

**FRONTIER INFORMATION TECHNOLOGIES LIMITED****HYDERABAD****BOARD OF DIRECTORS**

Shri V.K.Premchand	Chairman and Managing Director
Shri Rajan Munjal	Director
Shri Singh B Yalamanchili	Director
Shri V. Srinavasa Rao	Director
Shri A.J.Sharma	Director
Shri M.V.Sastry	Director

**AUDITORS**

M/s.T.P. Rao & Co.  
Chartered Accountants  
HUDA Complex  
Saroornagar  
Hyderabad

**BANKERS**

Bank of India  
Hyderabad Overseas Branch  
Hitech City, Madhapur  
Hyderabad-500 033

**SHARE TRANSFER AGENTS**

M/s. Karvy Computershare Pvt. Ltd  
46, Avenue 4, Street No.1, Banjara Hills,  
Hyderabad - 500034.

State Bank of India  
Dwarakapuri Colony  
Hyderabad – 500 082.

**REGISTERED OFFICE**

2<sup>nd</sup> Floor, 8-3-1116/1, Keshav Nagar  
Srinagar Colony Main Road  
Hyderabad-500 073

**NOTICE**

**NOTICE** is hereby given that the 21<sup>st</sup> Annual General Meeting of the Members of FRONTIER INFORMATION TECHNOLOGIES LIMITED will be held at 10.00 AM on Wednesday, the 30th of September 2009, at the Registered Office of the Company at 8-3-1116/1, Keshav Nagar, Srinagar Colony Main Road, Hyderabad – 500 073, to transact the following Business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 2009, the Profit & Loss Account for the period ended on March 31, 2009, along with Schedules, the Annexures and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr Singh B.Yalamanchili, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M.V.Sastry, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration. M/s T P Rao & Co, Chartered Accountants, Hyderabad, the Statutory Auditors, are eligible for reappointment.

**SPECIAL BUSINESS**

APPOINTMENT OF MR. V.K.PREMCHAND AS MANAGING DIRECTOR AND FIXING HIS REMUNERATION

5. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATIONS, THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION:

**“RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, Mr. V.K.Premchand be and is hereby appointed as Managing Director of the Company for a period of 5 years with effect from 01<sup>st</sup> September, 2009, on a salary of Rs.75,000/-(Rupees Seventy Five Thousand only) per month, as recommended by the Remuneration Committee of the Company.”.

**“RESOLVED FURTHER THAT** the above mentioned remuneration shall be paid and allowed as a minimum remuneration during the currency of tenure of his office as the Managing Director, notwithstanding the absence or inadequacy of profits in any accounting year as long as the minimum remuneration is within the prescribed limits under section II of Part II of Schedule XIII of the Companies Act, 1956”.

By order of the Board

for **Frontier Information Technologies Limited**

Place : Hyderabad.  
Date: September 01, 2009

**V.K.Premchand**  
**Chairman and Managing Director**

**EXPLANTORY STATEMENT**

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

**ITEM NO.5**

The present term of Mr. V.K.Premchand as Managing Director ended on 22.07.2009. He was appointed as Non-Executive Chairman with effect from 23.07.2009. He is the Promoter Director of the Company since its incorporation.

Keeping in view, the contribution made by him to the Company, the Board of Directors had appointed him as Managing Director w.e.f 01.09.2009 on salary. The proposed remuneration was as recommended by the Remuneration Committee. Taking into account the financial position of the Company, no other perks/allowances are proposed at present.

Under the provisions of Sections 198, 269, 309 read with Schedule XIII, and other applicable provisions of the Companies Act, 1956, the appointment of Mr. V.K.Premchand as Managing Director requires the approval of the Members of the Company by way of an Ordinary Resolution. Hence the same is proposed as an Ordinary Resolution under Item No. 5 of the Notice convening the 21<sup>st</sup> Annual General Meeting. The Board feels that his appointment would be beneficial to the Company. The Board commends the same for your approval.

None of the Directors of the Company, other than Mr. V. K. Premchand, may be deemed to be concerned or interested in the Resolution.

**NOTES**

- a. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend on a poll to vote instead of himself/herself. A proxy need not be a member of the company.
- b. The instrument of proxy, to be effective, must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- c. The Register of Members and the share transfer books of the Company will remain closed on Tuesday, 29.09.2009 and Wednesday, 30.09.2009.
- d. The Members are requested to send the share transfers and other related correspondence to the Registrars and Share Transfer Agents, Karvy Computershare Pvt.Ltd., Unit: Frontier Information Technologies Ltd., 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034.
- e. Members can avail the nomination facility by filing the nomination form No. 2B, in respect of their shareholding and submit the same to the Share Transfer Agents, Karvy Computershare Pvt.Ltd.
- f. Members are requested to notify immediately any change in their addresses to Share Transfer Agents, Karvy Computershare Pvt.Ltd.
- g. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.
- h. Members are requested to bring the admission slip along with the copy of the Annual Report to the meeting.

**DIRECTORS' REPORT**

To the Members of FRONTIER INFORMATION TECHNOLOGIES LIMITED,

Your Directors have pleasure in presenting the Twenty First Annual Report together with the audited accounts of the Company for the year ended March 31, 2009. The operating results are as follows:

(Rupees in Lakhs)

	12 Months ended <b>31.03.2009</b>	12 Months ended 31.03.2008
<b>FINANCIAL RESULTS</b>		
Total Income	<b>546.11</b>	325.37
Gross Profit / (Loss)	<b>(4.97)</b>	(34.86)
Depreciation	<b>293.31</b>	301.15
Operating Profit / (Loss)	<b>(298.28)</b>	(336.01)
Interest	<b>1.44</b>	2.75
Prior Period Adjustments/ Write Offs/ Taxes	<b>10.20</b>	5.55
Net Profit / (Loss) after tax	<b>(309.92)</b>	(344.31)
Earnings/(Loss) per Share	<b>(2.32)</b>	(2.59)

**BUSINESS OPERATIONS****1. Onsite Consulting Services**

Onsite Consulting Services Business in US has been a substantial portion of Company's Business during the year.

**2. Domestic Software**

Company delivered additional software modules to Indo American Cancer Research Institute.

**FUTURE OUTLOOK****1. Emphasis on Domestic Projects**

In view of the global recession , particularly in the US, and increasing size of Domestic Software Market, company intends to focus more attention on medium to large domestic software projects, especially in E-governance area.

**2. Advanced Education and Training**

In view of improving market conditions in IT Industry, there is a resurgence of Education and Training Business. Making use of its past experience, company is finalizing its plans to re-enter this segment in 2009-10 . Company intends to re-launch Advanced Computer Education Programs.

**SALE OF ASSETS**

During the current financial year 2009-10, your Company had sold its land, building along with furniture and fixtures situated at Kandlakoyya village R R District, A.P., since the same were not being utilised for the business/operations of the Company. The sale was done through postal ballot process and all the formalities were complied with as per law, during the current financial year. The proceeds of the sale were utilized in discharging Bank Loan, short term demand loans, statutory and other dues.

