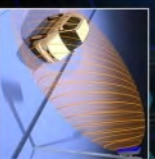


D E L I V E R I N G E X C E L L E N C E





▶ Best R&D company for the year 2008-09

▶ Hon'ble CM Mr. Rosaliah with Award Winners



▶ FAPCCI Award



▶ Award secured ticketing solution by AILE (First time to any pvt. company)

▶ Smart document launch by Cabinet Minister Shri P. Chidambaram



▶ IFSAP Award

Awards and Appreciations



FAPCCI Award



FAPCCI Award



Award by AIEE



Smart card Expo Award



Momento from AP Police

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BOARD OF DIRECTORS

Mr. Mudunuru Madhusudan Raju
Mr. D.V. Raju
Mr. N. Natarajan
Mr. Akella Lakshmanmohan
Mr. Kodali Tejesh Kumar

Managing Director
Whole time Director
Director
Director
Director

COMPANY SECRETARY

Ms. Parul Agarwal

AUDITORS

M/s. Ramana Reddy & Associates
Chartered Accountants, Hyderabad

BANKERS

Andhra Bank
Somajiguda, Hyderabad

REGISTERED OFFICE

2nd Floor, Ektha Towers, Plot No. 2&3,
White Fields, Kondapur, Hyderabad – 500 084,
Andhra Pradesh,
Ph:040-40038888,
Fax:040-40038901
Email:info@infronics.coms

REGISTRARS AND SHARE TRANSFER AGENTS

Aarthi Consultants Pvt. Limited
1-2-285, Domalguda, Hyderabad-500 029
Ph. Nos. 040-27638111 / 27634445

Notice

Notice is hereby given that the 10th Annual General Meeting of Infronics Systems Limited will be held on 30th September 2010 at 10.00 AM at PRIDE INN Guest Rooms, 8-2-289/1/B, Banjara Hills, Road No. 14, Beside BN Reddy Colony, Opp. Walden Street, Hyderabad – 500 034 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2010, Profit and Loss account for the year ended as on that date together with the schedules and annexures thereto, the Reports of the Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. N. Natarajan who retires by rotation and being eligible, offers himself for reappointment.
3. To re-appoint M/s. Ramana Reddy & Associates formerly known as A.M. Reddy & Co., Chartered Accountants as Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT Mr. Kodali Tejesh Kumar who was appointed as additional director of the Company pursuant to the provisions of section 260 of the Companies Act, 1956 by the Board of Directors w.e.f. 27.01.2010 and who holds the office up to date of the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under section 257 read with section 190 of the said Act, along with a deposit of Rs.500/- proposing him as candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office is liable to be determined by retirement of directors by rotation”

5. Issuance of equity shares and convertible warrants on preferential basis:

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

“RESOLVED THAT in terms of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchange where the Company's shares are listed, and in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as may be applicable to the preferential issue of Equity Shares and other applicable regulations of SEBI, if any, and subject to such conditions and modifications as may be considered appropriate by the Board of Directors of the Company (hereinafter referred to as “the Board” which expression shall include any committee thereof for the time being to which all or any of the powers hereby conferred on the Board by this resolution, have been delegated) and subject to such consents and approvals of SEBI, Stock Exchanges, Government of India or such other bodies or authorities as may be required by law and as may be necessary and subject to such conditions and modifications as may be imposed upon and accepted by the Board while granting such consents and approvals, and which may be agreed to by or any other authority as may be necessary for that purpose, the consent of the members of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more tranches up to 27,63,333 equity shares of Rs. 5/- each at an issue price of Rs.15/- each which includes a premium of Rs.10/- per share and 12,00,000 convertible warrants to the promoters and the others, as detailed below, at an issue price of Rs.15/- per warrant convertible into equal number of Equity Shares with in a period not exceeding 18 months from the date of allotment of warrants at a price of Rs.15/- per Equity Share which includes a premium of Rs.10/- per share determined in accordance with the preferential issue Regulation given in chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments thereto:

Sl. No.	Name of the proposed Allottee	No. of warrants and / equity shares proposed to be allotted
PROMOTERS CATEGORY		
1.	Mudunuru Vindhya	12,00,000 (convertible warrants)
NON – PROMOTERS CATEGORY		
1.	Ramya M	6,00,000
2.	Kalidindi Rajan Raju	5,00,000
3.	Ramesh Annamreddy	3,00,000
4.	Konkepudi Priyabandhavi	2,50,000
5.	Sadaanand Engineering Technologies Pvt Ltd.	2,33,333
6.	S. Jhansi	2,00,000
7.	Parisha Pushpalatha	1,50,000
8.	Samineni Bhargavi	1,25,000
9.	Samineni Hari Krishna	1,20,000
10.	Anurupa Chunduri	1,20,000
11.	P. Doondeshwar Rao	66,667
12.	K. V. Raja Rao	25,000
13.	D. Bangaru Raju	25,000
14.	Ramalingam Baskaran	16,667
15.	M S Bhuvaneshwari	16,667
16.	T.Satyanarayana	15,000

“RESOLVED FURTHER THAT the pricing of the Equity Shares to be allotted on shall be calculated in accordance with the SEBI’s Preferential Issue Regulations with reference to the ‘Relevant Date’. However, the issue price shall in no case be less than the price determined as per the Preferential Issue Regulations as provided in Chapter VII of SEBI (ICDR) Regulations, 2009.” The “relevant date” for the purpose of pricing of the resultant share is 31.08.2010 i.e. thirty days prior to the date on which this General Meeting is held in terms of Section 81(1A) of the Companies Act, 1956 (AGM to be held on -30.09.2010).

“RESOLVED THAT the new equity shares and the equity shares issued on conversion of warrants shall rank pari-passu with the existing Equity Shares of the Company in all respects and that the equity shares so allotted during the financial year shall be entitled to the dividend, if any, declared including other corporate benefits, if any, for which the book closure or the Record Date falls subsequent to the allotment of Equity Shares.”

“RESOLVED FURTHER THAT the aforesaid equity shares and/ warrants allotted in terms of this resolution and the

resultant equity shares arising on exercise of right attached to such warrants shall be subject to lock-in requirements as per the provisions of Chapter VII of SEBI ICDR Regulations, 2009.

“RESOLVED FURTHER THAT the aforesaid warrants shall be in accordance with the following terms and conditions:

- A warrant by itself shall not give to a warrant holder thereof, any rights of the shareholder of the company.
- In the event, the equity share of the company are either sub-divided or consolidated before the conversion of the warrants into equity shares of the company, then the face value, the number of equity shares to be acquired on conversion of the warrants and the warrant issue price shall automatically stand adjusted in the same proportion, as the present value of the equity shares of the company bears, to the newly sub-divided / consolidated equity shares without affection any right or obligation of the said warrant holders: and
- In the event the company’s equity capital is affected or changed due to any other corporate actions such as a merger, demerger, consolidation of business, or other reorganization of the company, tender offer for equity shares of sale of undertaking, necessary adjustments with respect to the terms of the aforesaid warrants shall be made by the company and such other action as may be deemed necessary or appropriate by the Board shall be taken to reflect such corporate actions, including but without limitation, suitable adjustment of the warrant issue price, subject to necessary approvals.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to modify and decide the price, terms and conditions of the Issue of the warrants, if necessary, keeping in view the provisions of various Acts and Guidelines in force from time to time.

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to agree and accept all such condition(s), modification(s) and alteration(s) as may be stipulated by any relevant authorities while according approval or consent to the issue as may be considered necessary, proper or expedient and give effect to such modification(s) and to resolve and settle all questions, difficulties or doubts that may arise in this regard to implementation of this Resolution, issue and allotment of warrants and to do all acts, deeds and things in connection therewith and inci-

dental thereto without being required to seek any further consent or approval of the members of the Company to the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Company does apply for listing of the new equity shares.”

“RESOLVED FURTHER THAT the Company does make an application to the Depositories for admission of the new equity shares.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.”

For and on behalf of Board of Directors of
INFRONICS SYSTEMS LIMITED

Place: **Hyderabad**
Date: 30.08.2010

Mudunuru Madhusudan Raju
MANAGING DIRECTOR

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on a poll instead of himself / herself and the Proxy need not be a member of the Company.
2. Proxies, in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 27.09.2010 to 30.09.2010 (Both days inclusive).
4. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
5. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
6. Members are requested to kindly bring their copies of the Annual Report to the meeting. As a measure of economy, copies of Annual Report will not be distributed at the AGM.

ANNEXURE TO THE RESOLUTION

EXPLANATORY STATEMENT (Pursuant To Section 173(2) of the Companies Act, 1956)

Item Nos. 4

The members may note that Mr. Kodali Tejesh Kumar, was inducted into the Board as Additional Director of the company with effect from 27.01.2010 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from a member of the company along with a deposit of Rs.500/- under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of Mr. Kodali Tejesh Kumar for the Office of Directors whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

Hence, the Board recommends the resolution for your approval.

None of Directors except Mr. Kodali Tejesh Kumar may be deemed to be concerned or interested in the resolution.

5. Issuance of convertible warrants on preferential basis

The special resolution as mentioned above proposes to authorise the Board of directors to issue up to **27,63,333 equity shares at an issue price of Rs. 15/- each and 12,00,000 convertible warrants** at an issue price of **Rs. 15/- each** convertible into equity shares of Rs.5/- each with a premium of Rs. 10/- each to the promoters and the others.

Information pertaining to the proposed preferential allotment in terms of the Chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments there to as set out as below:

(1) Objects of the issue through preferential offer

The purpose of the issue of equity shares and convertible warrants is to aid the Company to raise the funds to meet

ever increasing working capital requirements as a part of scaling up operations and other general corporate purposes including acquisition of other companies for achieving both organic and in-organic growth.

(2) Pricing of the issue and Relevant Date

The issue price of the equity shares / convertible warrants shall be Rs. 15/- each includes premium of Rs. 10/- per share to be issued based on the relevant date being 31.08.2010 (30 days prior to the date AGM – 30.09.2010). For this purpose, the company has considered and noted that there is no trading in the shares of the company on Ahmedabad Stock Exchange for the last few years preceding to the relevant date. However, the company has considered and fixed the issue price as Rs. 15/- per instrument or share or warrant.

A Certificate has been obtained from the Auditors of the Company confirming the minimum price for the preferential issue as per Preferential Issue Guidelines and showing the calculation thereof and the same is also available for inspection at the Registered Office of the Company.

(3) Intention of the allottees or their associates and relatives, directors / key management persons to subscribe to the offer:

The proposed allottees for preferential issue of 27,63,333 equity shares and 12,00,000 convertible share warrants are person(s) as referred to in the resolution.

(4) Identity of the proposed allottees and percentage of pre and post preferential issue capital that may be held by them:

	Name of the proposed allottee	Pre issue holding		Warrants /Equity shares proposed to be allotted	Post issue holding	
		Shares	% of shares		Shares	% of shares
	PROMOTERS GROUP					
1.	M. Vindhya	Nil	Nil	1200000*	1200000	8.50
	TOTAL	Nil	Nil	1200000	1200000	8.50
	NON-PROMOTERS GROUP					
1.	Ramya M	Nil	Nil	6,00,000	6,00,000	4.25
2.	Kalidindi Rajan Raju	Nil	Nil	5,00,000	5,00,000	3.54
3.	Ramesh Annamreddy	Nil	Nil	3,00,000	3,00,000	2.13
4.	Konkepudi Priyabandhavi	Nil	Nil	2,50,000	2,50,000	1.77
5.	Sadaanadd Engineering Technologies Pvt. Ltd.	Nil	Nil	2,33,333	2,33,333	1.65
6.	S. Jhansi	12,000	0.12	2,00,000	2,12,000	1.50
7.	Parisha Pushpalatha	Nil	Nil	1,50,000	1,50,000	1.06
8.	Samineni Bhargavi	Nil	Nil	1,25,000	1,25,000	0.88
9.	Samineni Hari Krishna	Nil	Nil	1,20,000	1,20,000	0.85
10.	Anurupa chunduri	Nil	Nil	1,20,000	1,20,000	0.85
11.	P. Doondeshwar Rao	Nil	Nil	66,667	66,667	0.47
12.	D. Bangar Raju	Nil	Nil	25,000	25,000	0.18
13.	K V Raja Rao	Nil	Nil	25,000	25,000	0.18
14.	M.S. Bhuvanewari	Nil	Nil	16,667	16,667	0.12
15.	Ramalingam Bhaskaran	Nil	Nil	16,667	16,667	0.12
16.	T. Satyanarayana	Nil	Nil	15,000	15,000	0.11

*Assuming all the warrants are converted

(5) Shareholding Pattern before and after preferential issue of the capital would be as follows:

SI. No.	CATEGORY	Pre issue holding details		Post issue holding details	
		No. of shares	% of shares	No. of shares	% of shares
A	Promoter Share Holding				
1	Indian Promoters	3968653	39.10	5168653	36.62
2	Foreign Promoters	Nil	Nil	Nil	Nil
	Sub-Total (A)	3968653	39.10	5168653	36.62
B	Public Share holding				
1	Institutions	Nil	Nil	Nil	Nil
2	Non-Institutions				
A	Bodies Corporate	41280	0.41	2,74,613	1.95
B	Individuals	5726787	56.43	68,56,787	48.59
C	NRIs	Nil	Nil	14,00,000	9.92
D	Others (Employees)	412520	4.06	412520	2.92
	Sub-Total (B)	6180587	60.90	8943920	63.38
	Grand Total (A+B)	1,01,49,240	100.00	1,41,12,573	100.00

Proposed time within which the allotment shall be completed:

The Board may allot equity shares / convertible warrants at a price not being less than Rs. 15/- per equity share / warrant. The allotment of equity shares / convertible warrants shall be completed, within a period of 15 days from the date of passing of the resolution by the shareholders provided, that where the allotment is pending on account of pendency of any approval from any regulatory authority or the Central Government, the allotment shall be completed by the Company within a period of 15 days from the date of such approvals.

