

**Board of Directors**

Mr. K S Sarma	Director
Mr. V Venkata Ramana	Director
Mr. L P Sashikumar	Director
Mr. S.D. Rama Krishna	Managing Director

**Finance Head :** Mr. P Syam Prasad

**Company Secretary & Compliance Officer :** Mr. R Ram Mohan

<b>Auditors:</b>	<b>Bankers:</b>
M/s. P. Murali & Company, Chartered Accountants, 6-3-655/2/3, Somajiguda, Hyderabad - 500 082.	State Bank of Hyderabad ICICI Bank Central Bank of India
<b>Registered Office:</b>	<b>Registrar &amp; Share Transfer Agents:</b>
9-1-83 & 84, Amarchand Sharma Complex, S D Road, Secunderabad - 500 003. Ph. Nos. 040-27807640 / 0742 / 1910 Fax Nos. 040-39120023/39100012	Aarthi Consultants Private Limited, 1-2-285, Domalguda, Hyderabad - 500 029. Ph. No. 040-27638111/27634445 Fax. No. 040-27632184

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## NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Friday the 30<sup>th</sup> day of September 2011 at 5.00 p.m. at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad - 500 051 to transact the following business:

### Ordinary Business

1. To consider and adopt the Audited Balance sheet as at March 31, 2011 and Profit and Loss Account for the year ended on that date together with the reports of the Directors' and Auditors thereon.
2. To appoint a Director in place of Mr. L P Sashikumar, who retires by rotation and being eligible, offers him-self for re-appointment.
3. To appoint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

"RESOLVED THAT P. Murali & Company (FRN: 007257S), Chartered Accountants, Hyderabad be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company".

### Special Business

4. Appointment of Mr. S.D. Rama Krishna as Managing Director:

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

"RESOLVED that in pursuance of Section 198, 269, 309, 310, 314 and other

applicable provisions, if any, read with Schedule XIII (as amended) of the Companies Act, 1956, Mr. S.D. Rama Krishna be and is hereby appointed as the Managing Director of the Company for a period of 5 years with effect from October 19, 2010 as per the following terms and conditions:

- A) Salary: ₹ 1,20,000/- per month.
- B) Perquisites & Allowances: He will be entitled to perquisites and allowances such as furnished residential accommodation or house rent allowance in lieu thereof, maintenance of such accommodation, gas, electricity & power, water, furnishings, utility allowance, medical reimbursement, foreign travel, leave travel assistance/ allowance, membership fees for clubs, hospitalisation and accident insurance, security at residence and such other perquisites and allowances as per rules of the Company or as may be approved by the Board and/or Committee of the Board from time to time provided that such perquisites and allowances shall be restricted to 33.33% of his salary.

In addition, he shall be entitled to reimbursement of entertainment expenditure actually and properly incurred for the business of the Company.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income-tax rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

Provision for use of the Company's car for official duties and cell phone/ telephone at residence (including payment for local calls and long distance official calls) shall not be

included in the computation of perquisites for the purpose of calculating the said ceiling.

Company's contribution to Provident fund and Superannuation fund or Annuity fund, to the extent these, either singly or together are not taxable under the Income-tax Act. Gratuity payable as per rules of the Company and encashment of leave as per rules of the Company, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

- C) The total remuneration including salary, allowances, perquisites and commission shall not exceed the limits specified in Schedule XIII to the Companies Act, 1956.
- D) Subject to superintendence, control and direction of the Board, he shall perform such duties and functions as would be commensurate with his position as Managing Director of the Company and as may be delegated to him by the Board from time to time.

RESOLVED further that the Board of Directors be and is hereby authorized to take such steps as the Board may

consider necessary or expedient to give effect to this Resolution.

RESOLVED further that the Board of Directors be and are hereby authorized to alter or vary the terms and conditions of the said appointment so as not to exceed the limits specified in Schedule-XIII or other relevant provisions of the Companies Act, 1956 or any other amendments thereto, as may be agreed between the Board and Mr. S.D. Rama Krishna.

RESOLVED further that Mr. L P Sashikumar, Director and Mr. R. Ram Mohan, Company Secretary, be and are hereby severally authorized to file necessary forms with the Registrar of Companies and to do all other acts and deeds to bring effect to this resolution."

For and on behalf of the Board

Sd/-

**R. Ram Mohan**  
Company Secretary

Place: Secunderabad  
Date: 30.08.2011

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**Notes:-**

- 1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the Company. The Proxy in order to be effective must be deposited at the Registered Office not less than 48 hours before the meeting.
- 2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
- 3. The Register of Members and Share Transfer Books of the Company shall remain *closed* from 26<sup>th</sup> day of September 2011 to 30<sup>th</sup> day of September 2011 (both days inclusive) for the purpose of ensuing Annual General Meeting.
- 4. The members are requested to -
  - a) Quote Ledger Folio/Client ID in all the correspondence.
  - b) Bring the copy of the Annual Report and attendance slip with them to the Annual General Meeting and to deposit the same duly filled in and signed for attending the meeting.
- 5. Shareholders holding shares in physical form are requested to advise any change of

address immediately to company's Registrar and Share Transfer Agent, Aarthi Consultants Private Limited, Hyderabad. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository participants and not to the Company.

6. Members seeking any information with regard to accounts are requested to write to the Company at least 10 days in advance of the meeting to enable the management to keep the information ready.
7. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrars and Share Transfer Agents Aarthi Consultants Private Limited, Hyderabad.
8. As on March 31, 2011 an amount of ₹ 2,49,604/- was unclaimed out of the dividend declared on September 30, 2008 for the financial year 2007-08. Members who have not claimed the dividend are advised to claim the same at the earliest. In accordance with the provisions of Section 205C of the Companies Act, 1956 aforesaid unclaimed dividend amounts shall be liable to be transferred to Investor Education and Protection Fund by October 29, 2015.
9. At the ensuing Annual General Meeting Mr. L P Sashikumar shall retire by rotation and being eligible, offers himself for reappointment. Further Mr. S.D. Rama Krishna has been appointed, subject to your approval, as Managing Director. Pursuant to clause 49 of the listing agreement, the particulars of Directors recommended for appointment/re-appointment are given hereunder.

### **Mr. L P Sashikumar - Director**

Mr. L P Sashikumar, aged 61 years, has done Bachelors in Science and he is a B S (Business Administration) Graduate from Union University of USA. He has vast experience in the industry and handling various operations and presently he is the Managing Director of M/s. Goldstone Infratech Limited. He is holding 757 equity shares in the Company

### **Mr. S.D. Rama Krishna - Managing Director**

Mr. S.D. Rama Krishna, aged 41 years, has done his Masters Degree in Civil Engineering from Virginia Tech University, USA. He has business background in Civil Engineering, Real Estate, Banking, Technology, and Telecom Industry verticals. He was also the lead technical architect and was responsible for the design and development of the patent pending SSi Vision TM software and Automated Technology Management. He played key role as CEO since the inception of System Services Inc [SSi] in 1999 in USA and expanded Operations to India and instrumental in its success to grow to a multimillion dollar operation Company. He has broad business and technology experience in working with a wide variety of hardware and software as a technical Infrastructure Consultant. He has also worked in management positions in Fortune 1000 organizations and has successfully managed sales, technical, and operational teams and has experience in the day to day operations of a multinational company. He had been engaged as an expert technical consultant and architected several business critical software packages and technology infrastructure with many companies including Morgan Stanley, Verisign, Mohawk, IBM Global Services, JP Morgan Chase Bank, Alcatel Network Systems, Lucent, MetroPCS, NEC, and XO Communications.

He is not holding any shares of the Company.

## **Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956**

### **Item No. 4:**

Mr. S.D. Rama Krishna initially appointed as Additional Director with effect from 13<sup>th</sup> August, 2010 and was appointed as Director in last Annual General Meeting.

Subject to your approval, the Board of Directors appointed Mr. S.D. Rama Krishna, as the Managing Director of the Company for a period of five years with effect from 19<sup>th</sup> October, 2010. The Remuneration is within the limits prescribed under Section 309 and Schedule XIII of the Companies Act, 1956. Approval of the Shareholders is required in the Annual General Meeting for his appointment as the Managing Director.

This together with the terms and conditions of the appointment as mentioned in the notice of Annual General Meeting may be treated as an abstract in terms of Section 302 of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

Except Mr. S.D. Rama Krishna, none of the Directors of the Company is in any way concerned or interested in this resolution.

For and on behalf of the Board

Sd/-

**R. Ram Mohan**  
Company Secretary

Place : Secunderabad

Date : 30.08.2011

### **Important Communication to Members**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the mail ids by click on the following link and update their mail ids with RTA, so that all communications from the Company would be sent to them through the mail: <http://www.aarthiconsultants.com/GoGreen.php>

## DIRECTORS' REPORT

To  
The Members  
Goldstone Technologies Limited

Your Directors have pleasure in presenting the Seventeenth Annual Report of your company and the Audited Financial Accounts for the year ended on March 31, 2011.

### Financial Results (Standalone Basis)

(₹ in Millions)

Particulars	2010-11	2009-10
Net Sales/Income		
from Operations	<b>231.56</b>	231.87
Other Income	<b>10.67</b>	8.61
Total Income	<b>242.23</b>	240.48
Operating Profit (PBIDT)	<b>42.27</b>	47.24
Interest	<b>14.49</b>	9.51
Depreciation and Write Offs	<b>18.49</b>	31.84
Profit Before Tax	<b>9.29</b>	5.89
Provision for taxation		
— Current	<b>0.60</b>	1.18
— Deferred	<b>1.06</b>	0.55
Extra-Ordinary Items		
- Prior period adjustments	<b>0.84</b>	0.12
Net Profit	<b>9.66</b>	4.04
Equity Share Capital (1,87,82,066 Shares of ₹ 10/- each)	<b>187.82</b>	187.82
E.P.S (After Prior Period Items) (Rupees)	<b>0.51</b>	0.22
Net Worth	<b>557.80</b>	674.50
Book Value (face Value of ₹ 10/- each)	<b>29.70</b>	35.91

## Review of Operations

During the year under review, your Company has achieved a turnover of ₹ 231.56 Millions as compared to ₹ 231.87 Millions during the previous financial year. Despite economic slowdown and sluggish market conditions prevailing over the global economy, your Company was able to achieve a reasonably satisfactory performance during the year under report. Keeping in view the state of the industry, your Company is seriously exploring various possibilities/opportunities to improve the performance of the Company in the years to come. During the year under report, the Company achieved gross revenues of ₹ 242.23 millions. The Net Profit was ₹ 9.66 Millions during the year as compared to ₹ 4.04 Millions for the previous year.

### Dividend

In order to fuel its growth and future requirement of funds, Board has decided to retain the profits generated. Consequently your Directors do not recommend any dividend for the year 2010-11.

### Fixed deposits

The Company has not accepted any Fixed Deposits, falling within the purview of Section 58A of the Companies Act, 1956.

### Insurance

All the properties of your Company have been adequately insured.

### Subsidiaries

Your Company has a wholly owned subsidiary incorporated in USA, namely Staytop Systemes Inc., Further it has another subsidiary in India namely Staytop Systems and Software Private Limited, which is yet to commence its operations.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

As required under listing agreements with Stock exchanges, consolidated financial statements, prepared in terms of Accounting Standards 21 and 23 issued by the Institute of Chartered Accountants of India, are attached.

### **Auditors**

M/s. P. Murali & Company (FRN: 007257S), Chartered Accountants, Statutory Auditors of the Company, holds office in accordance with the provisions of the Companies Act, 1956 upto the conclusion of this Annual General Meeting and are eligible for re-appointment.

### **Directors**

During the year, Mr. D P Sreenivas, Executive Director, resigned from the directorship of your Company with effect from 19<sup>th</sup> October 2010, Mr. T. Abhilash Chandran resigned as Director with effect from 7<sup>th</sup> January 2011, and Mr. Christopher Augustus D'Roza has been appointed as Director on 13<sup>th</sup> November, 2010 and resigned with effect from 12<sup>th</sup> May 2011.

Mr. S.D. Rama Krishna, who is a Professional Director appointed as the Managing Director for a period of five years with effect from 19<sup>th</sup> October 2010.

Mr. L P Sashikumar, who retires by rotation at the 17<sup>th</sup> Annual General Meeting and being eligible, offers himself for reappointment.

### **Stock Exchange Listing**

Presently, the Equity Shares of the Company are listed on National Stock Exchange of India (NSE), Bombay Stock Exchange Limited (BSE) and Madras Stock Exchange (MSE). As informed to the members in the previous Annual Report, the de-listing approval from Madras Stock Exchange is still awaited. The Company confirms that it has paid Annual Listing Fees due to all the Stock Exchanges where the Company's securities are listed for the year 2011-12, except to the Madras Stock Exchange.

### **Directors' Responsibility Statement**

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

- (a) In the preparation of the Accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed and there are no material departures there from.
- (b) They have selected such accounting policies in consultation with Statutory Auditors of the Company and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the Company for the financial year.
- (c) They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- (d) They have prepared accounts for the year ended March 31, 2011 on a going concern basis.

