Commitments		
(A) Contingent Liabilities		
(a) Claims against the company not acknowledged as debts	---	---
(b) Guarantees	---	---
(c) Other money for which the company is contingently liable	---	---
Total (A)	---	---
(B) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	---	---
(b) Un-called liability on shares and other investments partly paid	---	---
(c) Other commitments	---	---
Total (B)	---	---
Total [(A)+(B)]	---	---
14. Revenue from Operations		
Sales of Material	---	610,800
IT related services	30,100,661	26,916,697
	<u>30,100,661</u>	<u>27,527,497</u>
14.1 Particulars of IT related services		
Licence Fee Receipts	1,800,000	1,800,000
Transaction Processing Charges	27,219,496	25,116,697
Off Shore Software Dev Charges	1,081,165	---
	<u>30,100,661</u>	<u>26,916,697</u>

PACE AUTOMATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2012

	As at 31.03.2012 Rs	As at 31.03.2011 Rs
15. Other Income		
(A) Interest income	394,940	23,837
(B) Other non-operating income (net of expenses directly attributable to such income)	4,532,253	---
	4,927,193	23,837
16. Cost of Materials Consumed		
Indigenous (100%)	---	391,655
	---	391,655
16.1. Particulars of Materials Consumed		
Electronics & Mechanical Components	---	391,655
17. Employee Benefit Expenses		
Salaries and wages	13,056,162	14,473,936
Remuneration to Directors	780,000	780,000
Contribution to PF and other funds	864,113	905,413
Staff Welfare Expenses	328,374	319,804
Gratuity	115,257	10,731
	15,143,906	16,489,884
18. Finance Costs		
Interest Expense	66,074	18,865
Bank Charges	23,273	22,355
	89,347	41,220
19. Other Expenses		
Rent	5,857,920	5,343,808
Printing & Stationery	25,504	33,093
Repairs and Maintenance Others	2,586,577	651,535
Communication Expenses	2,046,195	2,290,910
Electricity Charges	2,356,437	2,341,970
Professional Charges	311,782	187,600
Postage & Courier Expenses	11,738	27,589
Registrations & Renewals	87,710	25,567
Miscellaneous Expenses	293,981	184,064
Payment to statutory auditors:		
- As Auditors	60,000	60,000
- Taxation Matters	15,000	15,000
- Reimbursement of expenses	10,000	10,000
- Service Tax	8,755	8,755
Travelling and Conveyance	1,344,694	1,644,706
Selling and Distribution expenses	102,492	---
Obsolete Project Expenses Written Off	9,284,774	705,867
Advertisement & Promotion Expenses	---	21,479
Bad Debts Written off	364,933	764,283
Advances Written Off	---	60,533
Preoperative Expenses Written Off	27,260	---
	24,795,753	14,376,759
Additional Information disclosed as per Part II of The Companies Act, 1956		Rs in Lacs
(i) Adjustment to the carrying amount of investments	---	---
(ii) Net gain/loss on foreign currency transaction and translation (other than considered as finance cost)	---	---
(iii) Value of imports calculated on CIF basis by the company during the financial year in respect of:	5.80	---
(iv) Expenditure in foreign currency during the financial year	0.43	3.78
(v) The amount remitted during the year in foreign currencies on account of dividends	---	---
(vi) Earnings in foreign exchange	7.28	---

20. OTHER NOTES FORMING PART OF FINANCIAL STATEMENT

1. Other liabilities include Deposits from customers of Rs.12.68 Lacs (previous year : Rs.13.50 lacs)
2. Sundry Debtors/Creditors and advances are subject to confirmation/reconciliation
3. In the opinion of the Board, Current Assets, Loans and Advances are realizable approximately at the values stated in the balance sheet in the ordinary course of business.

4. Managerial Remuneration :

Remuneration to Whole Time Director:	31.03.2012	31.03.2011
	Rs in Lacs	
a) Salaries	7.80	7.80
b) Contribution to Provident Fund	0.72	0.72
c) Perquisites	1.26	0.97
Total	9.78	9.49

5. The company is exempted from the licensing provisions of the Industrial (Development & Regulations) Act, 1951 in accordance with Notification No. 629(E), dated June 30, 1988 read with Press Note No.3 (89), dated February 14, 1989.

6. Related Party Transactions :

A. Related parties:

- i) Key Management Personnel (KMP) Mr S G Chandru, Director, President & CEO
- ii) Relative of KMP Mrs Meera Chandru, Proprietrix M/s. Emcee Associates and Wife of KMP

(Rs in Lacs)

B. Transaction with :	KMP (Pre. Yr.)	Relative of KMP (Pre. Yr.)
1. Remuneration	9.78 (9.49)	-- (--)
2. Car Hire Charges	-- (--)	6.60 (6.60)
3. As Creditor/Advances outstanding	-- (--)	75.00 (75.00)
4. As Debtors	-- (--)	8.79 (--)

7. Details of Earnings per Share:

Rs in Lacs

	31.03.2012	31.03.2011
Profit / (Loss) after tax (in Rs)	(11,244,941)	(13,024,208)
No of equity shares at the beginning of the year	94,48,035	94,48,035
No of equity shares at the end of the year	94,48,035	94,48,035
Face value of per share (in Rs)	10.00	10.00
Earning per share (in Rs) – Basic and Diluted	(1.19)	(1.38)

8. Quantitative details concerning goods traded:

	For the year ended 31.03.2012 (Rs. in Lacs)		For the year ended 31.03.2011 (Rs. in Lacs)	
	Qty Nos.	Value Rs. Lacs	Qty Nos.	Value Rs. Lacs
(A) OPENING STOCK	---	---	---	---
(B) PURCHASES (Others)	---	---	---	3.92
(C) SALES (Others)	---	---	---	6.11
(D) CLOSING STOCK	---	---	---	---

9. Previous year's figures have been regrouped or reclassified wherever necessary to conform to the current period

As per my report of even date

S G Chandru
Director

Malathi Gopalakrishnan
Director

N Subramanian
Chartered Accountant

Chennai, 24 August 2012