

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 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

II Floor, 8-3-1116/1,
Keshav Nagar
Srinagar Colony Main Road
Hyderabad-500 073

NOTICE



Notice is hereby given that the 22nd Annual General Meeting of the members of FRONTIER INFORMATION TECHNOLOGIES LIMITED will be held at 10.00 AM on Thursday, the 30th of September 2010, at Registered office at 2nd Floor, 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 as at March 31, 2010, the Profit & Loss Account for the period ended on March 31, 2010 along with schedules & annexures and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A.J.Sharma, 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 of the Company and to fix their remuneration. M/s T P Rao & Co, Chartered Accountants, Hyderabad, the Statutory Auditors, are eligible for re-appointment.

By order of the Board
for **Frontier Information Technologies Limited**

Place : Hyderabad.
Date: September 1, 2010

V.K. Premchand
Chairman & Managing Director

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 29.09.2010(Wednesday) and 30.09.2010 (Thursday).
- 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 - 500034.
- 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. There is no special business to transact. Hence, explanatory statement under Sec 173 (2) is not required to be enclosed.
- h. Members are requested to bring the admission slip along with the copy of the Annual Report to the meeting.

DIRECTORS' REPORT

Dear Members

Your Directors have pleasure in presenting the Twenty Second Annual Report together with the audited accounts of the Company for the year ended March 31, 2010. The operating results are as follows: (Rupees in Lakhs)

	12 Months ended 31.3.2010	12 Months ended 31.03.2009
FINANCIAL RESULTS		
Total Income	157.96	546.11
Gross Profit / (Loss)	(56.02)	(4.97)
Depreciation	268.65	293.31
Operating Profit / (Loss)	(324.67)	(298.28)
Interest	6.99	1.44
Prior Period Adjustments/ Write Offs/ Taxes	2.65	10.20
Net Profit / (Loss) after tax	(334.31)	(309.92)
Earnings/(Loss) per Share	(2.51)	(2.32)

BUSINESS OPERATIONS**1. Online Training for IT Professionals**

Taking into account the prevailing conditions for IT Business in the International Markets and after evaluation of Frontier's present strengths and weaknesses; it has been decided to restructure company's business operations. As a part of this, Online Training to IT Professionals in the International Markets, particularly in USA, has been identified as one of the important Strategic Business Units of the company. In this direction, company has established required infrastructure, recruited relevant staff, networked with competent global faculty and commenced operations. The Online Training activities take place predominantly in the night shift and will enable the company to exploit its infrastructure optimally and improve its future revenues. Subsequently, the company intends to expand these operations to cover IT professional in the Domestic Market as well.

2. Onsite Consulting Services

Onsite Consulting Services Business in US has been a substantial portion of Company's Business. To stabilize and strengthen this segment, Back Office support operations have been established at the company's registered office.

FUTURE OUTLOOK**1. Greater Emphasis on Offshore Projects**

Last few years have been witnessing a significant shift from Onsite Business to Offshore Projects. While Onsite Consultancy business will continue to have certain level of demand, significant growth will nevertheless be seen in offshore business opportunities.

2. Advanced Education and Training

In view of improved 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 2010-11.

3. ITES / BPO Operations

There are a number of new opportunities emerging in IT enabled services and Business Process Outsourcing. The growth in this sector has been significantly higher than the mainstream Software Services Business. e-Accounting, Technical Help Desk, Telemarketing, Health Care support services, Call Centers etc are creating immense opportunities. Company will be looking for opportunities in the areas of Technical Help Desk and Back Office Operations.

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. A.J.Sharma Director is liable to retire by rotation and, being eligible, offers himself for re-appointment.

Brief profile of Mr. A.J.Sharma is given below as per Clause 49 of standard listing agreement:

Name of the Director	A.J.Sharma
Date of Birth	07-07-1949
Qualification	M.A., L.L.B., Diploma in Personnel Management, Fellow Member of Institute of Company Secretaries of India.
Expertise in Specific Functional Area	Corporate Laws, Management, Business 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 2009-10.

