

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Wednesday, the 29th day of September 2010 at 4.00 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, 2010 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. K S Sarma, who retires by rotation and being eligible, offers him-self for re-appointment.
3. To appoint a Director in place of Mr. DP Sreenivas, who retires by rotation and being eligible, offers him-self for re-appointment.
4. To appoint Statutory Auditors of the Company to hold office from the conclusion of Sixteenth Annual General Meeting until the conclusion of the Seventeenth Annual General Meeting and to fix their remuneration.

M/s. P Murali & Co., Chartered Accountants, the retiring Auditors are eligible for re-appointment.

Special Business

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. T Abhilash Chandran, who was appointed by the Board as an Additional Director of the company with effect from May 15, 2010 and who holds office up to the date of this Annual General Meeting and in respect of whom,

the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

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

"RESOLVED THAT Mr. S Dasaradha Ramakrishna (herein-after named as "Ram Sajja"), who was appointed by the Board as an Additional Director of the company with effect from August 13, 2010 and who holds office up to the date of this Annual General Meeting and in respect of whom, the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

For and on behalf of the Company

Sd/-

D P Sreenivas
Executive Director

Place: Secunderabad

Date: 13.08.2010

Notes:-

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll 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 September 25, 2010 to September 29, 2010 (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 Transfer Agents, Aarthi Consultants Private Limited, Hyderabad.
8. As on March 31, 2010 an amount of Rs. 2,50,864/- 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. K S Sarma and Mr. D P Sreenivas shall retire by rotation and being eligible, offer themselves for re-appointment. Further, Mr. T. Abhilash Chandran and Mr. Ram Sajja, who have been appointed as additional directors of the company are proposed to be appointed as the Directors of the Company liable to retire by rotation. Pursuant to clause 49 of the listing agreement, the particulars of Mr.KS Sarma, Mr. D P Sreenivas, Mr.T. Abhilash Chandran and Mr. Ram Sajja are given hereunder.

Mr. K S Sarma : aged 66 years has a distinguished academic career with two post-graduate degrees, in Arts and Science and did his M.Phil from Manchester University, U K. He worked in his career, in the field of Education, teaching Economic & Statistics for a period of 10 years before joining the Indian Administrative Service. During his career he worked in various levels such as Joint Secretary, Special Secretary and Principal Secretary with Government of Andhra Pradesh before going on deputation to the Government of India.

He worked in the Ministry of Information & Broadcasting and held additional charge of the post of Director General, Doordarshan. He has functioned as Chief Executive Officer, Prasar Bharati (Broadcasting Corporation of India) and was instrumental in getting "free to air Direct to Home service" (Popularly known as DD Direct+) for the benefit of Indian viewers/listeners. He has been unanimously elected as Vice-President of Asia-Pacific Broadcasting Union (ABU) and as Vice-President of Commonwealth Broadcasting

Association (CBA), which comprises of about 100 broadcasting organizations in over 50 countries. He has also functioned as the President of Indian Broadcasting Federation (IBF).

He has traveled extensively abroad in his career and in particular, during his tenure in the Ministry of I&B /Prasar Bharati and obtained deep insight into the working scenario of the electronic media.

Mr. K S Sarma has been the director of the company since April 30, 2007. His other directorships include SJVN Limited. Further, he is also the chairman of Audit committee and Remuneration committee of the Board of SJVN Limited.

Other than above, he is neither a Director nor holding any committee memberships or Chairmanships in any other companies to report. He is not holding any shares of the Company.

Mr. D P Sreenivas: aged 40 years has done his Bachelor of Commerce from S V University, and has over 15 years of experience in wide spectrum of industries including Management and Liaison. He has worked in MNCs like Ford Motor, Ford Credit and Ciber. He was project lead at Ford Credit and was involved in automation of dealer business and also instrumental in implementing dealer portal project.

Mr. D P Sreenivas has been the director of the company since March 22, 2006. His other directorships include Virgo Global Media Limited, Staytop Systems and Software private Limited, Trikona Infra Projects Private Limited and Trikona Technologies Private Limited. Further, he is the chairman of Audit Committee and Shareholders/ Investors Grievance Committee of the Board of Virgo Global Media Limited. Other than above, he is neither a Director nor member of any other committee of the Board of other companies to report. He is not holding any shares of the Company.

Mr. T Abhilash Chandran: aged 39 years has done B.Sc. and LLB from Mahatma Gandhi University, Kottayam. After a short stint as advocate in the High Court of Kerala and serving in Kerala Government Public Financial

Enterprises, he ventured into the world of IT and ITES Business spreading the operations within India and outside India like Dubai and Abu Dhabi. Thereafter, he ventured into Digital Animation by setting up a state of the Art Animation Studio named Vyga Animation Systems Private Limited in India's first IT cum Techno Park in Trivendrum, Kerala. Presently, he is the chairman and Director of Vyga Animation Systems Private Limited and also promoted two other companies, Vyga Online Portals Private Limited, an online hub that caters to the infotainment needs of the people from all back grounds of life and Meg Systems and Technologies Private Limited, an educational software company to aid the school children in their daily learning.

Mr. T Abhilash Chandran has been the director of the company since May 15, 2010. His other directorships include Vyga Animation Systems Private Limited, Vyga Online Portals Private Limited, Meg Systems and Technologies Private Limited, Lemon Real Power Private Limited and Goldstone Power Private Limited.

Other than above, he is neither a Director nor holding any committee memberships or Chairmanships in any companies to report. He is not holding any shares of the Company.

Mr. Ram Sajja: aged 40 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 SSiVision™ 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 multi-million 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 day to day operations of a multi-national 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 had also worked as a programmer, system administrator, network administrator, and database administrator and has hands on in-depth expertise in all facets of corporate technology

infrastructure. He has a diverse background and experience in several disciplines of operating a successful business and has worked on several pioneering technologies including the early GPS/GIS based traveler information systems for highway transportation funded by the US federal government. He has expertise in highway design, airport planning, intelligent transportation systems, multi-modal transportation, and traffic optimization. He is a recognized expert in Urban Planning and Traffic Engineering.

Mr. Ram Sajja has been the director of the company since August 13, 2010. He is neither a Director nor holding any committee memberships or Chairmanships in any other companies to report. He is not holding any shares of the Company.

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

Item No. 5:

Mr. T Abhilash Chandran has been appointed as Additional Director by the Board of Directors with effect from May 15, 2010 and holds the office upto this Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, the company has received notice together with the requisite deposit from a member proposing his candidature for the office of Director liable to retire by rotation. Considering his experience in the fields of Digital Animation and Infotainment etc., the Board feels that his continuation on the Board will benefit the company and thus recommends the resolution for your approval.

None of the Directors of the Company other than Mr. T Abhilash Chandran is concerned or interested in this resolution.

Item No. 6:

Mr. Ram Sajja has been appointed as Additional Director by the Board of Directors on August 13, 2010 and holds the office upto this Annual

General Meeting. Presently, he is working as President of Staytop Systems Inc., USA, the wholly owned subsidiary of Goldstone Technologies Limited.

In terms of Section 257 of the Companies Act, 1956, the company has received notice together with the requisite deposit from a member proposing his candidature for the office of Director liable to retire by rotation. Considering his rich experience in Information Technology, highway design, airport planning, intelligent transportation systems, multi-modal transportation, and traffic optimization and Urban Planning and Traffic Engineering, the Board feels that his continuation on the Board will enable the Company to gain from his rich experience and expertise in relation to the Company's business and thus recommends the resolution for your approval.

None of the Directors of the Company other than Mr. Ram Sajja is concerned or interested in this resolution.

For and on behalf of the Board

Sd/-

Place: Secunderabad
Date: 13.08.2010

D.P. Sreenivas
Executive Director

DIRECTORS' REPORT

To
The Members
Goldstone Technologies Limited

Your Directors have pleasure in presenting the Sixteenth Annual Report of your company and the Audited Financial Statements for the year ended on March 31, 2010.

Financial Results (Standalone Basis)

Rs in Millions

| Particulars | 2009-10 | 2008-09 |
|---|---------------|---------|
| Net Sales/Income | | |
| from Operations | 231.87 | 313.88 |
| Other Income | 8.61 | 6.44 |
| Total Income | 240.48 | 320.32 |
| Operating Profit (PBIDT) | 47.24 | 39.60 |
| Interest | 9.51 | 5.12 |
| Depreciation and Write Offs | 31.84 | 20.79 |
| Profit Before Tax | 5.89 | 13.68 |
| Provision for taxation | | |
| — Current | 1.18 | 1.95 |
| — Deferred | 0.55 | 2.04 |
| Extra-Ordinary Items | | |
| - Prior period adjustments | 0.12 | (1.40) |
| Net Profit | 4.04 | 11.09 |
| Equity Share Capital (1,87,82,066 Shares of Rs 10/- each) | 187.82 | 187.82 |
| E.P.S (After Prior Period Items) (Rupees) | 0.22 | 0.52 |
| Net Worth | 674.50 | 666.41 |
| Book Value in Rs. (face Value of Rs. 10/- each) | 35.91 | 35.48 |

Review of Operations

During the year under review, your Company has achieved a turnover of Rs. 231.87 Millions as compared to Rs. 313.88 Millions during the previous financial year. Amidst tough economical conditions prevailed across the globe owing to the one of biggest global economic down turn after the great depression and consequent troublesome caused thereby particularly to small and medium size players to which your company belongs, achievement of a gross revenues of Rs. 240.48 millions during the year though, lower by about 25% may be viewed as satisfactory. The Net Profit was Rs. 4.04 Millions during the year as compared to Rs. 11.09 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 2009-10.

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 including its building, plant & machinery and stocks have been adequately insured.

Subsidiaries

Your Company has two wholly owned subsidiaries incorporated in USA, namely Staytop Systems Inc., and Primesoft LLC, out of which the later has no operations to report. Further, it has another wholly owned subsidiary company in India namely Staytop Systems and Software Private Limited, which is yet to commence its operations.

During the year under review, Staytop Systems Inc., USA has earned revenues of US\$ 7,325,476 (Rs. 347.37 Millions) as against US\$ 8,124,613 (Rs. 373.00 Millions) in 2008-09 and registered a Net Profit of US\$ 253,278 (Rs. 12,010,450 Millions) as against US\$ 253,449 (Rs. 11.64 Millions) in 2008-09.

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

A statement showing the particulars as required under Section 212(3) of the Act is also attached hereto

During the year, your company has withdrawn investments in 4G Informatics Private Limited.

Auditors

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

Directors

Mr. K S Sarma and Mr. D P Sreenivas, who retire by rotation at the 16th Annual General Meeting and being eligible, offer themselves for reappointment. Further, in terms of provisions of section 260 of the Act, Mr. T. Abhilash Chandran has been appointed as Additional Director of the company with effect from May 15, 2010 and Mr. Ram Saija has been appointed as Additional Director of the company with effect from August 13, 2010 and they hold such office upto the date of forthcoming Annual General Meeting. The company has received notices under section 257 of the Act from its members, in respect of both Mr. T. Abhilash Chandran and Mr. Ram Saija, proposing their candidature as Directors of the Company liable to retire by rotation. The Board recommends the above proposals.