**DIVIDEND**

Your Directors express their inability to recommend any dividend for the year due to the Loss incurred by the Company.

**DIRECTORS**

By virtue of Section 255 of the Companies Act, 1956 Mr. Singh B.Yalamanchili and M.V.Sastry Directors are liable to retire by rotation and, being eligible, offer themselves for re-appointment.

Brief profiles of Mr.Singh B.Yalamanchili and. M.V.Sastry are given below as per Clause 49 of standard listing agreement:

Name of the Director	Singh B.Yalamanchili	M.V.Sastry
Date of Birth	18-03-1945	01.02.1956
Qualification	M.S from the University of Notre Dame, Indiana, USA; B.E from REC, Warangal	B.Com; ICWA (Inter)
Expertise in Specific Functional Area	VLSI Design, Microcontrollers, Chip Development, Hardware/Firmware and Software etc.,	Finance, Accounts and Administration

**AUDITORS**

M/s T P Rao & Co, Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from the Auditors that their appointment, if made, will be in conformity with Section 224 (1B) of the Companies Act, 1956. M/S. T P Rao & Co, Chartered Accountants, being eligible, are recommended for re-appointment as Auditors of the Company till the conclusion of the next Annual General Meeting.

**FIXED DEPOSITS**

During the year, the Company has neither invited nor accepted any Fixed Deposits from the public under the provisions of Section 58A of the Companies Act, 1956.

**CODE OF CONDUCT**

The Board has laid down a code of conduct for all Board Members, senior management and employees of the Company. The relevant Declaration is enclosed as an attachment to the Directors' Report.

**LISTING WITH STOCK EXCHANGES**

The equity shares of the Company are listed at the Mumbai Stock Exchange Limited. The listing fee is paid for the financial year 2008-09.

**AUDIT COMMITTEE**

The Audit Committee consists of following Directors:

- |   |                       |          |
|---|-----------------------|----------|
| 1 | Mr M V Sastry         | Chairman |
| 2 | Singh B. Yalamanchili | Member   |
| 3 | Mr A J Sharma         | Member   |

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' responsibility statement, the Board of Directors hereby confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanations relating to material departures;
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of March 31, 2009 and of the Loss of the company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

**INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.**

The Company's operations involve low energy consumption. The Company has already taken energy conservation measures wherever possible. Efforts to conserve and optimize the use of energy through improved operational methods will continue.

Conservation of energy, technology absorption, foreign exchange earnings and outgo.

**A. Conservation of energy:**

- (a) Energy Conservation measures taken: Your Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible by using energy-efficient computers and purchase of energy efficient equipment.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Nil
- (c) Impact of the measures (a) and (b) above for energy consumption and consequent impact on the cost of production of goods: Nil

**B. Technology absorption:**

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company: Software Development.
2. Benefits derived as a result of the R & D: Integral part of Company's Activity.
3. Future plan of Action: The Company will continue to undertake Research and Development of state-of-the art Software Tools, Applications, Web Services, Knowledge Management and Product Development and related services.
4. Expenditure on R & D: Nil
5. R & D expenditure as a % of total turnover: NA
- Technology Absorption, Adaptation and Innovation: Nil

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

Activities relating to Export: The Company was engaged in the execution of Software Projects, development of Software Products and related services.

(Rs. in Lakhs)

2. Particulars	March 31, 2009	March 31, 2008
Foreign Exchange Earnings	10.67	10.91
Foreign Exchange Outgo	-	-

**PARTICULARS OF EMPLOYEES**

There are no employees in the Company, whose particulars are required to be furnished under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and drawing salary in excess of the limits specified therein.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis of the Company for the year under review is attached to and forms part of this report.

**CORPORATE GOVERNANCE**

The Report on Corporate Governance along with the certificate from the Statutory Auditors certifying the compliance of Corporate Governance enunciated in Clause 49 of the Listing Agreement with the Stock Exchanges is included in the Annual Report.

**APPRECIATION**

Your Directors wish to acknowledge the valuable support and cooperation extended by Bank of India and all other Government Agencies. Your Directors also express their appreciation to the shareholders of the Company for their forbearance during difficult days and for reposing confidence in the future ahead.

Your Directors wish to place on record their appreciation of the hard work, dedication and commitment exhibited by its employees at all levels.

For and on behalf of the Board of Directors  
**Frontier Information Technologies Ltd**

Place : Hyderabad  
Date: September 01, 2009

**V.K.Premchand**  
**Chairman and Managing Director**

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**CODE OF CONDUCT****Declaration by Managing Director of affirmation by Directors and Senior Management Personnel of compliance with the Code of Conduct**

The Shareholders

I, V.K.Premchand, Chairman and Managing Director of the Company do hereby declare that the Directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the Code of Conduct as prescribed by the Company and have adhered to the provisions of the same.

**V.K.Premchand**

Date: September 01, 2009

**Chairman and Managing Director**

**REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2008-09****1. COMPANY'S PHILOSOPHY AND CORPORATE GOVERNANCE**

The Company will continue to undertake Research and Development of state-of-the-art Software Tools, Applications, Web Services, Knowledge Management and Product Development and related services. Company's endeavour is to increase the transparency at all levels in the organization and enhance long term shareholder value through its business decisions.

**2. Board of Directors**

In pursuit of the Company's Corporate Governance policy, all statutory and other material information is placed before the Board of Directors to enable it to discharge its responsibilities as trustees of the shareholders.

**a. Constitution and size of the Board**

The Board of Directors consists of 6 Directors of whom 5 are non-executive independent Directors and one executive Chairman and Managing Director.

**b. Number of Board Meetings held during the year along with dates of the meetings:**

6 Board Meetings were held during the year under review and the dates on which the Meetings were held are as under:

1. April 30, 2008 2. July 31, 2008 3. September 1, 2008 4. October 31, 2008 5. January 31, 2009. 6. March 25, 2009.

**c. Attendance of Directors at Board Meetings, AGM and committees where he is a Director/Member**

Name of the Director	Category	No of Board Meetings attended	Attendance at last AGM	Directorship in other Companies	No. of Committes in which	
					Chairman	Member
Shri V.K.Premchand	Chairman and Managing Director	6	Yes	-	-	-
Shri Rajan Munjal	Independent and Non-Executive Director	-	No	1	-	-
Shri Singh B Yalamanchili	Independent and Non-Executive Director	-	No	-	1	2
Shri V.Srinivasa Rao	Independent and Non-Executive Director	-	No	-	-	-
Shri A.J.Sharma	Independent and Non-Executive Director	6	No	1	1	2
Shri M.V.Sastry	Independent and Non-Executive Director	6	Yes	-	1	2



**3. AUDIT COMMITTEE**

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and the provisions of the Clause 49 of the Listing Agreement.

The broad terms of reference to the Audit Committee are as under: -

- Oversee the Company's financial report process.
- Review the annual financial statements before submission to the Board.
- Reviewing the quarterly financial statements before submission to the Board for approval
- Review of internal control and internal audit systems.
- Review the Company's financial and risk management policies.
- Review the Company's Management discussion and analysis of financial condition and results of operations
- Statement of significant related party transactions (as defined by the audit committee), submitted by management
- Recommending the appointment and removal of external auditors and their terms of appointment.

