



**ANNUAL REPORT 2008-2009**

**From the CEO's desk.....**



Dear Shareholders,

It is with great sense of responsibility that I present to you the 16<sup>th</sup> Annual Report of your company.

On behalf of the entire Danlaw organization I would like to express my deep sense of gratitude for the valuable guidance provided by Mr. V K Menon and Mr. D S N Raju, our esteemed directors. Their contribution towards the growth of the organization will always be remembered. We will miss them and wish them well in their future endeavors.

The financial and credit crisis of last year has led to a global recession of a magnitude never seen since the "Great Depression" of 1930s. There are estimates that the global financial system will suffer losses of around 4 Trillion US Dollars. Millions of people have lost their jobs across the globe. The severe economic crisis across the board and specifically in the auto industry has led significant number of companies to go bankrupt. Our automotive customers are cutting costs to overcome the impact on their businesses.

Danlaw's business model has always been based on strong and long lasting relationships with our customers. This commitment to sustained relationships is one reason why our customers continue to do business with us even in this downturn.

The Forrester global IT market Outlook indicates that purchase of IT goods and services by global businesses and governments will decline by 3% in 2009 and then **rise by 9% in 2010**.

Companies are increasingly turning to the offshore technology service providers for high quality, cost competitive solutions. Outsourcing the development and management of technology platforms and solutions has become increasingly important. The range of services delivered offshore is also increasing.

India offers a large and growing pool of skilled professionals. This has been a key driver in the rapid growth in the Indian IT sector. According to the NASSCOM Strategic Review 2009, India accounts for 28% of the total suitable talent pool available across all the potential global sourcing low-cost locations. These factors make India the premier

destination for offshore technology solutions.

Your company continues to develop and maintain knowledge of a broad range of emerging technologies. our model has been proven to effectively integrate onsite and offshore execution capabilities.

The Engineering division is continuing to strengthen its offering of technologically advanced solutions to the domestic market while it continues its strong relationships with the US customers.

The Information Technology division continues to provide high quality e-governance solutions.

The Intelligent Securities Solutions division is establishing new and stronger relationships with OEMs from across the globe. We are expanding the portfolio of our offerings. The need for high quality, reliable security products across several verticals in India is rapidly growing.

We have taken several steps to mitigate the risks during the downturn and are confident that we will be stronger when the global economic uncertainty ends.

We strive to deliver enhanced value to our Customers, Investors and Employees.

Our biggest asset is our employees and their continued commitment enables us to overcome the challenges during the current business conditions. On behalf of the shareholders and the Board of Directors, I salute them.

We sincerely appreciate the continued support of our Clients, Partners, Investors and Bankers. We thank all the government agencies for their valuable support.

With warm regards,

**Raju S. Dandu**  
Chairman & Managing Director

**BOARD OF DIRECTORS**

Raju S Dandu  
Chairman & Managing Director

Prakash S Kenjale  
Director

M.A Ashok Kumar  
Additional Director

N.S. Sappata  
Additional Director

**MANAGEMENT TEAM**

B V Ramana  
Executive Vice President - ESD

Prakash B Kulkarni  
Executive Vice President - IT

G Govardhan Rao  
Vice President

Kishan Chowbene  
Vice President - Marketing & Sales

E U S Prabhakar  
General Manager - ESD

A V R K Varma  
Chief Manager - Accounts

**REGISTERED OFFICE**

Plot No.43, Sagar Society,  
Road No.2, Banjara Hills,  
Hyderabad 500 034.  
info@danlawinc.com

**USA SUBSIDIARY**

Danlaw Technologies Inc.  
23700, Research Drive  
Farmington Hills,  
MI 48335-2624, USA.

**AUDITORS**

M/s. A M Reddy & Co.  
Chartered Accountants,  
10-5-6/B, "My Home Plaza"  
Off: 103, II Floor,  
Masab Tank, Hyderabad 500 028.

**BANKERS**

The Dhanalakshmi Bank Ltd,  
Banjara Hills Branch, Hyderabad.

HDFC Bank, Banjara Hills Branch,  
Hyderabad.

**DEPOSITORY REGISTRARS & SHARE  
TRANSFER AGENTS**

Sathguru Management Consultants (P) Ltd.  
Plot No. 15, Hindi Nagar,  
Panjagutta, Hyderabad 500 082.  
Phones: 040-23356507, 23350586  
E-mail: sta@sathguru.com

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## NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Wednesday, the 30<sup>th</sup> day of September, 2009 at 10.00 a.m. at the Registered Office of the Company at Plot No.43, Sagar Society, Road No. 2, Banjara Hills, Hyderabad 500 034, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider, and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit & Loss Account for the year ended as on that date, along with the Auditors' Report and Directors' Report thereon.
2. To appoint a director in place of Mr. Prakash S Kanjale, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

#### 4. Appointment of Mr. N.S. Sappata as Director

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

"RESOLVED THAT Mr. N.S. Sappata, who was appointed as an Additional Director with effect from 31.10.2008 and who holds office upto the date this Sixteenth Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of directorship (under Section 257 of the Companies Act. 1956), be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

#### 5. Appointment of Mr. M.A. Ashok Kumar as Director

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

"RESOLVED THAT Mr. M.A. Ashok Kumar, who was appointed as an Additional Director with effect from 30.01.2009 and who holds office upto the date this Sixteenth Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of directorship (under Section 257 of the Companies Act. 1956), be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

By Order of the Board  
For Danlaw Technologies India Limited

Place: Hyderabad  
Date: 31<sup>st</sup> July, 2009

**Raju S. Dandu**  
Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and such proxy need not be a member of the Company. The instrument appointing a proxy should however be deposited at the Registered Office, not less than 48 hours before the commencement of meeting.
2. Member / Proxies are requested to bring copies of Annual Report along with them and the duly filled-in attendance slips for attending the meeting. No copies of Annual Report will be distributed at the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th September 2009 to 30th September 2009 (both days inclusive).
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business as set out above is annexed herewith.
5. Members seeking any additional information on the accounts of the Company should write to the Compliance Officer on or before 27th September 2009, to facilitate the compilation of data for clarification.
6. Members are requested to send all communications relating to shares to the Company's Share Transfer Agents (Physical and Electronic) to M/s. Sathguru Management Consultants Private Limited, Plot 15, Hindi Nagar, Panjagutta, Hyderabad - 500 082. Phone Nos. : 040-23356507 & 23350586, e-mail : sta@sathguru.com
7. Information about the director being re-appointed: Mr. Prakash S. Kenjale is the Non-Executive Director of the Company. Mr. Kenjale did his M. Tech from IIT, Kanpur in 1974. Soon after, he joined Tata Consultancy Services Limited as Trainee and rose to Senior Consultant. Held several concurrent positions, including CEO, Tata-Intraco Systems Private Limited, Singapore. Helped it grow from a 300 people to a 3000 people company. He was with TCS Group until 1988. Later, he joined Syntel Inc., as Senior Consultant, and held other positions including Chief Technology Officer, Chief Delivery Officer, etc. He helped the Company grow from a mere 70 people to a 5000 people company.

He has traveled widely and worked for 35 years in US, UK, France, Netherlands, Switzerland, Spain, Portugal, India, Singapore, Malaysia, Australia and New Zealand. Mr. Kenjale has proven competencies for new initiative set up; sales and sales support services; delivery management and also architect level expertise. His special skill and attributes include strategic and tactical thinking, creating new initiatives, solving complex problems, mentoring and training.

Mr. Kenjale is a US citizen of Indian origin. He currently stays in Michigan, USA and provides corporate consultancy services.

**EXPLANATORY STATEMENT**  
[Pursuant to Section 173(2) of the Companies Act, 1956]

**Item No.4: Appointment of Mr. N.S. Sappata as Director**

The Board has appointed Mr. N.S. Sappata as an Additional Director with effect from 31.10.2008. He was also appointed as a Member of the Audit Committee.

He holds office of directorship upto the date of the ensuing Sixteenth Annual General Meeting. The Company received a notice in writing from a member along with a deposit of Rs.5,000/- proposing the candidature of Mr. N.S. Sappata for the office of directorship under the provisions of Section 257 of the Companies Act, 1956.

The Board of Directors recommends the resolution for the approval of the Members. None of the Directors of the Company, except Mr. N.S. Sappata himself, are considered or interested in the proposed resolution.

**Information about Mr. N.S. Sappata**

Commander N.S. Sappata has served in Indian Navy from December 1973 to January 2008 as Deputy General Manager in Dockyards, Ship Building Center and served in R&D Unit from November 2001 to January 2008 and served on Board in Ships.

**Item No.5: Appointment of Mr. M.A. Ashok Kumar as Director**

The Board has appointed Mr. M.A. Ashok Kumar as an Additional Director with effect from 30.01.2009. He was also appointed as a Member of the Audit Committee.

He holds office of directorship upto the date of the ensuing Sixteenth Annual General Meeting. The Company received a notice in writing from a member along with a deposit of Rs.5,000/- proposing the candidature of Mr. M.A. Ashok Kumar for the office of directorship under the provisions of Section 257 of the Companies Act, 1956.

The Board of Directors recommends the resolution for the approval of the Members. None of the Directors of the Company, except Mr. M.A. Ashok Kumar himself, are considered or interested in the proposed resolution.

**Information about Mr. M.A. Ashok Kumar**

Mr. M.A. Ashok Kumar holds Masters in Electrical Engineering degree with specialization in Control Systems. He has nearly 25 years of experience in Utility companies. His expertise is in project consultancy for the power sector and industrial shop floor automation. He has dealt with power projects, finance proposals with the World Bank, Asian Development Bank and Power Finance Corporation.

By Order of the Board  
For Danlaw Technologies India Limited

Place: Hyderabad  
Date: 31st July 2009

Raju S. Dandu  
Managing Director

## DIRECTORS' REPORT

To,  
The Members,

Your Directors take pleasure in presenting the 16<sup>th</sup> Annual Report and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2009.

### FINANCIAL PERFORMANCE

Key aspects of your Company's financial performance for the year 2008-09 are tabulated below:

Particulars	2008-09			2007-08		
	DTIL	WOS	Cons.	DTIL	WOS	Cons.
Net sales/Income from operations	568.58	117.38	703.94	825.12	152.38	977.50
Other Income	64.38	-	64.38	55.97	-	55.97
Total Income	650.96	117.36	768.32	881.09	152.38	1033.47
Direct cost	541.35	106.70	648.05	572.45	124.53	696.98
Gross Profit / (Loss)	109.61	10.66	120.27	308.64	27.85	336.49
Selling expenses	57.03	14.54	71.57	57.12	42.93	100.05
General & Admin expenses	189.96	18.18	208.14	210.29	24.51	234.80
Profit (Loss) before Interest, Depreciation and Tax	(137.38)	(22.06)	(159.44)	41.23	(39.59)	1.64
Interest	9.33	-	9.33	5.80	-	5.80
Depreciation	24.59	1.78	26.37	32.70	1.32	34.02
Exceptional Items	1044.75	108.55	1153.30	-	-	-
Extraordinary Items	20.62	-	20.62	-	-	-
Net Profit / (Loss) before tax	(1236.67)	(132.39)	(1369.06)	2.73	(40.91)	(38.18)
Income tax	52.14	-	52.14	2.11	-	2.11
Deferred taxes	(287.92)	(48.72)	(336.64)	13.96	(13.56)	0.40
Profit / (Loss) after tax	(1000.89)	(83.67)	(1084.56)	(13.34)	(27.35)	(40.69)
Paid up equity share capital	372.03	295.66	372.03	372.03	295.66	372.03
Reserves and Surplus (excl. revaluation reserve)	2704.57	(1026.00)	1678.57	2782.06	(165.36)	2616.70
Earnings per share	(26.90)	-	(29.15)	(0.36)	-	(1.09)

The total sales of the Company have come down by 28 %, mostly on the account of 50% drop in the sales of Electronic Goods.