Delisting

During the year under review, as a cost cutting measure, your company had applied in pursuance of regulations 6(a) read with regulation 7 of SEBI (Delisting of Equity Shares) Regulations, 2009 for delisting of its equity shares from Delhi Stock Exchange Limited, Ahmedabad Stock Exchange Limited and Madras Stock Exchange Limited. As a result, its shares are delisted from Ahmedabad Stock Exchange Limited with effect from January 6, 2010 and Delhi Stock Exchange Association Limited with effect from June 10, 2010 respectively. The application with Madras Stock Exchange Limited is in process. The Company's equity shares continue to remain listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

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 twelve months period ending March 31, 2010, 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, 2010 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, 2010 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

Information as per Section 217(2A) of the Companies Act 1956 read with the Companies (particulars of employees) Rules, 1975 is annexed hereto and forms part of this Report.

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

Rs. In Millions

| Particulars | 2009-10 | 2008-09 |
|---------------------------|---------------|---------|
| Foreign Exchange Earnings | 155.70 | 68.38 |
| Foreign Exchange Outgo | 18.45 | 41.72 |

Acknowledgements

Your Directors convey their sincere thanks to Syndicate Bank, 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 customers and 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/-

Sd/-

D P Sreenivas

L P Sashikumar

Executive Director

Director

Place: Secunderabad

Date: 13.08.2010

Statement under Section 217(2A) of the Companies Act, 1956

Employed throughout the Financial Year and in receipt of remuneration aggregating to Rs. 24,00,000/- or more:

| Name, Age and Qualification | Designation | # Remuneration (Rs. lacs) | Date of Joining | Experience (Years) | Previous Employment |
|---|-----------------------|---------------------------|-----------------|--------------------|---------------------|
| Mr. D.P. Sreenivas, 40 Years, Bachelor of Commerce from S V University | Executive Director | 24.00 | 01.12.2006 | 15 | Business |

Remuneration includes Salary and Perquisites.

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

The Indian Information Technology (IT) Industry primarily consists of three major segments viz., IT Services, Information Technology Enabled Services (Commonly referred to BPO/KPO Services or ITES) and IT hardware.

As per NASSCOM Strategic review 2010, worldwide technology and related products and services spend is estimated to have crossed USD 1.5 trillion in 2009, a decline of 2.9% over 2008. Considerable reduction in IT spending across various categories was noticed due to the global economic slowdown which forced the global corporations to transform and adopt new business models by resorting to cut back on discretionary spends and focus on leveraging IT spends to drive organization-wide efficiencies.

Indian IT Industry, which was also not an exception to the then global meltdown, had faced the brunt of slowdown in various key markets and key verticals. Clients were cutting down on their IT budgets and seeking concessions on billing rates from their vendors and suppliers.

The economic downtrend initially forced the corporate and businesses to reduce in their IT spending in the first half of 2009 by way of either delaying the decisions or postponement of some discretionary spending on new IT projects. However, the situation had changed in latter half of 2009 as some early signs of pick up in spending became visible. It is anticipated that, once the global economic recovery process gathers speed and discretionary spending levels

increase, spending on technology front is bound to increase further.

Opportunities, Threats, Risks and Concerns

As corporates and businesses adjust to "new normal" post the recent global meltdown, they will need to transform their business models to the changed economic and business environment. 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.

Global technology spend is expected to increase from USD 1.6 Trillion in 2008 to USD 1.9 Trillion by 2013 at Compounded Annual Growth Rate (CAGR) of 3.5%.

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. Goldstone has a strong presence in the US and European markets for its highly specialized consulting services and Forte to Java Migration projects.

Goldstone 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 2010-11.

Goldstone has taken various initiatives in the Digital Media Segment. During the year under review the company could release 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, Goldstone 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 2010-11.

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. In addition, GTL is offering services in the following areas:

1. Remote IT Infrastructure Management
2. Offshore Software Development using .Net and java Technologies
3. Offshore Software Maintenance
4. Portal development and maintenance using Microsoft Sharepoint
5. Quality Assurance and Testing for IT related products
6. Cloud Service Offerings

GTL is focusing on offering these services from its facilities in Secunderabad 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 an 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 recent economic slowdown is gradually improving and the market is redefining itself. In this process, there is an unprecedented focus on cost savings from the clients. Margins are continually getting squeezed for all the service providers and the emphasis now is more on volume than margins. It is therefore imperative for GTL to focus on winning more volume business than high margin business to stay competitive in the marketplace.

Analysis of financial performance of the company

Revenues for the year were Rs. 240.48 Millions as against the previous year revenues of Rs. 320.32 Millions. The Company had an operating profit (PBDIT) of Rs. 47.24 Millions for the year as against of Rs.39.60 Millions of previous year and the net profit after tax is Rs 4.04 Millions as against Rs. 11.09 Millions of previous year.

Liquidity and capital resources

There is no change in Shareholders funds during the financial year 2009-10.

During the year, the Company repaid part of the working capital and mortgage loans and thus the secured loans as at March 31, 2010 stood at Rs.126.01 Millions as against Rs. 129.42 Millions of previous year.

During the year, your company has withdrawn investments in 4G Informatics Private Limited. Consequently, the investments have stood at Rs.92.76 Million as against 194.83 Million 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 of the company.

Internal Control & 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.

REPORT ON 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 value for all its stake holders.

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 high standards in all its endeavors.

Board of Directors

The Board of Goldstone Technologies comprised of five directors as on March 31, 2010 out of which one Director is Executive and out of the remaining four Non Executive Directors, three 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.

Five Board meetings were held during the year ended March 31, 2010 and the gap between any two successive meetings did not exceed four months. The dates on which the Board meetings were held are

April 27, 2009; July 26, 2009; September 1, 2009; October 31, 2009 and January 30, 2010.

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 for their consideration.

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 are 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 2009-10 | Whether AGM held on 30.09. 2009 | No. of Directorships in other public Companies | | No. of committee positions held in other public Companies | |
|---------------------------|--|--|---------------------------------|--|--------|---|--------|
| | | | | Chairman | Member | Chairman | Member |
| Mr. K S Sarma | Independent Non-Executive Director | 5 | Yes | - | 1 | 1 | - |
| Mr. V Venkata Ramana | Independent Non-Executive Director | 5 | No | - | - | - | - |
| Mr. L P Sashikumar | Promoter Non-Executive Director | 5 | Yes | - | 1 | - | 1 |
| Mr. D P Sreenivas | Executive Director | 5 | Yes | - | 1 | 2 | - |
| Mr. T Abhilash * Chandran | Independent Non-Executive Director | N.A. | N.A. | - | - | - | - |
| Mr. Ram Sajja** | Non-Independent Non-Executive Director | N.A. | N.A. | - | - | - | - |

* Mr. T Abhilash Chandran was appointed as Additional Director of the Company in the Board Meeting held on May 15, 2010.

**Mr. Ram Sajja was appointed as Additional Director of the Company in the Board Meeting held on August 13, 2010.

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.

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. 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 30, 2009 and the Chairman of the Audit Committee has attended the same.

The composition of the Audit Committee as on March 31, 2010 and particulars of meetings attended by the members are as follows:

| Name | Category | No. of Meetings during the year 2009-10 | |
|-------------------------|------------------------------------|---|----------|
| | | Held | Attended |
| Mr. K S Sarma, Chairman | Independent Non-Executive Director | 5 | 5 |
| Mr. D P Sreenivas | Executive Director | 5 | 5 |
| Mr. V V Ramana | Independent non-executive | 5 | 4 |

Five Committee meetings were held during the year ended March 31, 2010 i.e. on April 27, 2009; July 26, 2009; September 1, 2009; October 31, 2009 and January 30, 2010.

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 to review the remuneration and commission / other incentives payable to Executive / Wholtime Directors for each financial year.

The composition of the Remuneration Committee as on March 31, 2010 and particulars of meetings attended by the members are as follows:

| Name | Category | No. of Meetings during the year 2009-10 | |
|-------------------------|------------------------------------|---|----------|
| | | Held | Attended |
| Mr. K S Sarma, Chairman | Independent Non-Executive Director | 1 | 1 |
| Mr. L P Sashikumar | Promoter Director | 1 | 1 |
| Mr. V V Ramana | Independent non-executive | 1 | 1 |

During the year ended March 31, 2010, one meeting of the Remuneration Committee was held on September 1, 2009.

Remuneration Policy

The remuneration policy of the company 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, 2010.

Details of Remuneration and other terms of appointment of Directors

a) Executive Director:

The Company pays remuneration by way of salary, perquisites and allowance (fixed component) to its Executive 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, 2010 was Rs. 24.00 lacs, inclusive of perquisites amounting to Rs. 7.80 Lacs.

He is also entitled for Company's contribution to Pension scheme or Superannuation Fund together with provident fund not exceeding 25% of the salary, wherein contribution towards Provident Fund shall not exceed 12% of the salary, Gratuity upto half month's salary for

each completed year of service, encashment of earned leave upto One month's salary for every eleven months completed service on full pay and allowances as per the rules of the Company. The term of appointment of the Executive Director is for a period of 3 years with effect from December 1, 2009.

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, 2010 :

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

c) Remuneration of Directors

Details of remuneration paid to Directors during the financial year 2009-10:

(In Rupees)

| Name of the Director | Sittingfee | Salary | Benefits | Total |
|----------------------|------------|-----------|----------|-----------|
| Mr. D P Sreenivas | - | 16,20,000 | 7,80,000 | 24,00,000 |
| Mr. L P Sashikumar | 90,000 | - | - | 90,000 |
| Mr. K S Sarma | 1,50,000 | - | - | 1,50,000 |
| Mr. V Venkata Ramana | 1,20,000 | - | - | 1,20,000 |

Benefits include Perquisites and other allowances.

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.

The shareholders/Investors Grievance Committee of the Company consists of four directors, two of whom are independent Directors.

The Composition of the shareholder/ investors Grievance Committee and the number of meetings attended by its members are given below.

| Name | Category | No. of Meetings during the year 2009-10 | |
|-------------------------|------------------------------------|---|----------|
| | | Held | Attended |
| Mr. K S Sarma, Chairman | Independent Non-Executive Director | 3 | 3 |
| Mr. D P Sreenivas | Executive Director | 3 | 3 |
| Mr. L P Sashikumar | Promoter Director | 3 | 3 |
| Mr. V Venkata Ramana | Independent non-executive Director | 3 | 3 |

Three Shareholders/Investors Grievance Committee Meetings were held during the year ended March 31, 2010 i.e. April 27, 2009; July 26, 2009 and January 30, 2010.

The necessary quorum was present at all meetings.

Mr. I Srinivas, Company Secretary is the Compliance Officer.

Number of shareholder complaints received, number solved and number of pending complaints as on March 31, 2010 are as follows:

| Opening Balance as on 01.04.2009 | Received during the period 01.04.2009 to 31.03.2010 | Resolved during the period 01.04.2009 to 31.03.2010 | Closing Balance as on 31.03.2010 |
|----------------------------------|---|---|----------------------------------|
| Nil | 2 | 2 | Nil |

General Body Meetings of the Company

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

Date and time of last three Annual General Meetings:

| Year | No. of Meeting Time of the | Day, Date and Meeting |
|---------|----------------------------|--|
| 2008-09 | 15 th AGM | Wednesday, the September 30, 2009 at 4.30 P.M. |
| 2007-08 | 14 th AGM | Tuesday, the September 30, 2008 at 2.30 P.M. |
| 2006-07 | 13 th AGM | Thursday, the September 27, 2007 at 10.30 A.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 |
|----------------------|---|
| 15 th AGM | 1. Appointment of Executive Director. |
| 14 th 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. |
| 13 th AGM | 1. Offer, Issue, Allot and deliver 35,918 equity shares of Rs. 10/- each of the company at price of Rs.122/- (inclusive of Rs.112/- premium) under preferential allotment made to promoters of Staytop Systems Inc. |

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 Standalone Financials 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, 2010.
- 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 and once implemented, it will ensure that no personnel has been denied access to the audit committee.
- 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

Declaration as required under Clause 49 of the Listing Agreement :

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, 2010.