### **Corporate Governance and Management Discussion and Analysis Report**

A separate report on Corporate Governance along with Auditors' Certificate on its compliance and Management Discussion and analysis forming part of this report are annexed hereto.

#### **Particulars of Employees**

None of the employees are drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

#### **Particulars of Conservation of energy/ technology absorption, foreign exchange earnings and outgoings**

Particulars in respect of Conservation of Energy/ Technology Absorption and Foreign Exchange Earnings and Outgo required under Companies (Disclosure of particulars in the Directors Report) Rules 1988 are as follows:

##### **A. Conservation of Energy**

Your company's operations involve low energy consumption. However, adequate measures have been taken to conserve and reduce the energy consumption.

##### **B. Technology Absorption**

Your Company continues to use state-of-the-art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your company continues to invest in the latest hardware and software.

##### **C. Foreign Exchange Earnings and Outgo**

(₹ In Millions)

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
Foreign Exchange Earnings	<b>127.56</b>	155.70
Foreign Exchange Outgo	<b>11.96</b>	18.45

##### **Acknowledgements**

Your Directors convey their sincere thanks to State Bank of Hyderabad, ICICI Bank and Central Bank of India for their support, guidance and assistance.

Your Directors thank all the Employees of your company for their dedicated service, which enabled your company to achieve satisfactory results and performance during the year. Your Directors thank the shareholders for their support and confidence reposed in the company and the Management and look forward to their continued co-operation and support.

For and on behalf of the Board

Sd/-  
**S.D. Rama Krishna**  
Managing Director

Sd/-  
**L P Sashikumar**  
Director

Place: Secunderabad  
Date : 30.08.2011

## **MANAGEMENT DISCUSSION ANALYSIS AND BUSINESS OUTLOOK**

*(This review contains Management's discussion of the Company's operational results and financial condition, and should be read in conjunction with the accompanying audited financial statements and associated notes).*

### **Industry Structure, Development and Outlook**

Changing economic and business conditions and rapid technological innovation are creating an increasingly competitive market environment that is driving corporations to transform their operations. Consumers of the products and services are increasingly demanding accelerated delivery times and lower prices. Companies are focusing on their core competencies and using outsourced technology service providers to adequately address these needs. The role of technology has evolved from supporting corporations to transforming their business. There is an increasing need for highly skilled technology professionals in the markets in which we operate. At the same time, corporations are reluctant to expand their internal IT departments and increase costs. These factors have increased the reliance of corporations on their outsourced technology service providers and are expected to continue to drive future growth for outsourced technology services.

The Indian information technology (IT) industry has played a key role in putting India on the global map. The IT-BPO sector has become one of the most significant growth catalysts for the Indian economy. In addition to fuelling India's economy, this industry is also positively influencing the lives of its people through an active direct and indirect contribution to various socio-economic parameters such as employment, standard of living and diversity.

The industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services, according to National Association of Software and Service Companies (NASSCOM). Industry views 2011 with cautious optimism due to less than expected recovery by the US from the Great Recession as also the economic uncertainty in Europe.

Evidently, the Indian IT industry went overboard in exploring new markets, scouting for talent and investing in new service lines to offer end-to-end solutions across verticals due to the revival of fortunes.

The industry is thus gearing to offer its services in new areas such as engineering services and product development buoyed by increased tech spending in the private and public sectors.

Mergers and acquisitions in the industry remained sluggish as companies were in consolidation mode and continued to be averse to risk-taking.

The sector is estimated to have grown by 19 per cent in the FY2011, clocking revenue of almost US\$ 76 billion. India's outsourcing industry has witnessed a rebound and registered better than expected growth according to NASSCOM.

Furthermore, NASSCOM said that the domestic IT-BPO revenues excluding hardware are expected to have grown at almost 16 per cent to reach US\$ 17.35 billion in FY2011. Strong economic growth, rapid advancement in technology infrastructure, increasingly competitive Indian organizations, enhanced focus by the government and emergence of business models that help provide IT to new customer segments are the key drivers for increased technology adoption in India.

## **Opportunities, Threats, Risks and Concerns**

The global economy which was on a recovery mode post the recession continued to face challenges like those stemming from the European debt crisis, Japan calamity and other such events. Simultaneously, the continued thrust of global organizations towards costs and improving efficiencies, reflected in the uptick in discretionary spending offers sufficient opportunity to growth. The Company views this as a good opportunity to improve and strengthen its customer base.

The corporates need to transform their business models to the changed economic and business environment as the developing markets are growing faster than the developed nations and there are high economic growth opportunities in developing markets. Sustaining such high growth would require increase in competitiveness of local players. IT would play an important role in increasing competitiveness. Markets such as India, Asia Pacific, Latin America are increasingly becoming important from the point of view of consumption of IT services. Information Technology (IT) has become an integral part of business operations across industries and is seen by organizations as a primary driver of productivity improvement and business transformation. Consequently, they will have to make significant investments in IT. This opens up opportunities for the players to offer their value added capabilities and help customers in their transformation journey.

Sectors especially like Banking, Financial Services and Insurance (BFSI) space, security and reporting requirements, Green IT etc., are expected to be future drivers for IT spending.

Goldstone Technologies Limited (GTL) is presently engaged in the business of IT Enabled Services. GTL offers highly complex and mission critical solutions

such as software support, software maintenance, business process outsourcing etc. GTL has a strong presence in the US and European markets for its highly specialized consulting services and Technical Support Services.

GTL has strong initiatives to capture the new markets in the field of IT and IT Enabled Services. Strategic initiatives have been taken to build strong and experienced global telemarketing and sales team, supported by good presales and delivery team and hope to improve its turnover during coming financial year 2011-12.

GTL has taken various initiatives in the Digital Media Segment. The company released its first digitalized and colorized film "Maya Bazar" first of its kind project, which was well received and appreciated in the film market. Seeing the sheer interest and response generated for its first product, GTL is in advance level discussions with some business partners and clients for large number of digitization, restoration and colorization jobs in India and Asia and hopeful to improve revenues on this front during the year 2011-12.

GTL is currently offering offshoring services to its clients through a variety of options that help save the clients money while providing high levels of service. GTL is very well known in the industry for its Technical Support offerings for industry leading software companies. GTL plans to further penetrate this market using the existing clients as reference.

GTL is focusing on offering these services from its facilities in Kondapur, Hyderabad and Bengaluru. GTL's onshore and offshore hybrid delivery model provides a low cost service offering with high service level and customer interaction. This approach enables it to differentiate itself from other players in the market. In addition, GTL's focus areas are the current hot requirements in the marketplace and the potential for growth in

this segment is high due to recent technological developments. The timing for these services is right as clients look for established companies like GTL to partner with in these areas. GTL has a unique advantage over its competitors due to the size of the company and the flexible options that are offered to its clients. GTL's lean management is highly skilled in these areas and the team's past experience brings immediate credibility in the marketplace. GTL's experience coupled with aggressive sales and marketing strategy would bring tremendous market opportunity.

In the recent years, the marketplace for the services offered by GTL has seen a growth in the number of new providers as well as the size of the existing providers. While these companies pose a competition to GTL, there is still good part of market segment that is still untapped and has strong potential for growth. In order to capture a reasonable share of this market, GTL needs to increase its market reach through aggressive sales and marketing campaign both in India and USA.

Hiring and retaining talented employees is a continuous challenge and is a very important aspect of GTL operations and growth. GTL needs to increase its marketing campaign to attract good talent from the market. Offering a number of services also improves employee retention as it allows the employees to move between verticals and have a progressive career growth.

The exchange rate between the Indian rupee and the US Dollar has continued to fluctuate. Thus operating results will be impacted by the fluctuations. Any strengthening of India Rupee against the US Dollar or other foreign currencies could impact profitability.

Force majeure events including terrorist attacks, war regional conflicts, earthquakes, floods, and disruptions in telecommunication systems and

virus attacks etc could adversely affect the Company's business, results of operations and financial condition. The political uncertainty in Hyderabad where the Company is currently headquartered might also adversely impact the operations of our Company.

### **Analysis of financial performance of the company**

Revenues for the year were ₹ 242.23 Millions as against the previous year revenues of ₹ 240.48 Millions. The Company had an operating profit (PBDIT) of ₹ 42.27 Millions for the year as against of ₹ 47.24 Millions of previous year and the net profit after tax is ₹ 9.66 Millions as against a net profit of ₹ 4.04 Millions of previous year.

### **Liquidity and capital resources**

There is no change in Shareholders funds during the financial year 2010-11.

The secured loans as at March 31, 2011 stood at ₹ 156.90 Millions as against ₹ 126.01 Millions of previous year.

The Company's ability to generate funds from operating activities, including product and service sales, equity funds and debt financing from its banks and others are expected to provide sufficient liquidity to meet current and future fund requirements.

### **Internal Controls & Systems**

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes & corporate policies are duly complied with. The

internal audit function has been structured to continuously review adequacy and efficacy of the internal controls. The audit committee reviews the internal audit reports at regular intervals.

The company has an audit committee constituted as per section 292A of the Companies Act, 1956 and as per the requirements of Corporate Governance specified under Clause 49 of the Listing Agreement.

### **Human Resource Development**

The Company's Corporate HRD policy emphasizes on continuous, increased quality and commitment of its employees in order to succeed in the achievement of the corporate goals. The company provides employee development opportunities by conducting training programs to equip the employees with upgraded skills enabling them to adapt to the contemporary technological advancements.

The HRD Team strives for the enhancement of Human Resource Organization, Systems, Processes and procedures, using the principles of continuous quality improvement that incorporate quality service and excellent performance standards, increased accountability and maximizes cost effectiveness.

### ***Cautionary Statement***

Statements in the Management Discussion and Analysis describing the Company's Objectives, projections, estimates, expectations may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic/overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

## **CORPORATE GOVERNANCE**

### **Company's Philosophy**

The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing the value for all its stakeholders.

The board considers itself as a trustee of its shareholders and acknowledges its responsibilities to the Shareholders for creating and safeguarding shareholders wealth, while upholding the core values of transparency, integrity, honesty and accountability.

The Company's code of conduct serves as a guide to the employees on the values, ethics and business principles expected of them.

The Company is committed to the best governance norms. It strongly believes in setting the high standards in all its endeavors.

### **Board of Directors**

The Board of Goldstone Technologies Limited comprised of four directors as on August 30, 2011 out of which one Director is Executive

and out of the remaining three Non Executive Directors, two are Independent. Accordingly, the composition of the Board is in conformity with Clause 49 of the listing agreement entered with Stock Exchanges.

The Directors bring with them rich and varied experience in different fields of corporate functioning. The Board meets at regular intervals for planning, assessing and evaluating all important business activities.

None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in clause 49, across all the Companies in which he is a Director. Necessary disclosures regarding Committee positions have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies and companies incorporated outside India. Chairmanship / membership of Board Committees, include membership of Audit and Shareholders/Investor Grievance Committee.

Name	Category	No. of Board Meetings attended during the year 2010-11	Whether Attended AGM held on 29.9.2010	No. of Directorships in other public Companies		No. of committee positions held in other public Companies	
				Chairman	Member	Chairman	Member
Mr. S.D. Rama Krishna*	Managing Director	2	Yes	-	-	-	-
Mr. D P Sreenivas**	Executive and Non-Independent Director	2	No	-	-	-	-
Mr. K.S. Sarma	Independent Non-Executive Director	4	Yes	-	1	-	-
Mr. V Venkata Ramana	Independent Non-Executive Director	4	No	-	-	-	-
Mr. L P Sashikumar	Promoter Non-Executive Director	4	Yes	-	1	-	1
Mr. T Abhilash Chandran**	Independent Non-Executive Director	2	No	-	-	-	-
Mr. Christopher August D'Roza***	Independent Non-Executive Director	1	No	-	-	-	-

\* Mr. S.D. Rama Krishna, who is a Professional Director designated as Managing Director for a period of five years with effect from 19<sup>th</sup> October 2010.

\*\* Mr. D P Sreenivas resigned on 19<sup>th</sup> October 2010, Mr. T Abhilash Chandran resigned as Director on 7<sup>th</sup> January 2011 and

\*\*\* Mr. Christopher Augustus D'Roza has been appointed on 13<sup>th</sup> November, 2010 and resigned with effect from 12<sup>th</sup> May 2011, as Director.

Four Board meetings were held during the year ended March 31, 2011 and the gap between any two successive meetings did not exceed four months. The dates on which the Board meetings were held are as follows:

May 15, 2010; August 13, 2010; November 13, 2010 and February 9, 2011.

None of the Non-Executive Directors have any material pecuniary relationship with the Company.

Necessary information as mentioned in Annexure 1A to clause 49 of the listing agreement has been placed before the Board.