The Chairman of the Audit Committee normally is present at the Annual General Meeting to give clarifications, if any, required by the members there at. -

All the members including the Chairman have adequate financial and accounting knowledge.

The Audit Committee of the Company is constituted with the following Directors:

Chairman: Mr. M.V.Sastry

Members : Mr Singh B. Yalamanchili

Mr. A.J.Sharma

During the year under review, the Audit Committee met 5 times on 1. April 30, 2008 2. July 31, 2008 3. September 1, 2008 4. October 31, 2008 5. January 31, 2009. All the members, except Mr. Singh B. Yalamanchili, attended Audit Committee Meetings conducted during the last financial year.

**4. INVESTOR GRIEVANCE COMMITTEE**

This Committee has been constituted to look into various issues relating to shareholders like transfer of shares, redressing of shareholder complaints regarding non-receipt of Balance Sheet, etc. The committee consists of the following Directors:

Chairman: Mr. A.J.Sharma

Members : Mr. Singh B. Yalamanchili

Mr. M.V.Sastry

Mr. V.K.Premchand, Managing Director is the Compliance Officer of the Company. The Company received 1 complaint/ request from the shareholders during the financial year under review and resolved it to the shareholder's satisfaction.

**5. REMUNERATION COMMITTEE**

The Remuneration Committee set up by the Board consists of Shri Singh B Yalamanchili, Shri A.J.Sharma and Shri M.V.Sastry

The Committee did not have any meeting during the financial year as there was no requirement. Those who are not whole-time Directors have not been paid any remuneration.

**6. REMUNERATION POLICY**

The Company's remuneration policy aims at attracting and retaining the best talent taking into account the trends nationally and business competition. The employee remuneration consists of basic salary, perquisites and performance incentives and are governed by qualifications, experience and responsibility shouldered.

The remuneration of Managing/ Whole-time Directors is within the limits approved by the shareholders and is as per the provisions of the Companies Act, 1956.

The Committee did not have any meeting as there was no requirement. None of the non- whole-time Directors was paid any remuneration.

**7. DETAILS OF REMUNERATION TO THE DIRECTORS**

Particulars	Salary	Allowances/ Perquisites	Total
V K Premchand Chairman & MD	9,00,000	7,80,000	16,80,000

**8. GENERAL BODY MEETINGS**

The following table gives the details of date, time and place of the last three Annual General Meetings:

Financial Year	Location	Date of AGM	Time of AGM held
2005-2006	Lions Bhavan, Secunderabad	29.09.2006	10:00 A.M.
2006-2007	Lions Bhavan, Secunderabad	29.09.2007	10.00 A.M
2007-2008	Lions Bhavan, Secunderabad	30.09.2008	10.00 A.M

No Special Resolution was required to be put through postal ballot system last year.

**9. DISCLOSURES**

There were no transactions in the Company which are of material nature to the Promoters, Directors or the Management, or their subsidiaries or relatives during the period which would have potential conflict with the interests of the Company.

The Company has adopted the Code of Conduct for its employees at all levels including senior Management and Directors. The Code has been circulated to all the employees and Directors of the Company.

No penalties or strictures have been imposed on the Company by SEBI or other statutory authorities for non-compliance of any matter relating to capital markets.

**10. General Shareholders information:**

AGM Date and Time	: Wednesday, September 30, 2009, 10.00 AM
Venue	: 2 <sup>nd</sup> Floor, 8-3-1116/1, Keshav Nagar Srinagar Colony Main Road, Hyderabad-500 073
Financial Calendar	: April 01, 2009 to March 31, 2010
Under Review	: April 01, 2008 to March 31, 2009
Current	: April 01, 2009 to March 31, 2010
Quarterly Financial Reporting	: Within one month from the end of each Quarter except Fourth Quarter when the Annual results are published within 3 months.
Dates of Book closure	: September 29, 2009 and September 30, 2009
<b>Registered and Administrative office</b>	: 2 <sup>nd</sup> Floor, 8-3-1116/1, Keshav Nagar Srinagar Colony Main Road, Hyderabad-500 073
Listing on Stock Exchanges	: The Bombay Stock Exchange Ltd
Listing Fees	: Paid upto March 31, 2009
Registrar & Transfer Agents	: M/s. Karvy Computershare Pvt. Ltd 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500034. Phone No: 23312454
Demat ISIN Numbers in NSDL & CDSL	: INE547B01010.

**MARKET PRICE DATA ON THE STOCK EXCHANGE, MUMBAI****FRONTIER**

The following are the monthly high/low quotations during the financial year ended March 31, 2009

Month and Year	High	Low
April 2008	4.20	3.41
May 2008	4.25	3.35
June 2008	3.88	2.48
July 2008	3.88	2.30
August 2008	3.50	2.80
September 2008	3.45	2.07
October 2008	2.42	1.29
November 2008	2.24	1.25
December 2008	2.06	1.28
January 2009	1.97	1.42
February 2009	1.55	1.26
March 2009	1.48	1.05

**Share Transfer System:**

Shareholding pattern as on March 31, 2009

S.NO.	CATEGORY	NO.OF SHARES HELD	% OF HOLDING
<b>A. PROMOTERS' HOLDING</b>			
1	INDIAN PROMOTERS	293220	2.21
	FOREIGN PROMOTERS	Nil	0
2	PERSONS ACTING IN CONCERT		
	a)RESIDENT	178794	1.34
	b)NONRESIDENT	478342	3.59
	SUB-TOTAL	950356	7.14
<b>B. NON-PROMOTERS HOLDING</b>			
3	INSTITUTIONAL INVESTORS		
	a MUTUAL FUNDS AND UTI	13100	0.09
	b BANKS, FINANCIAL INSTITUTIONS, INSURANCE COMPANIES (CENTRAL / STATE GOVT INSTITUTIONS/ NON-GOVT. INSTITUTIONS)	457500	3.43
	c FOREIGN INSTITUTIONAL INVESTORS	5600	0.04
	SUB-TOTAL	476200	3.57
4	OTHERS		
	a PRIVATE CORPORATE BODIES	1319886	9.92
	b INDIAN PUBLIC	10027617	75.34
	c NRI'S/OCB'S	339060	2.55
	d ANY OTHER (PLEASE SPECIFY)		
	Employees	3400	0.02
	Clearing Members	8062	0.06
	HUFs	185819	1.38
	SUB-TOTAL	11883844	89.28
	GRAND TOTAL	13310400	100.00

**WHISTLE BLOWER POLICY**

The Company established mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethical policy. The mechanism also provides for direct access to the Chairman of the Audit Committee in exceptional cases.

The existence of this mechanism was appropriately communicated.

No personnel have been denied access to the Audit committee and an affirmation is given to this effect.

**DEMATERIALISATION OF SHARES**

The shares of the Company fall under compulsory delivery in dematerialized form by all categories of investors and are actively traded. The Company has signed agreements with the Depositories i.e., National Securities Depositories Limited and Central Depositories (India) Limited. As on March 31, 2009, a total number of 11877716 Equity Shares of the Company stand dematerialized. This comprises 89.29% of the Equity Share Capital of the Company.