Secunderabad
13.08.2010

D.P. Sreenivas
Executive Director

- v. Compliance: At every Board meeting, a statement of Compliance with all laws and regulations as certified by the Executive 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 Executive Director and Dy. 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.
- 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 Financial 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 web site 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 29, 2010 |
| Time | : | 4.00 P.M |
| Venue | : | Plot No. 1&9, IDA, Phase II, Cherlapally, Hyderabad |

As required under Clause 49 VI(A), particulars of Directors seeking re-appointment are given in the notes to the notice calling the Annual General Meeting to be held on September 29, 2010

ii) Financial Calendar

| | | |
|-------------|---|--------------------|
| Year ending | : | March 31, 2010 |
| AGM | : | September 29, 2010 |

iii) Date of Book Closure

: 25.09.2010 to 29.09.2010
(Both days inclusive)

iv) Listing on Stock Exchange

: The Bombay Stock Exchange Limited
The National Stock Exchange of India Limited
Madras Stock Exchange Limited
(for which Delisting application is in process)

(The Company has paid the listing fee for 2010-11 to the 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 are as follows:

| Month | NSE | | | BSE | | |
|----------------|-------|-------|---------------------|-------|-------|---------------------|
| | High | Low | No.of shares Traded | High | Low | No.of shares Traded |
| April 2009 | 16.85 | 14.00 | 1320754 | 16.92 | 13.88 | 1142550 |
| May 2009 | 35.90 | 17.30 | 1608791 | 35.75 | 17.35 | 993310 |
| June 2009 | 45.90 | 30.75 | 1329238 | 45.50 | 30.95 | 1284814 |
| July 2009 | 34.40 | 26.05 | 647685 | 34.45 | 26.25 | 1215812 |
| August 2009 | 31.25 | 23.20 | 1333266 | 31.25 | 23.20 | 941346 |
| September 2009 | 31.65 | 28.25 | 1032084 | 31.45 | 28.25 | 3016877 |
| October 2009 | 31.60 | 25.60 | 1408088 | 31.60 | 25.90 | 2744882 |
| November 2009 | 27.35 | 23.60 | 674370 | 27.55 | 23.70 | 2848544 |
| December 2009 | 38.20 | 24.95 | 5423080 | 38.25 | 25.00 | 4280273 |
| January 2010 | 38.90 | 32.00 | 6785551 | 38.85 | 31.95 | 4647427 |
| February 2010 | 41.75 | 34.95 | 6304738 | 41.75 | 34.95 | 4819908 |
| March 2010 | 36.80 | 27.60 | 2544830 | 36.95 | 27.05 | 2078500 |

viii) Registrar and Transfer Agents

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

ix) Share Transfer System:

The Company's shares are traded in the stock exchanges compulsorily in Demat form. The Company's Registrar and 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:

a) Distribution of shareholding as on March 31, 2010

| No. of Shares Holding | % to Capital | No. of Shares | % to Total Accounts | |
|-----------------------|--------------|---------------|---------------------|---------------|
| 1-500 | 9699 | 81.16 | 1548247 | 8.24 |
| 501-1000 | 1098 | 9.19 | 929910 | 4.95 |
| 1001-2000 | 501 | 4.19 | 772862 | 4.11 |
| 2001-3000 | 202 | 1.69 | 523226 | 2.79 |
| 3001-4000 | 91 | 0.76 | 327890 | 1.76 |
| 4001-5000 | 92 | 0.77 | 436074 | 2.32 |
| 5001-10000 | 100 | 0.83 | 761538 | 4.05 |
| 10001 & above | 168 | 1.41 | 13482319 | 71.78 |
| GRAND TOTAL | 11951 | 100.00 | 18782066 | 100.00 |

b) Categories of Shareholders as on March 31, 2010

| S.No | Category of Shareholders | No. of shareholders | No of equity shares held | % of Shareholding |
|-------------|---------------------------------|----------------------------|---------------------------------|--------------------------|
| 1 | Promoters | 3 | 3534153 | 18.82 |
| 2 | Mutual Funds & FI's | 2 | 4600 | 0.03 |
| 3 | FI's | 1 | 5000 | 0.03 |
| 4 | Private Bodies Corporate | 535 | 6581235 | 35.04 |
| 5 | Public | 11174 | 8311398 | 44.25 |
| 6 | NRI's | 236 | 345680 | 1.83 |
| | GRAND TOTAL | 11951 | 18782066 | 100.00 |

xi) Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 98.20% of the company's share capital are dematerialized as on March 31, 2010.

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

xii) As on March 31, 2010, the company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments

xiii) Compliance Officer : Mr. I Srinivas, Company Secretary
Tel: 91 - 40-27807640;
Fax: 91 - 40-39100012
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

11350, Random Hills, Rd, Ste 800, Fairfax, VA 22030
United States of America

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

Certificate on Corporate Governance Compliance

**To
The Members of
Goldstone Technologies Limited,
Secuderabad**

We have examined the Compliance of conditions of Corporate Governance by **Goldstone Technologies Limited** for the year ended on 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

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

We state that generally no Investor Grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee. We further state that such compliance is neither an assurance 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: August 13, 2010

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 31st March 2010 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 227 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 31st March 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 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 31st March 2010
 - 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: 13.08.2010 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 Act, 1956.
- (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, Income tax, 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: August 13, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| | Sch. | As at March 31, 2010 Rupees | As at March 31, 2009 Rupees |
|--|------|-----------------------------------|-----------------------------------|
| I SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| a. Share capital | 1 | 187,820,660 | 187,820,660 |
| b. Reserves and Surplus | 2 | 486,677,668 | 478,590,971 |
| | | 674,498,328 | 666,411,631 |
| Loan Funds | | | |
| Secured Loans | 3 | 126,016,974 | 129,418,828 |
| Deferred Tax | | | |
| Deferred Tax Liability | | 3,210,191 | 2,655,417 |
| Total | | 803,725,492 | 798,485,877 |
| II APPLICATION OF FUNDS | | | |
| Fixed Assets | 4 | | |
| a. Gross block | | 588,778,368 | 533,697,291 |
| b. Less : Depreciation | | 201,100,246 | 169,260,049 |
| Net block | | 387,678,122 | 364,437,242 |
| Add : Capital Work in Progress | 6 | 151,953,207 | 151,938,207 |
| | | 539,631,329 | 516,375,449 |
| Investments | 5 | 92,762,433 | 194,828,111 |
| Current Assets, Loans & Advances | | | |
| a. Sundry Debtors | 7 | 278,902,257 | 373,474,469 |
| b. Cash and Bank Balances | 8 | 14,825,395 | 10,967,026 |
| c. Loans and Advances | 9 | 69,869,403 | 47,191,721 |
| d. Inventory | 10 | 152,195,919 | 130,874,868 |
| | | 515,792,974 | 562,508,084 |
| Less: Current Liabilities & Provisions | | | |
| a. Current Liabilities | 11 | 337,113,940 | 467,868,489 |
| b. Provisions | 12 | 7,347,304 | 7,357,278 |
| | | 344,461,244 | 475,225,767 |
| Net Current Assets | | 171,331,730 | 87,282,317 |
| Total | | 803,725,492 | 798,485,877 |
| Significant Accounting Policies and Notes to Accounts | 18 | | |

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

Chartered Accountants
Sd/-

P. Murali Mohana Rao
Partner

M No. 23412

Place: Hyderabad

Date : 13th August 2010

For and on behalf of the Board

Sd/-

L.P. Sashikumar
Director

Sd/-

D.P. Sreenivas
Executive Director

Sd/-

I. Srinivas
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| | Sch. | For the year ended March 31, 2010 | For the year ended March 31, 2009 |
|---|------|--------------------------------------|--------------------------------------|
| INCOME | | | |
| Sales Exports | 13 | 207,599,979 | 226,385,279 |
| Sales Domestic | 13 | 24,269,473 | 4,407,386 |
| Other Operating Income | 14 | - | 83,086,630 |
| Other income | 14 | 8,607,496 | 6,436,799 |
| Total | | 240,476,948 | 320,316,094 |
| EXPENDITURE | | | |
| Personnel costs | 15 | 90,783,364 | 133,539,303 |
| Operating & Admin Expenses | 16 | 123,780,363 | 147,177,749 |
| Increase in Inventory | 10 | (37,037,971) | - |
| Consumption of Movie Expenses | 10 | 15,716,919 | - |
| Finance Charges | 17 | 9,506,188 | 5,122,082 |
| Depreciation | | 31,840,197 | 20,794,569 |
| Total | | 234,589,060 | 306,633,703 |
| Profit before taxation | | 5,887,888 | 13,682,391 |
| Provision for Taxation | | 1,179,503 | 1,954,113 |
| Deferred tax Liability | | 554,774 | 2,038,895 |
| Profit after tax | | 4,153,611 | 9,689,383 |
| Prior period adjustments (Net) | | 110,627 | (1,404,122) |
| Profit /(Loss)after Prior period Items | | 4,042,984 | 11,093,505 |
| Surplus brought forward from previous year | | 183,344,398 | 172,250,893 |
| Profit Carried to Balance Sheet | | 187,387,381 | 183,344,398 |
| Earnings per Share (Equity Shares of nominal value Rs. 10/- each) | | | |
| Basic / Diluted | | 0.22 | 0.59 |
| Number of shares used in Computing EPS | | | |
| Basic / Diluted | | 18,782,066 | 18,782,066 |
| Significant Accounting Policies and Notes on Accounts | 18 | | |

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

Sd/-
P. Murali Mohana Rao
Partner

M No. 23412
Place: Hyderabad
Date : 13th August 2010

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
D.P. Sreenivas
Executive Director

Sd/-
I. Srinivas
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31-03-10

| | As at March 31, 2010 Rupees | As at March 31, 2009 Rupees |
|--|--|--|
| 1 SHARE CAPITAL | | |
| Authorised: | | |
| 5,00,00,000 Equity Shares of Rs.10/- each (Previous year 5,00,00,000 Equity Shares of Rs.10/- each) | 500,000,000 | 500,000,000 |
| Issued,Subscribed and Paid up : | | |
| 1,87,82,066 Equity Shares of Rs. 10/- each, (Previous year 1,87,82,066 Equity Shares of Rs.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) | 187,820,660 | 187,820,660 |
| Total | 187,820,660 | 187,820,660 |
| 2 RESERVES AND SURPLUS | | |
| a Capital Reserve - As per last Balance Sheet Add: Share Warrants Application Money | 59,780,538 - | 14,780,538 45,000,000 |
| | 59,780,538 | 59,780,538 |
| b Securities Premium Account - As per last Balance Sheet Add: Premium on preferential Allotment of Equity Shares | 218,379,399 - | 108,404,803 109,974,596 |
| | 218,379,399 | 218,379,399 |
| c General Reserve - As per last Balance Sheet | 18,300,679 | 18,300,679 |
| d Foreign Currency Translation Reserve - Transferred this year | 2,829,670 | (1,214,042) |
| e Profit & Loss Account Surplus as per annexured account | 187,387,381 | 183,344,398 |
| Total | 486,677,668 | 478,590,971 |
| 3 LOAN FUNDS : SECURED LOANS | | |
| a)From Banks | | |
| Working Capital Loan | 79,996,740 | 88,066,150 |
| Term Loan | 28,045,748 | 35,971,865 |
| Mortgage Loan | 17,500,400 | 35,75,326 |
| b)From a Company | 474,087 | 1,805,487 |
| Total | 126,016,974 | 129,418,828 |