## Audit Committee

The Audit Committee of the Company consists of 3 directors, out of whom 2 are independent Directors including the Chairman, who is a retired IAS officer having related financial management expertise. All the members of the committee are financially literate. Accordingly, the composition of the committee is in conformity with Clause 49 of the listing agreement entered with Stock Exchanges.

### Brief terms of reference of the Audit Committee are as under:

The Audit Committee of the Board is responsible for oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, adequate and credible; and reviewing with management the annual financial statements before submission to the Board. The Committee periodically reviews with the management the adequacy of internal control systems.

The Committee periodically interacts with the internal auditors to review the manner in which they are performing their responsibilities. The Committee holds discussion with external auditors before the commencement of statutory audit on the nature and scope of audit and ascertains any areas of concern and reviews their written comments if any. The Committee reviews the financial and risk management policies of the Company. The Committee has full access to financial data and to the company's staff. The Committee also reviews the quarterly financial statements before they are submitted to the Board.

Related party transactions entered into by the company, if any, are placed before the Audit committee for its review on quarterly basis.

The last Annual General Meeting of the Company was held on September 29, 2010 and the Chairman of the Audit Committee has attended the same.

The composition of the Audit Committee and particulars of meetings attended by the members are as follows:

Name	Category	No. of Meetings during the year 2010-11	
		Held	Attended
Mr. K S Sarma, Chairman	Independent Non-executive Director	4	4
Mr. D P Sreenivas*	Executive Director	4	2
Mr. S.D. Rama Krishna	Managing Director	4	2
Mr. V. Venkata Ramana	Independent Non-executive Director	4	4

\*Mr. D P Sreenivas ceased to be a Member with effect from 19<sup>th</sup> October 2010.

Four Committee meetings were held during the year ended March 31, 2011 i.e. on May 15, 2010; August 13, 2010; November 13, 2010; and February 9, 2011.

The necessary quorum was present at all meetings.

## Remuneration Committee

The Remuneration Committee of the Company consists of 3 directors, out of whom 2 are independent Directors. The broad terms of reference of the remuneration Committee are to review the remuneration and commission / other incentives payable to Managing Director for each financial year.

The composition of the Remuneration Committee and particulars of meetings attended by the members are as follows:

Name	Category	No. of Meetings during the year 2010-11	
		Held	Attended
Mr. K S Sarma, Chairman	Independent Non-Executive Director	1	1
Mr. L P Sashikumar	Promoter Director	1	1
Mr. V. Venkata Ramana	Independent Non-executive Director	1	1

One Committee meeting was held during the year ended March 31, 2011 i.e. on October 19, 2010.

### Remuneration Policy

The remuneration policy is to pay compensation and benefits adequately, so as to attract, motivate and retain talent. The Company follows a compensation of fixed pay. Performance of the individuals measured through the annual appraisal process. There was no Employee Stock Option Scheme during the financial year ended March 31, 2011.

### Details of Remuneration and other terms of appointment of Directors

#### a) Managing Director:

The Company pays remuneration by way of salary, perquisites and allowance (fixed component) to its Managing Director subject to the condition that in the event the company either does not have profits or such profits are inadequate, the total such remuneration including all other allowances shall not exceed the statutory

limits prescribed from time to time. The total remuneration paid to him during the financial year ended March 31, 2011 was ₹ 9.6 lacs, inclusive of perquisites amounting to ₹ 2.4 Lacs. The perquisites and allowances shall be restricted to 33.33% of his salary. The term of appointment of the Managing Director is for a period of 5 years with effect from October 19, 2010.

#### b) Non- Executive Directors:

The Non-Executive Directors (NEDs) are paid sitting fee for attending either Board or its Committee meetings except Investors' Grievance & Share Transfer Committee. The Company reimburses the out of pocket expenses incurred by the Directors for attending meetings.

Share holdings of the Directors in the company as on March 31, 2011.

Name	Category	No. of Shares of ₹ 10/- each
Mr.L P Sashikumar	Promoter Director	757

#### c) Remuneration of Directors

Details of remuneration paid to Directors during the financial year 2010-11: (In ₹)

Name of the Director	Category	Sittingfee	Salary	Benefits	Total
Mr. S.D. Rama Krishna	Managing Director	-	720000	240000	960000
Mr. D P Sreenivas	Executive Director	-	810000	390000	1200000
Mr. L P Sashikumar	Promoter Director	60000	-	-	60000
Mr. K S Sarma	Independent Director	120000	-	-	120000
Mr. V Venkata Ramana	Independent Director	120000	-	-	120000
Mr. Abhilash Chandran	Independent Director	30000	-	-	30000
Mr. Christopher Augustus Droza	Independent Director	15000	-	-	15000

Benefits include contribution to Provident Fund, Gratuity Fund, payment of Perquisites etc.

### Investors' Grievance & Share Transfer Committee

- The Company has a Shareholders'/Investors' Grievance Committee to perform all the functions relating to handling of all sorts of shareholders' grievances like non-transfer of shares, loss of share certificates, non-receipt of notices/annual reports etc., and to look after share transfers/transmissions periodically. The Committee inter-alia also approves issue of duplicate share certificates and oversees and reviews all matters connected with the securities transfers.

- ii. The shareholders/Investors Grievance Committee of the Company consists of three directors, two of whom are independent Directors.
- iii. The Composition of the shareholder/ investors Grievance Committee and the number of meetings attended by its members is given below.

Name	Category	No. of Meetings during the year 2010-11	
		Held	Attended
Mr. K S Sarma, Chairman	Independent Director	2	2
Mr. D.P. Sreenivas*	Executive Director	2	1
Mr. S.D. Rama Krishna	Managing Director	2	1
Mr.LP Sashikumar**	Promoter Director	2	1
Mr. V Venkata Ramana	Independent Non-Executive Director	2	2

\* Mr. D P Sreenivas ceased to be a Member with effect from 19<sup>th</sup> October 2010.

\*\* Mr. L P Sashikumar ceased to be a Member with effect from 19<sup>th</sup> October 2010.

- iv. Two Shareholders/Investors Grievance Committee Meetings were held during the year ended March 31, 2011 i.e. May 15, 2010, and November 13, 2010.
- v. The necessary quorum was present at all meetings.
- vi. Mr. R. Ram Mohan, Company Secretary is the Compliance Officer.
- vii. Details of complaints received and redressed: Number of shareholder complaints received, number solved and number of pending complaints as on March 31, 2011.

Opening Balance as on 01.04.2010	Received during the period 01.04.2010 to 31.03.2011	Resolved during the period 01.04.2010 to 31.03.2011	Closing Balance as on 31.03.2011
Nil	Nil	Nil	Nil

## General Body Meetings of the Company

General Body Meetings : The last three annual general meetings were held at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad - 500 051 as detailed below:

Year	No. of Meeting	Day, Date and Time of the Meeting
2009-10	16 <sup>th</sup> AGM	Wednesday, the September 29, 2010 at 4.00 P.M.
2008-09	15 <sup>th</sup> AGM	Wednesday, the September 30, 2009 at 4.30 P.M
2007-08	14 <sup>th</sup> AGM	Tuesday, the September 30, 2008 at 2.30 P.M.

During the last three Annual General Meetings of the Company, the members have passed the following Special resolutions:

No. of AGM	Item on which special resolution passed
16 <sup>th</sup> AGM	Nil
15 <sup>th</sup> AGM	Appointment of Executive Director.
14 <sup>th</sup> AGM	1.To allow Foreign Institutional Investors (FIIs)/ Non Resident Investors to acquire Equity Shares/ any securities of company through stock exchange or otherwise upto 49% of the Paid-up capital of the Company. 2. Change of Name of the Company.

All the above resolutions were passed with requisite majority.

No Special Resolution, which requires approval through postal ballot, is proposed to be conducted at the ensuing Annual General Meeting.

## Disclosures

- i. There are no materially significant related party transactions of the Company with Promoters, directors or the Management or their relatives or the Subsidiary Company which have potential conflict with the interest of Company at large. Transactions with related parties as per requirements of Accounting Standards - (AS-18) - "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are disclosed in Note 7 of Schedule 18 to the accounts in the annual report.
- ii. There were no cases of non-compliance by the Company, penalties, strictures 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 ended March 31, 2011.
- iii. The Company is in compliance with all the mandatory requirements and has fulfilled the non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with Stock Exchanges to the extent of setting up a remuneration committee. Please see the para on Remuneration Committee for details. The company is yet to implement the Whistle Blower policy.
- iv. Code of conduct: The code of conduct as adopted by the Board of Directors is applicable to all directors, senior management and employees in above officers' level. The prime purpose of the code is to create an environment wherein all the Board Members and Senior Management of the Company maintain ethical standards and to ensure compliance to the laid down ethical standards. The code is available on the Company's website: [www.goldstonetech.com](http://www.goldstonetech.com)  
  
A declaration signed by the Managing Director regarding affirmation of the compliance with the Code of Conduct by Board and senior management is appended as Annexure - A to this report.
- v. Compliance: At every Board meeting, a statement of Compliance with all laws and regulations as certified by the Managing Director is placed before the Board for its review. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.
- vi. Risk Management: The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.
- vii. Preferential Issue Proceeds: The Company did not raise any funds during the year under preferential issue mode.
- viii. CEO & CFO Certificate: The certificate as contemplated in Clause 49 of the listing agreement was given by the Managing Director and General Manager (Finance) of the company and the same was placed before the Board for its noting, in its meeting held for approval of audited balance sheet and profit & loss account.  
  
The certificate required under clause 49(V) of the listing agreement duly signed by the Managing Director and General Manager (Finance) was placed before the Board and the same is provided as Annexure - B to this report.
- ix. Secretarial Audit: A practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid-up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## Means of Communication

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include, the Financial Express, Business standard, Andhrabhoomi and Andhrajyothi. The results are also displayed on the Company's website: [www.goldstonetech.com](http://www.goldstonetech.com).

Official press releases made by the Company from time to time are also displayed on the website. Presentations made to the institutional investors and analysts after the declaration of quarterly, half-year and annual results are displayed on the Company's website. The Management's Discussion and Analysis is a part of the Company's annual report.

## General Shareholders information

### i) Annual General Meeting

Date	:	September 30, 2011
Time	:	5.00 P.M
Venue	:	Plot No. 1&9, IDA, Phase II, Cherlapally, Hyderabad - 500 051.

As required under Clause 49, particulars of Directors seeking re-appointment are given in the notes to the notice calling the Annual General Meeting to be held on September 30, 2011.

### ii) Financial Calendar

Year ending	:	March 31, 2011
AGM	:	September 30, 2011

### iii) Date of Book Closure

: 26.09.2011 to 30.09.2011  
(Both days inclusive)

### iv) Listing on Stock Exchange

: The Bombay Stock Exchange Limited  
The National Stock Exchange of India Limited  
Madras Stock Exchange Limited  
(De-listing approval is awaited)

(The Company has paid the listing fee for 2011-12 to Bombay Stock Exchange Limited and the National Stock Exchange of India Limited)

### v) Stock Code / Symbol

: NSE : GOLDTECH  
BSE : 531439

### vi) International Securities

Identification Number  
(ISIN) allotted to the Company's Shares : INE805A01014

### vii) Market Price Data: High, Low ( Based on the closing prices)and number of shares traded during each month in the last financial year on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited:

Month	NSE			BSE		
	High	Low	Volume	High	Low	Volume
April 2010	30.90	27.25	2412835	31.05	27.20	1453685
May 2010	27.50	22.55	729941	27.55	22.35	414745
June 2010	26.70	21.75	2133593	26.75	21.65	1174067
July 2010	25.10	23.10	1068007	25.00	23.20	539376
August 2010	23.20	19.60	837657	23.15	19.55	486108
September 2010	24.10	19.95	2814237	24.05	19.90	1640053
October 2010	22.35	19.60	1473818	22.50	19.70	1078586
November 2010	20.20	15.90	982184	20.55	15.95	534558
December 2010	18.20	11.65	2512043	18.15	11.65	1569711
January 2011	13.75	10.40	745555	13.78	10.35	433937
February 2011	10.95	8.10	1446194	10.92	8.23	701998
March 2011	9.10	8.50	333756	9.13	8.50	302419

viii) Registrar and Transfer Agents

Name & Address : Aarhi Consultants Private Limited,  
1-2-285, Domalguda,  
Hyderabad — 500 029,  
Tel: 91 - 40-27638111/ 4445;  
Fax: 91 - 40-27632184  
E-mail : info@aarhiconsultants.com  
Contract Person: Mr. Bhaskara Murthy

ix) Share Transfer System:

The Company's shares are traded in the stock exchanges compulsorily in Demat form. The Company's Registrar and Share Transfer agent is the common agency to look after physical and Demat share work. The shares lodged for transfer at the registrar are processed and returned to shareholders within the stipulated time.

x) Shareholding (as on March 31,2011):

a) Distribution of shareholding as on March 31, 2011

Category	No. of Shareholders		No. of Shares	
	Total	%	Total	%
1 — 5000	9920	75.59	1692213	9.01
5001 — 10000	1488	11.34	1270959	6.77
10001 — 20000	762	5.81	1195468	6.36
20001 — 30000	305	2.32	789727	4.20
30001 — 40000	158	1.20	565049	3.01
40001 — 50000	131	1.00	615308	3.28
50001 — 100000	186	1.42	1378599	7.34
100001 and above	173	1.32	11274743	60.03
<b>TOTAL</b>	<b>13123</b>	<b>100.00</b>	<b>18782066</b>	<b>100.00</b>

b) Categories of Shareholders as on March 31, 2011

<b>Category</b>	<b>No. of shares</b>	<b>% of share capital</b>
Promoters	3534153	18.82
Mutual Funds and UTI	1700	0.01
Banks	2900	0.02
FIs	5000	0.03
Private Corporate Bodies	4531257	24.12
Indian Public	10342372	55.06
NRIs / OCBs	354996	1.89
Trust	1100	0.01
Clearing Members	8588	0.04
<b>Grand Total</b>	<b>18782066</b>	<b>100.00</b>

xi) Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 98.25% of the company's share capital are dematerialized as on March 31, 2011. Entire Promoter Shareholding is in demat form.

