

**SAWACA
BUSINESS
MACHINES
LIMITED**

**ANNUAL
ACCOUNTS FOR
THE YEAR ENDED
MARCH 31st, 2014**

SAWACA BUSINESS MACHINES LIMITED
CIN: L65910GJ1994PLC023926

Annual Accounts for the FY - 2013 - 14

NOTICE

Notice is hereby given that the 20th Annual General Meeting of SAWACA BUSINESS MACHINES LIMITED will be held on 27th September, 2014 at 10.00 AM at the Registered office of the Company to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2014 and the Profit and Loss Statement and the Cashflow Statement of the Company for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Kalpesh Trivedi who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold of Annual General Meeting and to fix their remuneration.

By order of the Board of Directors
For **SAWACA BUSINESS
MACHINES LIMITED**

Place : AHMEDABAD
Date : 03.07.2014

Sd/-
[SATISH RAMANLAL SHAH]
CHAIRMAN

Regd. Office :
45, Chinubhai Towers, Opp. Handloom House,
Ashram Road, Ahmedabad – 380 009.

Notes :

1. The Register of Share holders and the Share Transfer books of the Company will remain closed from 23rd September 2014 to 27th September 2014. (both the days inclusive)

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DIRECTOR'S REPORT

TO
THE MEMBERS

Your Directors have pleasure in presenting 20th Annual Report together with audited statement of accounts for the year ended 31st March, 2014

WORKING RESULTS

Particulars	31/03/2014	31/03/2013
Sales and other income (Net of duties)	3,64,16,459	4,59,25,900
Profit / (Loss) before Depreciation & Taxation	21,15,177	1,01,500
Provision for Depreciation	38,185	
Provision for Taxation for current / prior years	6,65,125	31,364
Net Profit after Tax	14,11,867	70,136
Balance of Profit brought forward	49,12,207	48,42,071
Transfer to General Reserves	0	0
Proposed Dividend	0	0
Tax on Dividend	0	0
Balance of Profit carried forward to next year	63,24,074	49,12,207

OPERATIONS

The Company continues to focus on the business machines and instruments business. The top line have increased in a robust manner.

DIVIDEND

In order to conserve the resources, your directors do not propose any dividends for the year.

DIRECTORS

In accordance with the Articles of Association of the Company, Kalpesh Trivedi retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

Brief resumes of Directors seeking re-appointment, the nature of their expertise in specific functional areas, names of companies in which they hold directorships and the memberships of committees of the Board, their shareholding etc. are attached with the Notice of the Annual General Meeting of the Company.

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DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) That in the preparation of the accounts for the financial year ended March 31st, 2014, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- ii) That such accounting policies have been selected and consistently applied, judgements and estimates made, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit of the Company for the year under review.
- iii) That proper and sufficient care had been taken for the main tenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the accounts for the financial year have been prepared on a 'going concern' basis.

FIXED DEPOSITS

Your company has neither invited nor accepted any fixed deposits from the public during the financial year under review.

CORPORATE GOVERNANCE AND COMPLIANCE CERTIFICATE

Separate notes on Corporate Governance and Management Discussion and Analysis report are set out as Annexure "A" and "B" respectively. A certificate from the Auditor of the company certifying compliance conditions of Corporate Governance as Stipulated under Clause 49 of the Listing Agreement is attached to this report.

LISTING AGREEMENT REQUIREMENTS

The securities of your company are listed at Bombay Stock Exchange Ltd. and Ahmedabad Stock Exchange.

BUY BACK OF SHARES

There was no buy back of shares during the year under review.

AUDITORS

The Auditors M/s. B. R. Shah & Associates, Chartered Accountants will retire at the conclusion of the forth coming Annual General Meeting and are eligible for re-appointment. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

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CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

Information in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'B' forming part of this report

ACKNOWLEDGMENT

Your Directors would like to express their sincere appreciation for the continued support and co-operation received from Bankers, Foreign Collaborators, Government Authorities and Shareholders. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers during the year under review.

For and On behalf of the Board of Directors
For **SAWACA BUSINESS
MACHINES LIMITED**

Place : AHMEDABAD

Date : 30.05.2014

Sd/-

**S. R. Shah
CHAIRMAN**

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COMPLIANCE REPORT O CORPORATE GOVERNANCE

(Annexure to Directors' Report)

Pursuant to clause 49 of Listing Agreement your directors present below a complete report on corporate governance:

1. CORPORATE GOVERNANCE:

The principal characteristics of corporate governance are Transparency, Independence, Accountability, Responsibility, Fairness, and Social Responsibility. Corporate Governance pertains to system of blending law, regulations and voluntary practice , which enable the company to attract financial and human capital, perform efficiently and there by perpetuate it in to generating long-term economic value for its shareholders, while respecting interests of other stakeholders and the society as a whole.