SCHEDULE 4: FIXED ASSETS

| Description | (Amount in Rupees) | | | | | | | | | |
|---|---------------------|---------------------------------|----------------------------------|---------------------|--------------------|-------------------|-----------------------------------|--------------------|---------------------|---------------------|
| | GROSS BLOCK | | | | | DEPRECIATION | | | NET BLOCK | |
| | As on 01.04.2009 | Additions during the year | Deductions during the year | As on 31.03.2010 | Upto 01.04.2009 | For the year | Adjustments during the year | Upto 31.03.2010 | As on 31.03.2010 | As on 31.03.2009 |
| 1. Land | 74,171,399 | 1,000,000 | - | 75,171,399 | - | - | - | - | 75,171,399 | 74,171,399 |
| 2. Buildings | 26,812,378 | 626,144 | - | 27,438,522 | 7,741,765 | 1,284,914 | - | 9,026,679 | 18,411,843 | 19,070,613 |
| 3. Leasehold Improvements | 4,737,576 | - | - | 4,737,576 | 4,737,576 | - | - | 4,737,576 | - | - |
| 4. Plant & Machinery | 3,244,830 | - | - | 3,244,830 | 3,179,314 | 7,684 | - | 3,186,998 | 57,832 | 65,516 |
| 5. Furniture & Fixtures | 11,543,307 | 3,888,017 | - | 15,431,324 | 3,643,445 | 950,709 | - | 4,594,154 | 10,837,170 | 7,899,862 |
| 6. Electrical Installation | 12,532,963 | 354,251 | - | 12,887,214 | 3,208,935 | 403,720 | - | 3,612,655 | 9,274,559 | 9,324,028 |
| 7. Vehicles | 8,702,513 | - | - | 8,702,513 | 2,972,358 | 826,739 | - | 3,799,097 | 4,903,416 | 5,730,155 |
| 8. Computer Systems & Software | 136,636,555 | 4,570,675 | - | 141,207,230 | 104,744,239 | 6,443,778 | - | 111,188,017 | 30,019,213 | 31,892,316 |
| 9. Electronic equipment & Office Equipment | 8,895,683 | 973,163 | - | 9,868,846 | 5,169,810 | 469,198 | - | 5,639,008 | 4,229,838 | 3,725,873 |
| Total | 287,277,204 | 11,412,250 | - | 298,689,454 | 135,397,442 | 10,386,742 | - | 145,784,184 | 152,905,270 | 151,879,762 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| 10. Design, Development and Testing of Software tools for IT Services | 134,625,948 | 33,146,417 | - | 167,772,365 | 33,862,606 | 21,453,455 | - | 55,316,062 | 112,456,304 | 100,763,342 |
| 11. IPTV Startup Expenses | 111,794,138 | 10,522,411 | - | 122,316,549 | - | - | - | - | 122,316,549 | 111,794,138 |
| Total | 533,697,291 | 55,081,076 | - | 588,778,368 | 169,260,048 | 31,840,197 | - | 201,100,246 | 387,678,123 | 364,437,242 |
| Previous year | 467,116,659 | 66,580,632 | - | 533,697,291 | 145,548,179 | 26,720,532 | 3,008,659 | 169,260,052 | 364,437,242 | 321,568,481 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31-03-2010

| | As at March 31, 2010 Rupees | As at March 31, 2009 Rupees |
|--|--|--|
| 5 INVESTMENTS- AT COST | | |
| Long Term Investment | | |
| Unquoted | | |
| Investment in shares of Wholly owned Subsidiary (Staytop Systems Inc, USA) | 92,663,433 | 92,663,433 |
| Investment in Staytop Systems & Software Pvt Ltd | 99,000 | 99,000 |
| Investment in 4G Informatics Private Limited | - | 102,065,678 |
| Total | 92,762,433 | 194,828,111 |
| 6 CAPITAL WORK IN PROGRESS | | |
| Capital Expenses for Digital Media | 2,399,000 | 2,399,000 |
| Capital Expenses for IPTV | 126,006,120 | 125,991,120 |
| Buildings under construction | 23,548,087 | 23,548,087 |
| Total | 151,953,207 | 151,938,207 |
| 7 SUNDRY DEBTORS (Unsecured) | | |
| a Debts outstanding for a period exceeding six months Considered Good | 41,020,594 | 40,419,519 |
| b Other Debts - Considered Good | 237,881,663 | 333,054,950 |
| Total | 278,902,257 | 373,474,469 |
| 8 CASH & BANK BALANCES | | |
| Cash on hand | 56,870 | 57,642 |
| Bank balances with Scheduled Banks | | |
| - In Current Accounts | 6,141,694 | 105,083 |
| - In Fixed Deposit (Lodged with the bank against BG) | 1,222,998 | 250,000 |
| Balances with others - Non Scheduled Banks | 7,403,833 | 10,554,301 |
| Total | 14,825,395 | 10,967,026 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31-03-2010

| | As at March 31, 2010 Rupees | As at March 31, 2009 Rupees |
|---|--|--|
| 9 LOANS & ADVANCES (Unsecured, Considered Good) | | |
| a Advances to suppliers | 51,613,385 | 32,928,929 |
| b Advances to Staff | 4,565,120 | 4,730,205 |
| c Deposits | 5,738,433 | 5,139,962 |
| d Other Current Assets | 7,232,666 | 2,948,049 |
| e Prepaid Expenses | 719,798 | 1,444,576 |
| Total | 69,869,403 | 47,191,721 |
| 10 INVENTORY | | |
| Inventory- Set Top Boxes | 8,364,675 | 8,364,675 |
| Stock of Movie Rights | 28,190,000 | 28,190,000 |
| Opening Work in Process | 94,320,193 | |
| - Processing charges during the year | 37,037,971 | |
| - Consumption of Movie Expenses | (15,716,919) | |
| Closing Work in Process | 115,641,244 | 94,320,193 |
| Total | 152,195,919 | 130,874,868 |
| 11 CURRENT LIABILITIES | | |
| Sundry Creditors (No outstanding dues to SSI Undertakings) | 66,171,436 | 86,106,236 |
| Other Creditors/ Liabilities | 262,930,019 | 373,574,293 |
| Statutory Liabilities | 8,012,485 | 8,187,960 |
| Total | 337,113,940 | 467,868,489 |
| 12 PROVISIONS | | |
| Provision for Taxation | 1,179,503 | 1,707,989 |
| Provision for FBT | - | 236,619 |
| Provision for Gratuity and Leave Encashment | 6,167,800 | 5,412,670 |
| Total | 7,347,304 | 7,357,278 |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT AS AT 31-03-2010

| | For the year ended March 31, 2010 | For the year ended March 31, 2009 |
|---|--|--|
| 13 SALES | | |
| Software & Services - Exports | 207,599,979 | 226,385,279 |
| - Domestic | 24,269,473 | 4,407,386 |
| Total | 231,869,452 | 230,792,665 |
| 14 OTHER OPERATING INCOME/OTHER INCOME | | |
| Interest on Fixed Deposits | 8,563 | - |
| Other Income | 162,842 | 34,775 |
| Lease Rent | 8,436,091 | 6,402,024 |
| Exchange Fluctuation Gain | - | 83,086,630 |
| Total | 8,607,496 | 89,523,429 |
| 15 PERSONNEL EXPENDITURE | | |
| Salaries, Wages and other Benefits | 88,728,722 | 132,457,261 |
| Staff Welfare | 1,943,812 | 1,045,193 |
| Staff Recruitment & Training | 110,830 | 36,849 |
| Total | 90,783,364 | 133,539,303 |
| 16 ADMINISTRATIVE AND SELLING EXPENSES | | |
| Directors Remuneration | 2,400,000 | 4,236,400 |
| Collection Charges | - | 3,690,557 |
| Reimbursements | 17,783 | (647,988) |
| Discounts taken by clients | 164,979 | - |
| Advertisement | 165,860 | 244,539 |
| Advances Written Off | 508 | - |
| Electricity | 3,184,517 | 2,182,381 |
| Gifts and Donations | 196,076 | 20,000 |
| Rent | 3,754,705 | 27,317,686 |
| Legal Fees | 957,833 | 352,516 |
| Printing and Stationary | 446,082 | 305,287 |
| Postage ,Telephones and Internet | 4,130,935 | 10,771,321 |
| Insurance | 2,564,696 | 2,756,867 |
| Professional and Consultancy | 2,116,411 | 19,882,873 |
| Rates and Taxes | 1,121,468 | 1,268,720 |
| Meeting Expenses | 16,757 | 164,504 |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT AS AT 31-03-2010

| | For the year ended March 31, 2010 | For the year ended March 31, 2009 |
|------------------------------------|--|--|
| Marketing Expenses / Commissions | 1,539,911 | 34,887 |
| Books & Periodicals | 24,344 | 13,481 |
| Membership & Subscription | 610,311 | 800,042 |
| Vehicle Maintenance | 4,221,368 | 3,163,855 |
| Travelling Expenses | | |
| - Directors | 1,501,522 | 710,250 |
| - Others | 1,572,407 | 6,538,189 |
| Conveyance | 113,280 | 166,350 |
| Cargo Charges | - | 7,000 |
| Bad Debts | - | 2,051,985 |
| Business Promotion | 1,222,405 | 621,636 |
| Auditors Remuneration | 339,248 | 308,536 |
| Office Maintenance | 1,570,061 | 2,723,760 |
| Repairs & Maintenance | 2,536,947 | 1,993,997 |
| Miscellaneous Expenses | 461,600 | 1,573,111 |
| Payroll Processing | 250,823 | - |
| Listing Fees | 125,465 | 191,910 |
| Secretarial Charges | 92,346 | 32,310 |
| Sitting Fees | 360,000 | 435,000 |
| Foreign Exchange Fluctuation | 32,326,305 | - |
| Security Charges | 366,816 | 910,926 |
| Income Tax Paid | 35,803 | 456,128 |
| Service Tax | - | 732,154 |
| FBT | - | 176,502 |
| Movie Expenses | 14,360,436 | - |
| Digital Cinema Processing Expenses | 1,177,270 | - |
| Project Work Expenses | 37,733,086 | 50,990,077 |
| Total | 123,780,363 | 147,177,749 |
| 17 FINANCIAL EXPENSES | | |
| Bank Charges | 396,243 | 499,884 |
| Interest | 8,841,986 | 4,258,181 |
| Interest on Car Loan | 267,959 | 364,017 |
| Total | 9,506,188 | 5,122,082 |

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) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

B) Notes on Accounts

1. Contingent Liability

Outstanding Bank Guarantees: Rs. 12 Lakhs (Previous year Rs. 22 Lakhs)

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

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:

| | Rs. In Millions |
|--|------------------------|
| Deferred Tax Liability as at 1 st April, 2009 | 2.66 |
| Less: Deferred tax asset reversed during the year on account of timing differences - between book and tax depreciation | 0.55 |
| Deferred Tax Liability as at 31 st March, 2010 | 3.21 |

2. Secured Loans

Mortgage Loans of Rs. 17,500,400/- are secured by way of hypothecation of the said assets.