The direct costs include obsolete stock written off amounting to Rs.24.80 lakhs and on account of revaluation of RMA stock valued at Rs.6.32 lakhs. Most of this stock has been purchased as demo stock when we were establishing the division to sell security solutions. Due to advances in technology these products have become obsolete.

The General and Administrative expenses have been reduced significantly. On the other hand bad debts to the tune of Rs.16.53 lakhs have been written off. All of these are from domestic debtors. Your management has made every single effort possible to collect these receivables without success.

Due to global economic slow down, your management has decided reduce the overhead expenses significantly. It is in this context that the Jubilee Hills office has been closed during this year.

Your company has invested in heavily in product development over the years.

In the Embedded Solutions division, we have developed software products related to Digital Signal Processing and Echo Cancellation technologies. An amount of Rs. 167 lakhs that has been spent on this effort has been treated as differed revenue expenditure.

In the Information Technologies division, we have developed a product (ESAP) for US market that addresses the IDEA and Special Education requirements. An amount of Rs. 878 lakhs that has been spent on this effort has been treated as differed revenue expenditure.

While the products have been well received technically, several external factors along with some strategic mistakes have made products not commercially viable. The management has decided to write off the total amount of Rs. 1045 lakhs to P&L account.

### **CORPORATE GOVERNANCE**

The Corporate governance practices are described separately in page no.11, of this Annual Report. We have obtained a certification from the statutory auditor of the Company as to the compliance of the provisions of the relevant clauses of the Listing Agreement. This certificate is given in page no.16.

### **EMPLOYEE PARTICULARS**

No employee of the Company falls within the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### **FIXED DEPOSITS**

The Company has not accepted or invited any deposits and consequently no deposit has matured / become due for repayment as on 31st March 2009.

### **WHOLLY OWNED SUBSIDIARY**

The Company has a wholly owned subsidiary in USA, Danlaw Technologies Inc. The financial statements of the said Company have been attached herewith for complying with the provisions of Section 212 of the Companies Act, 1956.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A management discussion and analysis report, pursuant to clause 49 of the listing agreement forms part of this report and is annexed hereto.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company confirm that :

- a) In the preparation of annual accounts for the year ended 31st March 2009, the applicable accounting standards have been followed along with proper explanation relating to any material departures.
- b) Such accounting policies as mentioned in schedule of the notes to the financial statements have been selected and applied consistently and 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 for the financial year ended 31st March 2009 and of the loss of the Company for the year ended on that date.

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) The annual accounts for the financial year 2008-2009 have been prepared on a going concern basis.

#### **DIRECTORS**

Mr. Naga Satyanarayana Sappata has been appointed as Independent Non- Executive Additional Director w.e.f. 31.10.2008.

Mr. Lloyd R Lawrence resigned as director w.e.f. 30.01.2009. Mr. M.A. Ashok Kumar resigned as Alternate Director w.e.f. 30.01.2009.

Mr. M. A. Ashok Kumar has been appointed as an Independent Non-Executive Additional Director w.e.f. 30.01.2009.

Mr. V.K.Menon resigned as Director w.e.f. 15.02.2009.

#### **AUDITORS**

M/s. A M Reddy & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing annual general meeting. They have expressed their willingness to accept re- appointment.

M/s. A M Reddy & Co., Chartered Accountants have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

#### **CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED U/s.217 (1)(e) OF THE COMPANIES ACT, 1956**

##### **a) Conservation of Energy:**

The Company is engaged in the business of Software and Information Technology. The activity of the Company does not require huge energy / power. The Company is monitoring the consumption of energy and is identifying measures for saving energy. During the year the Company has taken adequate measures to use energy efficiently and reduce avoidable energy consumption.

##### **b) Research & Development and Technology Absorption:**

(i) R & D: Your Company has a team of people working on R & D. This year no revenue expenditure was deferred.

(ii) 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.

(iii) Foreign Exchange Earnings and Outgo: The particulars of foreign exchange earnings and outgo are given below:

<b>Particulars</b>	<b>2008-2009 INR</b>	<b>2007-2008 INR</b>
Earnings	2,49,45,625	3,97,18,129
Outgo	75,58,167	1,28,36,687

## APPRECIATION & ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their sincere thanks to the suppliers, customers, bankers, auditors, registrar and transfer agents and all others associated with the Company for their support and co-operation extended to the Company from time to time.

Your Directors express gratitude to the shareholders of the Company for the confidence reposed in the management. Your directors are also pleased to record their appreciation of the dedicated and sincere services of the employees of the Company.

Hyderabad  
29th May, 2009

By Order of the Board  
for Danlaw Technologies India Ltd.

Raju S Dandu  
Chairman & Managing Director

## Report on Corporate Governance

### 1. The Philosophy and the Policy

The company's philosophy on corporate governance is based on the principles of ethical and responsible decision-making, integrity in financial reporting and recognizing the legitimate interest of the stakeholders. This is achieved through adoption of competitive corporate strategies, prudent business plans and strategic monitoring and mitigation of risks.

Corporate Governance has been a continuous journey at Danlaw always taking into account the welfare of its stakeholders in all its business decisions. Its business culture and practices are founded upon a common set of values that govern its relationships with customers, employees, shareholders, suppliers and the communities in which the company operates. The company follows sound and healthy business practices in all facets of its operations and conducts its business in a transparent manner.

### 2. The Board and its Meetings

The Board consists of five directors of whom three are Independent Non-Executive directors. Four meetings were held during the Financial Year 2008-2009 on 28th April '08, 11th July '08, 31st October '08, and 30th January '09.

The particulars of directors, their attendance and other directorships, memberships / chairmanships of committees for the financial year 2008-2009 are given below:

Name	Category	Attendance at		Particulars of other Indian Directorships, Committee Memberships / Chairmanships		
		Board	Last AGM	Directorship	Committee Membership	Committee Chairmanships
Raju S Dandu	Promoter Executive	4	Yes	1	Nil	Nil
D S N Raju	Promoter Non-Executive	3	Yes	1	Nil	Nil
V. K. Menon****	Independent Non-executive	4	Yes	Nil	-	-
Prakash Kenjale	Independent Non-executive	-	Yes	1	-	-
M. A. Ashok Kumar ***	Independent Non-executive	2	Yes	1	-	-
Lloyd R Lawrence**	Independent Non-executive	-	-	-	-	-
Naga Satyanarayana Sappata*	Independent Non-executive	2	-	-	-	-

\*Mr. Naga Satyanarayana Sappata has been appointed as Independent Non-Executive Additional Director w.e.f. 31.10.2008.

\*\*Mr. Lloyd R Lawrence resigned as director w.e.f. 30.01.2009. Mr. M.A. Ashok Kumar resigned as Alternate Director w.e.f. 30.01.2009.

\*\*\*Mr. M. A. Ashok Kumar has been appointed as Independent Non-Executive Additional Director w.e.f. 30.01.2009.

\*\*\*\* Mr. V.K.Menon resigned as Director w.e.f. 15.02.2009.

### 3. The Committees of the Board

#### a) Audit Committee

As on date the Audit Committee consists of four directors as its members, out of whom three are independent non-executive directors and one is promoter managing director. Its members as on date are : Mr. Prakash S Kenjale, Mr. Naga Satyanarayana Sappata, Mr. M. A. Ashok Kumar and Mr. Raju S Dandu. The Company Secretary Mrs. Kavitha Pakala is the Secretary to the committee.

The Committee met four times during the financial year 2008-2009, on 28th April '08, 11th July '08, 31st October '08, and 30th January '09.

The terms of reference to the Audit Committee are in line with the powers, duties and responsibilities stipulated in the 'Audit Committee Charter' drafted as per Clause 49 of the Listing Agreement and adopted by the Board.

#### b) Remuneration Committee

The company has a Remuneration Committee comprising the Non-executive Directors Mr. M A Ashok Kumar [Chairman], Mr. Prakash S Kenjale. The terms of reference are review of the compensation policy for the Executive Directors. Accordingly, they are authorised to negotiate, finalise and approve the terms of appointment for Managing Director/Whole-time Directors on behalf of the company.

##### Details of remuneration to directors

Non-Executive directors are not paid any remuneration, except sitting fee @ Rs.5,000/- per meeting attended by them.

The Managing Director is paid monthly remuneration by way of salary as approved by the committee, board and the members. The following is the remuneration paid to the directors during the financial year 2008 - 2009:

Name	Salary	Contribution To PF	Perks	Sitting Fee	TOTAL
Raju S Dandu	9,90,640	1,18,876	6,854	-	11,16,370
D S N Raju	-	-	-	-	-
V K Menon	-	-	-	-	-
Prakash S Kenjale	-	-	-	-	-
M A Ashok Kumar	-	-	-	-	-
Mr. Naga Satyanarayana Sappata	-	-	-	20,000	20,000

#### c) Share Transfer and Investors' Grievance Committee

Mr. M A Ashok Kumar and Mr. Raju S Dandu are members of the committee. While Mr. Ashok Kumar is the Chairman, Mrs. Kavitha Pakala, Company Secretary is the Compliance Officer and is responsible for the share transfers / demat and remat requests.

M/s. Sathguru Management Consultants Pvt. Ltd., the Registrars and Share Transfer Agents, maintains the share accounting package and upgrades the data on weekly basis, as per the information received from NSDL / CDSL. No investor complaints were received during the entire financial year.

#### 4. General Body Meetings

Year	Meeting	Date, Venue & Time	Special Resolutions passed at the meetings
2005-2006	AGM	28th September, 2006 Regd. Office 11.00 a.m.	1. Re-appointment of Sri Raju S Dandu as Managing Director
			2. Re-appointment of Sri D S N Raju as Executive Director
2006-2007	AGM	29th September, 2007 Regd. Office 11.00 a.m.	Nil
2007-2008	AGM	27th September, 2008 Regd. Office 11.00 a.m.	Nil

#### 5. Disclosures

The details of transactions with related parties are given in 16.2.6 of the 'Notes on Accounts' at page no.33, forming part of the accounts. There were no potentially conflicting transactions with the related parties. There were no 'charges of non-compliance' against the company.

#### 6. Means of Communication

The periodical financial results are being released in the prescribed format within the prescribed time period from time to time. They were also sent to the Stock Exchanges promptly. These results were published in Financial Express and Andhra Prabha and were also posted on the website of the company, [www.danlawtechnologies.com](http://www.danlawtechnologies.com).

The quarterly financial results and the shareholding patterns were also uploaded onto EDIFAR (Electronic Data Information and Retrieval) of SEBI pursuant to the provisions of clause 51 of the Listing Agreement.

Official news releases, if any, shall also be promptly informed to the stock exchange alongwith posting of the same on the company's website. The company has not made any presentations to any institutional investors or analysts during the year under review.

## GENERAL SHAREHOLDERS INFORMATION

**(A) GENERAL INFORMATION**

General information about the Company, viz., Contacts, Names of Directors, Compliance Officer, Management Team, addresses of Registered Office, Subsidiary, Statutory Auditors, Bankers, and Depository Registrars & Share Transfer Agents are provided at Page 2.