**ADDRESS FOR CORRESPONDENCE**

For any query in Demat/Physical Shares:

M/s. Karvy Computershare Pvt. Ltd  
46, Avenue 4, Street No. 1, Banjara  
Hills, Hyderabad - 500034.

**AUDITORS' CERTIFICATE**

To

The Members of M/s. FRONTIER INFORMATION TECHNOLOGIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Frontier Information Technologies Limited, for the year ended March 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring 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 according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Share Registrars and reviewed by the Shareholders'/Investors' 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.

for **T.P.RAO & CO.,**  
CHARTERED ACCOUNTANTS

Place : Hyderabad

Date : 01.09.2009

**[T.PRASADA RAO]**  
PROPRIETOR  
ICAI MS.NO.19196.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis report on the business of the company as applicable and to the extent relevant is given below:

### **A. INDUSTRY STRUCTURE AND DEVELOPMENTS.**

IT Business of most Indian Software Development companies can be classified into Onsite Consulting Services, Offshore Software Services, Product Sales and IT Enabled Services. During the last one year, Onsite consulting services business suffered a serious setback in US and other countries, on account of widespread unemployment in the concerned countries. Offshore software business has also come down on account of reduction in IT budgets of many international companies. The product sales of Indian companies in the international markets has been miniscule. IT enabled services business has seen a reasonable growth during the last one year.

The future direction clearly favours Offshore Software Services and IT enabled Services.

### **B. OPPORTUNITIES AND THREATS**

#### **1. Opportunities**

The following are the main opportunities for Indian IT Industry.

- a. Offshore Software Maintenance and Enhancements
- b. IT Enabled Services / BPO Operations.
- c. Increased IT spending within India.

#### **2. Threats**

The following are the main threats

- a. Competition from countries like China and East European Countries in the medium to long term.
- b. Large international companies establishing their own subsidiaries instead of depending on Indian Companies.
- c. Countries like USA bringing in legislation to prevent work from going to outside Countries.
- d. Appreciation of Rupee against US Dollar

In spite of certain negative factors in the international markets, company believes that there are enough global opportunities to be tapped. Countries like China will take a few more years before they can provide wide ranging Software Services of high quality. Company intends to concentrate on Offshore opportunities in Software Maintenance and IT enabled services space as well as computer education and training in the coming few years

### **C. SEGMENT RESULTS.**

Statement of Accounting Standard - AS 17 issued by The Institute of Chartered Accountants of India on Segment Reporting is not applicable to the company as there is no reportable segment which meets the criteria laid down under this standard.

### **D. OUTLOOK**

Company will continue its reorientation during 2009-10 with consolidation of its Onsite Business within US and will explore Offshore Projects as international markets start recovering. Company is exploring the possibility of re-entering Education and Training Business on account of increased Job opportunities in the market place in the coming years.

### **E. RISKS AND CONCERNS**

More stringent measures adopted by the foreign consulates can affect clearances required for Onsite Consulting Business. The operations of foreign IT Companies within India can correspondingly reduce potential Offshore opportunities.

The company intends to leverage on its work done in the areas of Health Care, Library Management and technology intensive areas where it has considerable expertise.

**F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has established adequate internal control systems and procedures both in financial and operational areas that are commensurate with the size and nature of the business of the Company. The constitution of Audit Committee with independent non-executive Directors is instrumental in ensuring mainly the following:

1. Oversight of Company's financial reporting process and the disclosures of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on any changes in accounting policies, compliances with accounting standards etc.
3. Discussion with the senior management to ensure adherence to the internal control systems and processes.
4. To ensure that appropriate controls are established and are effective throughout every software development project and conforming to ISO 9001 requirements.

**G. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

Financial statements are prepared under the Historical Cost Convention in accordance with the Indian Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956.

**H. RESULTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2009**

Please refer to Directors' Report

**I. MATERIAL DEVELOPMENT IN HUMAN RESOURCES /INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED**

Human Resource Development is a key area for growth and smooth functioning of any organization. The management recognized two major areas, which will lead to achieve this goal, namely, creating good working environment and imparting continuous training in latest technologies. Continuous upgradation of skills plays a key role in employee's retention and job satisfaction and company has taken adequate measures in this regard.

The company has cordial relations with its employees and staff. As on March 31, 2009, the company had 20 employees.

**CAUTIONARY STATEMENT**

Statement in this management discussion and analysis may be considered to be forward looking statements within the meaning of applicable securities, laws or regulations. Actual results could differ materially from those expressed or implied. Factors which could make a significant difference to the Company's operations include demand supply conditions, market prices, input component costs and availability, changes in Government regulations and tax laws besides other factors such as litigations over which the Company may not have any control.

**AUDITOR'S REPORT**

To  
The Members of  
**FRONTIER INFORMATION TECHNOLOGIES LIMITED,  
HYDERABAD.**

We have audited the attached balance sheet of M/s **FRONTIER INFORMATION TECHNOLOGIES LIMITED**, as at 31.03.2009, 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.

- 1) We conducted our audit in accordance with the 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 including 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.
- 2) 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, we enclose the Annexure, a statement of the matters specified in paragraphs 4 and 5 of the said Order.
- 3) Further to our comments in the Annexure referred to 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 purpose of our audit;
  - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The branch Auditor's Reports have been forwarded to us and have been appropriately dealt with.
  - (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 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 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 and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. In the case of Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2009,
    - b. In the case of Profit and Loss Account, of the Profit/Loss for the year ended on that date.
    - c. In the case of Cash Flow statement, of the Cash Flows for the year ended on that date.

for **T.P.RAO & CO.,  
CHARTERED ACCOUNTANTS**

[ **T.PRASADA RAO]**  
**PROPRIETOR**  
**ICAI MS.NO.19196.**

Place: Hyderabad  
Date: 01.09.2009



**ANNEXURE TO AUDITOR'S REPORT**

Ref : FRONTIER INFORMATION TECHNOLOGIES LIMITED

(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) All the Assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.  
 (c) During the year, the company has not disposed off a major part of the plant and machinery.
- 2) The Company is engaged in software services and does not have any inventory; therefore clause (ii) of CARO does not apply.
- 3) a) As the company has not granted any loans to the parties covered in the register maintained under section 301 of the Companies Act, Clause (iii) (a), (b), (c) and (d) of Para 4 of the order does not apply.  
 b) The company had taken loan from an associated company covered in the register maintained under section 301 of the Companies Act, 1956, during earlier years amounting to Rs. 19.68 lakhs and the company has not repaid the same. Total amount outstanding as on 31.03.2009 payable to the parties covered in the register was Rs. 24.76 lakhs.  
 c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans granted are not prima facie prejudicial to the interest of the company.
- 4) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of software products. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- 5) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
 (b) In our opinion and according to the information and explanations given to us, no transactions are made in pursuance of contracts or arrangements which need to be entered in the register maintained under section 301 of the Companies Act, 1956 exceeding the value of rupees five lakhs in respect of any party during the year.
- 6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits as per the provisions of the Companies (Acceptance of Deposits) Rules, 1975.
- 7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
- 9) (a) The company obtained sanction for payment of Provident Fund dues pertaining to earlier years by installments. An amount of Rs 2,43,480 remains payable as at the end of the year. **Other statutory dues payable are :**