2. COMPANY'S PHILOSOPHY:

Your Company is committed to good Corporate Governance and has adhered to the prescribed standards. The Company's philosophy on code of Governance is aimed at efficient conduct of business in compliance with the prescribed Acts and Rules on Corporate Governance.

3. BOARD OF DIRECTORS:

Composition of Board of Directors

Name of Director	Category of Director	No. of other Directorships in public companies	No. of other Board Committee of which member/Chairman
Mr. Satish R. Shah	Executive-Non Independent	-----	-----
Mr. K.L. Trivedi	Non Executive – Independent	----	-----
Mr. K.G. Agaja	Non Executive – Independent	-----	-----

SAWACA BUSINESS MACHINES LIMITED*Annual Accounts for the FY - 2013 - 14***ATTENDANCE OF EACH DIRECTOR AT BOARD MEETING AND LAST ANNUAL GENERAL MEETING**

Four Board meetings were held during the financial year 2013-14.

Sr No.	Name of Director	Category of Director	No.of Board meetings held	No. of Board meeting attended	Attendance At last AGM
01.	Mr.Satish R.Shah	Chairman	4	4	Yes
02.	Mr.K.L Trivedi	Director	4	4	Yes
03.	Mr. K.G Agaja	Director	4	4	Yes

Number of Board meetings held during the financial year and dates of Boardmeetings:

BoardMeeting	Date	Board Meeting	Date
1	30/04/2013	2	30/07/2013
3	30/10/2013	4	30/01/2014

AUDIT COMMITTEE:

The Current Audit Committee comprising three Directors majority of them being Non-Executive – Independent Directors and most of them have financial and accounting knowledge. Members are regularly present at the meetings.

The term of reference stipulated by the board to the Audit Committee are, as contained in clause 49 of the Listing agreement which are as follows:

- a. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on; (a)Any changes in accounting policies and practices, (b) Major accounting entries based on exercise of judgment by management, (c)Qualifications in draft audit report (d)Significant adjustments arising out of audit (e)The going concern assumption, (f)Compliance with accounting standards, (g)Compliance with stock exchange and legal requirements concerning financial statements, (h)Any related party transactions.
- d. Reviewing with the management external and internal auditors, the adequacy of internal control systems.
- e. Reviewing with adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussion with internal auditors any significant findings and follow up there on

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- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h. Discussion with external auditors before the audit commences about nature and scope of audit as well as post- audit discussion to ascertain any area of concern.
- i. Reviewing the company's financial and risk management policies.
- j. 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 creditors.

The Board of the Company has constituted an Audit Committee, comprising following directors.

Name	Designation	Non-executive/independent	Committee meeting attended
Mr. K.L. Trivedi	Chairman	Non-executive Independent –	4
Mr. Satish R. Shah	Member	Executive Non - Independent –	4
Mr. K.G. Agaja	Member	Non Executive Independent -	4

Four meetings were held during the financial year 2013-14.

Committee Meeting	Date	Committee Meeting	Date
1	30/04/2013	2	30/07/2013
3	30/10/2013	4	30/01/2014

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Board of the Company has constituted a Shareholder'/Investors' Grievance Committee, comprising of following Members:

Name	Designation	Non executive/independent –	Committee meeting attended
Mr. Satish R. Shah	Chairman	Executive – Non Independent	2
Mr. K.L. Trivedi	Member	Non Executive independent -	2

The Committee, inter alia, approves issue of duplicate certificates and o verse as and reviews all matters connected with the securities transfers. The Committee also looks into redressing of shareholders' complaints like transfers of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. the committee note down that during the year all the complaints have disposed timely and up to the satisfaction of the shareholders.

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ShareTransferCommittee

The same members of Share Holders Grievance Committee are the members of this committee also.

RemunerationCommittee

Being a non mandatory requirement the remuneration committee has not been constituted for the time being.

OTHERDETAILS/INFORMATIONS

GeneralBodyMeetings

Details of last three Annual General Meeting:

Year	Date	Time	Venue
2010-11	30.09.2011	10.00A.M.	RegisteredOffice
2011-12	30.09.2012	10:00A.M.	RegisteredOffice
2012-13	27.09.2013	10:00A.M.	RegisteredOffice

NOTE ON DIRECTORS APPOINTMENT / RE-APPOINTMENT:

Mr. Kalpesh Trivedi, Director of the Company is retiring by rotation at the ensuing AGM and is eligible for reappointment

Disclosures

- a) Disclosures on materially significant related party transactions i.e. transaction of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the company at large and disclosure required under listing agreement as amended:

The details of this disclosure are mentioned in Notes on Accounts and covered by accounts.