**(B) OTHER INFORMATION**

Annual General Meeting

Day	:	Wednesday
Date	:	30 <sup>th</sup> September, 2009
Time	:	10.00 a.m.
Venue	:	Registered Office, at Plot No. 43, Sagar Society, Road No. 2, Banjara Hills, Hyderabad 500 034.
 Date of Book Closure	:	27 <sup>th</sup> to 30 <sup>th</sup> September, 2009 (both days inclusive)
 Financial Year	:	1st April 2008 to 31st March 2009
 Listing Details	:	Bombay Stock Exchange Limited
 Stock Code	:	532329
 ISIN for NSDL & CDSL	:	INE310B01013

**(C) Market Price Data & Comparison with BSE Sensex**

Month	Danlaw		Sensex	
	High	Low	High	Low
April 2008	23.95	18.05	17,480.74	15,297.96
May	22.60	18.05	17,735.70	16,196.02
June	20.70	15.55	16,632.72	13,405.54
July	18.35	13.60	15,130.09	12,514.02
August	17.90	14.10	15,579.78	14,002.43
September	15.80	9.28	15,107.01	12,153.55
October	11.00	7.41	13,203.86	7,697.39
November	11.30	7.01	10,945.41	8,316.39
December	9.40	6.98	10,188.54	8,467.43
January 2009	9.45	7.36	10,469.72	8,631.60
February	8.61	7.03	9,724.87	8,619.22
March	8.30	6.90	10,127.09	8,047.17

Source: [www.bseindia.com](http://www.bseindia.com)

(D) **Distribution of Shareholding as on March 31, 2009**

Category	Shareholders	%	Shares	%
1-5000	1195	73.67	19,29,460	5.19
5001-10000	187	11.53	15,63,210	4.20
10001-20000	93	5.73	14,20,080	3.82
20001-30000	40	2.47	10,01,820	2.69
30001-40000	15	0.92	5,21,140	1.40
40001-50000	20	1.23	9,65,510	2.60
50001-100000	30	1.85	21,73,010	5.84
100001 & Above	42	2.59	2,76,28,770	74.26
<b>Total</b>	<b>1622</b>	<b>100.00</b>	<b>3,72,03,000</b>	<b>100.00</b>

(E) **Categories of Shareholders as on March 31, 2009**

Category	Shareholders	%
Promoters & Promoter Group	18,50,605	49.74
Banks / FIs / MFs / Governments	43,000	1.16
Bodies Corporate	2,83,442	7.62
NRIs / OCBs	4,969	0.13
Indian Public	15,38,284	41.35
<b>Total</b>	<b>3,72,03,000</b>	<b>100.00</b>

(F) **Shares & Dematerialization**

As per SEBI Regulations, the shares of the Company are brought under compulsory dematerialized form. The shares can be traded in dematerialized form only. The Company has entered into agreements with NSDL and CDSL, whereby shareholders have the option to dematerialize their shares with either of the Depositories. The Depository Registrars & Share Transfer Agents, M/s. Sathguru Management Consultants Private Limited, process the physical share transfers and demat / remat requests, with intimation to the Company. More than 95% of shares are dematerialized and there are no outstanding ADRs / GDRs or other instruments pending conversion into equity shares.

## CORPORATE GOVERNANCE CERTIFICATE

The Members of  
M/s. Danlaw Technologies India Limited  
Hyderabad

We have examined the compliance of the conditions of Corporate Governance by M/s. Danlaw Technologies India Limited for the year ended on 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 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 in respect of investor grievances received during the year ended 31st March, 2009 no investor grievances are pending against the Company as on 30th April, 2009 as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

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

PLACE: HYDERABAD.  
DATE: May 29, 2009

for A.M.REDDY & CO.,  
CHARTERED ACCOUNTANTS

(CA. KISHORE KUMAR. K)  
PARTNER  
Membership No. 215459

## DECLARATION OF COMPLIANCE OF CODE OF CONDUCT

I hereby declare that the Company has obtained confirmation from all the Board Members and Senior Management personnel of the Company for the compliance of the Code of conduct of the Company for the year.

Place: Hyderabad  
Date: May 29, 2009

Raju S Dandu  
Chairman & Managing Director

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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview

The financial statements have been prepared in compliance with Generally Accepted Accounting Principles (GAAP) in India. The financial statements for Danlaw Technologies Inc. (our US subsidiary) have been prepared in compliance with US GAAP. Our Management accepts full responsibility for the integrity of these financial statements.

### Industry Structure and Development

Globalization along with changing economic and business conditions is creating an increasingly competitive market environment. Proliferation of internet is driving the companies to transform the manner in which they operate.

To address the increasing demand for accelerated delivery times and lower prices for products and services, companies are using outsourced technology service providers to improve productivity while they focus on their core competencies. In addition, companies are also considering long term relationship with offshore technology providers to support them in their Research & Development and related support functions.

The NASSCOM Strategic Review 2009 indicates that companies experience cost savings of 60-70% by outsourcing to India as compared to the other locations, and suggests that the cost advantage offered by Indian industry is sustainable over the long term.

Danlaw's ability to design, develop, implement and maintain advanced technologies and engineered solutions to address our clients' needs gives us a competitive advantage. Our model effectively integrates onsite and offshore execution capabilities to deliver seamless solutions. We continue to develop and maintain knowledge of broad range of existing and emerging technologies.

The continued focus areas of your company are Embedded Engineering Solutions (Hardware, Firmware and Software), Information Technology Services, and Intelligent Security Solutions. The diversification along with presence in both Indian and Overseas markets is our key for sustainability.

### Opportunity And Threats

#### Opportunities

The NASSCOM Strategic Review 2009 indicates that the large and growing pool of skilled professionals has been the key driver of the rapid growth in the Indian IT sector. According to the Review, the total graduate out-turn in India in fiscal 2009 is estimated at 3.5 million including a technical graduate out-turn more than half a million. The Review indicates that India accounts for over 28% of the total suitable talent pool available to work across all the potential global sourcing low cost locations. Your company will continue to make strategic investments in human resources.

#### Threats, Risks and Concerns

The continued weakness of Rupee as against US Dollar makes our imports (Security Products) more expensive. The recession of a magnitude never seen before in the global auto industry and specifically the US auto industry

makes our revenues unpredictable for the next year. We have taken several steps to mitigate the impact of the current crisis.

### **Performance and Outlook**

The Engineering division continues to develop technologically advanced and complex solutions for both the domestic and overseas customers. Even in the economic downturn, an automotive tier-I supplier has expanded the offshore development team from 3 to 7. The team has performed extremely well even under very demanding circumstances.

The Information Technologies division has successfully developed all the modules for the Municipal Administration System for Kolkata Urban Services for Poor (KUSP). All the modules have been accepted in principles and the 3-Year maintenance phase should be starting soon. The division continues to present this product for opportunities in other states.

The Intelligent Security Solutions division has struggled with sales during the fiscal year but sees some positive signs for the fiscal year 2009-10.

### **Business Outlook**

Your company focused on forging relationships with new clients, especially in the non-automotive sector, while continuing to strengthen relationships with our existing customers. Your company managed to achieve some critical supplier status with some of the automotive customers even during their restructuring. With the strategic steps we have taken, we are confident that we will be stronger when the economic uncertainties end.

### **Internal Control System and its Adequacy**

Your company has a policy of maintaining effective internal control system and also focuses on strict implementation of these policies and procedures so as to safe guard the assets and interests of the company.

Your company has as Audit Committee comprising of two-thirds of independent Directors of the company. The findings of internal audit are periodically placed before the Audit Committee and the Board of Directors of the Company. The Audit Committee also reviews periodically the performance of statutory and internal auditors, and adequacy of the internal control systems.

In order to ensure that the financial transactions comply with current legislative requirements and accounting standards, your company has developed a Financial Accounting Procedure Manual (FAM). The FAM contains procedures, which cover the effective and efficient financial administration of the company.

### **Finacial Performance**

During the year under review the Paid up Share Capital of the Company as on date is Rs. 3,72,03,000/- comprising of 37,20,300 Equity Share of Rs. 10/- each. Your Company hasn't gone for any issue of shares during the fiscal year 2008-09

The Net Sales for the current year are 704 Lakhs as compared to 977 Lakhs in the last fiscal year and this represents a year over year drop of 28%

For Danlaw Technologies Inc. (WOS), the loss has been reduced to about 47 Thousand US Dollars as compared to 103 Thousand in the previous year and this represent a reduction of 55% in loos.

The General and Administrative expenses have been reduced by 10% even after inclusion of 16.53 Lakhs of Bad Debts written off.

The exchange gain of 5.23 Lakhs as against the loos last year of 25.70 Lakhs has affected earnings (slightly) positively for the curent fiscal year.

### **Material Development In Human Resources**

Your Company believes that the quality of its employees is the key to success in the long run and is committed to provide the necessary training opportunities to enable them to adapt to the latest technological advancements. Additionally, we are taking steps to ensure the resources we have are utilized optimally.

As on date the Company has a total strength of 87 Employees.

### **Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Companies objectives, projections, estimated and expectations may be forward -looking statement. Actual results may vary materially from those expressed of implied.

## AUDITORS' REPORT

The Members of  
DANLAW TECHNOLOGIES INDIA LIMITED,  
HYDERABAD.

1. We have audited the attached Balance Sheet of M/s. DANLAW TECHNOLOGIES INDIA LIMITED as at 31st March, 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. *Further to our comments in the Annexure referred to in paragraph 3 above, 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(vi) In our opinion to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956 and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
- (b) In the case of the Profit and Loss account, of the Loss for the year ended on that date;
- and
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for A.M.REDDY & CO.,  
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD.  
DATE : May 29, 2009

(CA. KISHORE KUMAR. K)  
PARTNER  
Membership No. 215459

## ANNEXURE TO THE AUDITORS' REPORT

( Referred to in paragraph (3) of our report of even date )

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stock of goods of the company has been physically verified by the management during the year, in our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of records of stock, in our opinion, the company has maintained proper records of stock. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. (a) The company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s.301 of the Act.
- (b) The company has not taken any interest free loans from companies, firms or other parties listed in the register maintained u/s.301 of the Act.
4. *In our opinion and according to the information and explanations given to us, there is adequate internal control system with the size of the company and the nature of its business, for the purchase of plant and machinery, equipment and other and with regard to services rendered. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.*
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of Act, have been so entered.

- (b) In our opinion, and according to the information and explanations given to us, the company has made contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of each party during the year. However, the terms and conditions are not prejudicial to the interest of the company.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
9. (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
10. The company has accumulated losses of Rs.909.39 lakhs as on 31.03.2009 and it has incurred cash losses of Rs.1212.07 lakhs during the financial year ended on that date. However there are no cash losses in the immediately preceding financial year.
11. The company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.

14. In our opinion, the company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures, and other investments during the year and timely entries have been made therein. Further, such securities have been held by the company in its own name or are in the process of transfer in its name except to the extent of exemption granted u/s.49 of the Act.
15. The company has not given any guarantees for loans taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion are prima facie prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us and on an overall examination, we report that the company has not availed any term loan during the year under report.
17. Accordingly to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

for A.M.REDDY & CO.,  
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD.