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, 2010 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)

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Specific areas in which R & D carried out by the Company 2. Benefits derived as a result of the R & D 3. Future plan of Action 4. Expenditure on R & D 5. R & D expenditure as a % of total turnover | <p>Software Development.</p> <p>R&D is an Integral part of Company's Activity.</p> <p>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.</p> <p>Nil</p> <p>NA</p> |
|---|---|
- Technology Absorption, Adaptation and Innovation:

C. Foreign Exchange Earnings and Outgo:

<p>Activities relating to Export</p>	<p>The Company was engaged in the execution of Software Projects, development of Software Products and related services.</p>
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(Rs. in Lakhs)

2. Particulars	March 31, 2010	March 31, 2009
Foreign Exchange Earnings	6.06	10.67
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 period 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 1, 2010

V K Premchand
Chairman & Managing Director

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.

September 1, 2010

V K Premchand
Chairman and Managing Director

REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2009-10**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 5 Directors of whom 4 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:

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

1. April 30, 2009
2. May 12, 2009
3. July 22, 2009
4. July 31, 2009
5. September 1, 2009
6. October 27, 2009.
7. January 31, 2010.

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	7	Yes	2	-	-
Shri Rajan Munjal	Independent and Non-Executive Director	-	No	1	-	-
Shri Singh B Yalamanchili	Independent and Non-Executive Director	-	No	-	1	2
Shri A.J.Sharma	Independent and Non-Executive Director	7	No	1	1	2
Shri M.V.Sastry	Independent and Non-Executive Director	7	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, 2009 2. July 31, 2009 3. August 31, 2009 4. October 31, 2009 5. January 31, 2010. 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 nil complaints / requests from the shareholders during the financial year under review and resolved all of them to their 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 met only once during the financial year to recommend remuneration payable to

Shri V.K.Premchand on his re-appointment as Managing Director. Except Shri Singh B Yalamanchili, the other two Directors attended the meeting.

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.

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
2006-2007	Lions Bhavan, Secunderabad	29.09.2007	10:00 A.M.
2007-2008	Lions Bhavan, Secunderabad	30.09.2008	10.00 A.M
2008-2009	Registered Office, Hyderabad	30.09.2009	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	: Thursday, September 30, 2010, 10.00 AM
Venue	: II Floor, 8-3-1116/1, Keshav Nagar Srinagar Colony Main Road, Hyderabad-500 073
Financial Calendar	: April 01, 2010 to March 31, 2011
Under Review	: April 01, 2009 to March 31, 2010
Current	: April 01, 2010 to March 31, 2011
Quarterly Financial Reporting	: Within one month from the end of each Quarter except Fourth Quarter when the Annual results are published within 3 months.
Date of Book closure	: September 29, 2010 and September 30, 2010
Registered and Administrative office	: II 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, 2010
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

The following are the monthly high/low quotations during the financial year ended March 31, 2010

Month and Year	High	Low
April 2009	1.50	1.15
May 2009	2.10	1.38
June 2009	2.86	1.90
July 2009	2.20	1.54
August 2009	2.31	1.77
September 2009	2.19	1.66
October 2009	1.97	1.40
November 2009	1.77	1.29
December 2009	2.34	1.54
January 2010	2.41	1.82
February 2010	1.99	1.59
March 2010	2.25	1.49

Share Transfer System:

Shareholding pattern as on March 31, 2010

S.NO.	CATEGORY	NO.OF SHARES HELD	% OF HOLDING
A. PROMOTERS' HOLDING			
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. NON-PROMOTERS HOLDING			
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	3.58
4	OTHERS		
	a PRIVATE CORPORATE BODIES	1276973	9.59
	b INDIAN PUBLIC	10065291	75.63
	c NRI'S/OCB'S	309385	2.32
	d ANY OTHER (PLEASE SPECIFY)		
	Employees	3400	0.02
	Clearing Members	16990	0.13
	HUFs	211805	1.59
	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, 2010, a total number of 11917602 Equity Shares of the Company stand dematerialized. This comprises 89.53% 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,
BanjaraHills, 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, 2010 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

[T.PRASADA RAO]

Date : 1.09.2010

**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. While Onsite Consulting Services has witnessed a steady growth, Offshore Software business has experienced a significant upward change either through Dedicated Development Centers for overseas partners or Joint Ventures. The product sales of Indian companies in the international markets has been miniscule, while IT enabled services business has seen a strident growth during the last 3 to 4 years.