- b) Details of non-compliance by the Company, penalties, imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years ; No instance of levy of duty by the stock exchange or SEBI due to non-compliance by the company.

:None

- c) There is no pecuniary relationship or transaction of the non executive director. Further there is no remuneration, benefits, incentives and stock options are provided to directors.

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Means of Communications

The Company has regularly published its quarterly, half yearly & annual results in newspapers & submitted to stock exchange in accordance with the Listing Agreement requirements. The Management Discussion and Analysis Report is form part of the Report.

General Shareholders information:

1. **Date of Annual General Meeting** : **27/09/2014**
2. **Time and Venue** : 10:00A.M.
45, Chinubhai Tower, Opp.
Handloom House, Ashram Road,
Ahmedabad-380009.
3. **Listing on Stock Exchange** : 1. Ahmedabad Stock Exchange,
Ahmedabad (ASE)
2. The Bombay Stock Exchange,
Mumbai (BSE)
4. **Stock Code on BSE** : 531893
5. **ISIN No.** : INE248B01015
6. **Financial Calendar** : 1st April to 31st March
First Quarterly Results : End of July, 2013
Half Yearly Results : End of October, 2013
Third Quarterly Results : End of January, 2014
Fourth Quarterly Results : End of April, 2014
AGM for the year ended March, : End of September, 2014
7. **Date of Book Closure** : 23th to 27th September, 2014
(Both days inclusive)
8. **Name of Compliance Officer** : Mr. Vishal S. Shah
9. **Market Price Data** : As per Annexure 1
10. **Investors Correspondence** : M/s. Sharepro Services
(India) Pvt. Ltd.
Satam Ind. Estate, Chakala, Andheri
(E), Mumbai-400001.

For and On behalf of the Board of Directors
For **SAWACA BUSINESS MACHINES LIMITED**

Place : AHMEDABAD

Date : 30.05.2014

Sd/-
S.R.Shah
CHAIRMAN

SAWACA BUSINESS MACHINES LIMITED*Annual Accounts for the FY - 2013 - 14***Shareholding Pattern as on 31/03/2014**

CATEGORY	NO.OFSHARES	PERCENTAGE(%)
Promoters&Relatives	3391097	32.60
BodiesCorporate	688009	6.61
Banks/FII /FI/NRI	-----	----
Public	6321794	60.78
Total	10400900	100%

Dematerialization of shares and transfer of shares and liquidity:

The Company's Shares are listed at Ahmedabad Stock Exchange and Bombay Stock Exchange. 10169650 out of 10400900 Equity shares of the company have been dematerialized as at 31st March, 2014 representing 97.77% of total capital of the company.

The Company has entered into agreement with NSDL and CDSL where by shareholders have an option to dematerialized their shares with the depositories.

For expediting physical transfer, the Board has delegated share transfer formalities to the share transfer committee Mr. Vishal S.Shah is designated as Compliance Officer.

For and On behalf of the Board of Directors
For **SAWACA BUSINESS
MACHINES LIMITED**

Place : AHMEDABAD

Date : 30.05.2014

Sd/-
S.R.Shah
CHAIRMAN

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MANAGEMENT DISCUSSION ANALYSIS:

- INDUSTRY STRUCTURE AND DEVELOPMENT

The Industry in which the company is engaged is represented by mix of few large Companies within nationwide presence and large number of small and medium size companies with regional focus. In recent years the industry is facing strong competition. Hence, it is under pressure to cut cost and to develop focus marketing approach by offering more personalized services.

- REVIEW OF OPERATIONS:

During the year 2013-14 total operations of the company was satisfactory.

- OPPORTUNITIES AND THREATS:

Opportunities and threats to the business of the company are the same as they are related with the businesses engaged in or related to the finance. However, the company's ability to take advantage of capital market will enable the company to perform satisfactorily.

- SEGMENTWISE PERFORMANCE

The company does not have multiple products/segments.

- OUTLOOK

The Company is looking forward for a very robust increase in turnover and PAT for the coming 3-5 years.

- RISK AND CONCERNS:

Company is exposed to specific risks that are particular to its business and the environment within which it operates including economic cycle, market risk and credit risk. The company will manage this risk by risk management practices.

- INTERNAL CONTROL SYSTEM:

The Company has proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. The Company has effective systems in place for achieving efficiency in operations, optimum and effective utilization of resources, monitoring thereof and compliance with applicable laws.

- HUMAN RESOURCES:

The Company firmly believes that intellectual capital and human resources is the backbone of the company's success. The company is committed to provide development and training opportunities to employees to equip them with the best skills which enable them to adapt to contemporary technological advancements. Industrial relations during the year continue to be harmonious.