**Professional Tax dues**  
**Others**

**Rs. 76,375**  
**Rs 10,94,975**

- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31.03.2009 for a period of more than six months from the date they became payable excepting ***undisputed dividend tax payable by the company amounting to Rs.9,75,000/- as on that date.***
- (c) According to the information and explanation given to us, there are no dues of customs duty, wealth tax, sales tax, excise duty and cess which have not been deposited on account of any dispute **except disputed income tax dues of Rs 13,39,917/- outstanding as at 31.03.2009 for a period of more than six months.**
- 10) **In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash loss of Rs 6.41 lakhs during the current year (Previous Year Rs 37.62 lakhs).**
- 11) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any scheduled Bank.
- 12) We are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares debentures and other securities.
- 13) We are of the opinion that 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 the company.
- 14) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 15) In our opinion, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) In our opinion, the company has not raised any term loan(s) during the year. .
- 17) According 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. No long-term funds raised have been used to finance short-term assets except permanent working capital.
- 18) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 19) According to the information and explanations given to us, during the period covered by our audit report, the company had not issued any debentures.
- 20) According to the information and explanations given to us, during the period covered by our audit report, the company has not raised any funds through public issue.
- 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 T.P.RAO & CO.,  
CHARTERED ACCOUNTANTS

Place: Hyderabad  
Date: 01.09.2009

[ T.PRASADA RAO]  
PROPRIETOR  
ICAI MS.NO.19196.



## **BALANCE SHEET AS AT 31ST MARCH, 2009**

(Amount in Rupees)

<b>PARTICULARS</b>	<b>Schedule</b>	<b>As at 31.03.09</b>	<b>As at 31.03.08</b>
<b><u>I. SOURCES OF FUNDS</u></b>			
<b>1 SHARE HOLDERS' FUNDS</b>			
a) Share Capital	A	<b>133,104,000</b>	133,104,000
b) Reserves and Surplus	B	<b>(64,281,850)</b>	(33,289,990)
<b>2 LOAN FUNDS</b>			
a) Secured Loans	C	<b>22,598,693</b>	28,900,392
b) Unsecured Loans		<b>8,378,000</b>	8,378,000
		<b>99,798,843</b>	137,092,402
<b><u>II. APPLICATION OF FUNDS</u></b>			
<b>1 FIXED ASSETS</b>			
a) Gross Block	D	<b>295,746,484</b>	291,697,662
b) Less : Depreciation		182,753,143	153,421,916
c) Net Block		<b>112,993,341</b>	138,275,746
<b>2 CURRENT ASSETS, LOANS AND ADVANCES</b>			
a) Sundry Debtors	E	<b>10,095,773</b>	10,008,020
b) Cash and Bank Balances	F	<b>395,444</b>	2,482,694
c) Other Current Assets	G	<b>3,820,174</b>	7,347,111
d) Loans and Advances	H	<b>3,530,454</b>	7,760,228
		<b>17,841,845</b>	27,598,053
Less: Current Liabilities & Provisions	I	<b>31,036,342</b>	28,781,398
Net Current Assets		<b>(13,194,497)</b>	(1,183,345)
<b>TOTAL :</b>		<b>99,798,843</b>	137,092,402

Notes on Accounts O

Vide our report of even date annexed

**for T.P.Rao & Co**  
**Chartered Accountants**

**For and on behalf of the Board**  
**Frontier Information Technologies Limited**

**(T. PRASADA RAO)**  
Proprietor

**(V K PREMCHAND)**  
Chairman and Managing Director

**(M.V.SASTRY )**  
Director

Place : Hyderabad  
Date : 01.09.2009



## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009**

(Amount in Rupees)			
PARTICULARS	Schedule	31.03.09	31.03.08
<b>INCOME :</b>			
Software and Allied Services	J	49,085,188	32,101,064
Other Income	K	5,526,126	436,154
Total		<u><b>54,611,314</b></u>	<u><b>32,537,218</b></u>
<b>EXPENDITURE :</b>			
Salaries and Allowances	L	46,325,888	27,560,492
Administrative Expenses	M	8,853,400	8,463,771
Financial Charges	N	144,183	275,000
Depreciation	D	29,331,226	30,114,690
Toal		<u><b>84,654,697</b></u>	<u><b>66,413,953</b></u>
<b>Profit / Loss before Tax</b>		<u><b>(30,043,383)</b></u>	<u><b>(33,876,735)</b></u>
Less:Provision for Taxation		-	-
Less : Provision for Fringe Benefit Tax		7,925	14,478
Less : Prior period adjustments		940,552	540,000
<b>Profit after Tax</b>		<u><b>(30,991,860)</b></u>	<u><b>(34,431,213)</b></u>
Balance B/F from Previous Year		(316,369,788)	(281,938,575)
Amount Available for Appropriation		<u>(347,361,648)</u>	<u>(316,369,788)</u>
<b>Appropriations</b>			
Transfer to General Reserve		-	-
Balance C/F to Balance Sheet		<u>(347,361,648)</u>	<u>(316,369,788)</u>
Balance Transferred to Balance Sheet		<u>(347,361,648)</u>	<u>(316,369,788)</u>
Notes on Accounts	O		
Schedules A to R and Accounting policies form part of Accounts			

Vide our report of even date annexed

**for T.P.Rao & Co**  
**Chartered Accountants**

**For and on behalf of the Board**  
**Frontier Information Technologies Limited**

**(T. PRASADA RAO)**  
Proprietor

**(V K PREMCHAND)**  
Chairman and Managing Director

**(M.V.SASTRY )**  
Director

Place : Hyderabad  
Date : 01.09.2009

## SCHEDULE S

Particulars	As at 31.03.09	31.03.08
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised :</b>		
1,80,00,000 Equity Shares of Rs.10/- each	<b>180,000,000</b>	<b>180,000,000</b>
<b>Issued, Subscribed and Paid up :</b>		
13310400 Equity Shares of Rs.10 each	133,104,000	133,104,000
<b>TOTAL</b>	<b>133,104,000</b>	<b>133,104,000</b>
<b>SCHEDULE B</b>		
<b>RESERVES AND SURPLUS</b>		
General Reserve	2,554,798	2,554,798
Profit & Loss Account	(347,361,648)	(316,369,788)
State Subsidy	1,000,000	1,000,000
Share Premium	279,525,000	279,525,000
<b>TOTAL</b>	<b>(64,281,850)</b>	<b>(33,289,990)</b>
<b>SCHEDULE C</b>		
<b>SECURED LOANS (see note 1)</b>		
<b>WORKING CAPITAL</b>		
Bank of India-WCTL Account	22,598,693	28,900,393
<b>TOTAL</b>	<b>22,598,693</b>	<b>28,900,392</b>
<b>UNSECURED LOANS</b>		
Council of Scientific and Industrial Research	4,660,000	4,660,000
Others	3,718,000	3,718,000
<b>TOTAL</b>	<b>8,378,000</b>	<b>8,378,000</b>
<b>SCHEDULE E</b>		
<b>SUNDRY DEBTORS</b>		
<b>(UNSECURED, CONSIDERED GOOD)</b>		
Above 6 Months	6001835	6001835
Less than 6 Months	4093938	4006185
<b>TOTAL</b>	<b>10095773</b>	<b>10,008,020</b>