An amount, as may be decided by the Board of Directors, not being less than 25% of the issue price shall be payable on the date of allotment of the warrants.

The warrants would be allotted on the following terms:

- a. The holder of warrants will have an option to apply for and be allotted 1 (one) equity share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more tranches.
- b. Upon receipt of the payment as above, the Board shall allot one equity share per Warrant by appropriating Rs.5/- towards equity share capital and the balance amount paid against each warrant, towards the securities premium.
- c. If the entitlement against the warrants to apply for the equity share is not exercised within the period specified, the entitlement of the warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.
- d. The warrant holder shall also be entitled to any future bonus/ rights issue(s) of equity shares or other securities convertible into equity shares by the Company, in the same proportion and manner as any other shareholders of the Company for the time being.
- e. The warrants by itself do not give to the holder thereof any rights of the shareholders of the Company.

(7) Approvals

The Company is taking necessary steps to obtain the required approvals from the Stock Exchanges, SEBI or any other regulatory agency as may be applicable, for the proposed preferential issue of equity shares and warrants.

(8) SEBI Takeover code

The provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, are not attracted for this issue and therefore proposed allottees are not required to make an open offer and comply with formalities

related to an open offer for this preferential allotment except the specific disclosures as may be required by the Regulations.

(9) Holding of shares in the Demat Account, non disposal of shares by the proposed allottees and lock-in period of shares:

The entire shareholding of the proposed allottees in the company, if any, is held by them in dematerialized form. The entire pre preferential allotment shareholding of such allottees shall be under lock-in from the relevant date up to a period of six months from the date of preferential allotment. The shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis.

(10) Lock-in Period

The convertible warrants or equity shares allotted to the proposed allottees shall be subject to 'lock-in' for a period of one year / three years from the date of their allotment as per Clause 78 of the SEBI (ICDR) Regulations, 2009.

(11) Auditor's Certificate

M/s. Ramana Reddy & Associates, Chartered Accountants Auditor's Certificate confirming that the proposed issue of equity shares and / or convertible warrants are in accordance with the SEBI (ICDR) Regulations, 2009 is available for inspection up to the date of the Annual General Meeting at the Registered Office of the Company on any working day and also at the place of the meeting on the meeting day.

(12) Control

As a result of the proposed preferential allotment of equity shares and / convertible warrants, there will be no change in the management control of the Company.

(13) Compliances

The company has complied with the requirements of listing agreement including clause 40A i.e., maintaining a minimum of 25% of the paid up capital in the hands of public.

(14) Approval under the Companies Act, 1956

Section 81-1A of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by a further issue and allotment of shares, such shares shall be first offered to the existing shareholders of the Company in the manner laid down in the said section, unless the shareholders decide otherwise in general meeting by way of special resolution.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of section 81 and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines or regulations and the provisions of the Listing Agreement with the Stock Exchanges for authorizing the Board to offer, issue and allot equity shares or convertible share warrants as stated in the resolution, which would result in a further issuance of securities of the Company to the promoters and the others on a preferential allotment basis, in such form, manner and upon such terms and conditions as the Board may in its absolute discretion deem fit.

The Board of Directors recommends the passing of this resolution as a Special Resolution as set out in the Notice. Managing Director of the company Mr. Mudunuru Madhusudan Raju is concerned or interested in the above said resolution to the extent of issue of convertible warrants to the promoters under promoters category.

For and on behalf of Board of Directors
INFRONICS SYSTEMS LIMITED

Place: **Hyderabad**
Date: 30.08.2010

Mudunuru Madhusudan Raju
MANAGING DIRECTOR

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Tenth Annual Report of the Company for the financial year ended 31st March 2010.

Financial Results

Rs. in Lacs)

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
Income		
- Software Development Services	1258.57	2033.42
- Other income	1.14	13.53
Total Income	1259.71	2046.95
Total Expenditure	976.98	1821.65
Depreciation	75.57	76.48
Net Profit/ (Loss) before Tax	207.15	148.82
Provision for Tax (including fringe benefit tax and deferred tax)	(9.58)	51.52
Profit/ (Loss) after Tax	216.74	97.30

Operations

The Company has recorded a turnover of Rs.1258.57 lacs in the current year against the turnover of Rs.2033.42 lacs in the previous financial year ending 31.03.09. The Company has earned cash profit of Rs.292.31lacs against the profit of Rs.173.78 lacs in the previous year.

The Company has been continuously working on quality upgradation and cost reduction plans.

Dividend

Your directors express their inability to recommend any dividend for the financial year 2009-2010.

Public Deposits

Your Company has not accepted any deposits falling within the meaning of Sec.58A of the Companies Act,

1956 read with the Companies (Acceptance of Deposits) Rules, during the financial year under review.

Listing

The equity shares of your company are listed on The Ahmedabad Stock Exchange and The Hyderabad Stock Exchange (derecognized by SEBI).

Directors

In accordance with the Companies Act, 1956 read with Articles of Association of the company the Director namely Mr. N. Natarajan retires by rotation and is eligible for reappointment.

Your Board recommends the re-appointment of the Director above in the best interests of the company.

During the year, the Board appointed Mr. Kodali Tejesh Kumar as additional director w.e.f. 27.01.2010. Mr. Valluri Venkata Ramarao resigned from the directorship on 27.01.2010. The Board placed on records its sincere appreciation for the valuable services rendered by Mr. Valluri Venkata Ramarao, Director, during his tenure.

Code of Conduct

The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director is given in Annexure.

Statutory Auditors

M/s. Ramana Reddy & Associates formerly known as A.M. Reddy & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility by submitting a Certificate under Section 224 (1B) of the Companies Act, 1956 and willingness to accept office, if re-appointed. Hence M/s. Ramana Reddy & Associates, are hereby recommended for re-appointment as Statutory Auditors of the Company till the conclusion of the next Annual General meeting.

Utilisation Of Funds

During the period the company has raised funds of about 2.33 crores by way of conversion of 1,58,800 stock options into equity shares issued at an issue price of Rs.14.90 each and allotment of 7,00,000 equity shares of Rs.10/- each allotted to the non promoters on preferential basis at the issue price of Rs. 30 each. As has been disclosed in the notice and explanatory statement, the amount was spent towards intended purposes.

Directors' Responsibility Statement

Pursuant to the requirement Under Section 217 (2AA) of the Companies Act 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed by the Board that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed
- ii) Appropriate accounting policies have been selected and applied consistently and judgment and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the financial year ended 31st March, 2010;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) The Directors had prepared the annual accounts on a going concern basis;

Management Discussion and Analysis

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

Particulars of Employees

Your Company has no employee whose salary exceeds the limits prescribed under Section 217 (2A) of the Companies Act, 1956.

Information pursuant to the companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

Employee Stock Option Scheme

The members of the Company in the AGMs held on 29.09.2006 and 18.09.2007 approved formulation of "Employee Stock Option Plans" for all eligible employees.

Pursuant to the above said Schemes, the Company has allotted 4,12,520 Equity shares up on conversion of the option granted to the eligible employees at a price of Rs. 14.90 per option. Relevant disclosures were made in Annexure-"A". A certificate has been obtained from the statutory auditors regarding compliance with the ESOP guidelines.

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
The company continues to focus on R & D activities for developing and improving the quality and enhancing the benefits of its software products.
2. Benefits derived as a result of the R & D

Research and development of new services & processes will continue to be of importance to your company.

3. Future plan of Action

The Company continues to strive for development of new products and improving the existing ones in order to meet the changing requirements and to cater to customer needs.

4. Expenditure on R & D

The company has not incurred any capital expenditure except a small amount towards salaries related to R & D

5. Technology Absorption, Adaptation and Innovation:

So far the company has filed 4 patents for registration.

C. Foreign Exchange Earnings and Outgo

Earnings : Rs. 4,62,32,751

Outgo : Rs. 2,43,18,953

Corporate Governance

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

De-Merger and Amalgamation

During the year the company underwent the process of reconstruction by spinning off two of its existing divisions namely Bio- matrices and e-mobile in favour of BioMoRF Systems Limited and Mobiprise Systems Limited respectively, and amalgamation of Instrument and Defence Technologies (India) Pvt. Ltd., with Infronics Systems Limited. The Board of Directors in their meeting held on 04.11.2009 approved the composite scheme of arrangement and valuation report as submitted by M/s Sri & Co., Chartered Accountants, Chennai and M/s. R. Baskaran & Co., Chartered Accountant and the same was approved by the members of the company in the court convened EGM held on 02.01.2010.

The Hon'ble High Court of Andhra Pradesh vide it's orders dated 08.03.2010 approved the Composite Scheme of Arrangement. The salient features of the Composite Scheme are briefed hereunder:

1. The Paid up Share Capital of Rs.7,73,67,200 of INFRONICS SYSTEMS consisting of 77,36,720 equity shares of Rs.10/- each fully paid up was reduced to Rs.3,86,83,600 consisting of 77,36,720 equity shares of Rs.5/- each.

2. DEMERGER AND VESTING OF BIOMETRIC SERVICES DIVISION OF INFRONICS SYSTEMS INTO BIOMORF SYSTEMS LIMITED:

On getting transfer of the biometric division, the shareholders of Infronics Systems Limited, for every 1 equity share of Rs. 10 each held in the company, have got 1 equity share of Rs. 4 each in the Biomorf Systems Limited.

3. DEMERGER AND VESTING OF EMOBILE SERVICES DIVISION INTO MOBIPRISE SYSTEMS LIMITED:

On getting transfer of the mobile division, the shareholders of Infronics Systems Limited, for every 1 equity share of Rs. 10 each held in the company have got 1 equity share of Re. 1 each in the Mobiprise Systems Limited.

4. AMALGAMATION OF INSTRUMENT AND DEFENCE TECHNOLOGIES WITHINFRONICS SYSTEMS:

Instrument And Defence Technologies (India) Private Limited was amalgamated with the Company and in consideration of the transfer and vesting of the Undertaking, Infronics Systems Limited has allotted Four (4) equity shares of Rs. 5/- (Rupees Five) each to the shareholders of Instrument and Defence Technologies (India) Private Limited for every Seven (7) equity shares of Re.1/- (Rupee One) each held by them in the Company.

Acknowledgments

Your Directors are pleased to place on record their sincere appreciation to the Company's Bankers, employees, customers, suppliers and shareholders for their valuable support and co-operation.

**Declaration by Managing Director of affirmation by
Directors and senior Management personnel of
compliance with the code of conduct**

The shareholders,

I, Mudunuru Madhusudan Raju, 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.

For and on behalf of the Board of Directors
Infronics Systems Limited

Place: **Hyderabad**
Date: 30.08.2010

Mudunuru Madhusudan Raju
Managing Director

Annexure "A"

To the Directors Report for the year ended 31st March, 2010

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999.