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 2008-09 with emphasis on increase in Onsite Business within US and Offshore Projects. Company is exploring the possibility of re-entering Education and Training Business on account of increased Job opportunities in the market place.

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, 2010

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 up gradation 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, 2010, the company had 15 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 31.03.2010, 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;

On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010, from being appointed as a Director in terms if clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of Balance Sheet, of the state of affairs of the company as at 31st March 2010,
 - b. In the case of 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.

Place: Hyderabad
Date: 01.09-2010

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

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

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 programme 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 disposed off major part of fixed assets representing Land & Building owned by the company along with furniture and AC plant attached thereto. The company continues to be engaged in business of software development.
- 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
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 16,800 remains payable as at the end of the year. Other statutory dues payable are :*

<i>Professional Tax dues</i>	<i>Rs. 86,060</i>
<i>Others</i>	<i>Rs 18,40,708</i>

(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 31.03.2010 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 31.03.2010 for a period of more than six months.**

- 10) **The accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash loss of Rs 63.29 lakhs during the current year (Previous Year Rs (7.12 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.

Place: Hyderabad
Date: 01.09.2010

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

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

BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Rupees)

PARTICULARS	Schedule	(Amount in Rupees)	
		As at 31.03.10	As at 31.03.09
<u>I. SOURCES OF FUNDS</u>			
1 SHARE HOLDERS' FUNDS			
a) Share Capital	A	133,104,000	133,104,000
b) Reserves and Surplus	B	(97,713,638)	(64,281,850)
2 LOAN FUNDS			
a) Secured Loans	C	-	22,598,693
b) Unsecured Loans		7,134,755	8,378,000
TOTAL :		42,525,117	99,798,843
<u>II. APPLICATION OF FUNDS</u>			
1 FIXED ASSETS			
a) Gross Block	D	211,589,955	295,746,484
b) Less : Depreciation		156,561,698	182,753,142
c) Net Block		55,028,257	112,993,342
2 CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	E	7,278,798	10,095,773
b) Cash and Bank Balances	F	1,403,382	395,442
c) Other Current Assets	G	6,784,586	3,820,173
d) Loans and Advances	H	1,150,818	3,530,454
		16,617,584	17,841,842
Less: Current Liabilities & Provisions	I	29,120,723	31,036,342
Net Current Assets		(12,503,139)	(13,194,500)
TOTAL :		42,525,117	99,798,843
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)
Managing Director

(M.V.SASTRY)
Director

Place : Hyderabad
Date : 01.09.2010



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

(Amount in Rupees)

PARTICULARS	Schedule	31.03.10	31.03.09
INCOME :			
Software and Allied Services	J	15,690,131	49,085,188
Other Income	K	106,000	5,526,126
Total		<u>15,796,131</u>	<u>54,611,314</u>
EXPENDITURE :			
Salaries and Allowances	L	16,175,010	46,325,888
Administrative Expenses	M	5,223,094	8,853,400
Financial Charges	N	698,947	144,183
Depreciation	D	26,865,793	29,331,226
Toal		<u>48,962,844</u>	<u>84,654,697</u>
Profit / Loss before Tax		(33,166,713)	(30,043,383)
Less:Provision for Taxation		-	-
Less : Provision for Fringe Benefit Tax		-	7,925
Less : Prior period adjustments		265,075	940,552
Profit after Tax		(33,431,788)	(30,991,860)
Balance B/F from Previous Year		<u>(347,361,648)</u>	<u>(316,369,788)</u>
Amount Available for Appropriation		<u>(380,793,436)</u>	<u>(347,361,648)</u>
Appropriations			
Transfer to General Reserve		-	-
Balance C/F to Balance Sheet		<u>(380,793,436)</u>	<u>(347,361,648)</u>
Balance Transferred to Balance Sheet		<u>(380,793,436)</u>	<u>(347,361,648)</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)
Managing Director