3. Investments

During the year the company has cancelled its investment amount invested in M/s 4G Informatics Private Limited.

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. Current Assets and Current Liabilities

Balances of Sundry Debtors, Loans & Advances and Sundry Creditors balances are subject to confirmation in few cases.

5. Provision for Income-Tax

The company has provided for Minimum Alternative Tax of Rs. 1.18 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.

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 below:

List of related parties

| Sl. No | Name of the related party | Relationship |
|--------|--|--------------|
| 1 | Staytop Systems Inc., | Subsidiary |
| 2 | Primesoft LLC | Subsidiary |
| 3 | Staytop Systems and Software Pvt. Ltd. | Subsidiary |

Transaction during the year with related parties: Rs. in Millions

| Name of the related party | Nature of Transaction | Amount |
|---------------------------|--|--------|
| Staytop Systems Inc., | Income — Sale of Information Technology Services | 10.71 |

8. Earnings Per Share:

Calculation of EPS Basic & Diluted:

Amount in Rs.

| Particulars | Current Year 2009-10 | Previous Year 2008-09 |
|---|-------------------------|--------------------------|
| Net Profit After Tax | 4,153,611 | 96,89,383 |
| Net Profit after Extraordinary Items | 40,42,984 | 110,93,505 |
| Weighted average numbers of shares considered | 18,782,066 | 18,782,066 |
| Basic EPS (in Rs.) | 0.22 | 0.59 |
| Diluted EPS (in Rs.) | 0.22 | 0.59 |

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
Rs. In Millions

| Particulars | Current Year 31.03.2010 | Previous Year 31.03.2009 |
|--|------------------------------------|-------------------------------------|
| 1. Segment Revenue | | |
| a) US Branch — IT Services | 59.73 | 157.62 |
| b) India operations | | |
| IT Division | 163.34 | 162.69 |
| Media Division | 17.40 | - |
| IPTV Division | - | - |
| Total Revenue from Operations | 240.47 | 320.32 |
| 2. Segment Results | | |
| Profit (+)/Loss (-) before tax, Deprn. & interest from | | |
| a) US Branch | 28.54 | (30.21) |
| b) India operations total | 18.70 | 69.80 |
| Total | 47.23 | 39.60 |
| Less: interest (not allocable) | 9.51 | 5.12 |
| Less: Depreciation (not allocable) | 31.84 | 20.79 |
| Total Profit/(Loss) Before Tax | 5.89 | 13.68 |

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:

Rs. In Millions

| Particulars | Current Year | Previous Year |
|--|---------------------|----------------------|
| Revenue: | | |
| India | 163.34 | 162.69 |
| Outside India | 59.73 | 157.62 |
| Additions to Fixed Assets: | | |
| India | 55.08 | 4.65 |
| Outside India | - | - |
| Carrying Amount of Segment Assets | | |
| India | 346.07 | 331.02 |
| Outside India | 41.61 | 33.42 |

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. Provision for Contingent Liabilities and 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. Additional Information required as per Paras 3 & 4 of Part II of Schedule VI to the companies Act, 1956.

12.1. 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.

12.2. Managerial Remuneration:

Rs. in Lakhs

| Particulars | Current Year 09-10 | Previous Year 08-09 |
|---------------------------|--------------------|---------------------|
| Managing Director | | |
| Salary | - | 18,36,400 |
| Other perquisite | - | - |
| Executive Director | | |
| Salary | 16,20,000 | 16,20,000 |
| Other perquisite | 7,80,000 | 7,80,000 |

12.3 Foreign Exchange Transaction:

Rs. In Millions

| Particulars | Current Year 2009-10 | Previous Year 2008-09 |
|--|----------------------|-----------------------|
| 1) Value of Imports on CIF Basis | | |
| a) Capital Goods — Electronic Equipments | - | - |
| b) Capital Goods — Furniture & Fixtures | - | 1.54 |
| 2) Expenditure in Foreign Currency | | |
| a) Travelling Expenses | 0.87 | 1.17 |
| b) Other Payments paid in Foreign Exchange | 17.58 | 39.01 |
| 3) Earnings in Foreign Currency (on Receipt basis) | | |
| a) Software Exports | 155.70 | 68.38 |

12.4. Auditors Remuneration:

| Particulars | Current Year 2009-10 | Previous Year 2008-09 |
|--------------------|-------------------------|--------------------------|
| Audit Fees | Rs. 3,00,000 | Rs. 3,00,000 |
| Certification Work | Rs. 1,68,360 | Rs. 1,68,360 |

13. Inventory:

Restoration and colorization expenses in respect of the films for which the company has acquired distribution rights are carried as work in progress pending completion of the respective films.

14. 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.

15. 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/-
D.P. Sreenivas
Executive Director

Place: Hyderabad
Date : 13th August 2010

Sd/-
I. Srinivas
Company Secretary

Statement of Cash Flows for the year ended 31.03.2010

Rs. In Millions

| | 31.03.2010 | 31.03.2009 |
|--|----------------|----------------|
| A Cash Flow from Operating Activity | | |
| Net Profit before tax | 5.89 | 13.68 |
| Adjustments for: | | |
| Depreciation | 31.84 | 20.79 |
| Provision for gratuity & earned leave | 3.05 | 2.40 |
| Other income | (8.61) | (6.40) |
| Interest Expenditure on Long Term Loan | 9.51 | (5.12) |
| Foreign Exchange Fluctuation Loss | 32.33 | - |
| Prior Period Items | - | (1.40) |
| Operating Profit before working capital Changes | 74.01 | 23.95 |
| Adjustments for: | | |
| Trade and other receivables | 62.25 | 268.39 |
| Inventory | (27.56) | (53.17) |
| Trade advances | (22.68) | (23.53) |
| Trade payables | (130.48) | (4.42) |
| Provisions | 0.54 | (30.06) |
| Cash generated from Operations | (43.92) | 181.16 |
| Direct Taxes paid (net) - Prior period adjustments | (0.04) | (0.63) |
| Interest paid | (9.51) | 5.12 |
| Cash flow before extraordinary items | (53.47) | 185.65 |
| Prior Period Items | (0.11) | 1.40 |
| Net Cash Flow from Operating Activity | (53.58) | 187.05 |
| B Cash Flow from Investing Activity | | |
| Purchase of fixed assets | (55.08) | (145.67) |
| Capital work in progress | (0.02) | 48.12 |
| Cancellation of Investments | 102.07 | (6.96) |
| Other Income | 8.61 | 6.40 |
| Net Cash Used for Investing Activity | 55.58 | (98.11) |
| C Cash Flow from Financing Activities | | |
| Share Premium and Reserves | 5.26 | - |
| Share Application Money received / Repaid | - | (45.00) |
| Secured Loans | (3.40) | (43.82) |
| Net Cash generated from Financing Activity | 1.86 | (88.82) |
| Cash and Cash Equivalents (Opening Balance) | 10.97 | 10.84 |
| Net Increase in Cash & Cash Equivalents(A+B+C) | 3.86 | 0.13 |
| Cash and Cash Equivalents (Closing Balance) | 14.83 | 10.97 |

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

Place: Hyderabad

Date : 13th August 2010

Sd/-

L.P. Sashikumar

Director

Sd/-

D.P. Sreenivas

Executive Director

Sd/-

I. Srinivas

Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE:

I. Registration Details:

| | | | |
|---------------------|------------|-------------|----|
| Registration No. | 17211 | State Code: | 01 |
| Balance Sheet Date: | 31.03.2010 | | |

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

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

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

| | | | |
|--------------------|---------|---------------|---------|
| Total Liabilities: | 8037.25 | Total Assets: | 8037.25 |
|--------------------|---------|---------------|---------|

Sources of Funds:

| | | | |
|------------------------|---------|----------------------|---------|
| Paid-up Capital | 1878.21 | Reserves and Surplus | 4866.78 |
| Secured Loans: | 1260.16 | Unsecured Loans: | NIL |
| Deferred Tax Liability | 32.10 | | |

Application of Funds:

| | | | |
|---------------------|---------|-------------------|--------|
| Net Fixed Assets | 5396.31 | Investments | 927.62 |
| Net Current Assets: | 1713.32 | Misc. Expenditure | NIL |

* includes Deferred Tax Assets

| | |
|---------------------|-----|
| Accumulated Losses: | NIL |
|---------------------|-----|

IV. Performance of company (Amount in Rs. Lacs)

| | | | |
|---------------------------|---------|-------------------|---------|
| Turnover/Income | 2404.77 | Total Expenditure | 2345.89 |
| Profit before tax | 58.88 | Profit after tax | 40.43 |
| Earnings per Share in Rs. | 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 |

**Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to
Subsidiary Companies**

| | | Staytop Systems Inc., | Staytop & Software Pvt. Ltd. | Prime Soft LLC., |
|---|--|--------------------------------------|---|-----------------------------|
| 1 | The Financial Year of the Company ends on | 31st March, 2010 | 31st March, 2010 | 31st March, 2010 |
| 2 | Extent of Holding Company's Interest in Subsidiary | 100% | 100% | 100% |
| 3 | Changes in the interest of the Company or the subsidiary company between the end of the Financial Year of the Subsidiary and 31st March, 2010 | NIL | NIL | NIL |
| 4 | The net aggregate amount of Subsidiary Profit/(Losses) so far as they concern the members of the Holding Company and not dealt with in the Holding Company's accounts (in US \$) : | | | |
| | a. For Subsidiary's financial year | 253,278 | NIL | NIL |
| | b. For Subsidiary's previous financial year since it became subsidiary | 16,69,311 | NIL | NIL |
| 5 | The net aggregate Profit/(Losses) of the subsidiary Company for previous financial years as they concern the members of the Company and dealt : | | | |
| | a. For Subsidiary's financial year | NIL | NIL | NIL |
| | b. For Subsidiary's previous financial year since it became subsidiary | NIL | NIL | NIL |
| 6 | Material change between the end of the Financial year of the Subsidiary Company as the case may be and 31st March, 2010 : | | | |
| | a. Fixed Asset | NIL | NIL | NIL |
| | b. Investments | NIL | NIL | NIL |
| | c. Moneys lent by the Subsidiary Company | NIL | NIL | NIL |
| | d. Moneys borrowed by the Subsidiary Company other than for meeting Current Liabilities | NIL | NIL | NIL |

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
D.P. Sreenivas
Executive Director

Sd/-
I. Srinivas
Company Secretary

Place: Secunderabad
Date : 13th August 2010

AUDITORS' REPORT

To the Board of Directors on the Consolidated Financial Statements of Goldstone Technologies Limited & its Subsidiaries.