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CAUTIONARY STATEMENT

Estimates and expectations stated in this Management Discussion and Analysis may be “forward-looking” statements within the meaning of applicable securities law and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your company’s operations include economic conditions affecting demand/supply and price conditions in the domestic and international markets, changes in the Government regulations, tax laws, statutes and other incidental factors.

For and On behalf of the Board of Directors
For **SAWACA BUSINESS
MACHINES LIMITED**

Place : AHMEDABAD
Date : 30.05.2014

Sd/-
S.R. Shah
CHAIRMAN

SAWACABUSINESS MACHINES LIMITED

Annual Accounts for the year FY 2013-14

CEO Certification

**To,
The Board of Directors,
Sawaca Business Machines Limited.
Ahmedabad.**

Re.: Financial Statement for the year 2013–2014 Certification

I, Mr. Satish R. Shah, chairman & CEO of the Company here by certify that:

- (a) He has reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material factor contain statements that might be misleading;
 - (ii) These statements to get her 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 their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) He accepts responsibility for establishing and maintaining internal controls and that he has evaluated the effectiveness of the internal control systems of the Company and he has disclosed this to the auditors and the Audit Committee.
- (d) He has indicated to the auditors and the Audit Committee:
- (i) Significant changes in internal control during the year.
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements.
 - (iii) Instances of significant fraud of which they 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.

**Place : Ahmedabad.
Date : 30.05.2014**

**Sd/-
Satish R. Shah.
Chairman & CEO**

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DECLARATION-COMPLIANCE WITH THE CODE OF CONDUCT

In accordance with clause 49 of the Listing Agreement with the Stock Exchanges, I Vishal S. Shah, compliance officer, hereby declare that the Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct as mentioned in this report, for the year ended March 31, 2014

For and On behalf of the Board of Directors

Place: AHMEDABAD

Date: 30.05.2014

Sd/-

Vishal Shah

COMPLIANCE OFFICER

SAWACABUSINESSMACHINESLIMITED*Annual Accounts for the FY - 2013 - 14***ANNEXURE 'A' TO DIRECTORS' REPORT**

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended on 31st March 2014.

Sr. No.	Name	Designation	Qualification	Experience (Years)	Date of Commencement of Employment	Remuneration (Rs.)	Age (Years)	Last Employment
1	Vishal S. Shah	Compliance Officer	MBA	16	01.04.2010	-	36	-

NOTES:

1. Remuneration here has the meaning assigned to it in the Explanation to Section 198 of the Companies Act, 1956.
2. The above mentioned employee is a relative of Director of the Company.
3. The nature of employment is contractual.
4. The employee holds by himself or along with his dependants, two percent or more of the equity shares of the Company.

For and On behalf of the Board of Directors
For **SAWACA BUSINESS MACHINES LIMITED**

Place : AHMEDABAD

Date : 30.05.2014

Sd/-
S.R. Shah
CHAIRMAN

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ANNEXURE 'B' TO DIRECTORS' REPORT

INFORMATION IN ACCORDANCE WITH SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Though the manufacturing operations involve consumption of energy, it is not of major significance. The Company is not covered under the list of industries required to furnish information in Form 'A'.

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT

Your Company is in the process of on going technical collaboration with various world level companies for research and development tie-up. Your Company did not incur any expenditure on R&D during the year under review.

For and On behalf of the Board of Directors
For **SAWACA BUSINESS
MACHINES LIMITED**

Place : AHMEDABAD

Date : 30.05.2014

Sd/-
S.R.Shah
CHAIRMAN

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TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

Nil.

C. FOREIGN EXCHANGE EARNING & OUTGO

The information on foreign exchange earnings is detailed in Notes and foreign exchange outgo is detailed in Notes to the Accounts.

For and On behalf of the Board of Directors
For **SAWACA BUSINESS MACHINES
LIMITED**

Place : AHMEDABAD

Date : 30.05.2014

S R SHAH
CHAIRMAN

SAWACA BUSINESS MACHINES LIMITED*Annual Accounts for the FY - 2013 - 14*

MARKET PRICE DATA (BSECODE:531893)