(M.V.SASTRY)
Director

Place : Hyderabad
Date : 01.09.2010



Particulars	As at 31.03.10	31.03.09
SCHEDULE A		
SHARE CAPITAL		
Authorised :		
1,80,00,000 Equity Shares of Rs.10/- each	180,000,000	180,000,000
Issued, Subscribed and Paid up :		
13310400 Equity Shares of Rs.10 each	133,104,000	133,104,000
TOTAL	133,104,000	133,104,000
SCHEDULE B		
RESERVES AND SURPLUS		
General Reserve	2,554,798	2,554,798
Profit & Loss Account	(380,793,436)	(347,361,648)
State Subsidy	1,000,000	1,000,000
Share Premium	279,525,000	279,525,000
TOTAL	(97,713,638)	(64,281,850)
SCHEDULE C		
SECURED LOANS (see note 1)		
WORKING CAPITAL		
Bank of India-WCTL Account	-	22,598,693
TOTAL	-	22,598,693
UNSECURED LOANS		
Council of Scientific and Industrial Research	4,160,755	4,660,000
Others	2,974,000	3,718,000
TOTAL	7,134,755	8,378,000
SCHEDULE E		
SUNDRY DEBTORS		
(UNSECURED, CONSIDERED GOOD)		
Above 6 Months	6,001,835	6,001,835
Less than 6 Months	1,276,963	4,093,938

FRONTIER INFORMATION TECHNOLOGIES LIMITED
SCHEDULE 'D'
FIXED ASSETS

(Amount in Rupees)

S.No	Description	Gross Block				Depreciation				Net Block	
		Opening	Additions	Deletions	As at	Opening		For the	Upto	As at	As at
		01.04.2009			31.03.2010	Balance	Deletions	Year	31.03.10	31.03.10	31.03.09
1	Land	2298010	0	2298010	0	0	0	0	0	0	2298010
2	Buildings	27198143	0	27198143	0	3876087	3876087	0	0	0	23322056
3	Plant & Machinery	37627221	0	37627221	0	37627221	37627221	0	0	0	0
4	Electrical Installations	6910273	0	6910273	0	6909273	6909273	0	0	0	1000
5	Furniture & Fixtures	10257502	0	10257502	0	4644656	4644656	0	0	0	5612846
6	Office Equipment	1104259	134620	0	1238879	957639	0	78421	1036060	202819	146620
7	Knets	37041500	0	0	37041500	24514064	0	6004427	30518491	6523009	12527436
8	HelloAp.com	20700393	0	0	20700393	13699521	0	3355534	17055055	3645338	7000872
9	Libris Dev. systems	6065013	0	0	6065013	6065013	0	0	6065013	0	0
10	Libris Dev. Systems Ver II	44040740	0	0	44040740	14918210	0	4183870	19102080	24938660	29122530
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	44506755	0	12424994	56931749	19718430	32143424
14	Atithi Version II	4420000	0	0	4420000	4058886	0	361114	4420000	0	361114
15	Vehicles	2947433	0	0	2947433	2947433	0	0	2947433	0	0
16	Polysoft	5598910	0	0	5598910	5141477	0	457433	5598910	0	457433
					0						
	Sub Total	293482627	134620	84291149	209326098	180489286	53057237	26865793	154297842	55028256	112993341
	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	295746483	134620	84291149	211589955	182753142	53057237	26865793	156561698	55028256	112993341
	Previous Year	291697662	4048821	0	295746484	153421916	0	29331226	182753142	112993341	168390436

TOTAL

7,278,798

10,095,773

20

SCHEDULE F**10/31/11****CASH AND BANK BALANCES**

Cash on Hand	21,710	236,206
Balances with Scheduled Banks:		
- in Current Accounts	94,064	626
Balances with Non-Scheduled Banks:		
- in Bank of America	1,287,608	158,612
TOTAL	1,403,382	395,444