The Company's shares are regularly traded on National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

xii) As on March 31, 2011, the company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments

xiii) Compliance Officer : Mr. R. Ram Mohan, Company Secretary  
Tel: 91 - 40-27807640;  
Fax: 91 - 40-39120023/39100012  
E-mail:cs@goldstonetech.com

xiv) Location of Software Divisions /facilities : 9-1-83 & 84, Amarchand Sharma Complex, S D Road, Secunderabad - 500 003.  
  
1/2, Venus Building, 1st Main, Kalyana Mantappa Road, Jakkasandra Road, Koramangla 1 Block, Bangalore - 560034.  
  
Laxmi Cyber City, Block — B, III Floor, Kondapur, Hyderabad - 500 084.  
  
8603, Westwood Centre, Suite 200, Vienna, Virginia - 22182, United States of America.

xv) Address for Correspondence : 9-1-83 & 84, Amarchand Sharma Complex, S D Road, Secunderabad - 500 003.

**Declaration as required under Clause 49 of the Listing Agreement:**

I hereby declare that all the Directors and Senior Management of the Company have affirmed compliance with the Company's code of conduct for the financial year ended March 31, 2011.

Secunderabad  
30.08.2011

S.D. Rama Krishna  
Managing Director

**Managing Director & General Manager - Finance certification**

We, S.D. Rama Krishna, Managing Director and P.Syam Prasad, General Manager- Finance of Goldstone Technologies Limited, to the best of our knowledge and belief hereby certify that:

- (a) We have reviewed financial statements and the cash flow statements for the financial year ended March 31, 2011 and:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design and operations of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) During the year under reference -
- (i) there were no significant changes in the internal controls or overall financial reporting;
  - (ii) no significant changes in accounting policies were made that require disclosure in the notes to the financial statements; and
  - (iii) no instance of significant fraud and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting, has come to our notice.

**S.D. Rama Krishna**  
Managing Director

**P.Syam Prasad**  
General Manager -Finance

Place: Secunderabad  
Date: 30.08.2011.

## **Auditor's Certificate on Corporate Governance**

To  
The Members of  
**Goldstone Technologies Limited**  
Hyderabad

We have examined the relevant records relating to compliance condition of corporate governance of Goldstone Technologies Limited ("the company") for the year ended 31<sup>st</sup> March 2011 as stipulated in clause 49 of the listing agreement of the said company with the stock Exchanges.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examinations, conducted in the manner described in the Guidance note on "Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementaion thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

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

Place: Hyderabad  
Date: 26.08.2011

**P. Murali & Co.**  
Chartered Accountants

**Mukund Vijayrao Joshi**  
Partner  
Membership No. 024784

## AUDITORS' REPORT

To  
The Members  
Goldstone Technologies Limited

We have audited the attached Balance Sheet of **GOLDSTONE TECHNOLOGIES LIMITED**, as at 31<sup>st</sup> March 2011 and also the Profit & Loss Account for the period ended on the date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report) (Amendment) order 2004, issued by the Central Government of India in terms of the sub-section (4A) of section 277 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that

i. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our Audit.

- ii. 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.
- iii. The Balance Sheet and Profit & Loss dealt with by this report are in agreement with the books of Account.
- iv. In our opinion the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting standards referred to the sub-section (3C) of Section 211 of Companies Act, 1956.
- v. On the basis of written representations received from the Directors, as on 31<sup>st</sup> March 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2011 from being appointed as Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011
  - b. In the case of the Profit & Loss Account of the Profit for the period ended on that date.
  - c. In the case of Cash Flow Statement of the cash flows for the period ended on that date.

For **P Murali & Co;**  
Chartered Accountants  
FRN : 007257S

Sd/-

Place: Hyderabad **P. Murali Mohana Rao**  
Date: 30.08.2011 Partner  
Membership No. 23412

## **ANNEXURE TO THE AUDITOR'S REPORT**

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.  
(b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.  
(c) The Company has not disposed off substantial part of the Fixed Assets during the year.
- II. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.  
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s 301 of the Companies Act, 1956.  
(b) As the Company has not granted any loans the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of the Company, is not applicable  
(c) As no loans are granted by the company, the clause of receipt of interest & principal amount from parties is not applicable to the company.
- (d) No loans have been granted to Companies Firms & other parties listed in the register U/s 301 of the Companies Act, 1956, hence overdue amount of more than rupees one lakh does not arise and the clause is not applicable.
- (e) The Company has not taken any loans, secured or unsecured from Companies, Firms & Other parties covered in the register maintained U/s 301 of the Companies.
- (f) As the Company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of the Company, is not applicable.
- (g) As no loans are taken by the Company, the clause of repayment of interest & principal amount to parties is not applicable to the Company.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to the purchase of fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. (a) In our opinion and according to the information and explanations given to us, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the Company in respect of any party

in the financial year, the entry in the register U/s 301 of the Companies Act, 1956 does not arise.

- (b) According to the information and explanation given to us, as no such contracts or arrangements made by the Company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal has not been received by the Company.
- VII. In our opinion, the company is having internal audit system commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- IX. (a) The Company is regular in depositing statutory dues including PF, ESI, CESS, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable:
- (b) According to the information and explanations given to us no undisputed amounts are payable in respect of PF, ESI, CESS and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years and the company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.
- XI. According to information and explanations, given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to the Chit Fund in respect of Nidhi Mutual Benefit Fund/Societies.
- XIV. According to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditors Report) Order 2003, are not applicable to the Company.
- XV. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantee given by the Company for loans taken by others from banks are not prima facie prejudicial to the interests of the Company.

- XVI. According to the information and explanations given to us, the Term Loans were applied by the Company for the purpose for which the loans are obtained.
- XVII. According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to the parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. According to the information and explanations given to us, the Company has not raised any moneys by way of Public Issue during the year; hence the clause regarding the disclosure by the management on the end use of money raised by the Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

**For P Murali & Co;**  
Chartered Accountants  
FRN : 007257S

Sd/-  
**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

Place: Hyderabad  
Date: 30.08.2011

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	Sch.	As at 31.03.2011	As at 31.03.2010
<b>I SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
a. Share capital	1	18,78,20,660	18,78,20,660
b. Reserves and Surplus	2	36,99,81,598	48,66,77,668
		<b>55,78,02,258</b>	<b>67,44,98,328</b>
<b>Loan Funds</b>			
Secured Loans	3	15,69,05,555	12,60,16,974
<b>Deferred Tax</b>			
Deferred Tax Liability		42,73,268	32,10,191
<b>Total</b>		<b>71,89,81,081</b>	<b>80,37,25,492</b>
<b>II APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	4		
a. Gross block		60,14,61,392	58,87,78,368
b. Less : Depreciation		21,95,86,118	20,11,00,246
<b>Net block</b>		<b>38,18,75,274</b>	<b>38,76,78,122</b>
Add : Capital Work in Progress	6	2,35,48,087	15,19,53,207
		<b>40,54,23,361</b>	<b>53,96,31,329</b>
<b>Investments</b>	5	<b>9,27,62,433</b>	<b>9,27,62,433</b>
<b>Current Assets, Loans &amp; Advances</b>			
a. Sundry Debtors	7	8,03,97,037	27,89,02,257
b. Cash and Bank Balances	8	1,23,64,468	1,48,25,395
c. Loans and Advances	9	8,95,13,064	6,98,69,403
d. Inventory	10	14,40,55,594	15,21,95,919
		<b>32,63,30,163</b>	<b>51,57,92,974</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
a. Current Liabilities	11	9,87,79,766	33,71,13,940
b. Provisions	12	67,55,110	73,47,304
		<b>10,55,34,876</b>	<b>34,44,61,244</b>
<b>Net Current Assets</b>		<b>22,07,95,287</b>	<b>17,13,31,730</b>
<b>Total</b>		<b>71,89,81,081</b>	<b>80,37,25,492</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	18		

As per our report attached  
for **P. Murali & Co.**  
Chartered Accountants

Sd/-  
**P. Murali Mohana Rao**  
Partner  
M No. 23412  
Place: Hyderabad  
Date : 30.08.2011

For and on behalf of the Board

Sd/-  
**L.P. Sashikumar**  
Director

Sd/-  
**S.D. Rama Krishna**  
Managing Director  
  
Sd/-  
**R. Ram Mohan**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	Sch.	For the year ended 31.03.2011	For the year ended 31.03.2010
<b>INCOME</b>			
Sales Exports	13	17,85,80,119	20,75,99,979
Sales Domestic	13	5,29,83,880	2,42,69,473
Other income	14	1,06,73,301	86,07,496
<b>Total</b>		<b>24,22,37,300</b>	<b>24,04,76,948</b>
<b>EXPENDITURE</b>			
Personnel costs	15	11,12,92,758	9,07,83,364
Operating & Admin Expenses	16	5,93,74,589	12,37,80,363
Increase in Inventory	10	1,47,65,176	(3,70,37,971)
Consumption of Movie Expenses		1,45,40,826	1,57,16,919
Finance Charges	17	1,44,90,034	95,06,188
Depreciation		1,84,85,872	3,18,40,197
<b>Total</b>		<b>23,29,49,255</b>	<b>23,45,89,060</b>
Profit before taxation		92,88,045	58,87,888
Provision for Taxation		6,00,000	11,79,503
Deferred tax Liability		10,63,077	5,54,774
<b>Profit after tax</b>		<b>97,51,122</b>	<b>41,53,611</b>
Prior period adjustments (Net)		84,340	1,10,627
<b>Profit / (Loss) after Prior period Items</b>		<b>96,66,782</b>	<b>40,42,984</b>
Surplus brought forward from previous year		18,73,87,381	18,33,44,398
Written off IPTV Project Expenses		(12,31,59,926)	-
<b>Profit Carried to Balance Sheet</b>		<b>7,38,94,237</b>	<b>18,73,87,381</b>
<b>Earnings per Share</b>			
(Equity Shares of nominal value ₹ 10/- each)			
Basic / Diluted		<b>0.51</b>	<b>0.22</b>
Number of shares used in Computing EPS			
Basic / Diluted		<b>1,87,82,066</b>	<b>1,87,82,066</b>
<b>Significant Accounting Policies and Notes on Accounts</b>			
	18		

As per our report attached  
for **P. Murali & Co.**  
Chartered Accountants

Sd/-  
**P. Murali Mohana Rao**  
Partner  
Membership No. 23412  
Place: Hyderabad  
Date : 30.08.2011

For and on behalf of the Board

Sd/-  
**L.P. Sashikumar**  
Director

Sd/-  
**S.D. Rama Krishna**  
Managing Director

Sd/-  
**R. Ram Mohan**  
Company Secretary

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
<b>1 SHARE CAPITAL</b>		
<b>Authorised:</b>		
5,00,00,000 Equity Shares of ₹ 10/- each	50,00,00,000	50,00,00,000
1,87,82,066 Equity Shares of ₹ 10/- each, fully paid up (out of the above 643,666 equity shares of ₹ 10/-each are allotted as fully paid up for consideration other than cash)	18,78,20,660	18,78,20,660
<b>Total</b>	<b>18,78,20,660</b>	<b>18,78,20,660</b>
<b>2 RESERVES AND SURPLUS</b>		
a Capital Reserve - As per last Balance Sheet	5,97,80,538	5,97,80,538
	5,97,80,538	5,97,80,538
b Securities Premium Account - As per last Balance Sheet	21,83,79,399	21,83,79,399
c General Reserve - As per last Balance Sheet	1,83,00,679	1,83,00,679
d Foreign Currency Translation Reserve - Transferred this year	(3,73,255)	28,29,670
e Profit & Loss Account Surplus as per annexured account	7,38,94,237	18,73,87,381
<b>Total</b>	<b>36,99,81,598</b>	<b>48,66,77,668</b>
<b>3 LOAN FUNDS</b>		
<b>(A) SECURED LOANS</b>		
a) From Banks		
Working Capital Loan	4,83,11,303	7,99,96,740
Term Loan	10,00,00,000	2,80,45,748
Mortgage Loan	85,94,252	1,75,00,400
b) From a Company	-	4,74,087
<b>Total</b>	<b>15,69,05,555</b>	<b>12,60,16,974</b>