1. We have examined the attached Consolidated Balance Sheet of Goldstone Technologies Limited as at 31st March 2010 and also the Consolidated Profit and Loss and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain responsible 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 estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries of Goldstone Technologies Limited whose financial statements reflect total assets of Rs. 8790.87 Lakhs as at 31st March 2010 and total revenue of Rs. 5771.44 Lakhs for the year ended on that date. The financial statements of Staytop Systems Inc., have been audited by M/s RAM Associates, Certified Public Accounts based in Hamilton, NJ. Our opinion in so far as it relates to the said amounts included in respect of the subsidiaries is based solely on the accounts prepared and certified by them.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited/certified financial statements of the Company and its subsidiaries in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. In the case of the Consolidated Balance Sheet of the Consolidated state of affairs of the Company and its subsidiaries as at March 31, 2010
 - ii. In the case of Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended March 31, 2010.
 - iii. In the case of the Consolidated Cash Flows statement, of the consolidated cash flows of the company and its subsidiaries for the year ended March 31 2010.

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

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

Place: Hyderabad
Date:-13.08.10

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| | Sch. | As at 31st Mar 2010 Rupees | As at 31st Mar 2009 Rupees |
|--|------|----------------------------------|----------------------------------|
| I SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| a. Share capital | 1 | 187,820,660 | 187,820,660 |
| b. Reserves and Surplus | 2 | 562,037,898 | 550,737,852 |
| | | 749,858,558 | 738,558,512 |
| Loan Funds | 3 | | |
| Secured Loans | | 126,016,974 | 129,418,828 |
| Minority Interest | | 1,000 | 1,000 |
| Deferred Tax | | | |
| Deferred Tax Liability | | 3,210,191 | 2,655,417 |
| Total | | 879,086,723 | 870,633,757 |
| II APPLICATION OF FUNDS | | | |
| Fixed Assets | 4 | | |
| a. Gross block | | 682,514,315 | 626,915,100 |
| b. Less : Depreciation | | 201,588,597 | 169,748,402 |
| Net block | | 480,925,718 | 457,166,698 |
| Add : Capital Work in Progress | 6 | 151,953,207 | 151,938,207 |
| | | 632,878,926 | 609,104,905 |
| Investments | 5 | - | 102,065,678 |
| Current Assets, Loans & Advances | | | |
| a. Sundry Debtors | 7 | 305,286,792 | 433,865,933 |
| b. Cash and Bank Balances | 8 | 25,391,321 | 16,108,418 |
| c. Loans and Advances | 9 | 166,994,576 | 131,707,952 |
| d. Inventory | 10 | 152,195,919 | 130,874,868 |
| | | 649,868,608 | 712,557,171 |
| Less: Current Liabilities & Provisions | | | |
| a. Current Liabilities | 11 | 389,241,062 | 545,736,720 |
| b. Provisions | 12 | 14,419,749 | 7,357,278 |
| | | 403,660,811 | 553,093,998 |
| Net Current Assets | | 246,207,797 | 159,463,173 |
| Total | | 879,086,723 | 870,633,756 |
| Significant Accounting Policies and Notes to Accounts | 18 | | |

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

Sd/-

P. Murali Mohana Rao
Partner

M No. 23412

Place: Hyderabad

Date : 13th August 2010

For and on behalf of the Board

Sd/-

L.P. Sashikumar
Director

Sd/-

D.P. Sreenivas
Executive Director

Sd/-

I. Srinivas
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2010

| | Sch. | As at 31st Mar 2010 Rupees | As at 31st Mar 2009 Rupees |
|---|------|----------------------------------|----------------------------------|
| INCOME | | | |
| Sales Exports | 13 | 544,267,472 | 599,386,270 |
| Sales Domestic | 13 | 24,269,473 | 4,407,386 |
| Other Operating Income | 14 | - | 83,086,630 |
| Other income | 14 | 8,607,496 | 6,458,081 |
| Total | | 577,144,441 | 693,338,367 |
| EXPENDITURE | | | |
| Personnel costs | 15 | 171,812,088 | 207,742,913 |
| Operating & Administrative Expenses | 16 | 359,828,864 | 427,981,990 |
| Increase in Inventory | 10 | (37,037,971) | |
| Consumption of Movie Expenses | 10 | 15,716,919 | |
| Finance Charges | 17 | 9,544,706 | 5,126,903 |
| Depreciation | | 31,840,197 | 20,825,099 |
| Total | | 551,704,803 | 661,676,905 |
| Profit before taxation | | 25,439,638 | 31,661,462 |
| Provision for : Taxation | | 8,720,803 | 8,295,075 |
| Deferred tax Liability | | 554,774 | 2,038,895 |
| Profit after tax | | 16,164,061 | 21,327,492 |
| Prior period adjustments (Net) | | 110,627 | (1,404,122) |
| Profit /(Loss)after Prior period Items | | 16,053,434 | 22,731,614 |
| Surplus brought forward from previous year | | 254,371,664 | 231,640,050 |
| Profit Carried to Balance Sheet | | 270,425,098 | 254,371,664 |
| Earnings per Share (Equity Shares of nominal value Rs. 10/- each) | | | |
| Basic / Diluted | | 0.85 | 1.14 |
| Number of shares used in Computing EPS | | | |
| Basic / Diluted | | 18,782,066 | 18,782,066 |
| Significant Accounting Policies and Notes on Accounts | 18 | | |

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

P. Murali Mohana Rao
Partner

M No. 23412
Place: Hyderabad
Date : 13th August 2010

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
D.P. Sreenivas
Executive Director

Sd/-
I. Srinivas
Company Secretary

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31-03-10

| | As at 31st Mar 2010 Rupees | As at 31st Mar 2009 Rupees |
|--|---|---|
| 1 SHARE CAPITAL | | |
| Authorised: 5,00,00,000 Equity Shares of Rs.10/- each (Previous year 5,00,00,000 Equity Shares of Rs.10/- each) | 500,000,000 | 500,000,000 |
| Issued,Subscribed and Paid up : 1,87,82,066 Equity Shares of Rs. 10/- each, (Previous year 1,87,82,066 Equity Shares of Rs.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) | 187,820,660 | 187,820,660 |
| Total | 187,820,660 | 187,820,660 |
| 2 RESERVES AND SURPLUS | | |
| a Capital Reserve - As per last Balance Sheet | 59,780,538 | 14,780,538 |
| Add: Share Warrants Application Money | - | 45,000,000 |
| | 59,780,538 | 59,780,538 |
| b Securities Premium Account - As per last Balance Sheet | 218,379,399 | 108,404,803 |
| Add: Premium on preferential Allotment of Equity Shares | - | 109,974,596 |
| | 218,379,399 | 218,379,399 |
| c General Reserve - As per last Balance Sheet | 18,300,679 | 18,300,679 |
| d Foreign Currency Translation Reserve - Transferred this year | (4,847,816) | (94,927) |
| e Profit & Loss Account Surplus as per annexured account | 270,425,098 | 254,372,163 |
| Total | 562,037,898 | 550,737,852 |
| 3 LOAN FUNDS : SECURED LOANS | | |
| a. From Banks | | |
| Working Capital Loan | 79,996,740 | 88,066,150 |
| Term Loan | 28,045,748 | 35,971,865 |
| Mortgage Loan | 17,500,400 | 3,575,326 |
| b. From a Company | 474,087 | 1,805,487 |
| Total | 126,016,974 | 129,418,828 |

(Amount in Rupees)

SCHEDULE 4: FIXED ASSETS

| Description | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|---|--------------------|---------------------------|----------------------------|--------------------|--------------------|-------------------|-----------------------------|--------------------|--------------------|--------------------|
| | As on 01.04.2009 | Additions during the year | Deductions during the year | As on 31.03.2010 | Upto 01.04.2009 | For the year | Adjustments during the year | Upto 31.03.2010 | As on 31.03.2010 | As on 31.03.2009 |
| 1. Goodwill | 92,663,433 | - | - | 92,663,433 | - | - | - | - | 92,663,433 | 92,663,433 |
| 2. Land | 74,171,399 | 1,000,000 | - | 75,171,399 | - | - | - | - | 75,171,399 | 74,171,399 |
| 3. Buildings | 26,812,378 | 626,144 | - | 27,438,522 | 7,741,765 | 1,284,914 | - | 9,026,679 | 18,411,843 | 19,070,613 |
| 4. Leasehold Improvements | 4,737,576 | - | - | 4,737,576 | 4,737,576 | - | - | 4,737,576 | - | - |
| 5. Plant & Machinery | 3,244,830 | - | - | 3,244,830 | 3,179,314 | 7,684 | - | 3,186,998 | 57,832 | 65,516 |
| 6. Furniture & Fixtures | 11,543,307 | 3,888,017 | - | 15,431,324 | 3,643,445 | 950,709 | - | 4,594,154 | 10,837,170 | 7,899,862 |
| 7. Electrical Installation | 12,532,963 | 354,251 | - | 12,887,214 | 3,208,935 | 403,720 | - | 3,612,655 | 9,274,559 | 9,324,028 |
| 8. Vehicles | 8,702,513 | - | - | 8,702,513 | 2,972,358 | 826,739 | - | 3,799,097 | 4,903,416 | 5,730,155 |
| 9. Computer Systems & Software | 136,937,611 | 5,088,813 | - | 142,026,424 | 104,997,558 | 6,443,778 | - | 111,441,336 | 30,585,088 | 31,940,052 |
| 10. Electronic equipment & Office Equipment | 9,149,002 | 973,163 | - | 10,122,165 | 5,404,842 | 469,198 | - | 5,874,040 | 4,248,125 | 3,774,160 |
| Total | 380,495,012 | 11,930,388 | - | 392,425,400 | 135,885,793 | 10,386,742 | - | 146,272,535 | 246,152,865 | 244,639,218 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| 11. Design, Development and Testing of Software tools for IT Services | 134,625,948 | 33,146,417 | - | 167,772,366 | 33,862,606 | 21,453,455 | - | 55,316,062 | 112,456,304 | 100,763,342 |
| 12. IPTV Startup Expenses | 111,794,138 | 10,522,411 | - | 122,316,549 | - | - | - | - | 122,316,549 | 111,794,138 |
| Total | 626,915,099 | 55,599,216 | - | 682,514,315 | 169,748,399 | 31,840,197 | - | 201,588,597 | 480,925,718 | 457,196,698 |
| Previous year | 560,334,468 | 66,580,632 | - | 626,915,100 | 146,036,531 | 26,720,532 | 3,008,659 | 169,748,404 | 457,196,695 | 414,231,914 |

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31-03-10

| | As at 31st Mar 2010 Rupees | As at 31st Mar 2009 Rupees |
|---|---|---|
| 5 INVESTMENTS- AT COST | | |
| Long Term Investment | | |
| Investment in 4G Informatics Private Limited | - | 102,065,678 |
| Total | - | 102,065,678 |
| 6 CAPITAL WORK IN PROGRESS | | |
| Capital Expenses for Digital Media | 2,399,000 | 2,399,000 |
| Capital Expenses for IPTV | 126,006,120 | 125,991,120 |
| Buildings under construction | 23,548,087 | 23,548,087 |
| Total | 151,953,207 | 151,938,207 |
| 7 SUNDRY DEBTORS (Unsecured) | | |
| a. Debts outstanding for a period exceeding six months Considered Good | 41,020,594 | 100,810,983 |
| b. Other Debts - Considered Good | 264,266,198 | 333,054,950 |
| Total | 305,286,792 | 433,865,933 |
| 8 CASH & BANK BALANCES | | |
| Cash on hand | 56,870 | 57,642 |
| Cheques on Hand | 6,418,602 | - |
| Bank balances with Scheduled Banks | | |
| - In Current Accounts | 6,141,694 | 105,083 |
| - In Fixed Deposit (Lodged with the bank against BG) | 1,222,998 | 250,000 |
| Balances with others - Non Scheduled Banks | 11,551,157 | 15,695,694 |
| Total | 25,391,321 | 16,108,418 |
| 9 LOANS & ADVANCES (Unsecured, Considered Good) | | |
| a Advances to suppliers | 119,603,015 | 87,174,034 |
| b Advances to Staff | 4,567,583 | 4,984,195 |
| c Deposits | 28,679,208 | 31,033,460 |
| d Other Current Assets | 12,522,172 | 7,071,687 |
| e Prepaid Expenses | 1,622,598 | 1,444,576 |
| Total | 166,994,576 | 131,707,952 |