**SCHEDULE 'D'**  
**FIXED ASSETS**

**Annexure**

(Amount in Rupees)

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S.No	Description	Gross Block				Depreciation				Net Block	
		Opening	Additions	Deletions	As at	Opening		For the	Upto	As at	As at
		01.04.2009			31.03.2009	Balance	Deletions	Year	31.03.09	31.03.09	31.03.08
1	Land	2298010	0	0	2298010	0	0	0	0	2298010	2298010
2	Buildings	23149322	4048821	0	27198143	3498753	0	377334	3876087	23322056	19650569
3	Plant & Machinery	37627221	0	0	37627221	37627221	0	0	37627221	0	0
4	Electrical Installations	6910273	0	0	6910273	6662632	0	246641	6909273	1000	247641
5	Furniture & Fixtures	10257502	0	0	10257502	3995356	0	649300	4644656	5612846	6262146
6	Office Equipment	1104259	0	0	1104259	887739	0	69900	957639	146620	216520
7	Knets	37041500	0	0	37041500	18509637	0	6004427	24514064	12527436	18531863
8	HelloAp.com	20700393	0	0	20700393	10343987	0	3355534	13699521	7000872	10356406
9	Libris Dev. systems	6065013	0	0	6065013	5787235	0	277778	6065013	0	277778
10	Libris Dev. Systems Ver II	44040740	0	0	44040740	10734340	0	4183870	14918210	29122530	33306400
11	Masterhealth Dev. systems	3032506	0	0	3032506	3032506	0	0	3032506	0	0
12	Masterhealth Version II	7590545	0	0	7590545	7590545	0	0	7590545	0	0
13	Web Enabled Masterhealth	76650179	0	0	76650179	32081761	0	12424994	44506755	32143424	44568418
14	Atithi Version II	4420000	0	0	4420000	3342404	0	716482	4058886	361114	1077596
15	Vehicles	2947433	0	0	2947433	2830050	0	117383	2947433	0	117383
16	Polysoft	5598910	0	0	5598910	4233894	0	907583	5141477	457433	1365016
					0						
	Sub Total	<b>289433806</b>	<b>4048821</b>	<b>0</b>	<b>293482627</b>	<b>151158060</b>	<b>0</b>	<b>29331226</b>	<b>180489286</b>	<b>112993341</b>	<b>138275746</b>
	Products under development	0	0	0	0	0	0	0	0	0	0
	Computer & Software(USA)	2210556	0	0	2210556	2210556	0	0	2210556	0	0
	Furniture & Fixtures(USA)	53300	0	0	53300	53300	0	0	53300	0	0
	Vehicles (USA)	0	0	0	0	0	0	0	0	0	0
	Total	<b>291697662</b>	<b>4048821</b>	<b>0</b>	<b>295746484</b>	<b>153421916</b>	<b>0</b>	<b>29331226</b>	<b>182753142</b>	<b>112993341</b>	<b>138275746</b>
	Previous Year	291697662	0	0	291697662	123307226	0	30114690	153421916	138275746	168390436



## SCHEDULE S

Particulars	As at 31.03.09	31.03.08
<b>SCHEDULE F</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	236,206	236,028
Balances with Scheduled Banks:		
- in Current Accounts	626	2,845
Balances with Non-Scheduled Banks:		
- in Bank of America	158,612	2,243,822
<b>TOTAL</b>	<b>395,444</b>	<b>2,482,694</b>

## SCHEDULE G

### OTHER CURRENT ASSETS

- Tax Deducted at Source	2,571,371	2,530,286
- Rent Deposit/ Receivable	60,000	60,000
- US Branch other Advances A/c	1,188,802	4,756,825
<b>TOTAL</b>	<b>3,820,173</b>	<b>7,347,111</b>

## SCHEDULE H

### LOANS AND ADVANCES

Secured		
-Loans	-	-
Unsecured and Considered Good		
-Loans	-	4,250,000
- Advances recoverable in cash or in kind or for value to be received	2,849,210	2,849,209
- Deposits	681,245	661,020
<b>TOTAL</b>	<b>3,530,454</b>	<b>7,760,228</b>

## SCHEDULE I

### CURRENT LIABILITIES AND PROVISIONS

a. Current Liabilities:		
Sundry Creditors	732,601	166,564
Other Outstanding Liabilities	29,095,406	27,399,946
Total (a)	<b>29,828,007</b>	<b>27,566,510</b>
b. Provisions:		
Provision for Gratuity	1,200,410	1,200,410
Provision for Taxation	-	-
Provision for Fringe Benefit Tax	7,925	14,478
Total (b)	<b>1,208,335</b>	<b>1,214,888</b>

<b>TOTAL</b>	<b>31,036,342</b>	<b>28,781,398</b>
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**Particulars**

**SCHEDULE S**

<b>Particulars</b>	<b>As at 31.03.09</b>	<b>31.03.08</b>
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**SCHEDULE J**

**SOFTWARE AND ALLIED SERVICES**

Sales - US Branch	48,485,088	31,377,839
Sales - Domestic	600,100	723,225
<b>TOTAL</b>	<b>49,085,188</b>	<b>32,101,064</b>

**SCHEDULE K**

**OTHER INCOME**

Rental Receipts	-	405,800
Other income/Write Backs	5,526,126	30,354
<b>TOTAL</b>	<b>5,526,126</b>	<b>436,154</b>

**SCHEDULE L**

**SALARIES AND ALLOWANCES**

Salaries and Allowances	44,628,577	25,859,601
Directors' Remuneration	1,680,000	1,680,000
Employer's Contribution to PF & Gratuity	9,708	8,136
Employer's Contribution to ESI	7,603	9,959
Staff Welfare Expenses	-	2,796
<b>TOTAL</b>	<b>46,325,888</b>	<b>27,560,492</b>

**SCHEDULE N**

**FINANCIAL CHARGES**

Interest on Working Capital	-	-
Interest - Others	144,183	275,000
<b>TOTAL</b>	<b>144,183</b>	<b>275,000</b>



**SCHEDULE S**

<b>Particulars</b>	<b>As at 31.03.09</b>	<b>31.03.08</b>
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**SCHEDULE M****ADMINISTRATIVE EXPENSES**