**SCHEDULE 4: FIXED ASSETS**

(Amount in ₹)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on 01.04.2010	Additions during the year	Deductions during the year	As on 31.03.2011	For the year	Adjustments during the year	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
1. Land	7,51,71,399	-	-	7,51,71,399	-	-	-	7,51,71,399	7,51,71,399
2. Buildings	2,74,38,522	-	-	2,74,38,522	6,51,665	-	96,78,344	1,77,60,178	1,84,11,843
3. Leasehold Improvements	47,37,576	-	-	47,37,576	-	-	-	47,37,576	-
4. Plant & Machinery	32,44,830	-	-	32,44,830	57,832	-	32,44,830	-	57,832
5. Furniture & Fixtures	1,54,31,324	-	-	1,54,31,324	3,25,069	-	49,19,223	1,05,12,101	1,08,37,170
6. Electrical Installation	1,28,87,214	-	-	1,28,87,214	4,40,631	-	40,53,286	88,33,928	92,74,559
7. Vehicles	87,02,513	-	-	87,02,513	3,38,683	-	41,37,780	45,64,733	49,03,416
8. Computer Systems & Software	14,12,07,230	7,7,92,057	-	14,89,99,287	1,09,87,011	-	12,21,75,028	2,68,24,259	3,00,19,213
9. Electronic equipment & Office Equipment	98,68,846	9,46,309	-	1,08,15,155	3,19,015	-	59,58,023	48,57,132	42,29,838
<b>Total</b>	<b>29,86,89,454</b>	<b>8,7,38,366</b>	-	<b>30,74,27,820</b>	<b>1,31,19,905</b>	-	<b>15,89,04,089</b>	<b>14,85,23,731</b>	<b>15,29,05,270</b>
<b>INTANGIBLE ASSETS</b>									
10. Design, Development & Testing of Software tools for IT Services	16,77,72,365	-	-	16,77,72,365	53,65,967	-	6,06,82,029	10,70,90,337	11,24,56,304
11. Capital Expenses IPTV	12,23,16,549	39,44,657	-	12,62,61,206	-	-	-	12,62,61,206	12,23,16,549
<b>Total</b>	<b>58,87,78,368</b>	<b>1,26,83,023</b>	-	<b>60,14,61,391</b>	<b>1,84,85,872</b>	-	<b>21,95,86,118</b>	<b>38,18,75,274</b>	<b>38,76,78,123</b>
Previous year	53,36,97,291	5,50,81,076	-	58,87,78,368	16,92,60,048	3,18,40,198	20,11,00,246	38,76,78,123	36,44,37,242

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
<b>5 INVESTMENTS- AT COST</b>		
<b>Long Term Investment</b>		
<b>Unquoted</b>		
Investment in shares of Wholly owned Subsidiary (Staytop Systems Inc, USA )	9,26,63,433	9,26,63,433
Investment in Staytop Systems & Software Pvt Ltd	99,000	99,000
<b>Total</b>	<b>9,27,62,433</b>	<b>9,27,62,433</b>
<b>6 CAPITAL WORK IN PROGRESS</b>		
Capital Expenses for Digital Media	-	23,99,000
Capital Expenses for IPTV	-	12,60,06,120
Buildings under construction	2,35,48,087	2,35,48,087
<b>Total</b>	<b>2,35,48,087</b>	<b>15,19,53,207</b>
<b>7 SUNDRY DEBTORS ( Unsecured )</b>		
a Debts outstanding for a period exceeding six months Considered Good	3,34,666	4,10,20,594
b Other Debts - Considered Good	8,00,62,371	23,78,81,663
<b>Total</b>	<b>8,03,97,037</b>	<b>27,89,02,257</b>
<b>8 CASH &amp; BANK BALANCES</b>		
Cash on hand	55,315	56,870
Bank balances with Scheduled Banks		
- In Current Accounts	53,00,371	61,41,694
- In Fixed Deposit ( Lodged with the bank against BG )	10,28,144	12,22,998
Balances with others - Non Scheduled Banks	59,80,638	74,03,833
<b>Total</b>	<b>1,23,64,468</b>	<b>1,48,25,395</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
<b>9 LOANS &amp; ADVANCES</b> (Unsecured, Considered Good)		
a Advances to suppliers	6,49,71,862	5,16,13,385
b Advances to Staff	32,65,131	45,65,120
c Deposits	1,23,17,574	57,38,433
d Other Current Assets	89,58,497	72,32,666
e Prepaid Expenses	-	7,19,798
<b>Total</b>	<b>8,95,13,064</b>	<b>6,98,69,403</b>
<b>10 INVENTORY</b>		
Inventory- Set Top Boxes	-	83,64,675
Stock of Movie Rights	2,81,90,000	2,81,90,000
Opening Work in Process	11,56,41,244	
- Processing charges during the year	1,47,65,176	
- Consumption of Movie Expenses	1,45,40,826	
Closing Work in Process	11,58,65,594	11,56,41,244
<b>Total</b>	<b>14,40,55,594</b>	<b>15,21,95,919</b>
<b>11 CURRENT LIABILITIES</b>		
Sundry Creditors	33,21,763	6,61,71,436
(No outstanding dues to SSI Undertakings)		
Other Creditors/ Liabilities	8,96,94,993	26,29,30,019
Statutory Liabilities	57,63,010	80,12,485
<b>Total</b>	<b>9,87,79,766</b>	<b>33,71,13,940</b>
<b>12 PROVISIONS</b>		
Provision for Taxation	-	11,79,504
Provision for Gratuity and Leave Encashment	67,55,110	61,67,800
<b>Total</b>	<b>67,55,110</b>	<b>73,47,304</b>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>For the year ended 31.03.2011</b>	<b>For the year ended 31.03.2010</b>
<b>13 SALES</b>		
Software & Services - Exports	17,85,80,119	20,75,99,979
- Domestic	5,29,83,880	2,42,69,473
<b>Total</b>	<b>23,15,63,999</b>	<b>23,18,69,452</b>
<b>14 OTHER OPERATING INCOME/OTHER INCOME</b>		
Interest on Fixed Deposits	47,337	8,563
Other Income	-	1,62,842
Lease Rent	1,06,25,964	84,36,091
Exchange Fluctuation Gain	-	-
<b>Total</b>	<b>1,06,73,301</b>	<b>86,07,496</b>
<b>15 PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	10,82,84,080	8,87,28,722
Staff Welfare	25,43,093	19,43,812
Staff Recruitment & Training	4,65,585	1,10,830
<b>Total</b>	<b>11,12,92,758</b>	<b>9,07,83,364</b>
<b>16 ADMINISTRATIVE AND SELLING EXPENSES</b>		
Directors Remuneration	21,60,000	24,00,000
Reimbursements	-	17,783
Discounts taken by clients	9,11,128	1,64,979
Advertisement	1,80,103	1,65,860
Advances Written Off	-	508
Electricity	29,07,873	31,84,517
Gifts and Donations	25,000	1,96,076
Rent	63,14,259	37,54,705
Legal Fees	2,78,808	9,57,833
Printing and Stationary	8,42,091	4,46,082
Postage ,Telephones and Internet	55,98,122	41,30,935
Insurance	28,059	25,64,696
Professional and Consultancy	20,14,899	21,16,411
Rates and Taxes	19,65,637	11,21,468
Meeting Expenses	1,800	16,757

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>For the year ended 31.03.2011</b>	<b>For the year ended 31.03.2010</b>
Marketing Expenses / Commissions	9,44,344	15,39,911
Books & Periodicals	7,340	24,344
Membership & Subscription	6,28,396	6,10,311
Vehicle Maintenance	30,45,054	42,21,368
Travelling Expenses		
- Directors	19,97,197	15,01,522
- Others	10,51,376	15,72,407
Conveyance	2,10,581	1,13,280
Water Charges	58,150	-
Business Promotion	12,42,286	12,22,405
Auditors Remuneration	4,68,360	3,39,248
Office Maintenance	23,28,744	15,70,061
Repairs & Maintenance	9,66,172	25,36,947
Miscellaneous Expenses	2,81,533	4,61,600
Payroll Processing	-	2,50,823
Listing Fees	1,88,064	1,25,465
Secretarial Charges	1,13,836	92,346
Sitting Fees	3,45,000	3,60,000
Foreign Exchange Fluctuation	20,67,998	3,23,26,305
Security Charges	2,91,206	3,66,816
Income Tax Paid	-	35,803
Movie Expenses	-	1,43,60,436
Digital Cinema Processing Expenses	-	11,77,270
Deferred Administration Expenses	1,99,11,173	3,77,33,086
<b>Total</b>	<b>5,93,74,589</b>	<b>12,37,80,363</b>
<b>17 FINANCIAL EXPENSES</b>		
Bank Charges	1,93,360	3,96,243
Interest	1,42,80,131	88,41,986
Interest on Car Loan	16,543	2,67,959
<b>Total</b>	<b>1,44,90,034</b>	<b>95,06,188</b>

## 18 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

### A) Statement on Significant Accounting Policies

#### (i) Basis of Accounting

The Financial Statements of the Company are prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India, and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

#### (ii) Method of Accounting

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

#### (iii) Revenue Recognition

- a) All incomes and expenditure are accounted on accrual basis except Interest received on Fixed Deposits, which are accounted on cash basis.
- b) Revenue from Software Development contracts, priced on time and material basis, is recognised on the basis of billable time spent by employees working on the project, at the contracted rate.
- c) Revenue from fixed price contracts is recognized on milestones achieved as per the terms of specific contracts.

#### (iv) Fixed Assets

- a) Fixed Assets are stated at cost less depreciation. Project expenses/Pre-operative expenses are capitalized to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.
- b) Depreciation on Fixed Assets is provided on straight-line method in

the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

#### (v) Investments

Investments are classified into current Investments and long-term investments. Current Investments are carried at the lower of cost or market value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long term investments are carried at cost less provision made to recognize any permanent diminution in the value of such investments.

#### (vi) Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. In respect of foreign branches, all revenue and expense transactions during the year are translated at average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. The resultant gain on account or foreign currency translation to be shown as foreign currency translation reserve and loss to be charged off after adjusting the reserve. Balance in 'Head office account' whether debit or credit, is reported at the amount of the balance in the 'branch account' in the books of the head office after adjusting for un responded transaction. Net loss or gain on foreign currency translation is recognized in the foreign translation reserve account.

#### (vii) Retirement Benefits to Employees

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme are charged to the profit and loss account as incurred on accrual basis. The

Company provides the retirement benefits in the form of Gratuity and leave encashment on the basis of actuarial valuation made by the independent actuary as at Balance Sheet date.

**(viii) Provision for Current and Deferred Tax**

Provision for current Tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from timing differences between book and taxable profits is accounted by using the tax rates and laws that have been enacted as on the Balance Sheet date. The Deferred Tax Asset is recognized only to the extent there is reasonable certainty that the Asset is realized in future.

**(ix) Impairment of assets**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired.

**(x) Income and Deferred Tax**

The provision made for income tax in the accounts comprises both the current and deferred tax. Current tax is provided for on the taxable income for the year. The deferred tax assets and liabilities for the year arising on account of timing differences (net) are recognized in the Profit and Loss account and the cumulative effect thereof is reflected in the Balance Sheet.

**(xi) Contingent Liabilities and Contingent Assets**

Liabilities, which are contingent in nature, are not recognized in the books of

account but are disclosed separately in the Notes. Contingent Assets are neither recognized nor disclosed in the books of account.

**(xii) Claims**

Claims made by the Company are recognized to the extent the Company deems them recoverable. Claims against the Company, including liquidated damages, are recognized only on acceptance basis.

**(xiii) Inventories**

Inventories are valued at cost or net realizable value, whichever is less. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to its their location. Finished goods at the factory are valued at cost in all applicable cases. Obsolete, non-moving and defective inventories are identified at the time of physical verification of inventories and adequate provision, wherever necessary, is made for such inventories.

**(xiv) Intangible Assets**

Intangible Assets are recognized in the Balance Sheet at cost, net of any accumulated amortization / impairment. Preliminary expenses are amortized over a period of 5 years. De-merger expenses are amortized over a period of ten years.

**(xv) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are treated as a period cost and are expensed in the year of occurrence.

## B) Notes on Accounts

### 1. Contingent Liability

Outstanding Bank Guarantees — ₹ 10.28 Lakhs (Previous year ₹ 12 Lakhs)

Claims against the company — against disputed income tax demands not provided for about ₹ 7.50 Lakhs, pending before Appellate Authority.