ANNEXURE:1

Month	Open Price	High Price	Low Price	Close Price	No.of Shares	No.of Trades	Total Turnover (Rs.)	Spread High-Low	Spread Close-Open
Apr 13	30.10	32.35	23.70	23.80	9,82,726	554	2,66,41,105	8.65	-6.30
May 13	24.25	24.25	19.40	23.70	15,82,673	964	3,19,30,079	4.85	-0.55
Jun 13	24.15	25.00	19.45	19.45	10,17,504	2,199	2,26,30,224	5.55	-4.70
Jul 13	19.50	23.10	16.25	17.85	12,44,246	2,679	2,32,96,449	6.85	-1.65
Aug 13	17.00	19.25	16.65	17.20	57,015	239	10,00,865	2.60	0.20
Sep 13	16.85	24.45	13.25	24.10	7,51,803	3,712	1,23,85,439	11.20	7.25
Oct 13	25.30	35.05	19.30	35.05	4,43,742	1,570	97,99,990	15.75	9.75
Nov 13	36.80	40.35	35.40	38.25	35,913	390	13,43,301	4.95	1.45
Dec 13	37.50	41.95	32.75	41.95	4,88,777	1,248	1,77,71,750	9.20	4.45
Jan 14	42.75	61.55	42.75	61.55	88,070	416	45,20,282	18.80	18.80
Feb 14	61.55	79.70	60.50	71.10	97,459	347	66,90,913	19.20	9.55
Mar 14	69.70	69.70	37.60	55.40	45,114	91	28,26,100	32.10	-14.30

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B.R. Shah & Associates
Chartered Accountants

To
The MEMBERS
SAWACA BUSINESS MACHINES LTD.

We have examined the compliance of the corporate governance by SAWACA BUSINESS MACHINES LTD. For the year ended on 31st March 2014, as stipulated in Clause 49 of the listing Agreement of the Company with Stock Exchange.

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

In my opinion and to the best of my information and according to the explanations given to me:

- 1) We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- 2) We state that no investor grievance for a period exceeding one month against the company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

PLACE : AHMEDABAD

DATE : 30/05/2014

FOR AND ON BEHALF OF

B. R. Shah & Associates.

CHARTERED ACCOUNTANTS

Firm Registration Number: 129053W

Sd/-

Bhavik K. Shah

(Partner)

Mem. No. 129674

AUDITOR'S REPORT

TO,
THE MEMBERS OF
SAWACA BUSINESS MACHINES LIMITED.

Report on the Financial Statements

1. We were engaged to audit the accompanying financial statements of Sawaca Business Machines Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's 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 the Accounting Standards notified under the Companies Act, 1956 of India (the "Act") read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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.

Auditors' Responsibility

3. 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.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 auditors consider 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Qualified Opinion

6. *We further draw attention to the fact that we have not made available with the financial statement of the Partnership firm, in which your company has made investment of Rs. 3,99,27,303/-. In absence of such information, we are not in position to comment, whether any diminution in the value of the investment has to be made or not.*

7. Subject to above, In our opinion, and to the best of our information and according to the explanations given to us, the accompanying 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - (b) in the case of the Statement of Profit and Loss, of the profit 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

9. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
10. 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 [and proper returns adequate for the purposes of our audit have been received from branches not visited by us];
 - (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 dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on [balance sheet date], and taken on record by the Board of Directors, none of the directors is disqualified as on [balance sheet date], from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For B. R. Shah & Associates
Firm Registration Number:
129053W
Chartered Accountants

Sd/-

Bhavik Shah

Partner

Membership Number 129674

Place: Ahmedabad

Date: 30/05/2014

SAWACA BUSINESS MACHINES LIMITED

Annual Accounts for the FY - 2013 - 14

ANNEXURE TO THE AUDITOR'S REPORT

- i. i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets
 - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical assets have been noticed.
 - (c) *In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has been disposed off by the Company during the year, however it does not affect the going concern assumption of the company.*
- ii. As informed to us, the company is in the business of trading of goods. It did not have either opening or closing inventory as the goods are being immediately sold. Therefore, the provisions of Clause 4(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted/taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- 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 for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.

- (b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. *The Company did not have an internal audit system during the year.*
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including, income tax, sales tax, and other material statutory dues, as applicable, with the appropriate authorities, except as stated below:

Name of the statute	Nature of dues	Period to which the amount relates	Amount (Rs.)
Income tax Act 1961	Income tax	2008-09	2,50,000/-
Income tax Act 1961	Income tax	2009-10	2,38,000/-
Income tax Act 1961	Income tax	2010-11	7,80,000/-
Income tax Act 1961	Income tax	2011-12	6.15,000/-

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, and excise duty which have not been deposited on account of any dispute.
- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company

- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.
- 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 during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For B. R. Shah & Associates