Rent Charges	338,260	315,966
Rates & Taxes		35,022
Insurance	2,400,653	1,637,896
Travelling Expenses - Directors	4,170	13,878
Travelling Expenses - Others	554,180	728,637
Conveyance Expenses	15,968	15,469
Security Charges	76,800	76,800
Advertising Charges	17,817	223,049
Electricity Charges	23,476	730,492
Telephone & Fax charges	91,578	129,911
Postage & Telegram	22,665	53,341
Bad Debts Written Off	1,783,006	793,646
Printing, Stationery & Photocopying	31,468	55,306
Foreign Fluctuation loss	594,231	14,487
Bank Charges	167,960	52,407
General Expenses	38,019	175,527
Payment to Auditors- Audit Fees	75,000	75,000
- Tax Audit Fees	25,000	25,000
Repairs & Maintenance		
- Vehicles	14,391	48,254
- Computers	23,750	252,312
Demat Custodial Charges	51,388	59,974
Office Expenses	101,300	111,577
Legal & Professional Charges US	1,942,369	2,227,733
Listing Fees	35,579	30,600
Share Transfer Fee	125,400	127,729
US Income Tax	298,972	453,758
<b>TOTAL</b>	<b>8,853,400</b>	<b>8,463,771</b>

**SCHEDULES****SCHEDULE O****A. SIGNIFICANT ACCOUNTING POLICIES :****1. Basis of Preparation of Financial Statements:**

The financial statements are prepared in accordance with Indian Generally accepted principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by Institute of chartered Accountants of India (ICAI), the provisions of the Companies act 1956. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

**2. Use of Estimates:**

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes, and the useful lives of fixed assets and intangible assets.

**3.: Revenue Recognition :**

1. Software consultancy fee comprises of :

- a) Services valued and invoiced on the basis of work completed and / or delivered
- b) Annual maintenance charges invoiced as appropriated for the accounting period.

2. Professional services are taken into account on the basis of services rendered during the accounting period at the rate agreed upon.

3. Student training fee receipts are accounted on accrual basis.

**4. Fixed Assets, Intangible Assets and Capital work in progress:**

Fixed assets are stated at cost less accumulated depreciation. All costs, directly attributable to bringing the asset to the present condition for their intended use, are capitalized.

Intangible Assets in the form of Software Products developed by the company are accounted for based on expenditure incurred towards development of software products and capitalized where the products can be separately identified and are capable of being sold as independent units.

Capital work in progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

**5. Depreciation**

- a) Depreciation on fixed assets located in India is provided as per the rates specified in the Schedule XIV of the Companies Act, 1956 under Straight Line Method (SLM). The software Packages are depreciated as in the past on a consistent pattern.
- b) Depreciation on computers & software, vehicles, furniture & fixtures located outside India is provided as per the rates of depreciation specified in the local laws of the respective country provided the rates are not lower than the rates specified in Schedule XIV of the Companies Act, 1956.
- c) Depreciation on software products is made based on the estimated useful life of the assets, which is taken as 6 Years.

**6. Investments**

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

**7. Taxes on Income**

Tax expense for a year comprises of current tax and deferred tax. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

**8. Valuation of WIP :**

Raw material, work-in-progress, components, stores and spares and packing materials are valued at cost. Finished goods are valued at cost or net realizable value whichever is less.

**9. Development of Products :**

Expenditure incurred towards development of software products is capitalized where the products can be separately identified and are capable of being sold as independent units. Other expenditure incurred towards development of software packages is charged off to revenue during the year.

**10. R& D Expenditure :**

Expenditure incurred on Research and Development of software tools and applications are written off in the year in which the expenditure is incurred. Assets used for research and development activities are included in fixed assets.

**11. Foreign Currency Transactions :**

All revenue and expense transactions at the Foreign Branches during the year are reported at average rate. Monetary assets and liabilities are translated at the rate of exchange prevailing on the date of the Balance Sheet whereas non-monetary assets and liabilities are translated at the rate of exchange prevailing on the date of the transaction. Fixed assets are carried at the exchange rate prevailing on the date of purchase. Fixed assets and depreciation are accounted as per the company's policy. The operations of foreign branches of the company are of integral in nature and the financial statements of these branches are translated using the same principles and procedures of the head office.

**B. NOTES ON ACCOUNTS :****1. Secured Loans**

- a. Working Capital Term Loan of Rs. 2,25,98,693 (Previous year Rs. 2,89,00,393) from Bank of India, Hyderabad Overseas Branch, Hitec City, Madhapur, Hyderabad is secured by Hypothecation of book debts, computers, peripherals, machinery, office equipment, air conditioners, furniture & fixtures, vehicles etc. and also by equitable mortgage by deposit of title deeds of Company's Land and Buildings.
- b. The company received sanction of One time Settlement dated 28.04.2008 granted by the said bank for Rs 2, 30, 00,000/-. The loan amount has since been repaid in July 2009 as per OTS sanctioned by the bank. The excess liability amounting to Rs 35,26,800/- is therefore written back to the profit & Loss a/c during the current year to set up the outstanding loan amount to match the out standing liability as at the end of the year.

2 Balances of Sundry Debtors, Sundry Creditors, Loans & Advances are subject to Confirmation .

3 Provision has been made towards the liability for payment of gratuity for the eligible employees as per the provisions of the Payment of Gratuity Act, 1972.

4 The company is engaged in the business of development of computer software and other related services. The production and sale of such software is not capable of being expressed in any generic unit and, hence, is not possible to give the quantitative details of sales and the information as required under paragraph 3, 4C and 4D of Part II of schedule VI of the Companies Act, 1956.

5. In the opinion of Management, there are no small scale industrial undertaking(s), creditors, to whom company owes a sum exceeding Rupees One Lakh which is outstanding for more than 30 days and hence details in respect of outstanding dues to small scale industrial undertaking(s) are not furnished as required, as per the notification no GSR 129 (E) dated February 22, 1999 issued by Department of Company Affairs.

6 Foreign Exchange earnings and outgo: (On receipt basis and excluding transactions in overseas branches).

Foreign Exchange inflow : Rs 10.67 Lakhs ( P.Y. Rs. 10.91 lakhs)  
(Towards Inward remittances)

Foreign Exchange outgo : Rs. Nil ( P.Y. Rs. Nil)

## **7. Contingent Liabilities :**

i) Disputed Income tax demands relating to Asst Years 2001.02 & 2002.03 amounting to Rs 13.40 lakhs. The issues are under appeal before appropriate Appellate Authorities and as per the opinion of the company's tax advisers the possibility of crystallization of liability is fairly unlikely.

## **8. Segment Information**

In terms of AS 17 issued by The Institute of Chartered Accountants of India on Segment Reporting The Company operates in a single business segment i.e., software services. The services are provided based on geographical location is as under :

United States of America  
(Through Branch operations) : Rs 484.85 lakhs

India : Rs 6.00 lakhs

## **9. Related Party Transactions**

Related party disclosures, as required by Accounting Standard – AS 18 “Related Party Disclosures” issued by the Institute of Chartered Accountants of India are given below:

### **A. Name of the related party and nature of relationship where control exists**

#### **1. Associates**

##### **a. Frontier Life Sciences Limited**

There are no transactions with this company during the year.

##### **b. Knowledgeware Technologies Limited**

There are no transactions with this company during the year.