DATE : May 29, 2009

(CA. KISHORE KUMAR. K)  
PARTNER  
Membership No. 215459

## Balance Sheet as at

		in Rs.	
	Schedule	31-03-2009	31-03-2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	3,72,03,000	3,72,03,000
Reserves and Surplus	2	27,04,57,400	26,90,57,400
Secured Loans	3	1,78,59,459	5,09,400
		<b>32,55,19,859</b>	<b>30,67,69,800</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	4,92,61,160	5,28,77,685
Less: Depreciation		3,67,95,599	3,59,57,683
Net Block		1,24,65,561	1,69,20,002
INVESTMENTS	5	2,95,66,245	2,95,66,245
DEFERRED TAX ASSET (NET)	6	4,77,47,733	1,89,55,610
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	7	8,02,84,131	6,68,77,583
Cash and bank balances	8	6,16,46,575	6,67,65,313
Loans and advances	9	1,77,02,276	2,24,10,121
Inventory		40,80,022	1,30,85,692
		<b>16,37,13,004</b>	<b>16,91,38,709</b>
Less: Current liabilities & Provisions	10	1,89,12,247	2,31,37,501
NET CURRENT ASSETS		<b>14,48,00,757</b>	<b>14,60,01,208</b>
Miscellaneous Expenditure: (to the extent not written off or adjusted)	11	-	10,44,75,117
Profit & Loss Account		9,09,39,563	(91,48,382)
		<b>32,55,19,859</b>	<b>30,67,69,800</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	16		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

for and on behalf of the Board

For **A.M. REDDY & CO**  
Chartered Accountants

**RAJU S DANDU**  
Chairman &  
Managing Director

**M.A. ASHOK KUMAR**  
Director

**(CA. KISHORE KUMAR K.)**  
Partner

Hyderabad  
May 29, 2009

**P. KAVITHA**  
Company Secretary

## Profit and Loss Account for the period ended

		in Rs.		
		Sched ule	31-03-2009	31-03-2008
<b>INCOME</b>				
Income from Operations				
- Exports			2,49,45,625	3,97,18,129
- Domestic			3,37,12,388	3,69,40,078
- Work-in-progress			-	58,53,758
Other income	12		64,38,288	55,97,101
			<b>6,50,96,301</b>	<b>8,81,09,066</b>
<b>EXPE NDITURE</b>				
Direct Cost	13		5,41,35,438	5,72,45,340
Selling Expenses	14		57,02,611	57,11,665
General and Administration expenses	15		1,89,95,732	2,10,29,340
			<b>7,88,33,781</b>	<b>8,39,86,345</b>
Operating Profit [PBIDT]			<b>(1,37,37,480)</b>	41,22,721
Interest			9,33,226	5,80,183
Depreciation			24,58,520	32,70,009
Exceptional Items			10,44,75,117	-
Extraordinary Items			20,61,616	-
<b>Profit / (Loss) before tax</b>			<b>(12,36,65,959)</b>	2,72,529
Less: Fringe benefit tax			1,40,312	1,82,712
Provision for current year income tax			-	27,798
Provision for earlier years income tax			50,73,797	-
Deferred Tax			<b>(2,87,92,123)</b>	13,96,205
<b>Profit / (Loss) after tax</b>			<b>(10,00,87,945)</b>	<b>(13,34,186)</b>
Profit carried forward from last year			91,48,382	1,04,82,568
<b>AMOUNT TRANSFERRED TO BALANCE SHEET</b>			<b>(9,09,39,563)</b>	91,48,382
Basic & dilluted EPS			<b>(26.90)</b>	(0.36)

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

16

The schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account for and on behalf of the Board referred to in our report of even date

For A.M. REDDY & CO  
Chartered Accountants

RAJU S DANDU  
Chairman &  
Managing Director

M.A. ASHOK KUMAR  
Director

(CA. KISHORE KUMAR K.)  
Partner

Hyderabad  
May 29, 2009

P. KAVITHA  
Company Secretary

## Schedules to the Balance Sheet as at

in Rs.

		31-03-2009	31-03-2008
<b>1.</b>	<b>SHARE CAPITAL</b>		
	<b>AUTHORISED</b>		
	50,00,000 Equity Shares of Rs.10/- each	<b>5,00,00,000</b>	5,00,00,000
	<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
	37,20,300 Equity Shares of Rs.10/- each Fully Paid	<b>3,72,03,000</b>	3,72,03,000
		<b>3,72,03,000</b>	3,72,03,000
<b>2.</b>	<b>RESERVES AND SURPLUS</b>		
	Share premium account	<b>26,58,07,400</b>	26,58,07,400
	Convertible warrants forfeited	<b>32,50,000</b>	32,50,000
	Investment Subsidy	<b>14,00,000</b>	
		<b>27,04,57,400</b>	26,90,57,400
<b>3.</b>	<b>SECURED LOANS</b>		
	Car loans from HDFC Bank Limited	5,57,388	5,09,400
	The Dhanalakshmi Bank Ltd	1,73,02,071	
		<b>1,78,59,459</b>	<b>5,09,400</b>

#### 4. FIXED ASSETS

in Rs.

Assets	Gross Block				Depreciation				Net Block	
	Cost as at 31-03-2008	Additions during the year	Deductions during the year	Cost as at 31-03-2009	Total upto 31-03-2008	For the year	Deductions during the year	As at 31-03-2009	As at 31-03-2009	As at 31-03-2008
Additions to Leasehold premises	15,81,920		97,070	14,84,850	1,95,818	25,326	9,368	2,11,776	12,73,074	13,86,102
Computers & Software	2,94,99,608	7,27,045	3,34,420	2,98,92,233	2,78,48,739	11,53,658	2,05,657	2,87,96,740	10,95,493	16,50,869
Office Equipment	18,41,435		4,11,452	14,29,983	5,65,740	86,941	1,15,050	5,37,631	8,92,352	12,75,695
Electrical Equipment	13,03,432			13,03,432	4,31,114	57,226		4,88,340	8,15,092	8,72,318
Lab Equipment	14,56,827			14,56,827	3,79,703	69,010		4,48,713	10,08,114	10,77,124
D G set	6,96,370		4,01,754	2,94,616	2,16,747	28,295	1,08,842	1,36,200	1,58,416	4,79,623
Elevator	3,25,123			3,25,123	1,24,874	15,401		1,40,275	1,84,848	2,00,249
Air-Conditioners	22,81,577		6,45,069	16,36,508	7,40,988	1,00,544	1,65,279	6,76,253	9,60,255	15,40,589
Furniture & Fixtures	81,78,393		19,47,001	62,31,392	36,78,104	4,85,972	6,97,982	34,66,094	27,65,298	45,00,289
Office Interiors	19,85,586		67,768	19,17,818	6,76,762	93,266	18,433	7,51,595	11,66,223	13,08,824
Vehicles	37,27,414		4,39,036	32,88,378	10,99,093	3,42,881	2,99,993	11,41,981	21,46,397	26,28,321
<b>Grand Total</b>	<b>5,28,77,685</b>	<b>7,27,045</b>	<b>43,43,570</b>	<b>4,92,61,160</b>	<b>3,59,57,682</b>	<b>24,58,520</b>	<b>16,20,604</b>	<b>3,67,95,598</b>	<b>1,24,65,562</b>	<b>1,69,20,003</b>
<b>Previous Year</b>	<b>5,19,62,992</b>	<b>9,14,693</b>		<b>5,28,77,685</b>	<b>3,26,87,673</b>	<b>32,70,009</b>		<b>3,59,57,682</b>	<b>1,69,20,003</b>	<b>1,92,75,319</b>

## Schedules to the Balance Sheet as at

		in Rs.	
		31-03-2009	31-03-2008
5.	<b>INVESTMENTS</b>		
	Investment in Danlaw Technologies Inc (WOS)	2,95,66,245	2,95,66,245
		<b>2,95,66,245</b>	<b>2,95,66,245</b>
6.	<b>DEFERRED TAX ASSET (NET)</b>		
	Fixed Assets	(29,48,702)	(27,40,259)
	Investments	70,48,963	70,48,963
	Others	4,36,47,472	1,46,46,906
		<b>4,77,47,733</b>	<b>1,89,55,610</b>
7.	<b>SUNDRY DEBTORS</b>		
	Debts outstanding for a period less than six months		
	Unsecured considered good	2,23,30,276	3,03,43,305
	Debts outstanding for a period exceeding six months	5,79,53,855	3,65,34,278
		<b>8,02,84,131</b>	<b>6,68,77,583</b>
8.	<b>CASH AND BANK BALANCES</b>		
	Cash on hand	4,093	4,816
	Balances with banks		
	- in current accounts	3,83,135	23,54,486
	- in EEFC accounts	436	141
	- in deposit accounts in Indian rupees	6,12,58,911	6,44,05,870
		<b>6,16,46,575</b>	<b>6,67,65,313</b>
9.	<b>LOANS AND ADVANCES</b>		
	Unsecured, considered good		
	Advances recoverable in cash or in kind or for value to be received		
	Earnest Money Deposit	30,454	53,502
	Power Incentive receivable	-	2,71,309
	Advances for expenses	5,80,640	9,70,121
	Rent deposits	13,96,352	24,27,000
	Deposit with Government Agencies	4,72,305	5,19,685
	Prepaid Expenses	1,01,386	1,21,907
	Interest Receivable	46,80,655	39,92,905
	Tax Deduction at Source	26,37,836	75,49,306
	Intercorporate Deposits	78,02,648	65,04,386
		<b>1,77,02,276</b>	<b>2,24,10,121</b>

## Schedules to the Balance Sheet as at

		in Rs.	
		31-03-2009	31-03-2008
<b>10.</b>	<b>CURRENT LIABILITIES</b>		
	Sundry Creditors - for goods	53,77,188	63,68,116
	- for services	73,53,359	86,57,229
	- for expenses	58,44,856	75,89,349
	Outstanding dues of micro and small enterprises	-	-
	Advances from customers	3,31,532	4,75,542
	Provision for Current Year Income Tax	-	27,798
	Provision for Fringe Benefit Tax	5,312	19,467
		<b>1,89,12,247</b>	<b>2,31,37,501</b>
<b>11.</b>	<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED.</b>		
	R&D Expenses	-	10,44,75,117
		-	<b>10,44,75,117</b>

## Schedules to P & L Account

		<i>in Rs.</i>	
		31-03-2009	31-03-2008
12.	<b>OTHER INCOME</b>		
	Interest Income	57,75,394	53,46,871
	(TDS - Rs.12,60,174/-, Previous year Rs. 11,99,071/-)		
	Exchange Gain (net)	5,22,935	-
	Interest on IT Refund	75,852	75,985
	Miscellaneous Income	64,107	1,74,245
		<b>64,38,288</b>	<b>55,97,101</b>
13.	<b>DIRECT COST</b>		
	Salaries & other benefits	2,68,32,490	2,69,75,421
	Sub-contract works	27,04,051	7,37,212
	Cost of Biometric goods sold	1,13,94,215	1,92,99,508
	Obsolete Stocks Written Off	31,11,478	-
	Cost of electronic components	30,14,497	52,51,589
	Work-in-progress (opening)	58,53,758	31,53,044
	Freight outward	1,55,841	2,08,090
	Transit insurance	19,768	28,489
	Travel & Conveyance	10,49,340	15,91,987
		<b>5,41,35,438</b>	<b>5,72,45,340</b>
14.	<b>SELLING EXPENSES</b>		
	Salaries & other benefits	45,44,412	45,18,276
	Travel & Conveyance	7,72,838	8,62,467
	Business development expenses	1,38,597	1,95,706
	Sales commission	2,11,000	1,35,216
	Advertisement	35,764	-
		<b>57,02,611</b>	<b>57,11,665</b>
15.	<b>ADMINISTRATION AND OTHER EXPENSES</b>		
	Advertisement	40,191	35,201
	AGM Expenses	18,486	15,580
	Audit expenses	2,200	1,235
	Auditor's remuneration - audit fees	70,000	56,180
	Bank charges and commission	76,302	76,636
	Books & Periodicals	15,928	15,948
	Bad debts written off	16,53,228	-
	Depository Registrar Fee	55,147	77,243
	Directors sitting fee	20,000	40,000
	Exchange Loss (Net)	-	25,70,059
	Insurance Charges	3,09,816	4,37,092
	Internet Service Charges	4,16,644	4,58,363
	Legal & Professional Charges	3,79,218	2,80,739
	Listing Fee	11,084	10,300
	Membership Fee	2,247	16,039
	Miscellaneous Expenses	15,312	79,849
	Office Maintenance	13,04,698	13,32,635
	Postage & Telegrams	50,122	33,352
	Power and Fuel	13,05,541	14,21,602
	Printing and Stationery	1,53,708	1,74,109
	Registration, Licence & Filing Fee	1,81,844	26,918
	Rent, Rates & Taxes	62,27,315	61,97,460
	Salaries & other benefits	49,49,432	51,15,112
	Staff Recruitment & Training	56,181	1,22,090
	Staff welfare	7,86,975	7,28,312
	Telephone charges	6,67,208	7,77,442
	Travel and Conveyance -		
	Directors	1,42,372	7,17,622
	Others	84,533	2,12,222
		<b>1,89,95,732</b>	<b>2,10,29,340</b>

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## **16. Significant Accounting Policies And Notes On Accounts**

### **16.1 Significant accounting policies**

#### **16.1.1 Basis for preparation of financial statements**

The financial statements have been prepared under the historical-cost convention and as a going concern as per the Generally Accepted Accounting Principles and the Provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

#### **16.1.2 Revenue recognition**

Revenue from software development is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the work completed.