Firm Registration Number: 129053W

Chartered Accountants

Place: Ahmedabad

Date: 30/05/2014

Sd/-

Bhavik Shah

Partner

Membership Number 129674

SAWACA BUSINESS MACHINES LIMITED

Balance Sheet as at 31 March 2014

		Amount in Rupees	
	Note	As at 31 March 2014	As at 31 March 2013
Equity and Liabilities			
Shareholders' funds			
Share capital	3	10,40,09,000	10,40,09,000
Reserves and surplus	4	63,24,074	49,12,207
		<u>11,03,33,074</u>	<u>10,89,21,207</u>
Non-current liabilities			
Deferred tax liabilities	5	15,125	-
Current liabilities			
Trade payables	6	1,29,24,299	1,51,49,502
Other current liabilities	6	11,78,300	62,777
Short-term provisions	7	22,46,111	19,04,533
		<u>1,63,48,710</u>	<u>1,71,16,812</u>
Total		<u><u>12,66,96,909</u></u>	<u><u>12,60,38,019</u></u>
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	1,14,180	2,64,114
Long-term loans and advances	9	6,62,43,524	21,72,887
Non-current investments	10	3,99,27,303	10,01,27,303
Other non-current assets	11	2,02,498	3,57,820
		<u>10,64,87,505</u>	<u>10,29,22,124</u>
Current assets			
Trade receivables	12	1,77,96,464	2,01,17,726
Cash and bank balances	13	21,77,041	27,00,169
Short-term loans and advances	14	2,35,899	2,98,000
		<u>2,02,09,404</u>	<u>2,31,15,895</u>
Total		<u><u>12,66,96,909</u></u>	<u><u>12,60,38,019</u></u>
Summary of significant accounting policies	2		

As per our report of even date

For B.R. Shah & Associates
Firm Registration Number : 129053W
Chartered Accountants

For and on behalf of SAWACA BUSINESS
MACHINES LIMITED

Bhavik K. Shah
Partner
Membership Number 129674
Place : Ahmedabad
Date : May 28, 2014

Satish Shah
Chairman & Managing
Director
Place : Ahmedabad
Date : May 28, 2014

Kishor Agaja
Director

SAWACA BUSINESS MACHINES LIMITED

Statement of Profit and Loss for the year ending 31 March 2014

Particulars	Note	Amount in Rupees	
		For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Revenue from operation	15	3,32,55,566	4,59,25,900
Other income	16	31,60,893	-
Total revenue		3,64,16,459	4,59,25,900
Expenses			
Cost of material consumed	17	2,92,22,653	4,52,05,017
Employee benefit expenses	18	22,71,100	-
Finance cost	19	1,01,022	-
Depreciation	8	38,185	-
Other expenses	20	27,06,507	6,19,383
Total expenses		3,43,39,467	4,58,24,400
Profit before tax		20,76,992	1,01,500
Tax expenses			
Current tax		6,50,000	31,364
Deferred tax	5	15,125	-
Total tax expenses		6,65,125	31,364
Profit for the year		14,11,867	70,136
Earning per equity share (nominal value of share Rs.10 (31 March 2012: Rs. 10))			
Basic and Diluted	31	0.14	0.01
Summary of significant accounting policies	2		

As per our report of even date

For B.R. Shah & Associates

Firm Registration Number : 129053W

Chartered Accountants

For and on behalf of SAWACA BUSINESS MACHINES
LIMITED

Bhavik K. Shah

Partner

Membership Number 129674

Place : Ahmedabad

Date :

Satish Shah

Chairman & Managing

Director

Place : Ahmedabad

Date :

Kishor Agaja

Director

SAWACA BUSINESS MACHINES LIMITED

Cash flow statement for the year ended 31 March 2014

Particular	As at	
	31 March 2014	31 March 2013
A. Cash Flow From Operating Activities		
Net profit before tax and extra ordinary item	20,76,992	1,01,500
Add :		
(A) Depreciation	38,185	-
(B) Preliminary Exp. W/off	1,55,322	1,55,322
(C) Deficit on sale of fixed asset	2,15,614	-
Operating profit before working Capital Changes	24,86,113	2,56,822
<u>Adjustment for working capital changes</u>		
Increasing In Current Assets	23,83,362	-1,57,02,264
Decreasing In Current Liability	-11,09,680	1,50,69,279
Cash Flow From Operation	37,59,795	-3,76,163
Less: Direct Tax Paid	3,08,422	-
Cash Inflow before extraordinary items & prior year adjustment	34,51,373	-3,76,163
Extraordinary items and prior year adjustment	-	-
Net cash from Operating activities	34,51,373	-3,76,163
B. Cash Flow From Investing Activities		
Increase in Loan Given	-6,40,70,637	-
Purchase of Fixed Assets	-1,52,365	-
Sale of fixed asset	48,500	-
Reduction in Investment in Firm	6,02,00,000	-
Increase in Margin Money	-5,86,263	-
Net cash from Investing activities	-45,60,765	-
Net increase in cash and Bank equivalents during the year	-11,09,392	-3,76,163
Add: Cash and Bank equivalents at the beginning of the year	27,00,170	30,76,333
Cash and Bank equivalents at the end of the year (Refer note no 13)	15,90,778	27,00,170

Notes:

1) The above Cash flow statement has been prepared under the 'Indirect method' set out in Accounting Standard 3 - Cash flow statements referred to in the Company's Accounting Standards Rules 2006.