#### **2 .Key Management**

Personnel

V.K. Premchand - Chairman and Managing Director

**B. Transactions with related parties as per books of account.****(Rs. In Lakhs)**

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Key Management Personnel</b>	<b>Total</b>
Rendering of Software Services	-	-	-	-
Receiving of Software Services				
Arrangement of Finance	-	19.68	-	19.68
Others – Payments				
Others – Receipts				
Dis investment	-	-	-	-
Remuneration to Managing Director			16.80	16.80

C. The information given above, has been reckoned on the basis of information available with the Company.

**10. Earnings per share**

Earning per share / Loss per share is calculated by dividing the profit/loss attributable to equity shareholders by the average number of shares outstanding during the year.

1.Loss as per Profit & Loss A/c	Rs. 3,09,91,860
2.Number of shares (nos)	1,33,10,400
3.Loss Per share (Rs.)	(2.33)
4.Face value per share (Rs.)	10.00

**11. Taxation**

Pursuant to the Accounting Standard AS22 on “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India the company has to recognize any deferred tax or liability in its books of account. Accordingly the company has evaluated the various elements of tax computation to determine whether any tax asset or liability needs to be recognized. The Company has incurred substantial losses and it is not considered prudent to identify deferred tax assets.

**12. Rounding off & Regrouping :**

The previous year’s figures have been regrouped where necessary to correspond with current year’s figures. The figures are rounded off to the nearest rupee.

Vide our report of even date annexed  
For T.P. RAO & CO  
Chartered Accountants

For and on behalf of Board

**(T Prasada Rao.)**  
Proprietor

**(V.K.PREMCHAND)**  
Chairman and Managing Director

**(M.V.SASTRY)**  
Director

Place: Hyderabad  
Date: 01.09.2009

CASH FLOW STATEMENT PURSUANT TO THE CLAUSE 32 OF LISTING AGREEMENT

13.09.2009

Rs.in Lakhs			
Particulars	(12 Months) Mar 2009		(12 Months) Mar 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Loss as per Profit & Loss account	-309.92		-344.31
Less: Depreciation	293.31		301.15
Less: Writeoffs	0.00		0.00
Less: Bad debts written off	17.83		7.94
Add: Profit on sale of investments	0.00		0.00
Add: Unclaimed Salaries Written off	0.00		0.00
Loss before depreciation and write offs but after dividend and taxes		1.22	-35.22
<b>B.CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to Fixed Assets	-40.49		0.00
Decrease in Fixed Assets	0.00		0.00
Movement in Current Assets & Liabilities	81.40		21.35
Sale of Investments	0.00		0.00
		40.91	21.35
Net Cash from Operating Activities		42.13	-13.87
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in Short Term Borrowings	0.00		43.78
Increase in Long term Borrowings	-63.02		-25.58
Net cash generated in financing activities		-63.02	18.20
<b>D. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		-20.88	4.33
<b>E. CASH AND CASH EQUIVALENTS - OPENING BAL</b>		24.83	0.00
<b>F. CASH AND CASH EQUIVALENTS - CLOSING BAL</b>		3.95	0.00
			24.83

For and on behalf of the Board

Place:Hyderabad

Date: 01.09.2009

(V.K.Premchand)

Chairman and Managing Director

(M.V.Sastry)

Director

**AUDITORS' CERTIFICATE**

We have examined the attached Cash Flow Statement of Frontier Information Technologies Limited for the year ended March 31, 2009. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreements with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of even date to the Members of the Company.

for T.P.RAO & CO.,  
Chartered Accountants

Place:Hyderabad

Date : 01.09.2009

(T.PRASADA RAO)

Proprietor

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
(SCHEDULE VI-PART IV - THE COMPANIES ACT, 1956)



I Registration details State Code Balance Sheet date

Registration No. 6644 01 3/31/2009

II Capital raised during the year (amount in Rs thousands)

Public Issue NIL Rights Issue NIL

Bonus Issue NIL Private Placement NIL

III Position of mobilisation and deployment of funds (amount in Rs.thousands)

Total Liabilities 99799 Total Assets 99799

Sources of funds 133104 Reserves and Surplus -64282  
Paid up Capital

Secured Loans 22599 Unsecured Loans 8378

Application of Funds

Net Fixed Assets 112993 Investments 0

Net Current Assets -13194 Misc. expenditure 0

Accumulated Losses -347362

IV Performance of Company (amount in Rs.thousands)

Turnover 54611 Expenditure 84655

Profit/Loss Before Tax -30043 Profit/Loss After Tax -30992

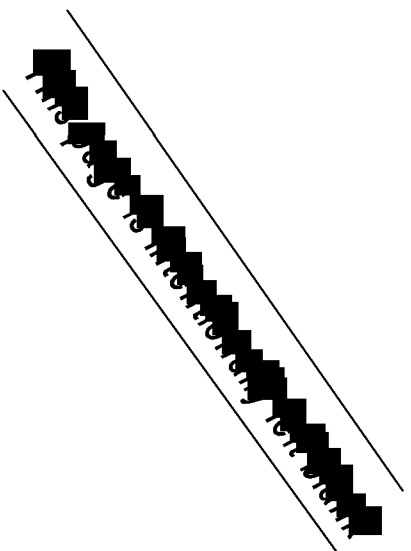
(Please tick appropriate box + for Profit - for Loss)

Earning per Share in Rs. (2.32839) Dividend Rate NIL

V GENERIC NAME/S of THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY (as per monetary terms)

Item Code No.(ITC Code) 000009322

Product Description SOFTWARE DEVELOPMENT AND TRAINING





**FRONTIER INFORMATION TECHNOLOGIES LIMITED**

Registered Office: 2nd Floor, 8-3-1116/1, Keshav Nagar, Srinagar Colony Main Road, Hyderabad-500 073

Folio/Client ID No. ....

No. of Shares held .....

**PROXY FORM**

I/We..... Of .....in the district of

.....Being a member/members of the above named company, hereby appoint

Mr/Ms.....in the district of

.....

as my/our proxy to attend and to vote for me/us on my/our behalf at the Twenty First Annual General Meeting of the Company to be held on 30.09.2009 at 10.00 A.M. 2<sup>nd</sup> Floor, 8-3-1116/1, Keshav Nagar, Srinagar Colony Main Road, Hyderabad – 500 073

Signed this ..... day of ..... 2009.

Signature of the member.....

Signature of the Proxy.....

Affix  
Revenue  
Stamp

NOTES: The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting. The Proxy need not be a member.

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**FRONTIER INFORMATION TECHNOLOGIES LIMITED**

Regd off: 2nd Floor, 8-3-1116/1, Keshav Nagar, Srinagar Colony Main Road, Hyderabad-500 073

Folio/Client ID No. ....

No. of Shares held .....

**ATTENDANCE SLIP**

I hereby record my presence at the Twenty First Annual General Meeting of the Company at 2<sup>nd</sup> Floor, 8-3-1116/1, Keshav Nagar, Srinagar Colony Main Road, Hyderabad – 500 073 on 30th September, 2009 at 10 AM.

.....  
Full Name of Share Holder (in block letters) Signature

Folio/Client ID No:.....

No. of Shares held.....

.....

Full Name of the Proxy (in Block letters) Signature  
(To be filled if the proxy attends instead of member)

Note: Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.