SCHEDULE G**OTHER CURRENT ASSETS**

- Tax Deducted at Source	2,606,476	2,571,371
- Rent Deposit/ Receivable	120,000	60,000
- US Branch other Advances A/c	4,058,109	1,188,802
TOTAL	6,784,585	3,820,173

SCHEDULE H**LOANS AND ADVANCES**

Secured

-Loans - -

Unsecured and Considered Good

-Loans - -

- Advances recoverable in cash or in kind
or for value to be received

963,142 2,849,209

- Deposits 187,677 681,245

TOTAL 1,150,818 3,530,454**SCHEDULE I****CURRENT LIABILITIES AND PROVISIONS**

a. Current Liabilities:

Sundry Creditors 1,266,679 732,601

Other Outstanding Liabilities 26,653,634 29,095,406

Total (a) **27,920,313 29,828,007**

b. Provisions:

Provision for Gratuity 1,200,410 1,200,410

Provision for Taxation - -

Provision for Fringe Benefit Tax - 7,925

Total (b) **1,200,410 1,208,335**

TOTAL

29,120,723

31,036,342

22

SCHEDULE J

11/01/11

SOFTWARE AND ALLIED SERVICES

Sales - US Branch

15,031,883

48,485,088

Sales - Domestic

658,248

600,100

TOTAL

15,690,131

49,085,188

SCHEDULE K

OTHER INCOME

Rental Receipts

-

-

Other income/Write Backs

106,000

5,526,126

TOTAL

106,000

5,526,126

SCHEDULE L

SALARIES AND ALLOWANCES

Salaries and Allowances

14,485,125

44,628,577

Directors' Remuneration

1,680,000

1,680,000

Employer's Contribution to PF & Gratuity

5,600

9,708

Employer's Contribution to ESI

2,423

7,603

Staff Welfare Expenses

1,862

-

TOTAL

16,175,010

46,325,888

SCHEDULE N

FINANCIAL CHARGES

Interest on Working Capital

-

-

Interest - Others

698,947

144,183

TOTAL

698,947

144,183

23

SCHEDULE M
ADMINISTRATIVE EXPENSES

Rent Charges	269,759	338,260
Rates & Taxes	71,040	-
Insurance	1,914,829	2,400,653
Travelling Expenses - Directors	-	4,170
Travelling Expenses - Others	16,558	554,180
Conveyance Expenses	15,000	15,968
Security Charges	-	76,800
Advertising Charges	57,306	17,817
Electricity Charges	26,826	23,476
Telephone & Fax charges	85,506	91,578
Postage & Telegram	17,931	22,665
Bad Debts Written Off	-	1,783,006
Printing, Stationery & Photocopying	13,720	31,468
Foreign Fluctuation loss	73,074	594,231
Bank Charges	46,562	167,960
General Expenses	237,387	38,019
Payment to Auditors- Audit Fees	35,000	75,000
- Tax Audit Fees	15,000	25,000
Repairs & Maintenance		
-Vehicles	59,506	14,391
- Computers	11,030	23,750
- Buildings	378,016	
Demat Custodial Charges	100,808	51,388
Office Expenses	460,786	101,300
Legal & Professional Charges US	738,213	1,942,369
Listing Fees	33,752	35,579
Loss on sale of Asset	425,485	-
Share Transfer Fee	120,000	125,400
US Income Tax	-	298,972
TOTAL	5,223,094	8,853,400

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)
Managing Director

(M.V.SASTRY)
Director

Place : Hyderabad
Date : 01.09.2010

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 from Bank of India, Hyderabad Overseas Branch, Hitec City, Madhapur, Hyderabad 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, has been closed by repayment during the year.
- 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 been repaid in July 2009 as per OTS sanctioned by the bank.

- 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 6.06 Lakhs (P.Y. Rs. 10.67 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 150.32 lakhs

India : Rs 3.80 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 these companies during the year.

b) Knowledge ware Technologies Limited

There are no transactions with these companies during the year.