2) Cash flow in bracket indicates cash out flow.

As per our report of even date

For B.R. Shah & Associates

Firm Registration Number : 129053W

Chartered Accountants

For and on behalf of SAWACA BUSINESS
MACHINES LIMITED

Bhavik K. Shah

Partner

Membership Number 129674

Place : Ahmedabad

Date : May 28, 2014

Satish Shah

Chairman & Managing

Director

Place : Ahmedabad

Date : May 28, 2014

Kishor Agaja

Director

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

3. Share capital

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Authorised shares		
1,10,00,000 (Previous year 1,10,00,000) Shares of Rs. 10/- each	11,00,00,000	11,00,00,000
Issued, Subscribed and fully paid-up shares		
10,40,900 (Previous year 10,40,900) Equity shares of Rs. 10/- each fully paid	10,40,09,000	10,40,09,000
Total issued, subscribed and fully paid-up share capital	10,40,09,000	10,40,09,000

a. Terms/rights attached to equity shares

The company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

b. Details of shareholders holding more than 5% shares in the company

	As at 31 March 2014		As at 31 March 2013	
	Numbers	% holding	Numbers	% holding
Equity shares of Rs. 10 each fully paid				
Satish R Shah	15,93,189	15%	10,93,092	11%
Shetal S Shah	8,60,600	8%	10,10,600	10%
Vishal S Shah	6,50,000	6%	8,00,000	8%

c. Details of the equity share from the above which are locked in:

	As at 31 March 2014		As at 31 March 2013	
	Numbers	% holding	Numbers	% holding
Equity shares with voting rights				
Satish R Shah	-	-	8,00,000	7.69%
Shetal S Shah	-	-	7,00,000	6.73%
Vishal S Shah	-	-	5,80,180	5.58%

4. Reserves and surplus

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Surplus in statement of profit and loss		
Balance as per last financial statements	49,12,207	48,42,071
Profit for the year	14,11,867	70,136
Balance as at the end of the year	63,24,074	49,12,207

5. Deferred tax liabilities

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Deferred tax liability		
Difference in written down value of fixed assets as per tax books and accounting books	15,125	-
Total	15,125	-

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

6. Trade payables and Other current liabilities

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Trade payables ¹	1,29,24,299	1,51,49,502
Other current liabilities		
Statutory remittances	54,800	26,777
Other liabilities	11,23,500	36,000
	11,78,300	62,777
Total	1,41,02,599	1,52,12,279

¹The company has not received any intimation from the suppliers regarding status under the Micro, small and medium enterprises development Act, 2006 ('the act') and hence disclosures regarding a) Amount due and outstanding to suppliers as at end of the accounting year, b) interest paid during the year, c) interest payable at the end of the accounting year and d) interest accrued and unpaid at the end of the accounting year, has not been disclosed or provided. The company is making efforts to get the confirmations from the suppliers as regard their status under the act.

7. Short term provisions

	Amount in Rupees	
	Short-term	
	As At 31 March 2014	As At 31 March 2013
Provision for income tax (net)	22,46,111	19,04,533
Total	22,46,111	19,04,533

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

Note 8 Fixed Assets

Particulars	Gross block				Accumulated depreciation				Net block	
	As at April 1, 2013	Addition	Sale / Adjustment	As at March 31, 2014	As at April 1, 2013	For the year	Sale / Adjustment	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible Assets										
Miscellaneous fixed assets	20,81,745		20,81,745	-	18,17,631	-	18,17,631	-	-	2,64,114
Computers	-	1,44,200	-	1,44,200	-	37,927	-	37,927	1,06,273	-
Office equipment	-	8,165	-	8,165	-	258	-	258	7,907	-
TOTAL-A	20,81,745	1,52,365	20,81,745	1,52,365	18,17,631	38,185	18,17,631	38,185	1,14,180	2,64,114
Previous Year	20,81,745	-	-	20,81,745	18,17,631	-	-	18,17,631	2,64,114	-

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

9 Long Term Loans & Advances

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Secured, Considered Goods		
Loans to thers	6,62,43,524	21,72,887
Total	6,62,43,524	21,72,887

10 Investments

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Investments in Partnership firm	3,99,27,303	10,01,27,303
Total	3,99,27,303	10,01,27,303