#### **16.1.3 Expenditure**

Expenses are accounted on accrual basis.

#### **16.1.4 Fixed assets**

Fixed assets are stated at the cost of acquisition, less accumulated depreciation. Cost comprises of purchases and attributable cost.

#### **16.1.5 Inventory**

Inventory is valued at cost and work-in-progress is valued at cost or realizable value whichever is less.

#### **16.1.6 Depreciation**

Depreciation on fixed assets is provided on pro-rata basis on straight-line method at the rates specified in Schedule XIV of the Companies Act 1956.

#### **16.1.7 Research and development**

Revenue expenditure - direct expenses on R&D incurred during the year for the development of products are treated as deferred revenue expenditure. The amount shall be amortized against the revenues to be earned over a period of time, to be determined at the time of product launch.

#### **16.1.8 Foreign currency transactions**

In the case of sales made to clients outside India, income is accounted on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sale proceeds on conversion into Indian currency upon actual receipt.

In the case of expenditure in foreign currency, the expenses are accounted on the basis of exchange rate as on the date of the transaction. In case expenses are met out of EEFC accounts, the same is accounted for at the rate at which the EEFC funds are maintained in the books of account.

#### **16.1.9 Investments**

Long-term investments are stated at cost. The short-term investments are valued and carried at cost or fair value whichever is lower. In case of sale of investments, the gain/loss is brought into the books of account.

#### **16.2 Notes on accounts**

The previous year's figures have been regrouped, reclassified / restated, wherever necessary, to conform to the current year's classification.

##### **16.2.1 Contingent liabilities**

The Company has outstanding counter guarantees of Rs.82,11,381/- as at March 31, 2009, to various banks, in respect of guarantees given by the said banks in favor of bodies corporate to the extent of Rs.80,18,856/- and Rs.1,92,525/- to government authorities. The counter guarantees outstanding as at the previous year-end was Rs. 1,10,20,400/- and Rs.12,05,108/- respectively.

##### **16.2.2 Quantitative details**

The information as required under paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 are not applicable to this company.

##### **16.2.3 Taxes on Income as per Accounting Standard 22**

a) In accordance with the Accounting Standard (AS) 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, an amount of Rs. 287.92 lakhs has been recognized in Profit & Loss Account as Deferred Tax Asset accrued during the year.

b) Major components of deferred tax assets on account of timing differences are -.

<b>Year ended March 31</b>	<b>2009</b>	<b>2008</b>
Fixed Assets	2,08,443	(5,58,141)
Investments	--	--
Others	(2,90,00,566)	19,54,346
<b>Total</b>	<b>(2,87,92,123)</b>	<b>13,96,205</b>

#### 16.2.4 Secured Loans:

Overdraft facility from The Dhanalakshmi Bank Ltd is secured against the fixed deposits of the Company.

#### 16.2.5 Managerial Remuneration

The following managerial remuneration was paid as per the board of director's decision and approved by the shareholders.

Whole time Directors		Rs.
Particulars	Raju S. Dandu, CMD	
Salary	9,90,640	
Contribution to PF	1,18,876	
Medical	6,854	
<b>Total</b>	<b>11,16,370</b>	

#### 16.2.6 Related Party transactions

The Company had transactions with the following related parties:

Danlaw Inc., USA (DI) in which Mr. Raju S Dandu is CEO; Danlaw Technologies Inc., USA, (DTI) which is 100% Subsidiary of Danlaw Technologies India Ltd; Danlaw Systems India Ltd., in which Mrs. Lakshmi Dandu wife of Mr. Raju S Dandu is director; Mr. Raju S Dandu, Chairman & Managing Director (CMD); Mr. D S N Raju, Director; and Mrs. D Lakshmi, wife of Mr. D S N Raju.

Summary of the transactions with the above related parties is as follows:

Nature of transaction	Transactions for the year ended March 31,		Balance as at March 31	
	2009	2008	2009	2008
Sales				
Danlaw Inc	-	9.86	117.42	117.42
Danlaw Technologies Inc	246.67	334.96	545.47	369.61
Purchases				
Danlaw Inc	2.07	5.72	19.30	17.23
Danlaw Technologies Inc	-	8.13	53.88	53.88
Remuneration				
Raju S Dandu	11.16	12.10	----	----
Lease Rentals				
D. Lakshmi	40.50	38.57	5.74	19.03
ICD				
Danlaw Systems (I) Ltd	12.98	16.28	113.52	96.69
Investment (WOS)				
Danlaw Technologies Inc	-	-	295.66	295.66

The receivables and payables are confirmed by the Danlaw Inc as well Danlaw Technologies Inc.

**16.2.7 Segment reporting**

The company's sales are basically related to providing software development services delivered to customers situated at USA. Hence the primary and secondary segment reporting is based on the software development services to USA only.

**16.2.8** There are no dues to small Scale Industrial undertakings outstanding above Rs. one lakh and exceeding 30 days.

**16.2.9 Imports on CIF basis**

	In Rs.	
Year ended March 31	2009	2008
Capital goods	- NIL -	- NIL -

**16.2.10 Expenditure in foreign currency**

	In Rs.	
Year ended March 31	2009	2008
Expenditure	75,58,167	1,28,36,687

**16.2.11 Earnings in foreign exchange**

	In Rs.	
Year ended March 31	2009	2008
Income from software development services and products on accrual basis	2,49,45,625	3,97,18,129

**16.2.12** Outstanding dues to Micro, Small and Medium Enterprises under the MSME Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below.

Year ended March 31	2009	2008
a) Principal amount remaining unpaid	NIL	NIL
b) Interest due thereon	NIL	NIL
c) Interest paid by the company in terms of section 16 of MSME development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year	NIL	NIL

Year ended March 31	2009	2008
d) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSME Development Act, 06	NIL	NIL
e) Interest accrued and remaining unpaid	NIL	NIL
f) Further interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprises.	NIL	NIL

**16.2.13 Exceptional Items :**

R & D and development costs earlier treated as deferred revenue expenditure is written off as the products are abandoned.

**16.2.14 Extraordinary Items:**

Loss on sale / disposal of fixed assets consequent to closure of office premises at Jubilee Hills.

**16.2.15 Income Tax Provision for earlier years:**

The Income Tax Appeal before ITAT for Asst Year 2001-02 has been decided in favour of revenue during the year under consideration and hence charged to the P&L account.

**16.2.16 Obsolete Stocks written off:**

Most of this stock has been purchased as demo stock when the company was establishing the division to sell security solutions. Due to advances in technology these products have become obsolete and hence written off.

Signatures to Schedules 1 to 16

for and on behalf of the Board

For **A.M. REDDY & CO**

Chartered Accountants

**RAJUS DANDU**

Chairman &

Managing Director

**M.A. ASHOK KUMAR**

Director

**(CA.KISHORE KUMAR.K)**

Partner

Hyderabad  
May 29, 2009

**P. KAVITHA**  
Company Secretary

## Statement of cash flows for the year ended March 31

	in Rs.	
	2009	2008
<b>Cash flows from operations</b>		
Profit from operations	(12,36,65,959)	2,72,529
Depreciation and depletion	24,58,520	32,70,009
Income Taxes paid	(1,40,312)	(1,82,712)
Loss on sale of fixed assets	(20,61,616)	-
Investment Subsidy	14,00,000	-
Decrease (increase) in sundry debtors	(1,34,06,548)	(1,47,95,260)
Decrease (increase) in loans and advances	47,07,845	(52,02,131)
Decrease (increase) in inventory	90,05,670	(45,35,144)
Increase (decrease) in current liabilities	(42,25,254)	(19,40,091)
Increase (decrease) in provisions	(50,73,797)	(27,798)
Decrease (Increase) in miscellaneous expenditure	10,44,75,117	(41,51,523)
<b>Net cash from operations</b>	<b>(2,65,26,334)</b>	<b>(2,72,92,121)</b>
<b>Cash flows from financing</b>		
Secured loans	1,73,50,059	(12,18,660)
<b>Net cash from financing</b>	<b>1,73,50,059</b>	<b>(12,18,660)</b>
<b>Cash flows from investing</b>		
Proceeds of sale of fixed assets	6,61,350	-
Purchase of Fixed Assets	33,96,187	(9,14,692)
Investments	-	8,86,660
<b>Net cash from investing</b>	<b>40,57,537</b>	<b>(28,032)</b>
Total increase (decrease) in cash and equivalents during the year	<b>(51,18,738)</b>	<b>(2,85,38,813)</b>
Cash and equivalents at the beginning of the year	<b>6,67,65,313</b>	<b>9,53,04,126</b>
Cash and equivalents at the end of the year	<b>6,16,46,575</b>	<b>6,67,65,313</b>

These are the Cash Flow Statements referred to in our report of even date

**For A.M. REDDY & CO**  
Chartered Accountants

for and on behalf of the Board

**(CA.KISHORE KUMAR.K)**  
Partner

**RAJU S DANDU**  
Chairman &  
Managing Director

**M.A. ASHOK KUMAR**  
Director

Hyderabad  
May 29, 2009

**P. KAVITHA**  
Company Secretary

## Balance Sheet Abstract And Company's General Profile

I)	Registration No.	<b>15099</b>	StateCode :	<b>01</b>
	Corporate Identification No. (CIN)	<b>L72200AP1992PLC015099</b>		
II)	Capital raised during the year (Amount in Rs.in'000)			
	Public Issue	- NIL -	Right Issue	- NIL -
	Bonus Issue	- NIL -	Private Placement	- NIL -
III)	Position of Mobilization and deployment of funds:(A mount in Rs.in ,000)			
	Total Liabilities	<b>3,25,520</b>	Total Assets	<b>3,25,520</b>
	Sources of Funds		Application of Funds	
	Paid-upCapital	<b>37,203</b>	Net Fixed Assets	<b>12,466</b>
	Reserves & Surplus	<b>2,70,458</b>	Investments	<b>29,566</b>
	SecuredLoans	<b>17859</b>	Deferred Tax Asset (Net)	<b>47,748</b>
			Net Current Assets	<b>1,44,800</b>
			Profit and Loss account	<b>90,940</b>
IV)	Performance of Company(A mount in Rs. in'000)			
	Turnover	<b>65,096</b>	Total Expenditure	<b>82,225</b>
	Profit/Loss before Tax	<b>(1,23,666)</b>	Profit after Tax	<b>(1,00,088)</b>
	Earning per share (Rs.)	<b>(26.90)</b>	Dividend Rate	- NIL -
V)	Generic Names of principal products, services of the Company			
	ItemCodeNo .	<b>85249009.1</b>		
	Product Description	<b>Computer Software</b>		

**For A.M. REDDY & CO**  
Chartered Accountants

for and on behalf of the Board

**(CA.KISHORE KUMAR.K)**  
Partner

**RAJU S DANDU**  
Chairman &  
Managing Director

**M.A. ASHOK KUMAR**  
Director

Hyderabad  
May 29, 2009

**P. KAVITHA**  
Company Secretary

**Statement Pursuant To Section 212 of The Companies Act, 1956 Relating To The  
Company's Interest In Subsidiary Company**

Name of the Subsidiary : Danlaw Technologies Inc.  
 Financial year of the Subsidiary : April 2008 to March 2009  
 Extent of holding Company's interest : 100%

**DANLAW TECHNOLOGIES INC.**

**DIRECTOR'S REPORT**

Your directors take pleasure in presenting the financial results of the company for the year 2008-09.