SL. No.	Particulars	ESOP Series	
		2006	2007
1.			
2.	Options granted	2,75,000	3,00,000
3.	The pricing Formula	The Exercise price of the option shall be the closing market price of the equity shares preceding the date of grant of options on the Stock Exchange on which the shares of the company are listed.	The Exercise price of the option shall be the closing market price of the equity shares preceding the date of grant of options on the Stock Exchange on which the shares of the company are listed.
4.	Options vested	4,16,200	
5.	Options Exercised	4,12,520	
6.	The Total number of shares arising as a result of exercise of Options.	4,12,520	
7.	Options Lapsed	3,680	
8.	Variation of terms of Options	The Company in the best interest of the employees has amended in the EGM, the conditions mentioned in clause 9.2 of the Employees Stock Option Schemes – 2006 and 2007 and clause 16 of the Schedule V enabling the employees to go for exercise of options in to equity shares in one go instead in 3 years in view of the Demerger of Infronics Systems Limited as per the orders of Hon'ble High Court on 08.03.2010.	
9.	Money realized by exercise of Options	61,46,548	
10.	Total number of Options in force as on 31.03.10	4,16,200 options	
11.	Employee-wise details of Options granted to:	-	
	(i) Senior Managerial personnel	-	
	(ii) Any other employee who receives a grant in any one year of Option amounting to 5% or more of Option granted during that year.	-	
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	-	
12	Diluted Earnings Per Shares (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	Rs. 2.23	

13. Where the company has calculated employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options, shall be disclosed. The impact of the difference on profits and on EPS of the Company shall also be disclosed.	Grant Date: 25.10.2008			
	Vest 1	Vest 2	Vest 3	
	18.04.2009	18.04.2011	18.04.2012	
	Variables	30%	30%	40%
	Stock Price	45.30	45.30	45.30
	Volatility	0.00%	0.00%	0.00%
	Risk free Rate	5.74%	5.95%	6.15%
	Exercise Price	14.90	14.90	14.90
	Time to Maturity	3.00	4.00	5.00
	Dividend yield	0.00%	0.00%	0.00%
	Option Fair Value	32.70	33.48	34.24
	Option Fair Value	32.70	33.48	34.24
	Weighted Avg. Option Fair Value		33.55	
14. Weighted-average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Explained under point no.13			
15. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information.	Explained under point no.13			
(i) risk-free interest rate,				
(ii) expected life,				
(iii) expected volatility,				
(iv) expected dividends, and				
(v) the price of the underlying share in market at the time of option grant.				

During the year the Company has not granted any options to employees or senior managerial personnel.

16. A description of the method and significant assumptions used during the year to estimate the fair values of Options, including the following weighted-average information:
- i. risk free rate
 - ii. expected life
 - iii. expected volatility
 - iv. expected dividends
 - v. the price of the underlying share in the market at the time of option grant.

The variables used for calculating the Fair value and their rationale are as follows:

A. Stock Price

The value of the underlying stock as on the latest available date of trading in the HSE i.e. closing listed price on HSE as on July 25, 2007 has been considered for valuing the grant.

B. Volatility

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during the period. The measure of volatility is used in the Black Scholes option-pricing model is the annualized standard deviation of the continuously compounded rate of return on the stock over a period of time.

The period to be considered for volatility has to be adequate to represent a consistent trend in the price movement due to abnormal events get evened out. There is no research that documents conclusively how long the historical period used to estimate expected long-term future volatility should be. However, informal tests and preliminary research tends to confirm that estimates of expected future long term volatility should be based on historical volatility for a period that approximates the expected life of the options being valued.

As the shares of the Company are not being traded on HSE, adequate data on Historical Share prices is not available for the expected life of the option. Hence we have assumed the volatility to be nil.

The Fair Value of an option is very sensitive to this variable, Higher the volatility, higher is the Fair Value. The rationale being, more volatile the stock is, the more is its potential to go up (or come down), and the more is the probability to gain from the movement in the price. Accordingly, an option to buy a highly volatile stock is more valuable than the one to buy a less volatile stock, for the probability of gaining is lesser in the latter case.

C. Risk-free interest rate

The risk-free rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero-coupon yield curve for Government securities.

D. Exercise Price

The exercise price for the options granted is Rs. 14.90

E. Time to Maturity/ Expected Life of the Options

Time to Maturity / Expected Life of the Options is the period for which the Company expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life of the option is the maximum period after which the options cannot be exercised.

In case of grant made on April 18, 2009, the earliest date of exercise is April 18, 2010 i.e. one year from the date of grant and those options can be exercised during the next 4 years, i.e. till April 18, 2014. Hence, the minimum option life is 1 year and the maximum option life is 5 years. The average life is the arithmetic average of two extremes- the minimum life and the maximum life, i.e. $(1+5)/2 = 3$ years. Time to Maturity has been estimated on a similar basis for the remaining vesting tranches.

F. Expected Dividend Yield

As the company does not have a dividend history and no reliable information available in public domain about the Company's dividend policy, we have assumed 0.00% dividend yield during the expected life of the options.

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Governance

The Board of Directors of the Company believes in and fully supports the principles of Corporate Governance. While striving to achieve the financial targets, the Company seeks to follow the business principles and ethics and in all its dealings. The Company has been regularly implementing the best practices of corporate governance in order to attain total transparency, accountability and integrity.

In accordance with the requirement of Stock Exchange Regulations and the provisions of the Listing Agreement, the compliance report on the corporate governance is reproduced hereunder:

2. Board of Directors

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

Composition

The Board of Infronics Systems Limited comprises 2 Executive Director and 3 non-executive independent Directors. The following is the Composition of the Board as on 31st March 2010:

Sl.No.	Name and category of Directors	No. of directorships held in other Public companies	No. of Memberships/ Chairmanships held in Committees of other Companies
1.	Mr. Mudunuru Madhusudan Raju Promoter & Executive Director	2	Nil
2.	Mr. D. V. Raju, Executive Director	2	Nil
3.	Mr. N.Natarajan, Independent & Non- Executive	Nil	Nil
4.	Mr. Akella Lakshmana Mohan Independent & Non-Executive Director	Nil	Nil
5.	*Mr. V. V. Rama Rao Executive Director	Nil	Nil
6.	**Mr. Kodali Tejesh Kumar Independent & Non-Executive Director	4	Nil

*Resigned w.e.f. 27.01.2010

** Appointed w.e.f 27.01.2010

Board Meetings during the Financial Year 2009-2010, the Board of Directors met 13 times on the following dates: 18.04.2009, 30.04.2009, 01.07.2009, 31.07.2009, 10.08.2009, 03.09.2009, 14.10.2009, 31.10.2009, 09.11.2009, 10.11.2009, 27.01.2010, 30.01.2010 and 28.03.2010.

The Attendance of Directors at these Board Meetings and at the previous Annual General Meeting was under:

Name of the Directors	No of meetings held during the tenure of the Director	No of meetings attended by the Director	Whether present at the previous AGM	No. of shares held in the company
Mr. Mudunuru Madhusudan Raju	13	13	Yes	6,25,330
Mr. D. V. Raju	13	13	Yes	1,77,000
Mr. N. Natarajan	13	13	Yes	Nil
Mr. Akella Lakshmana Mohan	13	13	Yes	Nil
*Mr. V. V. Rama Rao	13	11	Yes	60,000
**Mr. Kodali Tejesh Kumar	13	2	No	3,50,000

*Resigned w.e.f. 27.01.2010

** Appointed w.e.f. 27.01.2010

2. Audit Committee

The Audit Committee was formed by the Board of Directors. The terms of reference of this committee cover the matters specified in the clause 49 of the Listing Agreement and as may be referred to the committee by the Board of Directors of the company.

Composition, name of Members and Chairman:

Name	Designation	Category
Mr. Akella Lakshmana Mohan	Chairman	Independent, non-executive
Mr. N. Natarajan	Member	Independent, non-executive
*Mr. Kodali Tejesh Kumar	Member	Independent, non-executive
Mr. Mudunuru Madhusudan Raju	Member	Promoter, executive

*Appointed w.e.f 27.01.2010

Meetings and attendance during the year

Statutory Auditors are invitees to the meeting. The total number of meetings held is 4, on 30.04.2009, 31.07.2009, 31.10.2009 and 31.01.2010.

Name	No. of meetings held during the year	Attendance
Mr. Akella Lakshmana Mohan	4	4
Mr. N. Natarajan	4	4
*Mr. Kodali Tejesh Kumar	4	1
Mr. Mudunuru Madhusudan Raju	4	4

*Appointed w.e.f. 27.01.2010

3. Shareholders/Investors Grievance Committee

Shareholders/Investors Grievance Committee was formed by the Board of Directors in terms of clause 49 of the Listing Agreement.

The Shareholders/Investors Grievance Committee was constituted with the following persons:

Name	Designation
Mr. Akella Lakshmana Mohan	Chairman
Mr. N. Natarajan	Member
*Mr. Kodali Tejesh Kumar	Member
Mr. Mudunuru Madhusudan Raju	Member

*Appointed w.e.f. 27.01.2010

The committee looks into the matters relating to the shareholder's complaints, grievances, various requests in the nature of transfer, transmission, etc., and also overseeing the performance of the Registrar & Transfer agents to improve the quality of investor services. During the year no investor complaint was received.

4. Compensation/ Remuneration Committee

The committee was constituted with the following Directors for determining the remuneration packages of Executive / Non-Executive Directors. The Committee met 1 time during the year on 30.04.2010.

The Company is having a remuneration committee comprising following members:

Name	Designation
Mr. Akella Lakshmana Mohan	Chairman
Mr. N. Natarajan	Member
*Mr. Kodali Tejesh Kumar	Member
Mr. Mudunuru Madhusudan Raju	Member

*Appointed w.e.f. 27.01.2010

Details of remuneration for the year ended 31.03.2010

Name of the Directors	Salary	Other Perquisites and allowances	Commission
Mr. Mudunuru Madhusudan Raju	1,50,000	Nil	Nil
Mr. D. V. Raju	26,000	Nil	Nil
Mr. N.Natarajan	Nil	Nil	Nil
Mr. Akella Lakshmana Mohan	Nil	Nil	Nil
*Mr. V. V. Rama Rao	Nil	Nil	Nil
Mr. Kodali Tejesh Kumar	Nil	Nil	Nil

* Resigned w.e.f. 27.01.2010

5. Information on General Body Meetings

The last 3 Annual General Meetings were held as under:

Date	Time	Venue
30.09.2009	2.30 P.M.	Registered Office, 2nd Floor, Ektha Towers, Plot No.2&3, White Fields, Kondapur, Hyderabad – 500 084
29.09.2008	10.00 A.M.	Pride INN Guest Rooms, 8-2-289/1/B, Banjara Hills, Rd. No. 14, Beside BN Reddy Colony, Opp. Walden Street, Hyderabad - 500 034
18.09.2007	9.30 A.M.	Pride INN Guest Rooms,8-2-289/1/B, Banjara Hills, Rd. No. 14, Beside BN Reddy Colony, Opp. Walden Street, Hyderabad - 500 034

Special Resolution(s) passed by postal ballot

During the year, the Company has not passed any Special Resolutions by Postal Ballot.

6. Disclosures

- i) There are no materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or their relatives etc. that may have potential conflicts with the interest of the company at large.
- ii) There are no penalties, strictures imposed on the Company by Stock Exchange or SEBI or other authority on any non-compliance of laws related to capital markets, during last three years.

7. Means of Communication

As per the listing requirements, quarterly, half yearly and yearly financial results of the Company are published in leading English and regional newspapers for public information.