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31-03-10

| | As at 31st Mar 2010 Rupees | As at 31st Mar 2009 Rupees |
|--|---|---|
| 10 INVENTORY | | |
| Inventory- Set Top Boxes | 8,364,675 | 8,364,675 |
| Stock of Movie Rights | 28,190,000 | 28,190,000 |
| Opening Work in Process | 94,320,193 | |
| - Processing charges during the year | 37,037,971 | |
| - Consumption of Movie Expenses | (15,716,919) | |
| Closing Work in Process | 115,641,244 | 94,320,193 |
| Total | 152,195,919 | 130,874,868 |
| 11 CURRENT LIABILITIES | | |
| Sundry Creditors (No outstanding dues to SSI Undertakings) | 69,874,148 | 125,453,550 |
| Other Creditors/ Liabilities | 311,354,429 | 412,095,210 |
| Statutory Liabilities | 8,012,485 | 8,187,960 |
| Total | 389,241,062 | 545,736,720 |
| 12 PROVISIONS | | |
| Provision for Taxation | 8,251,948 | 1,707,989 |
| Provision for FBT | - | 236,619 |
| Provision for Gratuity and Leave Encashment | 6,167,800 | 5,412,670 |
| Total | 14,419,749 | 7,357,278 |

**CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR
THE YEAR ENDED 31-03-2010**

| | For the year ended March 31, 2010 | For the year ended March 31, 2009 |
|---|--|--|
| 13 SALES | | |
| Software & Services - Domestic | 24,269,473 | 4,407,386 |
| - Exports | 544,267,472 | 599,386,270 |
| Total | 568,536,945 | 603,793,656 |
| 14 OTHER OPERATING INCOME / OTHER INCOME | | |
| Interest on Fixed Deposits | 8,563 | - |
| Other Income | 162,842 | 56,057 |
| Lease Rent | 8,436,091 | 6,402,024 |
| Exchange Fluctuation Gain | - | 83,086,630 |
| Total | 8,607,496 | 89,544,711 |
| 15 PERSONNEL EXPENDITURE | | |
| Salaries, Wages and other Benefits | 169,757,446 | 206,592,029 |
| Staff Welfare | 1,943,812 | 1,086,512 |
| Staff Recruitment & Training | 110,830 | 64,372 |
| Total | 171,812,088 | 207,742,913 |
| 16 ADMINISTRATIVE AND SELLING EXPENSES | | |
| Directors Remuneration | 2,400,000 | 4,236,400 |
| Collection Charges | - | 3,690,557 |
| Reimbursements | 17,783 | (808,954) |
| Discounts taken by clients | 164,979 | 490,273 |
| Advertisement | 1,090,551 | 1,042,374 |
| Advances Written Off | 508 | - |
| Electricity | 3,184,517 | 2,182,381 |
| Gifts and Donations | 196,076 | 20,000 |
| Rent | 6,575,337 | 28,793,078 |
| Legal Fees | 957,833 | 352,516 |
| Printing and Stationary | 624,354 | 359,424 |
| Postage ,Telephones and Internet | 5,598,996 | 11,285,265 |
| Insurance | 4,470,073 | 5,159,011 |
| Professional and Consultancy | 219,641,482 | 284,380,775 |
| Rates and Taxes | 1,121,468 | 1,268,720 |

**CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR
THE YEAR ENDED 31-03-2010**

| | For the year ended March 31, 2010 | For the year ended March 31, 2009 |
|------------------------------------|--|--|
| Meeting Expenses | 24,890 | 164,504 |
| Marketing Expenses / Commissions | 2,358,238 | 2,829,429 |
| Books & Periodicals | 24,344 | 13,481 |
| Membership & Subscription | 685,132 | 828,634 |
| Vehicle Maintenance | 4,302,977 | 3,245,531 |
| Travelling Expenses | | |
| - Directors | 1,501,522 | 710,251 |
| - Others | 4,372,724 | 8,663,898 |
| Conveyance | 113,280 | 166,350 |
| Cargo Charges | - | 7,000 |
| Bad Debts | - | 5,587,055 |
| Business Promotion | 1,222,405 | 686,891 |
| Auditors Remuneration | 339,248 | 308,536 |
| Office Maintenance | 7,711,916 | 3,077,821 |
| Repairs & Maintenance | 2,568,449 | 1,998,444 |
| Miscellaneous Expenses | 813,936 | 2,321,951 |
| Payroll Processing | 1,016,575 | 507,395 |
| Listing Fees | 125,465 | 191,910 |
| Outside Services | - | 202,294 |
| Secretarial Charges | 92,346 | 32,310 |
| Sitting Fees | 360,000 | 435,000 |
| Foreign Exchange Fluctuation | 32,326,305 | - |
| Security Charges | 366,816 | 910,926 |
| Income Tax Paid | 187,547 | 741,827 |
| Service Tax | - | 732,154 |
| FBT | - | 176,502 |
| Movie Expenses | 14,360,436 | - |
| Digital Cinema Processing Expenses | 1,177,270 | - |
| Project Work Expenses | 37,733,086 | 50,990,077 |
| Total | 359,828,864 | 427,981,990 |
| 17 FINANCIAL EXPENSES | | |
| Bank Charges | 434,761 | 504,705 |
| Interest | 8,841,986 | 4,258,181 |
| Interest on Car Loan | 267,959 | 364,017 |
| Total | 9,544,706 | 5,126,903 |

18 CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A) Statement on Significant Accounting Policies

(i) Basis of Accounting

The Consolidated Financial Statements of the Company with the wholly owned subsidiaries Staytop Systems Inc., Primesoft LLC and Staytop Systems Software Pvt. Ltd. have been prepared under the historical cost convention in accordance with generally accepted accounting principles applicable and the Accounting Standard 21 on Consolidation of financial statements 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) Revenue Recognition

- a) All incomes and expenditure are accounted on accrual basis except Interest claims and dividend income, 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.

(iii) Fixed Assets

- a) Fixed Assets are stated at Cost less depreciation. 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.

(iv) 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.

(v) 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 reported 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. 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 gain/loss on foreign currency translation is recognized in the foreign translation reserve account.

(vi) Retirement Benefits to Employees

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme are charged 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.

B) NOTES ON ACCOUNTS

1. Wholly owned Subsidiaries considered for Consolidation

- Staytop Systems Inc., an US incorporated Company,
- Prime soft LLC, as US incorporated Company.
- 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. 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:

List of related parties

| Sl.No | Name of the related party | Relationship |
|-------|--------------------------------------|--------------|
| 1 | Staytop Systems Inc., | Subsidiary |
| 2 | Prime soft LLC. | Subsidiary |
| 3 | Staytop Systems & Software Pvt. Ltd. | Subsidiary |

Transaction during the year with related parties: Rs. In Millions

| Name of the related party | Nature of Transaction | Amount |
|---------------------------|--|--------|
| Staytop Systems Inc., | Income — Sale of Software & Rendering Services | 10.71 |

4. Earnings Per Share

Calculation of EPS Basic & Diluted

Amount in Rupees

| Particulars | Current Year 2009-10 | Previous Year 2008-09 |
|---|-------------------------|--------------------------|
| Net profit after tax | 16,164,061 | 21,327,492 |
| Net Profit after Extraordinary Items | 16,053,434 | 22,731,614 |
| Weighted average numbers of shares considered | 18,782,066 | 18,782,066 |
| Basic EPS (in Rs.) | 0.85 | 1.14 |
| Diluted EPS (in Rs.) | 0.85 | 1.14 |

5. 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 Consolidated financial results for the year ended 31-03-2010

Rs. In Millions

| Particulars | Current Year 31.03.2010 | Previous Year 31.03.2009 |
|--|------------------------------------|-------------------------------------|
| 1. Segment Revenue | | |
| a) US Branch — IT Services | 59.73 | 157.62 |
| b) India operations | | |
| IT Division | 163.34 | 162.69 |
| Media Division | 17.40 | - |
| IPTV Division | - | - |
| c) Subsidiary - IT Services | 347.37 | 373.02 |
| Less : Inter Company Sales | 10.71 | - |
| Total Revenue from Operations | 577.14 | 693.34 |
| 2. Segment Results | | |
| Profit (+)/Loss (-) before tax, Deprn. & interest from | | |
| a) US Branch | 28.54 | (30.21) |
| b) India operations total | 18.70 | 69.80 |
| c) Subsidiary | 19.59 | 18.01 |
| Total | 66.82 | 57.61 |
| Less: interest (not allocable) | 9.54 | 5.13 |
| Less: Depreciation (not allocable) | 31.84 | 20.83 |
| Total Profit/(Loss) Before Tax | 25.44 | 31.66 |

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

Rs. In Millions

| Particulars | Current Year | Previous Year |
|--|---------------------|----------------------|
| Revenue: | | |
| India | 170.04 | 162.69 |
| Outside India | 407.11 | 530.64 |
| Additions to Fixed Assets: | | |
| India | 54.08 | 4.65 |
| Outside India | 0.40 | - |
| Carrying Amount of Segment Assets | | |
| India | 438.73 | 423.68 |
| Outside India | 42.18 | 33.48 |

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 31.03.2010 Rs. In Millions

| | 31.03.2010 | 31.03.2009 |
|--|----------------|----------------|
| A Cash Flow from operating activity | | |
| Net Profit before tax | 25.44 | 31.66 |
| Adjustments for: | | |
| Depreciation | 31.84 | 20.83 |
| Provision for gratuity & earned leave | 3.05 | 2.40 |
| Other income | (8.61) | (6.46) |
| Foreign Exchange Fluctuation Loss | 32.33 | |
| Interest on Long Term Loan | 9.54 | (5.13) |
| Prior Period Items | - | (1.40) |
| Operating Profit before working capital Changes | 93.59 | 41.09 |
| Adjustments for: | | |
| Trade and other receivables | 78.05 | 313.41 |
| Inventory | (27.56) | (53.17) |
| Trade advances | (35.29) | (47.63) |
| Trade payables | (155.55) | (51.43) |
| Provisions | 7.62 | (27.26) |
| Cash generated from Operations | (39.14) | 175.82 |
| Direct Taxes paid (net) - Prior period adjustments | (0.04) | (0.92) |
| Interest paid | (9.54) | 5.13 |
| Cash flow before extraordinary items | (48.72) | 180.03 |
| Prior Period Items | (0.11) | 1.40 |
| Net Cash Flow from operating activity | (48.83) | 181.43 |
| B Cash Flow from Investing Activity | | |
| Purchase of fixed assets | (55.60) | (146.05) |
| Capital work in progress | 0.02 | 48.12 |
| Cancellation of Investments | 102.07 | (6.86) |
| Development Expenditure | - | 1.09 |
| Other Income | 8.61 | 6.40 |
| Net Cash Used for Investing Activity | 55.06 | (97.30) |
| C Cash Flow from financing activities | | |
| Share Premium and Reserves | 6.45 | - |
| Share Application Money received \ Repaid | - | (45.00) |
| Secured Loans | (3.40) | (43.82) |
| Net Cash generated from financing activity | 3.05 | (88.82) |
| Cash and Cash Equivalents (Opening Balance) | 16.11 | 20.80 |
| Net Increase in Cash & Cash equivalents(A+B+C) | 9.28 | (4.69) |
| Cash and Cash Equivalents (Closing Balance) | 25.39 | 16.11 |

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

Sd/-
P. Murali Mohana Rao
Partner
M No. 23412
Place: Hyderabad
Date : 13th August 2010

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
D.P. Sreenivas
Executive Director

Sd/-
I. Srinivas
Company Secretary

FINANCIAL STATEMENTS OF PRIMESOFT LLC

DIRECTORS' REPORT

To
The Members
Primesoft LLC

Your Directors have pleasure in presenting the Thirteen Annual Report on the business and operations of the Company and the accounts for the period ending March 31, 2010.