2. Key Management

Personnel a) V.K. Premchand - Managing Director

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

	Subsidiarie	Associates	Key Management Personnel	Total
Rendering of Software Services	-	-	-	-
Receiving of Software Services				
Arrangement of Finance (Opening Balance)	-	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. 3,34,60,014
2.Number of shares (nos)	1,33,10,400
3.Loss Per share (Rs.)	(2.51)
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)
Managing Director

(M.V.SASTRY)
Director

Place: Hyderabad
Date: 01.09.2010

CASH FLOW STATEMENT PURSUANT TO THE CLAUSE 32 OF LISTING AGREEMENT



Rs.in Lakhs

Particulars	Mar 2010	Mar 2009	
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Loss as per Profit & Loss account	-334.32	-309.92	
Less: Depreciation	268.66	293.31	
Less: Writeoffs	0.00	0.00	
Less: Bad debts written off	0.00	17.83	
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	-65.66		1.22
B. CASH FLOW FROM INVESTING ACTIVITIES			
Additions to Fixed Assets	-1.35	-40.49	
Decrease in Fixed Assets	312.34	0.00	
Movement in Current Assets & Liabilities	3.17	81.40	
Sale of Investments	0.00	0.00	
	314.16		40.91
Net Cash from Operating Activities	248.50		42.13
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase in Short Term Borrowings	-12.43	0.00	
Increase in Long term Borrowings	-225.99	-63.02	
Net cash generated in financing activities	-238.42		-63.02
D. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
	10.08	0.00	-20.89
E. CASH AND CASH EQUIVALENTS - OPENING BAL			
	3.95	0.00	24.84
F. CASH AND CASH EQUIVALENTS - CLOSING BAL			
	14.03	0.00	3.95

For and on behalf of the Board

Place:Hyderabad

(V.K.Premchand)

(M.V.Sastry)

Date: 01.09.2010

Managing Director

Director

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Frontier Information Technologies Limited for the year ended March 31, 2010. 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

(T.PRASADA RAO)

Date : 01.09.2010

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. <input type="text" value="6644"/>	<input type="text" value="01"/>	<input type="text" value="3/31/2010"/>

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

Public Issue <input type="text" value="NIL"/>	Rights Issue <input type="text" value="NIL"/>
Bonus Issue <input type="text" value="NIL"/>	Private Placement <input type="text" value="NIL"/>

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

Total Liabilities <input type="text" value="42525"/>	Total Assets <input type="text" value="42525"/>
Sources of funds Paid up Capital <input type="text" value="133104"/>	Reserves and Surplus <input type="text" value="-97714"/>
Secured Loans <input type="text" value="0"/>	Unsecured Loans <input type="text" value="7134.755"/>

Application of Funds

Net Fixed Assets <input type="text" value="55028"/>	Investments <input type="text" value="0"/>
Net Current Assets <input type="text" value="-12503"/>	Misc. expenditure <input type="text" value="0"/>
Accumulated Losses <input type="text" value="-380793"/>	

IV Performance of Company (amount in Rs.thousands)

Turnover <input type="text" value="15796"/>	Expenditure <input type="text" value="48963"/>
Profit/Loss Before Tax <input type="text" value="-33167"/>	Profit/Loss After Tax <input type="text" value="-33432"/>

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

Earning per Share in Rs. <input type="text" value="(2.51170)"/>	Dividend Rate <input type="text" value="NIL"/>
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V GENERIC NAME/S of THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY (as per monetary terms)

Item Code No.(ITC Code)

Product Description

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..... Ofin 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 Second Annual General Meeting of the Company to be held on 30.09.2010 at 10.00 A.M. at Registered Office: 2nd Floor, 8-3-1116/1, Keshav Nagar, Srinagar Colony Main Road, Hyderabad-500 073

Signed this day of 2010.

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.

--**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 Second Annual General Meeting of the Company at Regd Off: 2nd Floor, 8-3-1116/1, Keshav Nagar, Srinagar Colony Main Road, Hyderabad-500 073 on 30th September, 2010 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.