8. General Shareholder Information

- i) Annual General Meeting
 - Date : 30.09.2010
 - Time : 10.00 A.M
 - Venue : Pride INN Guest Rooms, 8-2-289/1/B, Banjara Hills, Rd. No. 14, Beside BN Reddy Colony, Opp. Walden Street, Hyderabad – 500 034, Andhra Pradesh
- ii) Financial Calendar
 - Financial Reporting for 2010-2011 (tentative)

The first quarter results	31.07.2010
The second quarter results	31.10.2010
The third quarter results	31.01.2011
The Fourth quarter results	30.04.2011

- iii) Book Closure : 27.09.2010 to 30.09.2010
(both dates inclusive).
- iv) Dividend payment : The Board has not recommended any dividend for the financial year 2009-10.
- v) Listing on Stock Exchanges
Shares of the Company are listed on the Ahmedabad Stock Exchange.
The Company has paid Annual Listing Fees for the year 2010-11
- vi) Market Price Data
There is no trading of scrips of the company on the Ahmedabad Stock Exchange.
- vii) Shareholding pattern as on 31st March, 2009

Particulars	Category	No. of shares held	Percentage of shareholding
A	Shareholding of Promoter and Promoter group		
1.	Promoters & Persons Acting in concert	1968653	25.45
	Sub-Total A	1968653	25.45
B	Public Shareholding		
1.	Institutions		
2.	Non Institutions	-	-
	a. Bodies Corporate	41280	0.53
	a. Indian Public and others	5726787	74.02
	Sub Total B	5768067	74.55
	Grand Total (A+B)	7736720	100.00

- viii) Registrars and Transfer Agents
Aarhi Consultants Pvt Ltd, 1-2-285, Domalguda,
Phone: 040- 27638111/ 27634445, Fax: 040- 27632184

- ix) Delegation of Share Transfer Formalities
The Board has delegated share transfer formalities to the Registrars and Transfer Agents:
Aarhi Consultants Pvt Ltd, 1-2-285, Domalguda,
Phone: 040- 27638111/ 27634445, Fax: 040- 27632184

All communications regarding Share Transfers, Transmissions, Change in Address and any other correspondence etc., may be addressed to the Registrars & Transfer Agents. The company has constituted Share Transfer Committee, which meets 2 times in a month. Physical transfers are effected within the statutory period of one month. The Board has designated Mr. M. Madhusudan Raju as the Compliance Officer. Hence, in case of any grievances the shareholders are free to approach the Share Transfer Committee for due redressal of their grievances. The Company has created an exclusive E-mail ID for the benefit of the share holders: info@infronics.com.

x) Dematerialization of shares

The Company's shares are dematerialized on National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited. The Company's ISIN is **INE463B01028**

xi) Address for Correspondence

The Shareholders may correspond with the Company for the redressal of their grievances, if any to the Regd. office of the company as detailed below:-

Regd. Office 2nd Floor, Ektha Towers, Plot No.2&3, White Fields, Kondapur, Hyderabad – 500 084, Andhra Pradesh, Ph: 040-40038888 Fax: 040-40038901

AUDITOR'S CERTIFICATE

**The Members of
INFRONICS SYSTEMS LIMITED
HYDERABAD.**

We have examined the compliance of conditions of Corporate Governance by Infronics Systems Limited for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and 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 the generally no investor grievances as informed to us are pending for a period exceeding one month against the company as per the records maintained by the Company.

For **RAMANA REDDY & ASSOCIATES**
Chartered Accountants

Place : Hyderabad
Date : 30.08.2010

(CA. KISHORE KUMAR K)
Partner



www.intronics.com

Technical Specifications:

- Frequency: 13.56 MHz
- Interface: RS-485
- Power: 5VDC 100mA
- Dimensions: 100mm x 100mm x 25mm
- Weight: 100g
- Operating Temperature: -10°C to 50°C
- Storage Temperature: -20°C to 60°C
- Humidity: 10% to 90% RH

www.intronics.com

INTRONICS
 Information Systems
 Intronics Systems
 10000 100th Ave. S.E.
 Bellevue, WA 98006
 Phone: 206.461.1000
 Fax: 206.461.1001
 Email: sales@intronics.com



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 Email: sales@intronics.com

INFRONICS SYSTEMS

Window Dutton & Window Dutton switch



Window Dutton

... ..

Window Dutton switch

... ..

Technical specifications

- Voltage: 12V DC
- Current: 100mA
- Power: 1.2W
- Dimensions: 10x10x2mm
- Operating temperature: -40°C to 125°C
- Storage temperature: -55°C to 150°C
- Humidity: 5% to 95% RH
- Shock: 1000g, 10ms
- Vibration: 10g, 10-2000Hz

Applications

- Automotive: Power windows, door locks, trunk release
- Industrial: Machine tools, conveyor belts
- Consumer: Remote controls, toys

Ordering information

Part number: WDD-001

Quantity: 1000 units

Price: \$0.15 per unit

Company Information

INFRONICS SYSTEMS
 1234 Main Street
 Anytown, USA
 Phone: (555) 123-4567
 Email: info@infronics.com

INFRONICS SYSTEMS

Window Dutton & Window Dutton switch



Window Dutton

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Window Dutton switch

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- Consumer: Remote controls, toys

Ordering information

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Quantity: 1000 units

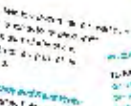
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INFRONICS SYSTEMS

Window Dutton & Window Dutton switch



Window Dutton

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 Email: info@infronics.com

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

EXECUTIVE SUMMARY

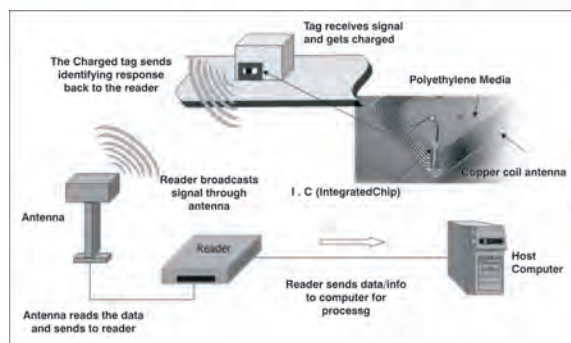
Infronics is one of the fastest growing RFID technology products and services companies in India, with its unique quality in developing industry-specific software & hardware solutions with proven reputation of delivering high quality solutions across broad spectrum of technologies. With a 180 plus strong team across the globe, Infronics has developed remarkable software development expertise, particularly in developing business critical RFID application and Biometric systems.

AREAS OF OPERATIONS

The core technology areas of the company are

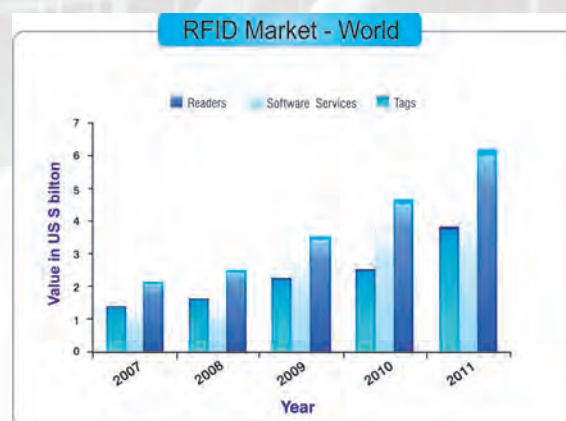
- RFID
- Embedded Design & Hardware Production

Radio Frequency Identification (RFID) market in India has been acknowledged as the key emerging technology for a plethora of applications. The increasing awareness about RFID technology and its enormous benefits is reflected in the growth and its implementations across many domains in India.



RFID can significantly improve numerous aspects of enterprise performance through automatic data capture technology that provides unparalleled visibility and precision from inventory management and asset tracking to security and even contact-less payment. Infronics has an impressive array of RFID infrastructure products and services.

Encouraged by the potential of the RFID software market opportunity and the successes in the past, Infronics Systems Limited has decided to pursue a more aggressive expansion strategy, appointing an experienced and credible team to unleash the potential of the RFID business. Infronics Systems continues to make significant investments in growing the business.



The major drivers for the Indian RFID market are:

- Export orientation and increase in quality deliverance by the automotive industry
- Growth of infrastructure projects and technology driven logistics & transportation practices
- Growth of retail sector with heavy investment by large corporations in multi-location outlets
- Decline in prices of RFID hardware through expansion of users base and indigenous manufacturing
- Increased expenditure by the government on projects like e-passports, document tracking and railway wagon tracking
- Emergence of innovative applications like cattle tracking and library management

Share of Application Segments by 2010-11	
Automotive	37.8
Logistics	32.8
Government	17.2
Healthcare	1.1
Retail	2.4
Others	4.6
Apparel	1.7
Process Units	2.3

(Source: Frost and Sullivan report 2007)

It is also expected to witness the growth of RFID implementation in the government sector and retail apart from automotive and logistics & transportation from the year 2007 to 2012. E-passports, document tracking and defense vehicle and asset tracking applications are anticipated to present a lucrative market from the government sector.



This unparalleled growth of the RFID market is facilitated by the segments of automotive and logistics & transportation with shares of 80.1% and 13.8% respectively of the total RFID market revenues. Ticketing, track & trace and toll management applications are key to the significant revenues emanating from the logistics and transportation.

The emergence of large scale, multi-location retail chains provide impressive revenue generation from this segment. Item level tagging in the retail segment is also expected to impact the market revenues by

2010. Emerging applications like animal tracking, vehicle tracking and Asset management are being implemented and evaluated in a multitude of industries. The revenue contribution from the retail segment is expected to ride on the investment made by the large retailers in automating their Supply Chain Operations.

RESEARCH & DEVELOPMENT

Infronics high investment in Research and Development enables us to offer the kind of future-ready technology and services for businesses of today and technology demands of tomorrow.

We are successful in developing





- Four patents filed to date
- Designed, Developed and commercialized many indigenous innovative products involving Both Software and Hardware

TEAM & RESOURCES

To realize its vision, Infronics has a strong growing team of highly qualified engineers from some of the best universities of India. The team consists of technology and functional experts in the respective technologies and application domains.

MANAGEMENT TEAM

Today, some of the best and brightest minds of the country power the Infronics Team.

<p>M S Raju Chairman and Managing Director</p> 	<p>M S Raju has over 12 years of experience working on various software projects in India and Abroad. He has vast experience and specialization in various software domains and platforms. He worked on all types of computers ranging from Mainframes, Midrange, and Desktop PCs.</p> <p>His previous stint includes working for companies clients like GE, Wipro, Allied signals Inc., Tufts Health Care, Enpia Systems (Research Department), Hanwha (Research Department). He is constantly striving to improve the software capabilities of the company.</p> <p>One of the founding members of Infronics, M S Raju has been leading the company and responsible for bringing all the world class talent to Infronics. Being an entrepreneur at heart, with sheer focus, determination and a go-getter attitude he has taken Infronics to the heights where it stands today.</p> <p>M.S.RAJU holds MS degree in software engineering from BITS, Pilani</p>
<p>V V Rama Rao CEO</p> 	<p>Ramarao has 20 years of experience in various capacities with ET&T, Sorokasoft, IRIS Smart cards and Danlaw Technologies. Rama Rao is presently the Technology Director Infronics Systems Ltd.</p> <p>He is specialized in design and development of embedded systems pertaining to Biometrics, RFID and Smart Card technologies. He was a member of special technology team constituted for Ex-Prime Minister Late Rajiv Gandhi's security, trained on High Secure Voice Communication at Motorola, USA. He was also In-Charge of installation and commissioning of various IC manufacturing equipment at DPR, Korea a project awarded by UNDP, UNO.</p> <p>V.V.Rama Rao is a Graduate Engineer from JNTU, Hyderabad.</p>
<p>A L Mohan Independent Director</p> 	<p>Professional in Mathematics, worked as principal of degree and postgraduate colleges in Maharashtra and Andhra Pradesh for 25 years. Taught mathematics from PUC to MSC for 25 years. Worked as manager administration Voice gate Technology India Ltd. Also served as UGC expert on committees granting affiliation and autonomy of colleges in Maharashtra, Orissa, Haryana and Andhra Pradesh.</p>
<p>N Natarajan Independent Director</p>	<p>Significant portion of Mr. Natarajan's career is centered on Development of Embedded System Solutions and Technology Training. He worked for Indian Space Research Organization in TERLS and SHAR Center, Minister of Planning, Government Computer Center at New Delhi, Department of Electronics, National Informatics Center at New Delhi and Served Corporate R&D of CMC Ltd for fourteen Years.</p> <p>Mr. Natarajan was associated with an ODC of NRIs as General Manager. He established a System Software School to train fresh engineers to suit System Software Developers. He was also the CEO of a Software Development and Training Company called Sophists Technologies at Hyderabad and was consultant to M/s. Robert Bosch, India for over one year. He is a graduate in Electronics Engineering, year 1972, from Institution of Electronics and Engineers, New Delhi.</p>
<p>D V Raju Director Operations</p> 	<p>He has two decades of experience in operational and administration.</p> <p>His prior enterprenuerial experience in his own establishments, prior to joining Infronics Systems Ltd. is a definite value addition in operations and adminstriative activities.</p>

For and on behalf of the Board of Directors
Infronics Systems Limited

Mudunuru Madhusudan Raju
 Managing Director

Place: Hyderabad
 Date: 30.08.2010

BACKGROUND

HISTORY & PERFORMANCE

Infronics Systems Limited (ISL) is an IT Products and Solutions company. Infronics was formerly known as Suchinfotech and the company has been rebranded as Infronics systems to project its line of activities in Information Technology and Electronics Hardware. The company initially operated in RFID, Biometrics and Mobile technology and has recently demerged into Pure RFID company.

The following are the activities of the company.