Directors

During the year, Mr. Clinton Travis Caddell, Mrs. Mahita Caddell have occupied the office of the Directors of the Company.

Financial Results & Review of the Operations

During the year under review, the Company has no operations to report.

Environmental Regulations Performance

The Company's operations were not subject to any particular or significant environmental regulations of Federal, State Laws, and hence no specific environmental disclosures are required.

Audit

The Company is not listed in any of the Stock Exchanges in USA, hence audit of accounts is not compulsory under US Laws.

BALANCE SHEET AS AT 31ST MARCH 2010

| Particulars | 31-03-2010 | | 31-03-2009 | |
|--|------------|---------|------------|---------|
| | In US\$ | In Rs. | In US\$ | In Rs. |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Accounts Receivable | 3270 | 130,637 | 3270 | 130,637 |
| Total Assets | 3270 | 130,637 | 3270 | 130,637 |
| LIABILITIES | | | | |
| Stock Holders Equity/Retained earnings | 3270 | 130,637 | 3270 | 130,637 |
| Total Liabilities & Equity | 3270 | 130,637 | 3270 | 130,637 |

For and on behalf of the Board

Place: Secunderabad
Date : 13th August 2010

Sd/-
Mahita Caddell
Director

FINANCIAL STATEMENTS OF STAYTOP SYSTEMS INC.,

DIRECTORS REPORT

To
The Members
Staytop Systems Inc;

Your Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of the Company and the accounts for the period ending March 31, 2010.

Directors

During the year, Mr. Clinton Travis Caddell, Mrs. Mahita Caddell have occupied the office of the Directors of the Company.

Financial Results

| Year | 2009-10 | | 2008-09 | |
|-------------------------|-----------|----------------|-----------|----------------|
| | In US\$ | Rs. In Million | In US\$ | Rs. In Million |
| Gross Revenue | 7,325,476 | 347.37 | 8,124,613 | 373.00 |
| Operating Profit/(Loss) | 253,278 | 12.01 | 392,280 | 17.98 |
| Depreciation | - | - | 665 | 0.03 |
| Net Profit/(Loss) | 253,278 | 12.01 | 253,499 | 11.64 |

Review of the Operations

During current period i.e., from 1st April 2009 to 31st March 2010, the company earned revenues of US\$ 7,325,476 (Rs. 373.00 Million) as against US\$8,124,613 (Rs. 373.00 Million) in 2008-09 and registered a net profit of US\$ 253,278 (Rs.12.01 Million) as against US\$253,499 (Rs. 11.64 Million) in 2008-09.

Environmental Regulations Performance

The Company's operations were not subject to any particular or significant environmental regulations of Federal, State Laws, and hence no specific environmental disclosure is required.

Audit

The Company is not listed in any of the Stock Exchanges in USA; hence audit of accounts is not compulsory under US Laws.

For and on behalf of the Board

Sd/-
Mahita Caddell
Director

Place: Secunderabad
Date : 13th August 2010

BALANCE SHEET AS AT 31ST MARCH 2010

| Particulars | 31-03-2010 | | 31-03-2009 | |
|--|------------------|--------------------|------------------|--------------------|
| | In US\$ | In Rs. | In US\$ | In Rs. |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash & Bank Balances | 85,231 | 3,847,325 | 95,022 | 4,841,394 |
| Accounts Receivable | 1,375,076 | 62,070,944 | 1,185,308 | 60,391,464 |
| Loans & Advances | 2,293,836 | 103,543,775 | 1,658,807 | 84,516,230 |
| Total Current Assets | 3,754,143 | 169,462,044 | 2,939,138 | 149,749,088 |
| Fixed Assets | 12,774 | 576,633 | 1,296 | 66,024 |
| Total Assets | 3,766,917 | 170,038,677 | 2,940,434 | 149,815,112 |
| LIABILITIES | | | | |
| Accounts Payable | 872,599 | 39,389,122 | 772,273 | 39,347,313 |
| Other Liabilities | 1,225,008 | 55,296,855 | 752,128 | 38,320,917 |
| Total Current Liabilities | 2,097,607 | 94,685,977 | 1,524,401 | 77,668,230 |
| Stock Holders Equity/Retained earnings | 1,669,311 | 75,352,700 | 1,416,033 | 72,146,881 |
| Total Liabilities & Equity | 3,766,917 | 170,038,677 | 2,940,434 | 149,815,112 |

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

| Particulars | 31-03-2010 | | 31-03-2009 | |
|----------------------------------|------------------|--------------------|------------------|--------------------|
| | In US\$ | In Rs. | In US\$ | In Rs. |
| INCOME | | | | |
| Professional Services/Consulting | 7,325,476 | 347,374,087 | 8,124,613 | 373,000,991 |
| Other Income | - | - | 464 | 21,283 |
| Total Income | 7,325,476 | 347,374,087 | 8,125,077 | 373,022,274 |
| EXPENSES | | | | |
| Payroll Expenses | 1,934,528 | 91,735,318 | 1,616,284 | 74,203,610 |
| Administration & Other Charges | 5,137,670 | 243,628,318 | 6,255,294 | 287,180,554 |
| Total Expenses | 7,072,198 | 335,363,636 | 7,871,578 | 361,384,164 |
| Net Profit | 253,278 | 12,010,450 | 253,499 | 11,638,110 |

FINANCIAL STATEMENTS OF STAYTOP SYSTEMS & SOFTWARE PVT. LTD.

DIRECTORS REPORT

The Members
Staytop Systems and Software Pvt. Ltd.

Your Directors have pleasure in presenting the Second Annual Report of the Company for the year ending March 31, 2010.

Review of the Operations : During the year under review, the Company has no operations.

Auditors : M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company, hold office in accordance with the provisions of the Companies Act, 1956 upto the conclusion of forthcoming Annual General Meeting and are eligible for re-appointment.

Directors : There is no change in the composition of the Board of Directors of the Company during the year.

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 twelve months period ending March 31, 2010, the applicable accounting standards have been followed and there are no material departures therefrom.
- (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, 2010.

- (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, 2010 on a going concern basis.

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

Conservation of Energy, Technology, Absorption and Foreign Exchange: As the Company is yet to commence its operations, information on the same are not applicable to the Company.

Particulars of Employees : None of the employees are drawing remuneration in excess of the limits prescribed under Section 217 (1) (e) read with the Companies (Particulars of Employees) Rules, 1975.

For and on behalf of the Board

Sd/-
D P Sreenivas
Director

Sd/-
L P Sashikumar
Director

Place: Secunderabad
Date: 13.08.2010

AUDITORS' REPORT

To
The Members
Staytop Systems and Software Pvt. Ltd.

We have audited the attached Balance Sheet of Staytop Systems and Software Pvt. Ltd. as at 31st March, 2010. 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. Those Standards require that we plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

Since the Company is a private limited company with a paid up capital and reserves not more than rupees fifty lakhs and does not have loan outstanding exceeding rupees twenty five lakhs from any bank

or financial institution and does not have a turnover exceeding rupees five crores at any point of time during the financial year, requirement by the Companies (Auditors 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 227 of the Companies Act, 1956 are not applicable to the Company.

Further, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
- (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 dealt with by this report is in agreement with the books of account;

(iv) In our opinion, the Balance Sheet dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.

(v) 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; in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

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

Sd/-

Place: Hyderabad
Date: 13.08.2010

P. Murali Mohana Rao
Partner
Membership No. 23412

BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Rupees)

| | Sch. | As at March 31, 2010 | As at March 31, 2009 |
|--|------|-------------------------|-------------------------|
| I SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| a. Share capital | 1 | 1,00,000 | 1,00,000 |
| Total | | 1,00,000 | 1,00,000 |
| II APPLICATION OF FUNDS | | | |
| Current Assets, Loans & Advances | | | |
| a. Cash and Bank Balances | 2 | 3,00,000 | 3,00,000 |
| | | 3,00,000 | 3,00,000 |
| Less: Current Liabilities & Provisions | | | |
| a. Current Liabilities | 3 | 2,00,000 | 2,00,000 |
| b. Provisions | | - | - |
| Net Current Assets | | 1,00,000 | 1,00,000 |
| Total | | 1,00,000 | 1,00,000 |
| Significant Accounting Policies and Notes to Accounts | 4 | | |

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

For and on behalf of the Board

Sd/-

P. Murali Mohana Rao
Partner

Sd/-

L.P. Sashikumar
Director

Sd/-

D.P. Sreenivas
Director

Place: Hyderabad
Date : 13th August 2010

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31-03-10

| | As at March 31, 2010 Rupees | As at March 31, 2009 Rupees |
|--|--|--|
| 1 SHARE CAPITAL | | |
| Authorised: 10,000 Equity Shares of Rs.10/- each (Previous year 10,000 Equity Shares of Rs.10/- each) | 1,00,000 | 1,00,000 |
| Issued,Subscribed and Paid up : 10,000 Equity Shares of Rs. 10/- each, (Previous year 10,000 Equity Shares of Rs.10/- each) | 1,00,000 | 1,00,000 |
| Total | 1,00,000 | 1,00,000 |
| 2 CASH & BANK BALANCES | | |
| Bank balances with Scheduled Banks - In Current Accounts | 3,00,000 | 3,00,000 |
| Total | 3,00,000 | 3,00,000 |
| 3 CURRENT LIABILITIES | | |
| Other Liabilities | 2,00,000 | 2,00,000 |
| Total | 2,00,000 | 2,00,000 |

SCHEDULE - 4

NOTES FORMING PART OF THE ACCOUNTS

A. Significant Accounting Policies

General:

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition: The Company follows the mercantile systems of Accounting and recognizes income and expenditure on accrual basis.

Gratuity : No provision for gratuity has been made as no employee has put in qualifying period of service for entitlement of this benefit.

B. Notes to Accounts

1. Auditor's Remuneration: Rs. 11,030/-, (Previous Year Rs. 5,618/-).
2. There are no dues to SSI Units outstanding for more than 30 days.
3. Previous years figures have been regrouped wherever necessary.

SIGNATURES TO SCHEDULES- 1 TO 4

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

Sd/-
P. Murali Mohana Rao
Partner

Place: Hyderabad
Date : 13th August 2010

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
D.P. Sreenivas
Director