No.	Particulars	In USD		Rs. in lakhs	
		2008-09	2007-08	2008-09	2007-08
1	Revenue	792,097	1,223,324	359.01	491.41
2	Cost of Sales	764,638	1,155,349	348.35	463.55
3	Gross Profit	27,459	67,975	10.66	27.86
4	General and Administrative Expenses	74,677	171,102	34.51	68.76
5	Loss from Operations	47,218	103,127	23.85	40.90
6	Abandonment of Software Development Costs	218,136	-	108.54	-
7	Net Income/(Loss)	(265,354)	(103,127)	(132.39)	(40.90)
8	Paid up equity share capital	640,000	640,000	295.66	295.66

The sales in US Dollars for the current year have gone down by 35% .

This is mostly attributable to the slow down in US economy and in particular the slump in the automotive industry.

In spite of the reduction in sales the losses have been reduced by 54% as compared to the previous year. This is achieved by substantial reduction (56%) in the General and Administrative expenses.

As the parent company has decided to abandon the ESAP product and hence the costs that were previously treated as deferred revenue expenses have been written off.

**Raju S Dandu**

President

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATE  
ON WHOLLY OWNED SUBSIDIARY**

GRANT, MILLMAN & JOHNSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTANTS  
30180 ORCHARD LAKE ROAD, SUITE 300  
FARMINGTON HILLS, MICHIGAN 48334-2266

**Accountants' Review Report**

To the Board of Directors  
Danlaw Technologies, Inc.  
Farmington Hills, Michigan

We have reviewed the accompanying balance sheets of Danlaw Technologies, Inc. (a wholly owned subsidiary of Danlaw Technologies India, Ltd.) as of March 31, 2009 and 2008 and the related statements of operations, stockholder's equity and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Danlaw Technologies, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

**GRANT, MILLMAN & JOHNSON, P.C.**

**April 29, 2009**

**DANLAW TECHNOLOGIES, INC.**  
**BALANCE SHEETS**  
**March 31, 2009 and 2008**

**ASSETS**

	2009	2008
<b>Current Assets:</b>		
Cash	\$ 15,807	\$ 27,314
Accounts Receivable	24,622	89,545
Accounts Receivable - Parent	1,18,028	118,028
Accounts Receivable - Affiliate	1,097,166	854,371
Advances	-	67,000
<b>Total Current Assets</b>	<b>1,255,623</b>	<b>1,156,258</b>
<b>Property and Equipment:</b>		
Computer Equipment	15,999	12,704
Office Furniture and Equipment	8,007	5,275
	24,006	17,979
Less: Accumulated Depreciation	(11,668)	(7,833)
<b>Total Property and Equipment</b>	<b>12,338</b>	<b>10,146</b>
<b>Other Assets:</b>		
Software Development Cost	-	151,136
Goodwill	205,000	205,000
<b>Total other Assets</b>	<b>205,000</b>	<b>356,136</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,472,961</b>	<b>\$ 1,522,540</b>

**LIABILITIES AND STOCK HOLDER'S EQUITY**

<b>Current Liabilities:</b>		
Accounts Payable - Affiliate	\$ -	\$ 132,707
Accounts Payable - Other	19,115	27,336
Accounts Payable - Parent	1,276,573	908,668
Accrued Payroll and Payroll Taxes	7,576	10,004
Customer Deposits	-	8,774
Loans	284,983	284,983
<b>Total Current Liabilities</b>	<b>1,588,247</b>	<b>1,372,472</b>
<b>Stockholder's Equity:</b>		
Common Stock - \$10 Par Value; 34,000 Shares Authorized, Issued and Outstanding	340,000	340,000
Additional Paid-in Capital	300,000	300,000
Accumulated Deficit	(755,286)	(489,932)
<b>Total Stockholder's Equity</b>	<b>(115,286)</b>	<b>150,068</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 1,472,961</b>	<b>\$ 1,522,540</b>

*Read Accountants' Report and Notes to Financial Statements*

## STATEMENTS OF OPERATIONS

For the Years Ended March 31, 2009 and 2008

	2009	2008
<b>Revenue:</b>		
Automotive Electronics	\$ 540,231	\$ 912,372
Security Products	19,947	15,365
ESAP cm Sales	11,497	37,051
ESAP sp Sales	220,422	258,536
<b>Total Revenue</b>	<b>792,097</b>	<b>1,223,324</b>
<b>Cost of Sales:</b>		
Subcontract Work - Parent	461,300	710,485
Subcontract Work - Affiliate	18,100	18,600
Cost of Products - Parent	71,325	135,750
Security Product Costs	12,063	11,155
Shipping Costs	208	-
Technical Salaries	1,615	55,785
Billing Salaries	145,682	164,749
Payroll Taxes	13,326	17,456
Employee Benefits	18,220	15,780
ESAP sp Processing Fees	22,799	25,589
<b>Total Cost of Sales</b>	<b>764,638</b>	<b>1,155,349</b>
<b>Gross Profit</b>	<b>27,459</b>	<b>67,975</b>
<b>General and Administrative Expenses:</b>		
Business Development	-	72,000
Travel & Lodging	29,722	31,382
Payroll Preparation	1,916	4,906
Auto Expense	-	3,169
Telephone	4,395	3,070
Meals & Entertainment	267	338
Rent & Utilities	11,350	20,757
Professional Services	6,725	6,865
Server Hosting	4,700	5,640
Repairs & Maintenance	1,468	901
Depreciation	3,835	3,294
Office Supplies and Expenses	4,709	13,096
Bank Charges	523	642
Other	5,067	5,042
<b>Total General and Administrative Expenses</b>	<b>74,677</b>	<b>171,102</b>
<b>LOSS FROM OPERATIONS</b>	<b>\$ (47,218)</b>	<b>\$ (103,127)</b>
<b>Other Expense</b>		
Abandonment of Software Development Costs	(218,136)	-
<b>NET LOSS</b>	<b>\$ (265,354)</b>	<b>\$ (103,127)</b>

*Read Accountants' Report and Notes to Financial Statements*

**STATEMENT OF STOCK HOLDER'S EQUITY**

For the Years Ended March 31, 2009 and 2008

	Accumulated Deficit	Additional Paid-in Capital	Common Stock	Total
<b>Balance March 31,2007</b>	\$ (386,805)	\$ 300,000	\$ 340,000	\$ 253,195
Net Loss	(103,127)	-	-	(103,127)
<b>Balance March 31,2008</b>	(489,932)	300,000	340,000	150,068
Net Loss	(265,354)	-	-	(265,354)
<b>Balance March 31,2009</b>	\$ (755,286)	\$ 300,000	\$ 340,000	\$ 115,286

**STATEMENT OF CASH FLOWS**

For the Years Ended March 31, 2009 and 2008

	2009	2008
<b>Cash Flows From Operating Activities:</b>		
Net Loss	\$ (265,354)	\$ (103,127)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation	3,835	3,294
Abandonment Loss	218,136	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(177,872)	(147,586)
Accounts Payable	226,977	235,138
Accrued Payroll and Payroll Taxes	(2,428)	(3,846)
Customer Deposits	(8,774)	7,774
Net Cash Used in Operating Activities	(5,480)	(8,353)
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property and Equipment	(6,027)	-
Software Development	-	(151,136)
<b>Cash Flows from Financing Activities:</b>		
Loan Proceeds	-	180,000
<b>Increase (Decrease) in Cash</b>	(11,507)	20,511
<b>Cash at Beginning of Year</b>	27,314	6,803
<b>Cash at End of Year</b>	\$ 15,807	\$ 27,314

Read Accountants' Report and Notes to Financial Statements

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2009 and 2008

### NOTE 1 - Summary of Accounting Policies:

#### Business Activity

The Company is in the business of providing engineering and software development consulting services. Danlaw Technologies Inc. (DTI) is a wholly owned subsidiary of Danlaw Technologies India Ltd., a foreign corporation organized in India. DTI was incorporated in September 2001 to market engineering and information technology services to customers in the United States of America.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Revenue Recognition Policy

The Company's policy is to recognize revenue as services are provided. Revenue is calculated based on the hours of service provided at contractual rates and adjusted for expected realization upon final invoicing.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash includes amounts in corporate bank accounts, which may exceed Federal Deposit Insurance Corporation insurance limits of \$250,000.

#### Accounts Receivable and Concentration of Credit Risk

At March 31, 2009 and March 31, 2008, the Company's accounts receivable are due mainly from affiliates and concentrated in the automotive suppliers and manufacturer market. Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

#### Depreciation

The Company depreciates its property, plant and equipment using declining balance and straight-line methods over estimated useful lives ranging from three to seven years for financial reporting purposes.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2009 and 2008

**NOTE 1 - Summary of Accounting Policies (Continued):**

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial tax reporting. Deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

**Software Development Cost**

Capitalized software development costs represent costs incurred after technological feasibility has been established in connection with the development of enhancements to one or more particular software programs. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future gross product revenues, estimated economic life, and changes in software and hardware technology. The software development cost will be amortized using the straightline method over the estimated economic life of the software not to exceed three years.

**Goodwill**

Goodwill is recognized for the excess of the purchase price of business acquired over the fair value of net assets acquired. The Company follows Statement of Financial Accounting Standards No.142. Goodwill is reviewed annually for impairment of stated value. There were no losses for goodwill impairment recognized.

**NOTE 2 - Software Development Costs:**

Management has elected to abandon further development of current software products. Accordingly the Company has recorded an abandonment loss for all costs and advances associated with the products. The loss of \$218,136 is included in the 2009 statement of operations.

**NOTE 3 - Income Taxes:**

No provision for income taxes has been included in the 2009 or 2008 statement of operations due to the net operating losses available to offset taxable income.

The deferred tax asset is as follows at March 31:

	2009	2008
Deferred income tax		
Benefit of net operating loss carry over	\$ 273,000	\$ 175,200
Valuation allowance	(273,000)	(175,200)
Total Deferred Income Tax	\$ -	\$ -

**DANLAW TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**March 31, 2009 and 2008**

**NOTE 3 – Income Taxes (Continued):**

For income tax purposes at March 31, 2009, the Company has net operating loss carryovers which expire as follows:

Fiscal Years Ended March 31	
2023	\$123,000
2024	\$148,000
2027	\$128,000
2028	\$116,000
2029	\$137,000

**NOTE 4 - Related Party Transactions:**

The Company is related by common ownership to Danlaw Technologies India Ltd. and by common management to Danlaw Inc. The following summarizes transactions and outstanding balances with the related entities:

*Transactions For The Year Ended March 31:*

	<u>2009</u>	<u>2008</u>
<u>Sales</u>		
Danlaw Inc.	\$ 492,625	\$ 821,769
Danlaw Technologies India Ltd	\$ -	\$ 13,068
<u>Purchases</u>		
Danlaw Technologies India, Ltd.	\$ 632,625	\$ 846,235
Danlaw, Inc.	\$ 18,100	\$ 18,600
<u>Administration Fees</u>		
Danlaw, Inc.	\$ 4,050	10,000
<u>Rent Expense</u>		
Danlaw, Inc.	\$ 1,974	\$ 7,896

**Balances as of March 31:**

<u>Accounts Receivable</u>		
Danlaw, Inc.	\$ 1,097,166	\$ 845,371
Danlaw Technologies India Ltd	\$ 118,028	\$ 118,028
<u>Accounts Payable</u>		
Danlaw Technologies India, Ltd.	\$ 1,276,573	\$ 908,668
Danlaw, Inc.	\$ -	\$ 132,706

**DANLAW TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

March 31, 2009 and 2008

**NOTE 5 - Lease Commitments**

The Company rents office space from Danlaw, Inc. on a month-to-month basis. For the years ended March 31, 2009 and 2008, rent paid was \$1,974 and \$7,896 respectively.