11 Other Non-Current Assets

		Amount in Rupees	
		As at 31 March 2014	As at 31 March 2013
Others			
Preliminary Expenses	3,57,820		5,13,142
Less: Written off during the year	<u>1,55,322</u>	2,02,498	1,55,322
		2,02,498	3,57,820

12 Trade receivables

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Secured, considered good		
Trade Receivables outstanding for a period exceeding six months from the date they were due for payment	1,68,89,096	-
Other receivables	9,07,368	2,01,17,726
	1,77,96,464	2,01,17,726

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

13 Cash and Cash Equivalents

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Cash and cash equivalent		
Cash on hand	15,59,270	26,95,749
Balances with banks		
Current account	31,508	4,420
	15,90,778	27,00,169
Other balance		
Margin Money	5,86,263	-
	21,77,041	27,00,169

14 Short-term Loans and Advances

	Amount in Rupees	
	As at 31 March 2014	As at 31 March 2013
Secured, considered good		
Deposit	-	1,53,000
Balance with government authorities	1,51,899	20,000
Other	84,000	1,25,000
	2,35,899	2,98,000

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

15. Revenue from operations

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenue from operations - Gross		
Sale of products		
Trading goods	3,32,55,566	4,56,47,160
Other Revenue from operations		
Job work	-	2,78,740
Total Revenue from operations	3,32,55,566	4,59,25,900

16. Other Income

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Bank FD Interest	23,553	-
Foreign Exchange Fluctuation Difference	3,66,758	-
Interest Income	27,70,582	-
Total	31,60,893	-

17. Cost of material consumed

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Raw material consumed		
Purchase of trading goods	2,92,22,653	4,52,05,017
Total	2,92,22,653	4,52,05,017

18. Employee Cost

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries	22,18,600	-
Staff Welfare	52,500	-
Total	22,71,100	-

19. Finance Cost

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Bank Interest	1,01,022	-
Total	1,01,022	-

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

20. Other expenses

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Bank Charges	18,595	843
Business Promotion Exp	77,277	
Travelling and conveyance	6,27,596	-
Power and Fuel	24,442	7,871
Selling and distribution expenses	4,03,300	-
Rent	3,62,000	2,55,000
Deficit on sale of fixed asset	2,15,614	
Office Expenses	2,27,299	
Office Repairing	1,72,340	
Printing and Stationery	29,060	1,200
Postage and telephone	85,502	-
Payments to the auditors		
For Audit Fees	18,000	18,000
Miscellaneous Exp	9,409	6,003
Legal and Professional charges	2,80,751	1,75,144
Preliminary Exp W/off	1,55,322	1,55,322
	27,06,507	6,19,383

SAWACA BUSINESS MACHINES LIMITED

Notes to financial statements for the year ended 31 March 2014

21 Related Parties*

	Name of Related Party	Relationship
i Relative of Key Managerial Personnel	Satish Shah	Director
	Kishor Agaja	Director
	Shetal Shah	Son of Director
	Vishal Shah	Son of Director
	Jyotsnaben	Wife of Director

Information in respect of Related Parties

Sr	Name	Relative of Key Managerial Personnel	
		2013-14	2012-13
1 Salary and Remuneration			
	Satish Shah	1,92,000	-
	Shetal Shah	4,75,000	-
	Vishal Shah	4,75,000	-
	Jyotsnaben	3,00,000	-
2 Rent Paid			
	Satish Shah	1,80,000	-
	Vishal Shah	1,80,000	-

*Related party relationship is as identified by the Company on the basis of information available with them and relied upon by the Auditors.

22 C.I.F. value of imports, earning and expenditure in foreign currency

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
a) Earnings in foreign currency		
Exports at F.O.B. Value	2,14,72,144	-
	2,14,72,144	-

24 Earnings per Share

	Amount in Rupees	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Profit for the year attributable to equity shareholder of basic and diluted earning per share (In Numbers)	-	-
Nominal value of equity share	1,04,00,900	1,04,00,900
Basic and diluted earning per share (In Rupees)	Rs. 10/-	Rs. 10/-
	-	-

25 The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

SAWACA BUSINESS MACHINES LIMITED

ACCOUNTING POLICIES

1) Basis of Preparation:

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

2) Statement of Significant Accounting Policies:

a) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. The company collects sales taxes and value added taxes (VAT), wherever applicable, on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

c) Valuation of Inventory

Stock in trade is valued at lower of cost and net realizable value. Cost of stock in trade is determined on a first in first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

d) Fixed Assets and Depreciation

Cost:

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation:

Company provides depreciation on WDV basis as per the rates prescribed in Schedule XIV of Companies Act 1956.

d) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

e) Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

g) Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

h) Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

i) Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the geographical location of the customers.

j) Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

k) Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

l) Provisions and Contingencies

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.