### 2. Secured Loans

Mortgage Loans of ₹ 85,94,252/- are secured by way of hypothecation of the said assets:

Name of the property: Leased property and  
Address: IDA, Cherlapally, Hyderabad

### 3. Investments

The company acquired 100% holding in M/s. Staytop Systems Inc at a total purchase consideration of USD 2,100,000 in the year 2005. Out of the total purchase consideration an amount of USD 2,000,000 was paid up to 2006-07 and for the balance amount of USD 100,000 the company issued 35,918 Equity Shares as fully paid.

### 4. Confirmation of balances with sundry debtors and sundry creditors:

Company has taken necessary steps to get the confirmation of balances from the parties.

### 5. Provision for Income-Tax

The company has provided for Minimum Alternative Tax of ₹ 0.60 Million as per the provisions of Section 115JB of the Income Tax Act, 1961. Federal / State tax paid on income of the branch of the company in USA has been accounted for.

### 6. Deferred Taxation

Deferred Tax Liability/Asset is recognized in accordance with Accounting Standard 22 - "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

Computation of Deferred Tax Asset/Liability: (₹ In Millions)

Deferred Tax Liability as at 1 <sup>st</sup> April, 2010	3.21
Add: Deferred tax Liability during the year on account of timing differences - between book and tax depreciation	1.06
Deferred Tax Liability as at 31 <sup>st</sup> March, 2011	4.27

## 7. Related Party Disclosure:

As per Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related party as defined in the Accounting Standard are given :

### List of related parties with whom transactions have taken place and

Sl. No	Name of the related party	Relationship
1	Staytop Systems Inc.,	Subsidiary
2	Staytop Systems and Software Pvt. Ltd.	Subsidiary

### Transaction during the year with related parties:

Name of the related party	Nature of Transaction	₹ in Millions
Staytop Systems Inc.,	Income — Sale of Information Technology Services	24.62

## 8. Earnings Per Share:

### Calculation of EPS Basic & Diluted:

(Amount in ₹)

Particulars	Current Year 2010-11	Previous Year 2009-10
Net Profit After Tax	97,51,122	41,53,611
Net Profit after Extraordinary Items	96,66,782	40,42,984
Weighted average numbers of shares considered	1,87,82,066	1,87,82,066
Basic EPS (in ₹)	0.51	0.22
Diluted EPS (in ₹)	0.51	0.22

## 9. Segment Reporting:

As per Accounting Standard 17 on Segment Reporting disclosures issued by the Institute of Chartered Accountants of India the disclosures on segment reporting are given below:

**Business Segment** — In the previous year the company was engaged in the business of Information Technology & Information Technology Enabled Services. The business segment wise details are given below.

**Segment wise stand alone financial results for the year ended March 31, 2011**  
(₹ In Millions)

<b>Particulars</b>	<b>Current Year 31.03.2011</b>	<b>Previous Year 31.03.2010</b>
<b>1. Segment Revenue</b>		
a) US Branch — IT Services	-	59.73
b) India operations		
IT Division	225.70	163.34
Media Division	16.54	17.40
IPTV Division	-	-
<b>Total Revenue from Operations</b>	<b>242.24</b>	<b>240.47</b>
<b>2. Segment Results</b>		
Profit (+)/Loss (-) before tax, Deprn. & interest from		
a) US Branch	-	28.54
b) India operations	42.26	18.70
<b>Total</b>	<b>42.26</b>	<b>47.23</b>
Less: interest (not allocable)	14.49	9.51
Less: Depreciation (not allocable)	18.48	31.84
<b>Total Profit/(Loss) Before Tax</b>	<b>9.29</b>	<b>5.89</b>

**Segment Capital Employed:** Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done, as the assets are used interchangeably between segments. Accordingly no disclosure relating to segmental assets and liabilities has been made.

**Geographical Segment:**

(₹ In Millions)

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
<b>Revenue:</b>		
India - Exports	215.02	163.34
Outside India	-	59.73
<b>Additions to Fixed Assets:</b>		
India	12.68	55.08
Outside India	-	-
<b>Carrying Amount of Segment Assets:</b>		
India	340.27	346.07
Outside India	41.61	41.61

**10. Impairment of Assets:**

The company reviewed with regard to realizable value of Fixed Asset and found that, the realizable value is more than the book value, hence no provision for impairment of Assets considered necessary.

## 11. Employee Benefits

Retirement benefits to employees The Company has made provision based on actuarial valuation in respect of Gratuity and Leave Encashment as per AS 15. The details are as follows:

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Gratuity	43,72,569/-	35,25,270/-
Leave Encashment	23,82,540/-	26,42,530/-

### Accounting for Provisions, Contingent Liabilities and Contingent Assets:

Provisions have been recognized by the Company for all present obligations arising from past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made by using a substantial degree of estimation. This is as per the provisions of AS-28 issued by ICAI.

Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an on-going basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets have not been recognized in the financial statements.

## 12. Prior Period Adjustments:

Prior period adjustment of ₹ 84,340/- (Previous year ₹ 1,10,627/-) shown in the Profit and Loss account is the net amount of the debits and credits pertaining to previous years, which were not provided during those periods.

## 13. Additional Information required as per Para's 3 & 4 of Part II of Schedule VI to the companies Act, 1956 :

13.1. The Company is engaged in Information Technology & Information Technology Enabled Services. The production and sale of such service cannot be expressed in Units, Hence, it is not possible to give the quantitative details and information as required under paragraphs 3,4 of Part II of Schedule VI to the Companies Act, 1956.

### 13.2. Managerial Remuneration:

(Amount in ₹)

Particulars	Current Year 2010-11	Previous Year 2009-10
<b>Managing Director</b>		
Salary	7,20,000	-
Other perquisite	2,40,000	-
<b>Executive Director</b>		
Salary	8,10,000	16,20,000
Other perquisite	3,90,000	7,80,000

(₹ In Millions)

### 13.3 Foreign Exchange Transaction:

Particulars	Current Year 2010-11	Previous Year 2009-10
1) Value of Imports on CIF Basis		
a) Capital Goods — Electronic Equipments	-	-
b) Capital Goods — Furniture & Fixtures	-	-
2) Expenditure in Foreign Currency		
a) Travelling Expenses	2.18	0.87
b) Other Payments paid in Foreign Exchange	9.78	17.58
3) Earnings in Foreign Currency (on Receipt basis)		
a) Software Exports	127.56	155.70

### 13.4. Auditors Remuneration:

(Amount in ₹)

Particulars	Current Year 2010-11	Previous Year 2009-10
Audit Fees	<b>3,00,000</b>	3,00,000
Certification Work	<b>1,68,360</b>	1,68,360

### 14. Inventory:

- Restoration and colorization expenses in respect of the films for which the company has acquired distribution rights are carried as working in progress pending completion of the respective films.
- Costs incurred for a colorization of movies including the movie rights have been shown in the inventory.

### 15. Capital Work in Progress

Capital Work in Progress includes cost of Fixed Assets under installation including Advances given for purchase of Capital Goods, interest on borrowing costs attributable to the assets for the Assets taken on Finance and any unallocated expenditure pertaining thereto.

### 16. Disclosure of IPTV Division expenses:

Since, we have shelved IPTV Project all the expenditure incurred for the above division has been written off during the year.

17. Figures for the previous year/period are regrouped/ rearranged wherever considered necessary.

As per our report attached  
for **P. Murali & Co.**  
Chartered Accountants

For and on behalf of the Board

Sd/-

**P. Murali Mohana Rao**

Partner

M No. 23412

Sd/-

**L.P. Sashikumar**

Director

Sd/-

**S.D. Rama Krishna**

Managing Director

Sd/-

**R. Ram Mohan**

Company Secretary

Place: Hyderabad  
Date : 30.08.2011

**Statement of Cash Flows for the year ended 31.03.2011**

(₹ In Millions)

	31.03.2011	31.03.2010
<b>A Cash Flow from Operating Activity</b>		
Net Profit before tax	9.29	5.89
<b>Adjustments for:</b>		
Depreciation	18.49	31.84
Provision for gratuity & earned leave	6.76	3.05
Other income	(10.67)	(8.61)
Interest Expenditure on Long Term Loan	14.49	9.51
Foreign Exchange Fluctuation Loss	2.07	32.33
<b>Operating Profit before working capital Changes</b>	<b>40.41</b>	<b>74.01</b>
<b>Adjustments for:</b>		
Trade and other receivables	198.51	62.25
Inventory	8.14	(27.56)
Trade advances	(19.64)	(22.68)
Trade payables	(238.26)	(130.48)
Provisions	(8.71)	0.54
<b>Cash generated from Operations</b>	<b>(19.56)</b>	<b>(43.92)</b>
Direct Taxes paid (net) - Prior period adjustments	-	(0.04)
Interest paid	(14.49)	(9.51)
<b>Cash flow before extraordinary items</b>	<b>(34.05)</b>	<b>(53.47)</b>
Prior Period Items	(0.08)	(0.11)
<b>Net Cash Flow from Operating Activity</b>	<b>(34.13)</b>	<b>(53.58)</b>
<b>B Cash Flow from Investing Activity</b>		
Purchase of fixed assets	(12.68)	(55.08)
Capital work in progress	128.41	(0.02)
Cancellation of Investments	-	102.07
Other Income	10.67	8.61
<b>Net Cash Used for Investing Activity</b>	<b>126.40</b>	<b>55.58</b>
<b>C Cash Flow from Financing Activities</b>		
Share Premium and Reserves	(125.61)	5.26
Share Application Money received / Repaid	-	-
Secured Loans	30.89	(3.40)
Unsecured Loan	-	-
<b>Net Cash generated from Financing Activity</b>	<b>(94.72)</b>	<b>1.86</b>
Cash and Cash Equivalents (Opening Balance)	14.83	10.97
Net Increase in Cash & Cash Equivalents(A+B+C)	<b>(2.46)</b>	<b>3.86</b>
Cash and Cash Equivalents (Closing Balance)	<b>12.36</b>	<b>14.83</b>

As per our report attached  
for **P. Murali & Co.**  
Chartered Accountants

Sd/-  
**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

Place: Hyderabad  
Date : 30.08.2011

For and on behalf of the Board

Sd/-  
**L.P. Sashikumar**  
Director

Sd/-  
**S.D. Rama Krishna**  
Managing Director

Sd/-  
**R. Ram Mohan**  
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE:**

**I. Registration Details:**

Registration No.	17211	State Code:	01
Balance Sheet Date:	31.03.2011		

**II. Capital Raised during the year (Amount in ₹ Lacs)**

Public Issue:	NIL	Rights Issue:	NIL
Bonus Issue:	NIL	Private Placement:	NIL

**III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Lacs)**

Total Liabilities:	7189.81	Total Assets:	7189.81
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**Sources of Funds:**

Paid-up Capital	1878.21	Reserves and Surplus	3699.82
Secured Loans:	1569.05	Unsecured Loans:	NIL
Deferred Tax Liability	42.73		

**Application of Funds:**

Net Fixed Assets	3818.75	Investments	927.62
Net Current Assets:	2207.95	Misc. Expenditure	NIL
Accumulated Losses:	NIL		

**IV. Performance of company (₹ in Lacs)**

Turnover/Income	2422.37	Total Expenditure	2329.49
Profit before tax	92.88	Profit after tax	96.67
Earnings per Share in ₹	0.22	Dividend Rate	NIL

**V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)**

Item Code No. (ITC Code)	:	85249009.10
Product Description	:	Computer Software

## **Auditors' Report on Consolidated Financials:**

1. We have audited the attached Consolidated Balance Sheet of Goldstone Technologies Limited ('the Company') and its subsidiaries as at 31st March, 2011 and the Consolidated Profit & Loss Account for the year ended on the date annexed thereto and Consolidated Cash flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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. We believe that our audit provides a reasonable basis for our opinion.
3. We have audited the financial statements of Staytop Systems and Software Private Limited and did not audit the financial statements of its another subsidiary Staytop Systems Inc, USA as at 31<sup>st</sup> March, 2011. These financial statements and other financial information have been audited by other auditor whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 for Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (a) in the case of the Consolidated balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31<sup>st</sup> March, 2011.
  - (b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
  - (c) In the case of the Consolidated cash flows Statement, of the Consolidated Cash flows of the Company and its subsidiaries for the year then ended.