**NOTE 6 - Retirement Plan**

The Company maintains a 401(k) Profit Sharing Plan available to all employees meeting certain age and service requirements. The plan allows employees to contribute up to 15% of their salary to the plan, subject to Internal Revenue Code limitations. The Company may elect to match a portion of the employees' contribution to the plan and contribute additional amounts at its discretion. There were no employer contributions for the years ended March 31, 2009 and 2008.

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## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors  
Danlaw Technologies India limited  
Hyderabad.

We have examined the attached Consolidated Balance Sheet of Danlaw Technologies India Limited and its subsidiary as at March 31, 2009, the Consolidated Profit and Loss Account for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit of the parent Company in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit for the parent Company provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, Danlaw Technologies, Inc., which have been reviewed by M/s Grant, Millman & Johnson, P.C., Michigan State, USA. The report of the Certified Public Accountant has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the CPA.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Danlaw Technologies India Limited and reviewed financial statements of the subsidiary are included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Danlaw Technologies India Limited and its aforesaid subsidiary, we are of the opinion that:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Danlaw Technologies India Limited and its subsidiaries as at March 31, 2009; and
- b) the Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Danlaw Technologies India Limited and its subsidiary for the year then ended.

Place :Hyderabad  
Date : May 29, 2009

for AM REDDY & CO  
CHARTERED ACCOUNTANTS

(CA. KISHORE KUMAR. K)  
PARTNER  
Membership No - 215459

## Consolidated Balance Sheet as at

		in Rs.	
	Schedule	31-03-2009	31-03-2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	3,72,03,000	3,72,03,000
Reserves and Surplus	2	28,56,90,914	27,10,49,148
Secured Loans	3	1,78,59,459	5,09,400
		<b>34,07,53,373</b>	<b>30,87,61,548</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS<sup>o</sup></b>			
Gross Block	4	5,04,84,266	5,35,96,306
Less: Depreciation		3,73,90,083	3,62,70,768
Net Block		1,30,94,183	1,73,25,538
DEFERRED TAX ASSET (NET)	5	6,16,57,083	2,59,58,354
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	6	8,28,92,607	6,76,45,059
Cash and bank balances	7	6,24,51,942	6,78,57,054
Loans and advances	8	1,77,02,276	2,50,88,111
Inventory		40,80,022	1,30,85,692
		<b>16,71,26,847</b>	<b>17,36,75,916</b>
Less: Current liabilities & Provisions	9	2,94,03,614	3,62,87,325
<b>NET CURRENT ASSETS</b>		<b>13,77,23,233</b>	<b>13,73,88,591</b>
Goodwill		1,04,44,750	81,93,850
Miscellaneous Expenditure: (to the extent not written off or adjusted)	10	-	11,05,16,023
Profit & Loss Account		11,78,34,124	93,79,192
		<b>34,07,53,373</b>	<b>30,87,61,548</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	15		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

**For A.M. REDDY & CO**  
Chartered Accountants

for and on behalf of the Board

**(CA.KISHORE KUMAR.K)**  
Partner

**RAJU S DANDU**  
Chairman &  
Managing Director

**M.A. ASHOK KUMAR**  
Director

Hyderabad  
May 29, 2009

**P. KAVITHA**  
Company Secretary

**Consolidated Profit and Loss Account for the period ended**

		in Rs.	
	Schedule	31-03-2009	31-03-2008
<b>INCOME</b>			
Income from Operations		7,03,94,217	9,18,96,228
Work-in-progress		-	58,53,758
Other income	11	64,38,288	55,97,101
		<b>7,68,32,505</b>	<b>10,33,47,087</b>
<b>EXPENDITURE</b>			
Direct Cost	12	6,48,04,948	6,96,97,734
Selling Expenses	13	71,56,533	1,00,04,960
General and Administration expenses	14	2,08,14,337	2,34,80,031
		<b>9,27,75,818</b>	<b>10,31,82,725</b>
Operating Profit [PBIDT]		<b>(1,59,43,313)</b>	1,64,362
Interest		9,33,226	5,80,183
Depreciation		26,36,957	34,02,268
Exceptional Items		11,53,29,564	-
Extraordinary Items		20,61,616	-
<b>Profit / (Loss) before tax</b>		<b>(13,69,04,676)</b>	<b>(38,18,089)</b>
Less: Fringe benefit tax		1,40,312	1,82,712
Provision for current year income tax		-	27,798
Provision for earlier years income tax		50,73,797	-
Deferred Tax (Asset)		<b>(3,36,63,853)</b>	39,832
<b>Profit/(Loss) after tax</b>		<b>(10,84,54,932)</b>	<b>(40,68,431)</b>
Profit carried forward from last year		<b>(93,79,192)</b>	<b>(53,10,761)</b>
<b>AMOUNT TRANSFERRED TO BALANCE SHEET</b>		<b>(11,78,34,124)</b>	<b>(93,79,192)</b>
Basic & dilluted EPS		<b>(29.15)</b>	<b>(1.09)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	15		

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account

This is the Profit & Loss Account referred to in our report of even date

for and on behalf of the Board

**For A.M. REDDY & CO**  
Chartered Accountants

**(CA.KISHORE KUMAR.K)**  
Partner

Hyderabad  
May 29, 2009

**RAJU S DANDU**  
Chairman &  
Managing Director

**M.A. ASHOK KUMAR**  
Director

**P. KAVITHA**  
Company Secretary

## Schedules to the Consolidated Balance Sheet as at

		in Rs.	
		31-03-2009	31-03-2008
<b>1. SHARE CAPITAL</b>			
<b>AUTHORISED</b>			
50,00,000 Equity Shares of Rs.10/- each		5,00,00,000	5,00,00,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>			
37,20,300 Equity Shares of Rs.10/- each Fully Paid		3,72,03,000	3,72,03,000
		<b>3,72,03,000</b>	<b>3,72,03,000</b>
<b>2. RESERVES AND SURPLUS</b>			
Share premium account		26,58,07,400	26,58,07,400
Convertible warrants forfeited		32,50,000	32,50,000
Investment Subsidy		14,00,000	-
Exchange conversion reserve		1,52,33,514	19,91,748
		<b>28,56,90,914</b>	<b>27,10,49,148</b>
<b>3. SECURED LOANS</b>			
Car loans from HDFC Bank Limited		5,57,388	5,09,400
The Dhanalakshmi Bank Ltd		1,73,02,071	-
		<b>1,78,59,459</b>	<b>5,09,400</b>

### 4. FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block	
	Cost as at 31-03-2008	Additions during the year	Deductions during the year	Cost as at 31-03-2009	Total upto 31-03-2008	For the year	Deductions during the year	As at 31-03-2009	As at 31-03-2009	As at 31-03-2008
Additions to Leasehold premises	15,81,920		97,070	14,84,850	1,95,818	25,326	9,368	2,11,776	12,73,074	13,86,102
Computers & Software	2,94,99,608	7,27,045	3,34,420	2,98,92,233	2,78,48,739	11,53,658	2,05,657	2,87,96,740	10,95,493	16,50,869
Office Equipment	18,41,435		4,11,452	14,29,983	5,65,740	86,941	1,15,050	5,37,631	8,92,352	12,75,695
Electrical Equipment	13,03,432			13,03,432	4,31,114	57,226		4,88,340	8,15,092	8,72,318
Lab Equipment	14,56,827			14,56,827	3,79,703	69,010		4,48,713	10,08,114	10,77,124
D G set	6,96,370		4,01,754	2,94,616	2,16,747	28,295	1,08,842	1,36,200	1,58,416	4,79,623
Elevator	3,25,123			3,25,123	1,24,874	15,401		1,40,275	1,84,848	2,00,249
Air-Conditioners	22,81,577		6,45,069	16,36,508	7,40,988	1,00,544	1,65,279	6,76,253	9,60,255	15,40,589
Furniture & Fixtures	81,78,393		19,47,001	62,31,392	36,78,104	4,85,972	6,97,982	34,66,094	27,65,298	45,00,289
Office Interiors	19,85,586		67,768	19,17,818	6,76,762	93,266	18,433	7,51,595	11,66,223	13,08,824
Vehicles	37,27,414		4,39,036	32,88,378	10,99,093	3,42,881	2,99,993	11,41,981	21,46,397	26,28,321
WOS Equipments	7,18,621	5,04,485		12,23,106	3,13,086	1,78,437		5,94,485	6,28,621	4,05,535
Grand Total	5,35,96,306	12,31,530	43,43,570	5,04,84,266	3,62,70,768	26,36,957	16,20,604	3,73,90,083	1,30,94,183	1,73,25,538
Previous Year	5,26,81,613	9,14,693	-	5,35,96,306	3,28,69,097	34,01,671	-	3,62,70,768	1,73,25,538	1,98,61,169

### Schedules to the Balance Sheet as at

	in Rs.	
	31-03-2009	31-03-2008
<b>5. DEFERRED TAX ASSET (NET)</b>		
Fixed Assets	(29,48,702)	(27,40,259)
Investments	70,48,963	70,48,963
Others	5,75,56,822	2,16,49,650
	<b>6,16,57,083</b>	<b>2,59,58,354</b>
<b>6. SUNDRY DEBTORS</b>		
Debts outstanding for a period less than six months		
Unsecured considered good	6,89,10,754	4,64,87,785
Debts outstanding for a period exceeding six months	1,39,81,853	2,11,57,274
	<b>8,28,92,607</b>	<b>6,76,45,059</b>
<b>7. CASH AND BANK BALANCES</b>		
Cash on hand	4,093	4,816
Balances with banks		
- in current accounts	11,88,502	34,46,227
- in EEFC accounts	436	141
- in deposit accounts in Indian rupees	6,12,58,911	6,44,05,870
	<b>6,24,51,942</b>	<b>6,78,57,054</b>
<b>8. LOANS AND ADVANCES</b>		
<i>Unsecured, considered good</i>		
<i>Advances recoverable in cash or</i>		
<i>in kind or for value to be received</i>		
Earnest Money Deposit	30,454	53,502
Power Incentive receivable	-	2,71,309
Advances for expenses	5,80,640	36,48,111
Rent deposits	13,96,352	24,27,000
Deposit with Government Agencies	4,72,305	5,19,685
Prepaid Expenses	1,01,386	1,21,907
Interest Receivable	46,80,655	39,92,905
Tax Deduction at Source	26,37,836	75,49,306
Intercorporate Deposits	78,02,648	65,04,386
	<b>1,77,02,276</b>	<b>2,50,88,111</b>