SOFTWARE

- Product Development
- Solution Development

HARDWARE

- Manufacturing/Production of Hardware – Made in India low cost alternatives
- Solution Development

EMBEDDED SYSTEMS

- Design and Prototyping of embedded Systems
- Firmware Development

VISION

To be one of the leading RFID Products and Solutions company in the World by 2012.

MISSION

To achieve technological, operational and performance excellence through innovation.

Our Core Values

Team Work – Believe in “together we achieve more”

Respect – Value the individual, others and our diversity

Trust - Keep our promises

Integrity – Conduct ourselves honestly, professionally and ethically

Quality – Employ quality conscious processes

Community – Believe in corporate social responsibility

Caption & Its Significance – ‘Delivering Excellence’

It signifies the mission statement in Delivering

- Technological Excellence
- Operational Excellence
- Performance Excellence

CORPORATE PROFILE

Name of the Company	Infronics Systems Ltd.
Registered Office	2 nd Floor, Ektha Towers, Plot No. 2 &3, White Fields, Kondapur, Hyderabad – 500 084, Andhra Pradesh,
Presence & Other locations	<p>Development centre - I Hyderabad, India</p> <p>Development centre - II Visakhapatnam, India.</p> <p>UK Subsidiary Infronics has an 100% subsidiary in London, UK</p> <p>USA Subsidiary Started Delaware and New Jersey Office in April 2010</p> <p>Manufacturing and Production Unit: Kondapur, Hyderabad</p> <p>Global Expansion Plans Saudi Arabia, Dubai & South Korea – JV Partnership with local companies - (May/June 2010)</p>
Line of Activity	Infronics is one of the fastest growing RFID technology products and services companies in India, with its unique quality in developing industry-specific software & hardware solutions with proven reputation of delivering high quality solutions across broad spectrum of technologies with in house mass manufacturing/hardware production.
Constitution	Public Limited Company
Listed/Unlisted entity	Listed Company in Hyderabad and Ahmedabad stock exchanges (Currently Regional Exchanges are closed and hence no trading). Bombay stock exchange listing is in process and may be expected in the current fiscal year.

INFRASTRUCTURE

We intend to continue investments in physical and technological infrastructure to support our growing worldwide development and sales operations and to increase our productivity. To enhance our ability to hire and successfully deploy increasingly greater numbers of technology professionals, we intend to continue investing in recruiting, training and maintaining a challenging and rewarding work environment.

INFRONICS CURRENTLY HAS FIVE DEVELOPMENT CENTERS.

- The Corporate and Global delivery Center at Hyderabad, India
- The Embedded and Hardware Manufacturing Unit at Hyderabad, India
- The Development Center at Visakhapatnam, AP, India
- Europe Marketing and Sales Center at London - U. K.
- Worldwide Marketing and Sales Center at Delaware, New Jersey, Washington - USA.

We are proud that all our centers boast of state-of-the-art infrastructure. In the next two years, we plan to build a campus at Visakhapatnam, Andhra Pradesh, India to house our corporate, Product Development and Global Delivery Services center. To this effect, we have requested the Government of Andhra Pradesh to allot land at Visakhapatnam Beach Area.

Vice President	
Asst. Vice President	
Technical	Managerial
Sr. Software Architech	Sr. Project Manager
Software Architech	Project Manager
Tech Lead	Project Lead
Module Lead	Module Lead
Sr. Software Engineer	Sr. Software Engineer
Software Engineer	Software Engineer

**Marketing/Production/Customer Support/
Administration**

Vice President	
Asst. Vice President	
Technical	Managerial
Sr. Software Architech	Sr. Project Manager
Software Architech	Project Manager
Tech Lead	Project Lead
Module Lead	Module Lead
Sr. Software Engineer	Sr. Software Engineer
Software Engineer	Software Engineer

Vice President
Asst. Vice President
General Manager
Asst. General Manager
Senior Manager
Manager
Executive / Engineer
Technical Assistant (Production)

BACKGROUND

Today, some of the best and brightest minds of the country powers the Infronics Team. The team has industry experience comprising many man-years and are the alumni of the prestigious educational institutions like BITS, Pilani and IITs. Some of the Key people include:

M S Raju (Chairman & President)

Has an M.S.Degree in software engineering from BITS, Pilani with over 12 years experience in India and other countries including USA, Singapore and South Korea. A founding member of Infronics, his previous stint includes working for companies/clients like GE, Wipro, Allied signals Inc., Tufts Health Care, Enpia Systems (Research Department), Hanwha (Research Department). M.S.Raju is determined to equip Infronics with cutting-edge skills that will lead the company to market leadership.

V V Rama Rao (CEO)

A Graduate from JNTU, Hyderabad, has over 20 years of experience in various companies including ET&T, Sorokasoft, IRIS Smart Cards and Danlaw Technologies. A specialist in design and development of embedded systems pertaining to Biometrics, RFID and Smart card technologies. He underwent special training on behalf of Government of India on High Secure Voice Communication at Motorola, USA. He was also In-Charge of installation and commissioning of various IC manufacturing equipment at DPR Korea on a UNDP assignment.

Jagdish Eturi (Director, UK Operations)

Spearheads Infronics' UK and Europe. He has a Masters Degree in IT from London School at Chelsea, London. He brings more than 10 years of experience in various positions as a Senior IT Programmer as well as team leader in Centrica and UK based IT gaint, Fredricksons International.

N Natarajan (Independent Director)

An Electronics Engineering Graduate, has held various important positions in premier organizations in India. An expert in Embedded Systems Solutions and Technology Training, he worked for Indian Space Research Organisation (ISRO) in TERLS and SHAR Centre, National

Informatics Center, New Delhi, Ministry of Planning and also worked as a Consultant for M/S Robert Bosch, India.

T Kiran (Technical Advisor)

An MS in software engineering from BITS, Pilani brings to Infronics more than a decade of experience. His knowledge of inventory management, healthcare management system and RFID have enabled Infronics maintain a cutting-edge advantage. His past assignments include WIPRO, Ericsson and Nokia in areas of ATM switches and Mobile OSS application space. He led a team in Mars Technologies Limited as leader of their IP-PBX R&D team.

M N Krishna (Technical Advisor)

MN Krishna an Electronics Engineering graduate with diploma in Business Management has vast experience of over 36 years in IT and Networking field. His previous working experience are with ECIL, ESPL, Bay Datacom solutions and ACS Technologies. A promoter and first Director of Bay Datacom Solutions Pvt. Limited having over 4000 certified networking installations. He is a recipient of "RAJIV GANDHI SHIROMANI AWARD" for outstanding Achievements and Services for Individuals who have excelled in their Chosen field during 1998. He is also a GLG Consulting Management of Gerson Lehrman Group Tech, Media & Telecom Council.

TOP MANAGEMENT

- | | |
|-----------------------|--|
| V. Venu Gopal | <p>Sr. Vice President</p> <ul style="list-style-type: none"> ● Over 40 years of experience in IT and telecom market Ex-employee - ECIL |
| P Uday Bhaskar | <p>Asst. Vice President (Operations)</p> <ul style="list-style-type: none"> ● 10 years of experience in handling retail banking operations ● Ex-employee - Citigroup |
| S R Varma | <p>Asst. Vice President (Marketing & Sales)</p> <ul style="list-style-type: none"> ● Over 12 years of experience in software sales and retail solution. ● Ex-employee – TVS-E, Bartronics, Wings Infonet Ltd |

Udit Kumar Mishra Asst. Vice President (Marketing & Sales)

- Having 23 years of experience in software and hardware solution sales with various government departments and corporations
- Ex-employee – ACS Technologies, Eastern Informatics, BSES

G Narsimha Reddy Project Manager

- Over 9 years of experience in high speed board design, debugging hardware, firmware coding, DSP algorithm coding and embedded coding in DSP processors
- Ex-employee – Asian electronics, Wisembed Ltd, Oreint MG Ltd, South Korea

R Sudhakar Project Manager

- 14 years of experience in embedded design and development, instrumentation in RFID, Biometrics and eMobility projects
- Ex-employee - Dilip Electronics

T M Sudhakar Rao General Manager – Marketing

- Over 22 years of experience in Data communications, Networking and IT Solutions in defence domain
- E-employee – Ramnet Communications, Asian Business machines

STRENGTHS - CORPORATE HIGHLIGHTS

Infronics is primarily focused on achieving technological leadership through greater emphasis on R&D and In-house software development, hardware design and manufacturing facility catering to domestic and overseas market.

- Headquartered in Hyderabad with operations in UK and Saudi Arabia, USA, Infronics' vision is to be a leading market player in the RFID.
- Infronics has strength of 50 plus dedicated & qualified engineers from some of the best educational institutes across the globe.
- With capabilities to deliver across the value chain comprising H/W, S/W & Services, Infronics is able to deliver customized solutions to clients in diversified sectors.
- Infronics' client base comprises over 100 plus clients across diversified verticals such as IT, Banking & Finance, Manufacturing, Defence, Textile & Oil Refineries.
- Infronics is listed on two of India's regional stock exchanges and is advised & directed by team of directors with long years of domestic & overseas experience in the technology arena.
- With years of experience in consistently delivering excellent solutions, Infronics built a thorough reputation with high valued technology clients such as TCS, IBM, Honeywell, Core Projects, CISCO, Microsoft, NIIT to name the few.
- Extensive technology & product partnerships with technology leaders such as Sagem, Intellex, Motorola, L1ID, and Nedap, Cogent Systems, uniquely positions Infronics to deliver world-class solutions to wide range of business clients at the best competitive prices
- In house Embedded Design and Production unit, catering to Indian and Overseas Markets
- Major clients spreading across various industry verticals like TOP 10 Software Houses, Banks, Manufacturing facilities, Defence Establishments and Textile industry and Oil Refineries.
- Portfolio of 20 plus products developed in last few years
- Received Appreciation and Invitation 3 times from US Federal Government and United Nations for our HHT
- Received Special Jury Award from Hyderabad Software Association (ITsAP)



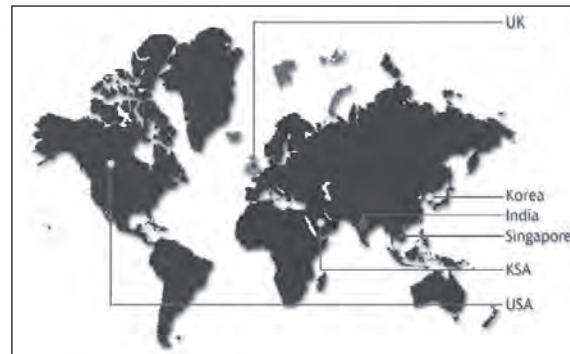
Received Best Research and Development Company award from FAPCCI For the year 2008 and 2009

CUSTOMERS

- About 15 State Governments in India
- Top 10 IT houses like TCS, HCL, IBM, Microsoft & other customers
- Largest Bank in India SBI and Vijaya bank
- Chennai Port - Largest Port , is using our RFID Vehicle tracking system, first of its kind for Sea Ports in India.
- One of the Largest Refineries, BPCL is using our RFID technology, first of its kind for Refineries in India.
- Delhi Airport Port is using our RFID driver management system, first of its kind for Airports in India with TCS
- Largest SEZ Complex, Magarpatta, is using our RFID Parking management system, first of its kind for SEZs in India.
- CISCO Systems is using our RFID tracking technology for their Bangalore facility

GLOBAL EXPANSION PLANS

The parent company, Infronics Systems Limited is a listed company headquartered in Hyderabad, Andhra Pradesh, India. It has a wholly owned subsidiary in UK, Infronics Technologies Limited , based in London. Apart from UK, Infronics Systems is planning to start Joint ventures in Korea Dubai and KSA. Infronics is starting USA Operations in the current financial year.



EXPANSION PLANS

To develop a market presence in India, Middle East, Europe, South Korea and USA.

To establish a Global Development & Support Center, and set up a Technology Partner Eco-system in India and abroad to support Infronics in hardware, software & resource augmentation, fueling its global ambitions

OVERSEAS OPERATIONS:

GEOGRAPHICAL EXPANSION TO FUEL FUTURE GROWTH

Infronics today has a bouquet of world-class products and services and is geared up to launch them in a big way in the International Markets. Infronics has established a presence in UK and plans to enter the US, Korea and Middle East markets in the year 2010-11. We are confident that through our expansion, the company will increase not only its geographic footprint but also expand its market and revenues while de-risking its business model.