For **P Murali & Co;**  
Chartered Accountants  
FRN : 007257S

Sd/-  
**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

Place: Hyderabad  
Date:-30.08.2011

**CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	Sch.	As at 31.03.2011	As at 31.03.2010
<b>I SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
a. Share capital	1	18,78,20,660	18,78,20,660
b. Reserves and Surplus	2	45,71,19,154	56,20,37,898
		<b>64,49,39,814</b>	<b>74,98,58,558</b>
<b>Loan Funds</b>			
Secured Loans	3	15,69,05,555	12,60,16,974
<b>Minority Interest</b>		1,000	1,000
<b>Deferred Tax</b>			
Deferred Tax Liability		42,73,268	32,10,191
<b>Total</b>		<b>80,61,19,637</b>	<b>87,90,86,723</b>
<b>II APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	4		
a. Gross block		69,54,25,089	68,25,14,315
b. Less : Depreciation		22,08,68,771	20,15,88,597
<b>Net block</b>		<b>47,45,56,318</b>	<b>48,09,25,718</b>
Add : Capital Work in Progress	6	2,35,48,087	15,19,53,207
		<b>49,81,04,405</b>	<b>63,28,78,926</b>
<b>Investments</b>	5	-	-
<b>Current Assets, Loans &amp; Advances</b>			
a. Sundry Debtors	7	15,19,52,885	30,52,86,792
b. Cash and Bank Balances	8	3,15,13,602	2,53,91,321
c. Loans and Advances	9	17,46,27,452	16,69,94,576
d. Inventory	10	14,40,55,594	15,21,95,919
		<b>50,21,49,533</b>	<b>64,98,68,608</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
a. Current Liabilities	11	18,73,00,741	38,92,41,062
b. Provisions	12	68,33,561	1,44,19,749
		<b>19,41,34,302</b>	<b>40,36,60,811</b>
<b>Net Current Assets</b>		<b>30,80,15,231</b>	<b>24,62,07,797</b>
<b>Total</b>		<b>80,61,19,637</b>	<b>87,90,86,723</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	18		

As per our report attached  
for **P. Murali & Co.**  
Chartered Accountants

Sd/-  
**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

Place: Hyderabad  
Date : 30.08.2011

For and on behalf of the Board

Sd/-  
**L.P. Sashikumar**  
Director

Sd/-  
**S.D. Rama Krishna**  
Managing Director

Sd/-  
**R. Ram Mohan**  
Company Secretary

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	Sch.	As at 31.03.2011	As at 31.03.2010
<b>INCOME</b>			
Sales Exports	13	56,46,15,841	54,42,67,472
Sales Domestic	13	5,29,83,880	2,42,69,473
Other income	14	1,06,73,301	86,07,496
<b>Total</b>		<b>62,82,73,022</b>	<b>57,71,44,441</b>
<b>EXPENDITURE</b>			
Personnel costs	15	46,04,65,661	17,18,12,088
Operating & Administrative Expenses	16	7,69,85,657	35,98,28,864
Increase in Inventory	10	1,47,65,176	(3,70,37,971)
Consumption of Movie Expenses	10	1,45,40,826	1,57,16,919
Finance Charges	17	1,45,59,056	95,44,706
Depreciation		1,92,80,175	3,18,40,197
<b>Total</b>		<b>60,05,96,551</b>	<b>55,17,04,803</b>
Profit before taxation		2,76,76,471	2,54,39,638
Provision for : Taxation		70,36,106	87,20,803
Deferred tax Liability		10,63,077	5,54,774
<b>Profit after tax</b>		<b>2,17,03,442</b>	<b>1,61,64,061</b>
Prior period adjustments (Net)		84,340	1,10,627
<b>Profit /(Loss) after Prior period Items</b>		<b>2,16,19,102</b>	<b>1,60,53,434</b>
Surplus brought forward from previous year		27,04,25,098	25,43,71,664
Written off IPTV Project Expenses		(12,31,59,926)	-
<b>Profit Carried to Balance Sheet</b>		<b>16,88,84,274</b>	<b>27,04,25,098</b>
<b>Earnings per Share</b>			
(Equity Shares of nominal value ₹ 10/- each)			
Basic / Diluted		<b>1.15</b>	<b>0.85</b>
Number of shares used in Computing EPS			
Basic / Diluted		<b>1,87,82,066</b>	<b>1,87,82,066</b>
<b>Significant Accounting Policies and Notes on Accounts</b>	18		

As per our report attached  
for **P. Murali & Co.**  
Chartered Accountants

Sd/-

**P. Murali Mohana Rao**

Partner

Membership No. 23412

Place: Hyderabad

Date : 30.08.2011

For and on behalf of the Board

Sd/-

**L.P. Sashikumar**

Director

Sd/-

**S.D. Rama Krishna**

Managing Director

Sd/-

**R. Ram Mohan**

Company Secretary

**CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
<b>1 SHARE CAPITAL</b>		
<b>Authorised:</b>		
5,00,00,000 Equity Shares of ₹ 10/- each	50,00,00,000	50,00,00,000
1,87,82,066 Equity Shares of ₹ 10/- each, fully paid up ( out of the above 643,666 equity shares of ₹ 10/-each are allotted as fully paid up for consideration other than cash )	18,78,20,660	18,78,20,660
<b>Total</b>	<b>18,78,20,660</b>	<b>18,78,20,660</b>
<b>2 RESERVES AND SURPLUS</b>		
a Capital Reserve - As per last Balance Sheet	5,97,80,538	5,97,80,538
	5,97,80,538	5,97,80,538
b Securities Premium Account - As per last Balance Sheet	21,83,79,399	21,83,79,399
c General Reserve - As per last Balance Sheet	1,83,00,679	1,83,00,679
d Foreign Currency Translation Reserve - Transferred this year	(82,25,736)	(48,47,816)
e Profit & Loss Account Surplus as per annexured account	16,88,84,274	27,04,25,098
<b>Total</b>	<b>45,71,19,154</b>	<b>56,20,37,898</b>
<b>3 LOAN FUNDS</b>		
<b>A) SECURED LOANS</b>		
a. From Banks		
Working Capital Loan	4,83,11,303	7,99,96,740
Term Loan	10,00,00,000	2,80,45,748
Mortgage Loan	85,94,252	1,75,00,400
b. From a Company	-	4,74,087
<b>Total</b>	<b>15,69,05,555</b>	<b>12,60,16,974</b>

(Amount in ₹)

**SCHEDULE 4: FIXED ASSETS**

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 01.04.2010	Additions during the year	Deductions during the year	As on 31.03.2011	Upto 01.04.2010	For the year	Adjustments during the year	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
1. Goodwill	9,26,63,433	-	-	9,26,63,433	-	-	-	-	9,26,63,433	9,26,63,433
2. Land	7,51,71,399	-	-	7,51,71,399	-	-	-	-	7,51,71,399	7,51,71,399
3. Buildings	2,74,38,520	-	-	2,74,38,520	90,26,679	6,51,665	-	96,78,344	1,77,60,178	1,84,11,843
4. Leasehold Improvements	47,37,576	-	-	47,37,576	47,37,576	-	-	47,37,576	-	-
5. Plant & Machinery	32,44,830	-	-	32,44,830	31,86,998	57,832	-	32,44,830	-	57,832
6. Furniture & Fixtures	1,54,31,324	-	-	1,54,31,324	45,94,154	3,22,636	-	49,16,790	1,05,14,534	1,08,37,170
7. Electrical Installation	1,28,87,214	-	-	1,28,87,214	36,12,655	4,40,631	-	40,53,286	88,33,928	92,74,559
8. Vehicles	87,02,513	-	-	87,02,513	37,99,097	3,38,683	-	41,37,780	45,64,733	49,03,416
9. Computer Systems & Software	14,20,26,424	80,19,807	-	15,00,46,231	11,14,41,336	1,17,83,747	-	12,32,25,083	2,68,21,148	3,05,85,088
10. Electronic equipment & Office Equipment	1,01,22,165	9,46,309	-	1,10,68,474	58,74,040	3,19,015	-	61,93,055	48,75,419	42,48,125
<b>Total</b>	<b>39,24,25,400</b>	<b>89,66,116</b>	-	<b>40,13,91,516</b>	<b>14,62,72,535</b>	<b>1,39,14,208</b>	-	<b>16,01,86,743</b>	<b>24,12,04,773</b>	<b>24,61,52,865</b>
<b>INTANGIBLE ASSETS</b>										
11. Design, Development and Testing of Software tools for IT Services	16,77,72,366	-	-	16,77,72,366	5,53,16,062	53,65,967	-	6,06,82,029	10,70,90,338	11,24,56,304
12. Capital Expenses IPTV	12,23,16,549	39,44,657	-	12,62,61,206	-	-	-	-	12,62,61,206	12,23,16,549
<b>Total</b>	<b>68,25,14,315</b>	<b>1,29,10,773</b>	-	<b>69,54,25,088</b>	<b>20,15,88,597</b>	<b>1,92,80,175</b>	-	<b>22,08,68,772</b>	<b>47,45,56,317</b>	<b>48,09,25,718</b>
Previous year	62,69,15,100	5,55,99,216	-	68,25,14,315	16,97,48,404	3,18,40,198	-	20,15,88,597	48,09,25,718	45,71,96,695

**CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
<b>5 INVESTMENTS- AT COST</b>		
Long Term Investment	-	-
<b>Total</b>	-	-
<b>6 CAPITAL WORK IN PROGRESS</b>		
Capital Expenses for Digital Media	-	23,99,000
Capital Expenses for IPTV	-	12,60,06,120
Buildings under construction	2,35,48,087	2,35,48,087
<b>Total</b>	<b>2,35,48,087</b>	<b>15,19,53,207</b>
<b>7 SUNDRY DEBTORS (Unsecured)</b>		
a. Debts outstanding for a period exceeding six months Considered Good	3,90,06,759	4,10,20,594
b. Other Debts - Considered Good	11,29,46,126	26,42,66,198
<b>Total</b>	<b>15,19,52,885</b>	<b>30,52,86,792</b>
<b>8 CASH &amp; BANK BALANCES</b>		
Cash on hand	55,315	56,870
Cheques on Hand	-	64,18,602
Bank balances with Scheduled Banks		
- In Current Accounts	53,00,371	61,41,694
- In Fixed Deposit (Lodged with the bank against BG)	10,28,144	12,22,998
Balances with others - Non Scheduled Banks	2,51,29,772	1,15,51,157
<b>Total</b>	<b>3,15,13,602</b>	<b>2,53,91,321</b>
<b>9 LOANS &amp; ADVANCES (Unsecured, Considered Good)</b>		
a Advances to suppliers	14,11,60,403	11,96,03,015
b Advances to Staff	32,65,131	45,67,583
c Deposits	1,26,27,534	2,86,79,208
d Other Current Assets	90,01,584	1,25,22,172
e Prepaid Expenses	23,21,800	16,22,598
<b>Total</b>	<b>17,46,27,452</b>	<b>16,69,94,576</b>

**CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

(Amount in ₹)

	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
<b>10 INVENTORY</b>		
Inventory- Set Top Boxes	-	83,64,675
Stock of Movie Rights	2,81,90,000	2,81,90,000
Opening Work in Process	11,56,41,244	
- Processing charges during the year	1,47,65,176	
- Consumption of Movie Expenses	1,45,40,826	
Closing Work in Process	11,58,65,594	11,56,41,244
<b>Total</b>	<b>14,40,55,594</b>	<b>15,21,95,919</b>
<b>11 CURRENT LIABILITIES</b>		
Sundry Creditors (No outstanding dues to SSI Undertakings)	7,09,13,429	6,98,74,148
Other Creditors/ Liabilities	11,06,24,302	31,13,54,429
Statutory Liabilities	57,63,010	80,12,485
<b>Total</b>	<b>18,73,00,741</b>	<b>38,92,41,062</b>
<b>12 PROVISIONS</b>		
Provision for Taxation	78,451	82,51,948
Provision for Gratuity and Leave Encashment	67,55,110	61,67,800
<b>Total</b>	<b>68,33,561</b>	<b>1,44,19,749</b>

**CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR  
THE YEAR ENDED 31<sup>st</sup> MARCH 2011**

(Amount in ₹)

	<b>For the year ended 31.03.2011</b>	<b>For the year ended 31.03.2010</b>
<b>13 SALES</b>		
Software & Services - Domestic	56,46,15,841	2,42,69,473
- Exports	5,29,83,880	54,42,67,472
<b>Total</b>	<b>61,75,99,721</b>	<b>56,85,36,945</b>
<b>14 OTHER OPERATING INCOME/OTHER INCOME</b>		
Interest on Fixed Deposits	47,337	8,563
Other Income	-	1,62,842
Lease Rent	1,06,25,964	84,36,091
<b>Total</b>	<b>1,06,73,301</b>	<b>86,07,496</b>
<b>15 PERSONNEL EXPENDITURE</b>		
Salaries, Wages and other Benefits	45,74,56,983	16,97,57,446
Staff Welfare	25,43,093	19,43,812
Staff Recruitment & Training	4,65,585	1,10,830
<b>Total</b>	<b>46,04,65,661</b>	<b>17,18,12,088</b>
<b>16 ADMINISTRATIVE AND SELLING EXPENSES</b>		
Directors Remuneration	21,60,000	24,00,000
Reimbursements	-	17,783
Discounts taken by clients	10,81,280	1,64,979
Advertisement	8,12,105	1,0,90,551
Advances Written Off	-	508
Electricity	29,29,750	31,84,517
Gifts and Donations	462,860	1,96,076
Rent	1,02,17,321	65,75,337
Legal Fees	16,46,088	9,57,833
Printing and Stationary	9,46,368	6,24,354
Postage ,Telephones and Internet	76,71,863	55,98,996
Insurance	44,79,974	44,70,073
Professional and Consultancy	20,14,899	21,96,41,482
Rates and Taxes	20,10,100	11,21,468

**CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR  
THE YEAR ENDED 31<sup>st</sup> MARCH 2011**

(Amount in ₹)

	<b>For the year ended 31.03.2011</b>	<b>For the year ended 31.03.2010</b>
Meeting Expenses	46,966	24,890
Marketing Expenses / Commissions	22,08,107	23,58,238
Books & Periodicals	7,340	24,344
Membership & Subscription	6,89,731	6,85,132
Vehicle Maintenance	30,45,054	43,02,977
Travelling Expenses	-	-
- Directors	19,97,197	15,01,522
- Others	32,42,425	43,72,724
Conveyance	2,10,581	1,13,280
Freight/Cargo Charges	70,028	-
Business Promotion	13,06,811	12,22,405
Auditors Remuneration	4,68,360	3,39,248
Office Maintenance	23,69,010	77,11,916
Repairs & Maintenance	16,74,342	25,68,449
Miscellaneous Expenses	2,82,998	8,13,936
Payroll Processing	7,52,975	10,16,575
Listing Fees	1,88,064	1,25,465
Outside Services	58,150	-
Secretarial Charges	1,13,836	92,346
Sitting Fees	3,45,000	3,60,000
Foreign Exchange Fluctuation	20,67,998	3,23,26,305
Security Charges	2,91,206	3,66,816
Income Tax Paid	-	1,87,547
Service Tax	-	-
Movie Expenses	-	1,43,60,436
Digital Cinema Processing Expenses	-	11,77,270
Deffered Revenue Expenses	1,91,16,870	3,77,33,086
<b>Total</b>	<b>7,69,85,657</b>	<b>35,98,28,864</b>
<b>17 FINANCIAL EXPENSES</b>		
Bank Charges	2,62,382	4,34,761
Interest	1,42,80,131	88,41,986
Interest on Car Loan	16,543	2,67,959
<b>Total</b>	<b>1,45,59,056</b>	<b>95,44,706</b>

## **18. CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**

### **A) Statement on Significant Accounting Policies**

#### **(i) Basis of Accounting**

The Financial Statements of the Company are prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India, and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

#### **ii) Method of Accounting**

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

#### **(iii) Revenue Recognition**

- a) All incomes and expenditure are accounted on accrual basis except Interest received on Fixed Deposits, which are accounted on cash basis.
- b) Revenue from Software Development contracts, priced on time and material basis, is recognised on the basis of billable time spent by employees working on the project, at the contracted rate.
- c) Revenue from fixed price contracts is recognized on milestones achieved as per the terms of specific contracts.

#### **(iv) Fixed Assets**

- a) Fixed Assets are stated at cost less depreciation. Project expenses/Pre-operative expenses are capitalized to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.

- b) Depreciation on Fixed Assets is provided on straight-line method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

#### **(v) Investments:**

Investments are classified into current Investments and long-term investments. Current Investments are carried at the lower of cost or market value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long term investments are carried at cost less provision made to recognize any permanent diminution in the value of such investments.

#### **(vi) Foreign Currency Transactions**

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. In respect of foreign branches, all revenue and expense transactions during the year are translated at average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. The resultant gain on account or foreign currency translation to be shown as foreign currency translation reserve and loss to be changed off after adjusting the reserve. Balance in 'Head office account' whether debit or credit, is reported at the amount of the balance in the 'branch account' in the books of the head office after adjusting for un responded transaction. Net loss or gain on foreign currency translation is recognized in the foreign translation reserve account.

#### **(vii) Retirement Benefits to Employees**

Contributions to defined Schemes such as Provident Fund, Employees State Insurance

Scheme are charged to the profit and loss account as incurred on accrual basis. The Company provides the retirement benefits in the form of Gratuity and Leave Encashment on the basis of actuarial valuation made by Independent actuary as at balance sheet date.

#### **(viii) Provision for Current and Deferred Tax**

Provision for current Tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from timing differences between book and taxable profits is accounted by using the tax rates and laws that have been enacted as on the Balance Sheet date. The Deferred Tax Asset is recognized only to the extent there is reasonable certainty that the Asset is realized in future.

#### **(ix) Impairment of assets**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired.

#### **(x) Income and Deferred Tax**

The provision made for income tax in the accounts comprises both the current and deferred tax. Current tax is provided for on the taxable income for the year. The deferred tax assets and liabilities for the year arising on account of timing differences (net) are recognized in the Profit and Loss account and the cumulative effect thereof is reflected in the Balance Sheet.

#### **(xi) Contingent Liabilities and Contingent Assets**

Liabilities, which are contingent in nature, are not recognized in the books of account

but are disclosed separately in the Notes. Contingent Assets are neither recognized nor disclosed in the books of account.

#### **(xii) Claims**

Claims made by the Company are recognized to the extent the Company deems them recoverable. Claims against the Company, including liquidated damages, are recognized only on acceptance basis.

#### **(xiii) Inventories**

Inventories are valued at cost or net realizable value, whichever is less. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to its their location. Finished goods at the factory are valued at cost in all applicable cases. Obsolete, non-moving and defective inventories are identified at the time of physical verification of inventories and adequate provision, wherever necessary, is made for such inventories.

#### **(xiv) Intangible Assets**

Intangible Assets are recognized in the Balance Sheet at cost, net of any accumulated amortization / impairment. Preliminary expenses are amortized over a period of 5 years. De-merger expenses are amortized over a period of ten years.

#### **(xv) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are treated as a period cost and are expensed in the year of occurrence.

## B) NOTES ON ACCOUNTS

### 1. Wholly owned Subsidiaries considered for Consolidation

- a. Staytop Systems Inc., an US incorporated Company,
- b. Staytop Systems & Software Pvt Ltd.

### 2. Deferred Tax Liability

Deferred Tax Liability/Asset is recognized in accordance with Accounting Standard 22 - "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India.

### 3. Prior Period Adjustments:

Prior period adjustment of ₹ 84,340/- (Previous year ₹ 1,10,627/-) shown in the Profit and Loss account is the net amount of the debits and credits pertaining to previous years, which were not provided during those periods.

### 4. Employee Benefits

Retirement benefits to employees The Company has made provision based on actuarial valuation in respect of Gratuity and Leave Encashment as per AS 15. The details are as follows:

Particulars	31.03.2011 ₹	31.03.2010 ₹
Gratuity	43,72,569/-	35,25,270/-
Leave Encashment	23,82,540/-	26,42,530/-

### 5. Related Party Disclosures:

As per Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related party as defined in the Accounting Standard are given below:

#### i. List of related parties with whom transactions have taken place and

Sl.No	Name of the related party	Relationship
1	Staytop Systems Inc.,	Subsidiary
2	Staytop Systems & Software Pvt. Ltd.	Subsidiary

### Transaction during the year with related parties:

Name of the related party	Nature of Transaction	₹ In Millions
Staytop Systems Inc	Income - Sale of Software & Rendering Services	24.62

### ii. Earnings Per Share

#### Calculation of EPS Basic & Diluted

(Amount in ₹)

Particulars	Current Year 2010-11	Previous Year 2009-10
Net profit after tax	2,17,03,442	1,61,64,061
Net Profit after Extraordinary Items	2,16,19,102	1,60,53,434
Weighted average numbers of shares considered	1,87,82,066	1,87,82,066
Basic EPS (in ₹)	1.15	0.85
Diluted EPS (in ₹)	1.15	0.85

### iii. Segment Reporting

As per Accounting Standard 17 on Segment Reporting disclosures issued by the Institute of Chartered Accountants of India the disclosures on segment reporting are given below:

#### (a) Business Segment:

In the previous year the company was engaged in the business of Information Technology and Information Technology Enabled Services. The Business segment wise details are given below.

#### Segment wise Consolidated financial results for the year ended 31-03-2011

(₹ In Millions)

Particulars	Current Year 31.03.2011	Previous Year 31.03.2010
<b>1. Segment Revenue-</b>	-	59.73
b) India operations		
IT Division	225.70	163.34
Media Division	16.54	17.40
IPTV Division	-	-
c) Subsidiary - IT Services	361.42	347.37
Less : Inter Company Sales	24.62	10.71
<b>Total Revenue from Operations</b>	<b>628.28</b>	<b>577.14</b>
<b>2. Segment Results</b>		
Profit (+)/Loss (-) before tax, Deprn. & interest from		
a) US Branch	-	28.54
b) India operations total	43.06	18.70
c) Subsidiary	18.46	19.59
<b>Total</b>	<b>61.52</b>	<b>66.82</b>
Less: interest (not allocable)	14.56	9.54
Less: Depreciation (not allocable)	19.28	31.84
<b>Total Profit/(Loss) Before Tax</b>	<b>27.68</b>	<b>25.44</b>

**(b) Segment Capital Employed :** Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done, as the assets are used interchangeably between segments. Accordingly no disclosure relating to segmental assets and liabilities has been made.

#### (c) Geographical Segment

(₹ In Millions)

Particulars	Current Year	Previous Year
<b>Revenue:</b>		
India	201.07	170.04
Outside India	427.20	407.11
<b>Additions to Fixed Assets:</b>		
India	12.68	54.08
Outside India	0.23	0.40
<b>Carrying Amount of Segment Assets</b>		
India	381.88	438.73
Outside India	92.68	42.18

6. Figures for the corresponding previous year wherever necessary have been regrouped, recast and rearranged to conform to those of the current year.

**Consolidated Statement of Cash Flows for the year ended 31.03.2011** (₹ In Millions)

	31.03.2011	31.03.2010
<b>A Cash Flow from operating activity</b>		
Net Profit before tax	27.68	25.44
<b>Adjustments for:</b>		
Depreciation	19.28	31.84
Provision for gratuity & earned leave	6.76	3.05
Other income	(10.67)	(8.61)
Foreign Exchange Fluctuation Loss	14.49	32.33
Interest on Long Term Loan	2.07	9.54
Operating Profit before working capital Changes	<b>59.60</b>	<b>93.59</b>
<b>Adjustments for:</b>		
Trade and other receivables	151.27	78.05
Inventory	5.14	(27.56)
Trade advances	0.91	(35.29)
Trade payables	(213.93)	(155.55)
Provisions	(15.71)	7.62
<b>Cash generated from Operations</b>	<b>(12.72)</b>	<b>(39.14)</b>
Direct Taxes paid (net) - Prior period adjustments	-	(0.04)
Interest paid	(14.49)	(9.54)
<b>Cash flow before extraordinary items</b>	(27.21)	(48.72)
<b>Prior Period Items</b>	(0.08)	(0.11)
<b>Net Cash Flow from operating activity</b>	<b>(27.30)</b>	<b>(48.83)</b>
<b>B Cash Flow from Investing Activity</b>		
Purchase of fixed assets	(12.91)	(55.60)
Capital work in progress	128.41	0.02
Cancellation of Investments	-	102.07
Other Income	10.67	8.61
<b>Net Cash Used for Investing Activity</b>	<b>126.17</b>	<b>55.06</b>
<b>C Cash Flow from financing activities</b>		
Share Premium and Reserves	(132.22)	6.45
Share Application Money received \ Repaid	-	-
Secured Loans	30.89	(3.40)
<b>Net Cash generated from financing activity</b>	<b>(101.33)</b>	<b>3.05</b>
Cash and Cash Equivalents (Opening Balance)	14.83	16.11
Net Increase in Cash & Cash equivalents(A+B+C)	(2.46)	9.28
Cash and Cash Equivalents (Closing Balance)	<b>12.36</b>	<b>25.39</b>

As per our report attached  
for **P. Murali & Co.**  
Chartered Accountants

Sd/-  
**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

Place: Hyderabad  
Date : 30.08.2011

For and on behalf of the Board

Sd/-  
**L.P. Sashikumar**  
Director

Sd/-  
**S.D. Rama Krishna**  
Managing Director

Sd/-

**R. Ram Mohan**  
Company Secretary

**FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES:**

(₹ in Millions)

Sl. No.	Name of the Subsidiary Company	Reporting currency	Capital Reserves	Total Assets	Total Liabilities	Investments	Turnover /Total Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend	Country
1.	Staytop Systems Inc.,	USD/MN	1.98	3.93	3.93	-	8.99	0.41	0.14	0.27	-	USA
2.	Staytop Systems and software Pvt.Ltd.,	INR	0.10	0.10	0.10	-	-	-	-	-	-	IND

As per our report attached  
For P. MURALI & CO.  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**P. Murali Mohana Rao**  
Partner  
Membership No. 23412

Sd/-  
**L.P. Sashikumar**  
Director

Sd/-  
**S.D. Rama Krishna**  
Managing Director

Sd/-  
**R. Ram Mohan**  
Company Secretary

Place: Hyderabad  
Date : 30.08.2011