**Schedules to the Balance Sheet as at**

		in Rs.	
		31-03-2009	31-03-2008
<b>9.</b>	<b>CURRENT LIABILITIES</b>		
	Sundry Creditors - for goods	53,77,188	63,68,116
	- for services	29,38,845	96,65,725
	- for expenses	2,07,50,737	1,93,79,980
	Outstanding dues of micro and small enterprises	-	-
	Advances from customers	3,31,532	8,26,239
	Provision for Current Year Income Tax	-	27,798
	Provision for Fringe Benefit Tax	5,312	19,467
		<b>2,94,03,614</b>	<b>3,62,87,325</b>
<b>10.</b>	<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED:</b>		
	R&D Expenses	-	11,05,16,023
		-	<b>11,05,16,023</b>
<b>Schedules to P &amp; L Account</b>			
<b>11.</b>	<b>OTHER INCOME</b>		
	Interest Income	57,75,394	53,46,871
	(TDS - Rs.12,60,174/-, Previous year Rs.11,99,071/-)		
	Exchange Gain (net)	5,22,935	-
	Interest on IT Refund	75,852	75,985
	Miscellaneous Income	64,107	1,74,245
		<b>64,38,288</b>	<b>55,97,101</b>
<b>12.</b>	<b>DIRECT COST</b>		
	Salaries & other benefits	3,50,95,878	3,72,29,689
	Sub-contract works	35,19,714	14,77,120
	Cost of Biometrics goods sold	1,19,34,191	1,97,39,796
	Obsolete Stocks Written Off	31,11,478	-
	Cost of electronic components	30,14,497	52,51,589
	Work-in-progress (opening)	58,53,758	31,53,044
	Freight outward	1,66,191	2,08,090
	Transit insurance	19,768	28,489
	ESAPsp Processing Fees	10,40,133	10,17,930
	Travel & Conveyance	10,49,340	15,91,987
		<b>6,48,04,948</b>	<b>6,96,97,734</b>
<b>13.</b>	<b>SELLING EXPENSES</b>		
	Salaries & other benefits	45,44,412	45,18,276
	Travel & Conveyance	22,26,760	22,47,202
	Business development expenses	1,38,597	31,04,266
	Sales commission	2,11,000	1,35,216
	Advertisement	35,764	-
		<b>71,56,533</b>	<b>1,00,04,960</b>

#### 14. ADMINISTRATION AND OTHER EXPENSES

Advertisement	40,191	35,201
AGM Expenses	18,486	15,580
Audit expenses	2,200	1,235
Auditor's remuneration - audit fees	70,000	56,180
Bank charges and commission	99,967	1,02,175
Books & Periodicals	15,928	15,948
Bad debts written off	16,53,228	-
Depository Registrar Fee	55,147	77,243
Directors sitting fee	20,000	40,000
Exchange Loss (Net)	-	25,70,059
Insurance Charges	3,09,816	4,37,092
Internet Service Charges	4,16,644	4,58,363
Legal & Professional Charges	7,59,542	7,55,206
Listing Fee	11,084	10,300
Membership Fee	2,247	16,039
Miscellaneous Expenses	15,314	79,849
Office Maintenance	19,87,867	23,14,366
Postage & Telegrams	50,122	33,352
Power and Fuel	13,05,541	14,21,602
Printing and Stationery	1,53,708	1,74,109
Registration, Licence & Filing Fee	1,81,844	26,918
Rent, Rates & Taxes	67,43,522	70,30,715
Salaries & other benefits	49,49,432	51,15,112
Staff Recruitment & Training	56,181	1,22,090
Staff welfare	7,98,861	7,41,886
Telephone charges	8,70,560	8,99,567
Travel and Conveyance		
Directors	1,42,372	7,17,622
Others	84,533	2,12,222
	<b>2,08,14,337</b>	<b>2,34,80,031</b>

#### Schedule 15

#### Statement of Significant Accounting Policies

for the consolidated financial statements

#### Scope of Business units

Danlaw Technologies India Limited is a company engaged in providing technology services in the areas of engineering services, internet, developing software products and security solutions for the clients. The Company has also entered into the business of biometric products providing security solutions to the clients. The company has a single subsidiary at USA in the name of 'Danlaw Technologies Inc' for promoting the services provided by the Danlaw Technologies India Limited to US clients. The subsidiary is wholly owned by the company by virtue of its total holding of equity of the subsidiary. The Danlaw Technologies Inc (DTI) is basically engaged in providing Engineering and software development and consultancy services to USA clients. The wholly owned subsidiary of the company together with the parent shall hereinafter be referred as Danlaw for the purposes of consolidated accounts. The accounting year for the parent company and the US subsidiary is the same i.e. from April 1st to March 31st every year.

## Significant Accounting Policies And Notes On Accounts:

### 1. **Basis for consolidation of financial statements**

The consolidation of financial statements of Danlaw has been made as per the Generally Accepted Accounting Principles and the Provisions of the Accounting standard 21 issued by the Institute of Chartered Accountants of India. The consolidation of accounts of Danlaw took place based on the audited financial statements of the parent by the statutory auditors of the company and reviewed financial statements of the subsidiary by the Certified Public Accountants of Michigan State. While consolidation Inter Company balances and transactions are eliminated in full. The consolidation is based on the concepts of accrual, going concern and conservatism. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

### 2. **Revenue recognition**

Revenue from software development of Danlaw is recognized based on software developed and billed to clients considering the men and material used for the specific project. In the case of fixed-price contracts, revenue is recognized based on the work completed.

### 3. **Expenditure**

All expenses of Danlaw are accounted on the accrual basis.

### 4. **Fixed assets**

Fixed assets are stated at the cost of acquisition, less accumulated depreciation. Cost comprises of purchases and attributable cost. Depreciation on fixed assets is provided based on the Companies Act 1956 for the Indian assets and for the assets of Subsidiary on declining/straight line methods over estimated lives of assets.

### 5. **Foreign currency transactions**

In the case of sales made to clients outside India for the parent, income is accounted on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sale proceeds on conversion into Indian currency upon actual receipt.

In the case of expenditure in foreign currency, the expenses are accounted on the basis of exchange rate as on the date of the transaction. In case expenses are met out of EEFC accounts, the same is accounted for at the rate prevailing on the date of receipt of funds in EEFC account or at the rate at which the EEFC funds are maintained.

The transactions of the subsidiary are in US dollars and Euro. There is no foreign currency transaction per se. But on account of consolidation all the outstanding entries of the subsidiary as on March 31, 2009 have been converted into Indian rupees and consolidation was affected.

### 6. **Foreign Currency translations**

The accompanying financial statements of WOS are reported in U.S. dollars. The functional currency of the parent company in India is the Indian rupee ("Rs."). Hence translation of U.S. dollars to Rs is performed for balance sheet accounts using the exchange rate prevailing as at the balance sheet date, and

for revenue and expense accounts using a quarterly average exchange rate for the respective quarters. The gains or losses resulting from such translation are reported as "Exchange conversion reserve", a separate component of reserves and surplus head in the consolidated accounts. The method for translating expenses of overseas operations depends upon the timing of the funds used. The balance sheet items of the WOS have been converted at the rate Rs.50.95 per dollar. For conversion of the income statement, the statement figures have been segregated based on the quarter to which the transaction pertains and translated at the average quarterly exchange rate of Rs.41.73, Rs.43.75, Rs.48.76 & Rs.49.76 per US dollar for the respective quarters.

**7. Investments**

Long-term investments are stated at cost. The short-term investments of the parent company are valued and carried at cost or fair value whichever is lower. In case of sale of investments, the gain/loss is brought into the books of account. There is no income earning investments in the subsidiary.

**8. Related Party transactions**

The company entered into related party transactions during the year with Danlaw Inc., USA. The CMD of the company is also CEO of the Danlaw Inc. The Danlaw Technologies Inc had sales of Rs.359.01 lakhs during the year ended March 31, 2009 of which the sales made to the Danlaw Inc are Rs 223.07 lakhs. During the year ended March 31, 2009 Danlaw Technologies Inc has purchased services of Rs.2.07 lakhs from Danlaw Inc.

**9. Exceptional Items:**

As the parent company has decided to abandon the ESAP Product and hence the costs that were previously treated as deferred revenue expenses have been written off.

for and on behalf of the Board

**For A.M. REDDY & CO**  
Chartered Accountants

**(CA.KISHORE KUMAR.K)**  
Partner

**RAJU S DANDU**  
Chairman &  
Managing Director

**M.A. ASHOK KUMAR**  
Director

Hyderabad  
May 29, 2009

**P. KAVITHA**  
Company Secretary

**PROXY FORM**

I / We \_\_\_\_\_ of \_\_\_\_\_ being member / members of Danlaw Technologies India Ltd. do hereby appoint \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ as my / our Proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 16<sup>th</sup> Annual General Meeting of the Company to be held on September 30<sup>th</sup>, 2009 at 10.00 a.m. and at any adjournment thereof.

In witness whereof, I / We have set my / our hand / hands this \_\_\_\_ day of \_\_\_\_\_ 2009.

Re. 1/-  
Revenue  
Stamp

(Signature of the member across the stamp)

Note: The proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

**ATTENDANCE SLIP**

15<sup>th</sup> Annual General Meeting on September 30<sup>th</sup>, 2009 at 10.00 A.M. at the Registered Office.

Ledger Folio / Ben. A/c. No. \_\_\_\_\_

Full Name of the Shareholder \_\_\_\_\_

Name of the Proxy \_\_\_\_\_

I certify that I am a member / proxy for the member, of the Company.

I hereby record my presence at the 16<sup>th</sup> Annual General Meeting of the Company held at Registered Office at Plot No.43, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034 on September 30, 2009 at 10.00 A.M.

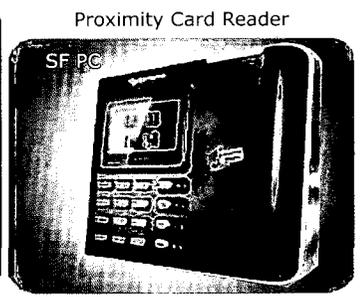
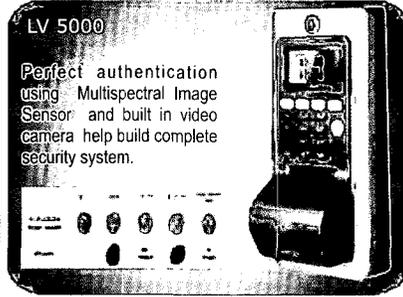
Shareholder's / Proxy's Signature \_\_\_\_\_

**Note: Please fill in this attendance slip and hand it over at the entrance of the hall.**

# INTELLIGENT SECURITY SOLUTIONS

## INTEGRATED ACCESS CONTROL, SECURITY, FIRE, SURVEILLANCE SYSTEMS

One of the world's highest performing fingerprint recognition rates and abundant storage capacity help build the perfect security system.

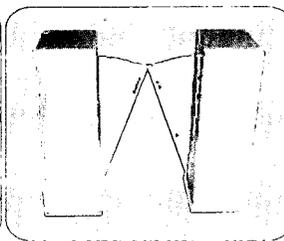
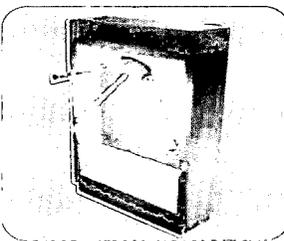
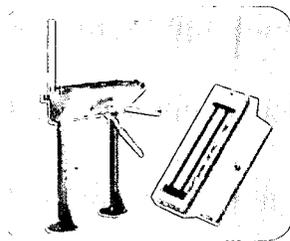


FINGER PRINT READERS

SMART CARD & RFID SOLUTIONS

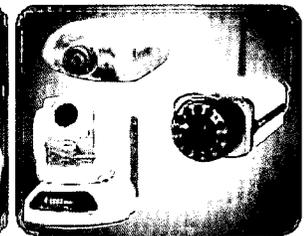
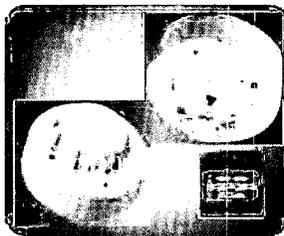
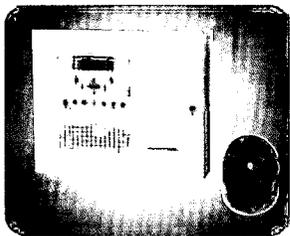


## EM Locks, Turnstiles and Boom Barriers for ACCESS CONTROL SOLUTIONS



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GMM Level 3 and ISO 9001:2000 Company

43 Sagar Society, Road No. 2 Banjara Hills, Hyderabad-500 034, A.P. India  
Tel : 91-40-23542499 Fax : 91 40 23541671  
email : [info@danlawinc.com](mailto:info@danlawinc.com), website : [www.danlawtechnologies.com](http://www.danlawtechnologies.com)