AUDITORS' REPORT

**The Members of
INFRONICS SYSTEMS LIMITED,
HYDERABAD.**

1. We have audited the attached Balance Sheet of M/s. INFRONICS SYSTEMS LIMITED (Previously known as SUCHINFOTECH LIMITED) as at 31st March, 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March, 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 of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - (b) In the case of the Profit and Loss account, of the Profit for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for RAMANA REDDY & ASSOCIATES
 CHARTERED ACCOUNTANTS
 Firm Regn. No.003246S

PLACE : HYDERABAD
 DATE : 30.08.2010

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

ANNEXURE TO THE AUDITORS' REPORT

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

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stock of goods has been physically verified by the management during the year, in our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. (a) According to the information and explanation given to us, the company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s.301 of the Act.
- (b) According to the information and explanation given to us, the company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained u/s.301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of Plant & Machinery, Equipment and other assets and in respect of services rendered. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of Act, have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the company has made contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of each party during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.
7. The company has an internal audit system within the organization commensurate with the size and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 to this company.

9. (a) We were informed that the provisions of Employees State Insurance Act are not applicable to this company during the year under report. However, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable.
(c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute.
10. The company has neither accumulated losses as on 31.03.2010 nor it has incurred any cash losses during the year ended on that date or in the immediately preceding financial year.
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 banks / financial institutions.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.
14. In our opinion, the company 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 (as amended) are not applicable to this company.
15. According to the information and explanations given us, the company has not given any guarantees for loans taken by others, from banks or financial institutions,
16. In our opinion and according to the information and explanations given to us and on an overall examination, the term loans have been applied for the purpose for which they were raised.
17. Accordingly to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investments.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

for RAMANA REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.003246S

PLACE : HYDERABAD
DATE : 30.08.2010

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

BALANCE SHEET AS AT 31ST MARCH, 2010

Particulars	Sche- dules	Rs.	As at 31.03.10	Rs.	As at 31.03.09
SOURCES OF FUNDS:					
1. SHARE HOLDERS FUNDS					
(a) Share Capital	A		48683600		68779200
(b) Share Application Money			1207198		2302129
(c) Reserves & Surplus	B		34345402		82167463
2. LOAN FUNDS:					
(a) Secured Loans	C		26642873		19135200
(b) Unsecured Loans	D		1127000		1610000
3. Deferred Tax Liability (Net)					
			1298303		5931374
TOTAL			113304376		179925366
APPLICATION OF FUNDS:					
1. FIXED ASSETS					
(a) Gross Block	E	41224692		75144085	
(b) Less: Depreciation		7872296		14122513	
(c) NET BLOCK			33352396		61021572
2. INVESTMENTS					
	F		959774		959774
3. CURRENT ASSETS, LOANS & ADVANCES					
(a) Inventories	G	10786025		7208608	
(b) Products under Development		31375693		20370353	
(c) Sundry Debtors		41939025		97886593	
(d) Cash & Bank Balances		536085		863102	
(e) Loans & Advances		9244250		5395300	
		93881078		131723956	
Less: Current Liabilities & Provisions					
(a) Current Liabilities	H	11214336		11813262	
(b) Provisions		3674536		1966674	
		14888872		13779936	
NET CURRENT ASSETS			78992206		117944020
TOTAL			113304376		179925366
NOTES ON ACCOUNTS					
	K				

VIDE OUR REPORT OF EVEN DATE
for **RAMANA REDDY & ASSOCIATES**
CHARTERED ACCOUNTANTS
Firm Reg. No. 003246S

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

PLACE : HYDERABAD
DATE : 30.08.2010

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)
DIRECTOR

(M.MADHUSUDAN RAJU)
MANAGING DIRECTOR

Ms. PARUL AGARWAL
Company Secretary

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

Particulars	Sche- dules		Current Year		Previous Year
INCOME:			Rs.		Rs.
Revenue from Software Services & Products			125857019		203341995
Other Income			113853		1353349
TOTAL			125970872		204695344
EXPENDITURE:					
- Software Development & Administrative Expenses	I		73514279		168871136
- Material Consumed			19686054		11313388
- Financial Charges	J		4498097		1979874
- Depreciation			7556903		7648461
TOTAL			105255333		189812859
Net Profit for the year before tax			20715539		14882485
Less: Provision for Taxation					
- Current Tax		3674536		1760095	
- Fringe Benefit Tax		0		206579	
- Deferred Tax Asset / Liability		(4633071)		3185879	
			(958535)		5152553
Net Profit after tax			21674074		9729932
Add: Balance brought forward from Previous Year			9881328		9425651
Balance carried to Balance Sheet			31555402		19155583
NOTES ON ACCOUNTS	K				

VIDE OUR REPORT OF EVEN DATE

 for **RAMANA REDDY & ASSOCIATES**
 CHARTERED ACCOUNTANTS
 Firm Reg. No. 003246S

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

 PLACE : HYDERABAD
 DATE : 30.08.2010

FOR AND ON BEHALF OF THE BOARD
(D. V. RAJU)
 DIRECTOR

(M.MADHUSUDAN RAJU)
 MANAGING DIRECTOR

Ms. PARUL AGARWAL
 Company Secretary

SCHEDULES TO ACCOUNTS

Particulars	As at 31.03.10 Rs.	As at 31.03.10 Rs.
SCHEDULE - A		
SHARE CAPITAL		
- Authorised: 100,00,000 Equity Shares of Rs.5/- each (Previous year 100,00,000 Equity Shares of Rs.10/- each)	50000000	100000000
- Issued, subscribed and paid up: 77,36,720 Equity Shares of Rs.5/- each fully paid up (Previous year 68,77,920 Equity Shares of Rs.10/- each fully paid up)	38683600	68779200
- Share Capital Suspense (20,00,000 Equity Shares of Rs.5/- each pending for allotment to the shareholders of Instrument and Defence Technologies (India) Private Limited)	10000000	0
TOTAL	48683600	68779200
SCHEDULE - B		
RESERVES & SURPLUS		
- Profit & Loss Account	31555402	19155583
- Securities Premium	2790000	63011880
TOTAL	34345402	82167463
SCHEDULE - C		
SECURED LOANS:		
- Andhra Bank Term Loan	2709079	0
- Andhra Bank Cash Credit	22730615	0
- DCB Cash Credit	0	14355094
- DCB Loan on Bills Discounting	0	2859662
- Hire Purchase Finance from HDFC Bank Limited	1203179	1920444
TOTAL	26642873	19135200
SCHEDULE - D		
UNSECURED LOANS:		
- From Directors	1127000	1610000
TOTAL	1127000	1610000
SCHEDULE - F		
INVESTMENTS		
Long Term - Unquoted		
Investment in 100% Subsidiary - Infronics Technologies Ltd. (UK)	959774	959774
TOTAL	959774	959774

SCHEDULE - E**FIXED ASSETS:**

Description of the Assets	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	As on 31.03.09	Adds/Deds during the Year	As on 31.03.10	As on 01.04.09	For the Year	As on 31.03.10	As on 31.03.10	As on 31.03.09
Office Equipment	2760339	108966	2869305	331025	133318	464343	2404962	2429314
Computers & Accessories	41865195	19773450 -41603232	20035413	10295096	5784186 -10910575	5168707	14866706	31570099
Lab Equipment	83466	0	83466	10921	3965	14886	68580	72545
Tools & Spares	27040	0	27040	5799	1284	7083	19957	21241
Furniture & Fixtures	27858045	13734672 -26143749	15448968	3338360	1383568 -2896545	1825383	13623585	24519685
Vehicles	2550000	210500	2760500	141312	250582	391894	2368606	2408688
TOTAL	75144085	33827588 -67746981	41224692	14122513	7556903 -13807120	7872296	33352396	61021572

Particulars		As at 31.03.10 Rs.		As at 31.03.10 Rs.
SCHEDULE - G				
CURRENT ASSETS, LOANS AND ADVANCES:				
(a) Cash & Bank Balances:				
- Cash Balance	398721		500844	
- Balance with Scheduled Banks in Current Account	137364		362258	
		536085		863102
(b) Inventories				
(As certified by the Management)				
- Materials		10786025		7208608
(c) Products under Development				
(Expenditure incurred for development of Product)				
		31375693		20370353
(d) Sundry Debtors				
(Unsecured and Considered Good)				
- Debts outstanding for a period exceeding 6 months	5491620		37306970	
- Other Debts	36447405		60579623	
		41939025		97886593
(e) Loans & Advances:				
- Deposits	2988311		4032285	
- TDS receivable	333811		222699	
- Other Amounts Receivable	5922128		1140316	
		9244250		5395300
TOTAL		93881078		131723956
SCHEDULE - H				
CURRENT LIABILITIES AND PROVISIONS:				
a) CURRENT LIABILITIES:				
- Creditors for Supplies	3078346		1616423	
- Creditors for Expenses	5855819		10196839	
- Creditors for Others	2280171		0	
		11214336		11813262
b) PROVISIONS:				
- for Tax	3674536		1760095	
- for FBT	0		206579	
		3674536		1966674
TOTAL		14888872		13779936

SCHEDULES TO ACCOUNTS

Particulars	Current Year Rs.	Previous Year Rs.
SCHEDULE - I		
SOFTWARE DEVELOPMENT & ADMINISTRATIVE EXPENSES:		
- Rent	1569618	2293058
- Rates & Taxes	227927	193390
- Salaries & Other Benefits to Employees	429333	16402031
- Staff Welfare	358144	238084
- Overseas Development Expenses	47900920	116943825
- Professional & Consultancy	2024437	1823666
- Directors' Sitting fee	11667	0
- Computer Maintenance	39949	87325
- Web Registration & Hosting Charges	415161	211962
- Job Work Charges	266870	413660
- Internet Expenses	583832	1499808
- Donations	6000	0
- Equipment Hire Charges	517612	311215
- Electricity Charges	316677	266566
- Directors' Remuneration	2688000	2207500
- Printing & Stationery	254041	213187
- Books & Periodicals	113747	11104
- Postage & Telegrams	60027	109879
- Registration, License & Filing Fee	912459	665590
- Office Maintenance	590952	733728
- Vehicle Maintenance	171197	0
- Insurance	505052	326410
- Business & Sales Promotion	29350	302871
- Miscellaneous Expenditure	81430	21173
- Advertisement	1524334	711870
- Audit Fee	150000	120000
- Travelling & Conveyance	3074716	1866657
- Telephone Charges	461666	1128218
- Bad Debts Written off	0	19574169
- Security Charges	0	79000
- Membership fees	213566	102500
- General Meetings Expenses	15595	12690
TOTAL	73514279	168871136

Particulars	Current Year Rs.	Previous Year Rs.
SCHEDULE - J		
FINANCIAL CHARGES		
- Interest on Cash Credit	3161967	721209
- Interest on Term Loan	159169	0
- Interest HP Loans	223955	174488
- Interest - Others	810030	153085
- Bank Charges	142976	49977
- Loan Processing Charges	0	881115
TOTAL	4498097	1979874

SCHEDULE – K**NOTES ON ACCOUNTS:****1. Disclosure of Significant Accounting Policies:****a) Basis of Preparation of Financial Statements:**

- i) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.
- ii) Accounting policies not specifically referred to otherwise are in consonance with prudent accounting principles.
- iii) All income and expenditure items having material bearing on the financial statements are recognised on accrual basis.

b) Fixed Assets

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

c) Revenue recognition

Revenue from Software development is recognized based on software developed and billed to clients as per the terms of specific contracts. Revenue from the sale of software & hardware products are recognized when the sale is completed with the passing of title.

d) Depreciation

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

e) Inventories:

Inventories are valued at cost on FIFO basis.

f) Products under development :

Products under development represent the development expenditure incurred on various products being developed by the Company. Once the development phase is completed and the products are ready for commercial exploitation, these product development costs will be amortized over a period of years depending upon the period for which economic benefits would accrue from these products.

g) Investments:

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

h) Foreign Currency Transactions:

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

i) Retirement Benefits:

Provident Fund: The periodic contributions to Statutory Provident Fund are charged to revenue.

j) Earning per Share:

The Company reports its Earnings per Share (EPS) in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

k) Taxes on Income:

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet date.

l) Cash Flow Statement:

Cash Flow Statement has been prepared under indirect method as per the Accounting Standard-3 "Cash Flow Statement".

2. Particulars of Employees required in pursuant to the Provisions of Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 - Nil.
3. Expenditure incurred for overseas software development by the consulting associates has been shown under the head "Overseas Development Expenses" in the financial statements.

4. Composite Scheme of Arrangement and Amalgamation:

The Composite Scheme of Arrangement (Scheme) involving merger of Instrument and Defence Technologies (India) P Ltd. with the Company (Scheme) and demerger of Biometric Solutions Division and Enterprises Mobility Services Division into two Resulting Companies viz. Biomorf Systems Limited and Mobiprise Systems Limited

A) Merger of Instrument and Defence Technologies (India) Private Limited (IDTPL) with the Company

- a) Pursuant to the approval of the shareholders at the meeting held on 2nd January 2010 which was convened as per the Orders of the Hon'ble High Court of Judicature at Andhra Pradesh (Court) and its Order in Company Petition Nos.9 to 12 of 2010 on 8th March 2010 sanctioning the Scheme, the assets and liabilities of IDTPL, whose principal business lies in the areas of Process Control Instrumentation and Industrial Automation, are vested in the Company with effect from the appointed date viz. 1st October 2009 in accordance with the Scheme so sanctioned. The Scheme has, accordingly, been given effect to in the Accounts.
- b) The amalgamation has been accounted for under the Pooling of Interest Method of Accounting as prescribed by Accounting Standard 14 (AS-14) issued by the Institute of Chartered Accountants of India. The assets and liabilities of the erstwhile IDTPL as at 1st November, 2009 have been taken over at their book values.
- c) The difference between the value of the net assets acquired on amalgamation and the amount of shares issued to the shareholders of the amalgamating company IDTPL are adjusted against the Reserves in the books of the company.
- d) As per the provisions of the Scheme, the company has allotted 20,00,000 Equity Shares of face value of Rs.5/- each to the shareholders of IDTPL on 8th May, 2010. As the Scheme is effective from the appointed date of 1st November, 2009, and allotment of shares to the shareholders of IDTPL took place only on 8th May, 2010 i.e. post year end date of 31st March 2010, the allotment adjustment is given against the head 'Share Capital Suspense – Pending Allotment' in the Balance Sheet.
- e) As per the provisions of the Scheme, the results of the operations of IDTPL from 1st November, 2009 being the appointed date till the year end date are considered in the books of the Company.

B. Demerger of two divisions of the Company

Pursuant to the Order dated 8th March, 2010 of Hon'ble High Court of Andhra Pradesh, under the Composite Scheme of Arrangement (same Scheme as referred to in the previous section) two divisions of the company viz. Biometric Solutions Division and Enterprise Mobility Services Division are demerged into two Resulting Companies viz. Biomorf Systems Limited and Mobiprise Systems Limited.

As the scheme has become effective from the appointed date (1st November, 2009), the Demerged Undertakings stand transferred to and vest in as going concerns in BioMorf Systems Limited and Mobiprise Systems Limited respectively at their book values.

As per the provisions of the Scheme, the results of the operations of businesses of the Demerged Undertakings i.e. Biometric Solutions Division and Enterprise Mobility Solutions divisions, for the period from the appointed date for demerger (1st November, 2009) till the year end date are considered in the respective Resulting Companies – BioMorf Systems Limited and Mobiprise Systems Limited. In other words the operational results of the demerged undertakings, from the appointed date of 1st November, 2009, are not considered in the books of the Company, i.e Infronics Systems Limited.

Consequent to approval of Scheme of arrangement by the Hon'ble High Court of Andhra Pradesh, BioMorf Systems Limited had allotted 77,36,720 shares of Rs.4/- each to the Shareholders of Infronics Systems Limited for every one share of Rs.5 each held in the Company and similarly, Mobiprise Systems Limited had allotted 77,36,720 shares of Re.1/- each to the shareholders of M/s Infronics Systems Limited for every 1 share of Rs.5 each held in the Company.

5. Secured Loans:

During the period, the company has transferred Andhra Bank term loan and cash credit under the Composite Scheme of Arrangement to Mobiprise Systems Limited and BioMorf Systems Limited. But the transfer of such liability in the name of the said companies with the bankers is under process. The term loan and cash credit from Andhra Bank are secured by fixed assets, stocks, debtors and personal guarantee of directors.

6. Managerial Remuneration:

	2009-10 Rs.	2008-09 Rs.
Managing Director	1800000	1495000
Whole Time Directors	888000	712500
TOTAL	2688000	2207500

7. Auditors' Remuneration:

Description	2009-10 Rs.	2008-09 Rs.
- Audit Fee	80000	60000
- Tax Audit Fee	50000	40000
- Other services	20000	20000
- Certification Fees	22500	0
TOTAL	172500	120000

8. Segment Reporting

There are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – 'Segment Reporting', notified in the companies (Accounting Standards) Rules 2006.

9. Transactions with the Related Parties pursuant to Accounting Standard 18

S.no.	Description	2009-2010 Rs.	2008-2009 Rs.
A	Availment / (Repayment) of Unsecured Loans	— —	1610000 (-)

10. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Scale Business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

11. Income Tax:

a) Current Tax

Provision for current tax has been made as per the provisions of Sec. 115JB of the Income Tax Act, 1961.

b) Deferred Tax

In compliance with the Accounting Standard "AS-22 Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has additionally provided Rs.46,33,071/- towards deferred tax liability in the year 2009-10. The major components of deferred tax asset / liability is on account of timing differences in depreciation

12. Sundry Debtors and Sundry Creditors are subject to confirmation with the respective parties.

13. Imports on CIF Basis

Year ended 31 st March	2009-10 Rs.	2008-09 Rs.
Capital Goods	—	—
Purchases	11411895	6686187

14. Expenditure in foreign currency

Year ended 31 st March	2009-10 Rs.	2008-09 Rs.
Expenditure	12907058	—

15. Earnings in foreign exchange

Year ended 31 st March	2009-10 Rs.	2008-09 Rs.
Expenditure	46232751	11278645

16. Earning Per Share

	Year ended 31.03.10	Year ended 31.03.09
a) Profit available to the Equity Shareholders (Rs.)	21674074	9729932
b) No. of Equity Shares	7736720	6877920
c) Weighted Average No. of Shares	7352821	6362268
d) Nominal value of Share (Rs.)	5	10
e) Earning per Share	2.80	1.41
f) Earning per Share- considering share capital suspense	2.23*	-

* considering the allotment of 20,00,000 shares to shareholders of amalgamating company viz. Instrument & Defence Technologies (India) Pvt..Ltd., under the Composite Scheme of Arrangement. The Scheme was approved by the Hon'ble High Court of Andhra Pradesh on 8.3.2010 and the shares were allotted on 8.5.2010. As the shares were allotted subsequent to the Balance Sheet date they are shown under 'Share Capital Suspense- Pending allotment).

17. Paise have been rounded off to the nearest rupee. Previous year figures have been regrouped wherever if thought necessary in conformity with the current year groupings.
18. The company is engaged in the software development. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the Information required pursuant to paragraphs 3, 4C and 4D of Part II of Schedule - VI of the Companies Act, 1956.

Notes, Schedules, Statement on accounting policies form an integral part of the balance sheet and profit and loss account.

SIGNATURES TO SCHEDULES 'A' TO 'J'

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
 CHARTERED ACCOUNTANTS
 Firm Reg. No. 003246S

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

PLACE : HYDERABAD
 DATE : 30.08.2010

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)
 DIRECTOR

(M.MADHUSUDAN RAJU)
 MANAGING DIRECTOR

Ms. PARUL AGARWAL
 Company Secretary

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2010

Particulars	2009-10	2008-09
	Rs.	Rs.
Cash Flow From Operations		
Profit Before Tax and Interest	20715539	14882485
Depreciation and Depletion	7556903	7648461
Decrease(increase) in Inventories	(3577417)	(23485976)
Decrease(increase) in Products under development	(11005340)	0
Decrease(increase) in Sundry Debtors	55947568	(36109861)
Decrease(increase) in Loans & Advances	(3848950)	6393128
Increase (Decrease) in Current Liabilities	(598926)	7839434
Taxes Paid	(1966674)	(2176983)
Sub-Total - A	63222703	(25009312)
Cash Flows From Financing		
Cash Received from issuance of share capital	(21190531)	4355429
Decrease in Reserves by demerger and merger	(9274255)	0
Securities Premium	(60221880)	19811880
Secured Loans Received	7507673	19135200
Unsecured Loans received	(483000)	1610000
Sub-Total - B	(83661993)	44912509
Cash Flows from investing		
(Increase) / decrease of Fixed Assets	20112273	(22827586)
Investments	0	(959774)
Sub-Total - C	20112273	(23787360)
Cash Equivalents (A+B+C)	(327017)	(3884163)
Add: Opening Cash and Cash Equivalents	863102	4747265
Closing Cash and Cash Equivalents	536085	863102

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
 CHARTERED ACCOUNTANTS
 Firm Reg. No. 003246S

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

PLACE : HYDERABAD
 DATE : 30.08.2010

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)
 DIRECTOR

(M.MADHUSUDAN RAJU)
 MANAGING DIRECTOR

Ms. PARUL AGARWAL
 Company Secretary

AUDITOR'S CERTIFICATE

**The Members of
INFRONICS SYSTEMS LIMITED
HYDERABAD.**

We have examined the attached Cash Flow Statement of M/s. Infronics Systems Limited for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Listing Agreement Clause 32 with various 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 **RAMANA REDDY & ASSOCIATES.,**
Chartered Accountants

Place : Hyderabad
Date : 30.08.2010

(CA. KISHORE KUMAR K)
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(In terms of amendment of Schedule VI - Part IV)

I. Registration Details			
Registration No.20977		State Code:	01
Balance Sheet			
Date : 31.03.2009			
II. Capital Raised during the year (Amount in Rs.Thousands)			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	8588
III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands).			
Total Liabilities	113304	Total Assets	113304
Sources of Funds:			
Paid-up Capital	48684	Reserves & Surplus	34345
Secured Loans	26643	Unsecured Loans	1127
Application of Funds:			
Net Fixed Assets	33352	Investments	960
Net Current Assets	78992		
Misc.Expenditure	Nil		
Accumulated Losses	Nil		
IV. Performance of Company (Amount in Rs.Thousands)			
Turnover & Other Income	125971	Total Expenditure	105255
Profit/Loss Before Tax	20716	Profit/Loss after Tax	21674
Earning per Share in Rs.	2.23	Dividend Rate	Nil
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)			
Item Code No. (ITC Code)			
Product Description		Computer Software & Software Products	

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)
DIRECTOR

(M.MADHUSUDAN RAJU)
MANAGING DIRECTOR

PLACE: HYDERABAD
DATE : 30.08.2010

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO
SUBSIDIARY COMPANIES AS ON 31st MARCH 2010**

Name of the Subsidiary		Infronics Technologies Limited
Sl.No.	Particulars	Rs.
1	Financial Year of the Subsidiary ended on	31st March, 2010
2	Infronics Systems Ltd., Interest	100%
3	Capital	959774
4	Reserves & Surplus	-1298145
5	Total Assets	1522500
6	Total Liabilities	1522500
7	Investments	-
8	Revenues	3699432
9	Net Aggregate Profit before taxation	(688832)
10	Provision for taxation	-
11	Profit after taxation	(688832)
12	Proposed Dividend	-
13	Net aggregate amount of profit / (loss) of the subsidiary for the above financial year of the subsidiary so far as they concern members of holding company	(688832)
	a) dealt within the accounts of the company as on 31st March, 2010	
	b) Not dealt with in accounts of the company as on 31st March, 2010	-
14	Net aggregate amount of profit / (loss) of the subsidiary for the previous financial year of the subsidiary so far as they concern members of holding company	
	a) dealt within the accounts of holding company	516950
	b) Not dealt with in accounts of holding company	-

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)
DIRECTOR

(M.MADHUSUDAN RAJU)
MANAGING DIRECTOR

PLACE: HYDERABAD
DATE : 30.08.2010

INFRONICS TECHNOLOGIES LTD**Directors' report for the year ended 31st March 2010**

The directors present their report and the financial statements of the company for the year ended 31st march 2010.

Principal activity

The principal activity of the company is software development and distribution.

Directors

The directors who served during the year were:

Jagdeswararao Eturi

The above report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Signed on behalf of the board

Jagdeswararao Eturi

Director

Date: 28.08.2010

Accountants' report to the Board of Directors on the Unaudited Financial Statements

You consider that the company is exempt from an audit for the year ended 31 March 2010. You have acknowledged, on the balance sheet, your responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the companies Act 2006, and for preparing financial statements which give a true and fair view of the state of affairs of the company and of its profit and loss for the financial year.

In accordance with your instructions, we have prepared these financial statements from the accounting records of the company and on the basis of information and explanations you have give us.

We have not carried out an audit or any other review, and consequently we do not express any option on these financial statements.

Tax Assist Accountants**Certified Chartered Accountants**

Worth Corner Business Centre
Turners Hill Road
Pound Hill
Crawley
West Sussex, RH10 7SL

Date: 28.08.2010

Profit and loss account for the year ended 31st March 2010

	Notes	2010	2009
		£	£
Turnover	2	54,200	57,600
Cost of Sales		50,779	38,592
Gross profit		3,421	19,008
Distribution costs		1,722	4,528
Administrative expenses		11,788	7,385
		13,510	11,913
Operating loss / (2009 profit)	3	(10,089)	7,095
Interest payable and similar charges		(3)	-
Loss/(2009 profit) on ordinary activities before taxation		(10,092)	7,095
Taxation on loss on ordinary activities	4	-	-
Loss/(2009 profit) for the financial year		(10,092)	7,095

Balance sheet at 31st March 2010

	Notes	2010	2009
		£	£
Fixed assets			
Tangible assets	5	142	142
Current assets			
Debtors	6	21,850	21,850
Cash at bank and in hand		314	24,160
		22,164	46,010
Creditors: amounts falling due within one year	7	(30,225)	(44,129)
Net current (liabilities)/2009 assets		(8,061)	1,881
Current liabilities less total assets		(7,919)	2,173
Capital and reserves			
Called up share capital	8	11,100	11,100
Deficit on profit and loss account	9	(19,019)	(8,927)
Shareholders' funds		(7,919)	2,173

These accounts have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

For the financial year ended 31st March 2010 the company was entitled to exemption from audit under section 477 Companies Act 2006. No member of the company has deposited a notice, pursuant to section 476, requiring an audit of these financial statements under the requirements of the Companies Act 2006.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and if its profit or loss for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company.

Jagdeswararao Eturi

Director

Date : 28.08.2010

Schedule to the Profit and loss account for the year ended 31st March 2010

	<u>2010</u>	<u>2009</u>
	£	£
Sales	54,200	57,600
Cost of sales		
Purchases	45,067	33,192
Directors remuneration	5,712	5,400
	<u>50,779</u>	<u>38,592</u>
Gross Profit	3,421	19,008
Distributors Costs		
Travelling expenses	1,227	1,024
Motor expenses	495	2,800
Entertaining	-	704
	<u>1,722</u>	<u>4,528</u>
Administration Expenses		
Rent	3,528	4,345
Telephone	209	1,320
Printing, postage & stationery	-	284
Sundry expenses	7,139	-
Bank charges and interest	177	553
Accountancy charges	588	733
Depreciation of computer equipment	150	150
	<u>11,788</u>	<u>7,385</u>
Net loss/(2009 profit) before taxation	<u>(10,092)</u>	<u>7,095</u>

Notes to the financial statements for the year ended 31 March 2010

1. Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with the Financial Reporting Standard for smaller Entities (effective April 2008).

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement as it qualifies as a small company.

b) Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax.

c) Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the full cost of valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are.

Computer equipment 25% on cost

2. Turnover

The turnover and loss before taxation is attributable to the one principal activity of the company.

3. Loss on ordinary activities before taxation

This is started after charging.

	<u>2010</u>	<u>2009</u>
	£	£
Depreciation	<u>150</u>	<u>150</u>

4. Tax on profit on ordinary activities

	<u>2010</u>	<u>2009</u>
	£	£
United Kingdom Corporation Tax	<u>-</u>	<u>-</u>

5. Tangible fixed assets

		<u>Computer equipment</u>
		£
Cost:		
At 1 April 2009		<u>601</u>
Depreciation:		
At 1 April 2009		309
Provision for the year		<u>150</u>
At 31 March 2010		<u>459</u>
Net book value:		
At 31 March 2010		<u>142</u>
At 31 March 2009		<u>292</u>

Notes to the financial statements for the year ended 31 March 2010 (Continued)

6. Debtors	<u>2010</u> £	<u>2009</u> £
Trade debtors	21,850	21,850
7. Creditors : amounts falling due within one year	<u>2010</u> £	<u>2009</u> £
Trade creditors	-	17,250
Other creditors	21,725	18,379
Other tax and social security	8,500	8,500
	<u>30,225</u>	<u>44,129</u>
8. Called-up share capital		
Allotted, called up and fully paid Equity shares:		
Ordinary shares of £ 1 each	<u>11,100</u>	<u>11,100</u>
9. Reserves		Profit and loss account £
At 1 April 2009		(8,927)
Loss for the year		(10,092)
At 31 March 2010		<u>(19,019)</u>

AUDITORS' REPORT

**(On the consolidated financial statements of M/s.Infronics Systems Limited
and its subsidiary Infronics Technologies Limited (UK))**

To
The Board of Directors
M/s.Infronics Systems Limited
Hyderabad

1. We have examined the attached Consolidated Balance Sheet of Infronics Systems Limited ("the company") and its subsidiary Infronics Technologies Limited as on 31st March, 2010 and Consolidated Profit and Loss Account for the year ended on that date annexed thereto.
2. These Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of the parent company in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, Infronics Technologies Limited which have been reviewed by TaxAssist Accountants, Certified Chartered Accountants, UK. The report of chartered certified accountant has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of chartered certified accountant.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard – 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and reviewed financial statements of the subsidiary are included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the company and its aforesaid subsidiary, we are of the opinion that:
 - a) in the case of the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the company and its subsidiary as at 31st March, 2010.
 - b) in the case of the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the company and its subsidiary for the year ended on that date.

for **RAMANA REDDY & ASSOCIATES**
CHARTERED ACCOUNTANTS
Firm Regn. No.003246S

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

Place: Hyderabad
Date : 30.08.2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

Particulars	Sche- dules		As at 31.03.2010		As at 31.03.2009
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
1. SHARE HOLDERS FUNDS					
(a) Share Capital	A		48683600		68779200
(b) Share Application Money			1207198		2302129
(b) Reserves & Surplus	B		32845115		81366016
2. LOAN FUNDS:					
(a) Secured Loans	C		26642873		19135200
(b) Unsecured Loans	D		1127000		1610000
3. Deferred Tax Liability (Net)			1298303		5931374
TOTAL			111804089		179123919
APPLICATION OF FUNDS:					
1. FIXED ASSETS	E				
(a) Gross Block		41265713		75187874	
(b) Less: Depreciation		7903625		14145027	
(c) NET BLOCK			33362088		61042847
2. CURRENT ASSETS, LOANS & ADVANCES	F				
(a) Inventories		10786025		7208608	
(b) Products under Development		31375693		20370353	
(c) Sundry Debtors		43430401		99478606	
(d) Cash & Bank Balances		557517		2623424	
(e) Loans & Advances		9244250		5395300	
		95393886		135076291	
Less: Current Liabilities & Provisions	G				
(a) Current Liabilities		12697180		14409226	
(b) Provisions		4254705		2585993	
		16951885		16995219	
NET CURRENT ASSETS			78442001		118081072
TOTAL			111804089		179123919
NOTES ON ACCOUNTS	J				

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
 CHARTERED ACCOUNTANTS
 Firm Reg. No. 003246S

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

PLACE : HYDERABAD
 DATE : 30.08.2010

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)
 DIRECTOR

(M.MADHUSUDAN RAJU)
 MANAGING DIRECTOR

Ms. PARUL AGARWAL
 Company Secretary

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

Paraticulars	Sche- dules		Current Year		Previous Year
			Rs.		Rs.
INCOME:					
- Revenue from Software Services & Products			129556451		207538789
- Other Income			113853		1353349
TOTAL			129670304		208892138
EXPENDITURE:					
- Software Development & Administrative Expenses	H		74804168		170081357
- Material Consumed			22762111		13731790
- Financial Charges	I		4510178		2020166
- Depreciation			7567141		7659390
TOTAL			109643598		193492703
Net Profit for the year before tax			20026706		15399435
Less: Provision for Taxation					
- Current Tax		3674536		1760095	
- Fringe Benefit Tax		0		206579	
- Deferred Tax Liability		-4633071		3185879	
			-958535		5152553
Net Profit after tax			20985240		10246882
Add: Balance brought forward from Previous Year			9272014		8258271
Balance carried to Balance Sheet			30257254		18505153
NOTES ON ACCOUNTS	J				

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
CHARTERED ACCOUNTANTS
Firm Reg. No. 003246S

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

PLACE : HYDERABAD
DATE : 30.08.2010

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)
DIRECTOR

(M.MADHUSUDAN RAJU)
MANAGING DIRECTOR

Ms. PARUL AGARWAL
Company Secretary

SCHEDULES TO ACCOUNTS

SCHEDULE - A

Particulars	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SHARE CAPITAL		
- Authorised: 100,00,000 Equity Shares of Rs.5/- each (Previous year 100,00,000 Equity Shares of Rs.10/- each)	50000000	100000000
- Issued, subscribed and paid up: 77,36,720 Equity Shares of Rs.5/- each fully paid up (Previous year 68,77,920 Equity Shares of Rs.10/- each fully paid up)	38683600 <hr/> 38683600	68779200 <hr/> 68779200
- Share Capital Suspende (20,00,000 Equity Shares of Rs.5/- each pending for allotment to the shareholders of Instrument and Defence Technologies (India) Private Limited)	10000000	0
TOTAL	<hr/> 48683600	<hr/> 68779200
SCHEDULE - B		
RESERVES & SURPLUS		
- Profit & Loss Account	30257256	18505153
- Securities Premium	2790000	63011880
- Exchange Conversion Reserve	(202141)	(151017)
TOTAL	<hr/> 32845115	<hr/> 81366016
SCHEDULE - C		
SECURED LOANS:		
- Andhra Bank Term Loan	2709079	0
- Andhra Bank Cash Credit	22730615	0
- DCB Cash Credit	0	14355094
- DCB Loan on Bilss Discounting	0	2859662
- Hire Purchase Finance from ICICI Bank Limited	1203179	1920444
TOTAL	<hr/> 26642873	<hr/> 19135200
SCHEDULE - D		
UNSECURED LOANS:		
- From Directors	1127000	1610000
TOTAL	<hr/> 1127000	<hr/> 1610000

SCHEDULE - E**FIXED ASSETS:**

Description of the Assets	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	As on 31.03.09	Adds/Deds during the Year	As on 31.03.10	As on 01.04.09	For the Year	As on 31.03.10	As on 31.03.10	As on 31.03.09
Office Equipment	2760339	108966	2869305	331025	133318	464343	2404962	2429314
Computers & Accessories	41865195	19773450 -41603232	20035413	10295096	5784186 -10910575	5168707	14866706	31570099
Lab Equipment	83466	0	83466	10921	3965	14886	68580	72545
Tools & Spares	27040	0	27040	5799	1284	7083	19957	21241
Furniture & Fixtures	27858045	13734672 -26143749	15448968	3338360	1383568 -2896545	1825383	13623585	24519685
Vehicles	2550000	210500	2760500	141312	250582	391894	2368606	2408688
WOS Equipment	41021	0	41021	21091	10238	31329	9692	19930
TOTAL	75185106	-33919393	41265713	14143604	7567141	7903625	33362088	61041502

SCHEDULE - F

Particulars		As at 31.03.10 Rs.		As at 31.03.10 Rs.
CURRENT ASSETS, LOANS AND ADVANCES:				
(a) Cash & Bank Balances:				
- Cash Balance	398721		500844	
- Balance with Scheduled Banks in Current Account	158796		2122580	
		557517		2623424
(b) Inventory (As certified by the Management)				
Materials		10786025		7208608
(c) Products under Development (Expenditure incurred for development of Product)		31375693		20370353
(d) Sundry Debtors (Unsecured and Considered Good)				
- Debts outstanding for a period exceeding 6 months	6982996		37306970	
- Other Debts	36447405		62171636	
		43430401		99478606
(e) Loans & Advances:				
- Deposits	2988311		4032285	
- TDS receivable	333811		222699	
- Other Advances	5922128		1140316	
		9244250		5395300
TOTAL		95393886		135076291
SCHEDULE - G				
CURRENT LIABILITIES AND PROVISIONS:				
a) CURRENT LIABILITIES:				
- Creditors for Supplies	3078346		2873275	
- Creditors for Expenses	7338663		11535951	
- Other Amounts Payable	2280171		0	
		12697180		14409226
b) PROVISIONS:				
- for Tax	4254705		2379414	
- for FBT	0		206579	
		4254705		2585993
TOTAL		16951885		16995219

Particulars	Current Year Rs.	Previous Year Rs.
SCHEDULE - H		
SOFTWARE DEVELOPMENT & ADMINISTRATIVE EXPENSES:		
- Rent	1810422	2609639
- Rates & Taxes	227927	193390
- Salaries & Other Benefits to Employees	8429333	16402031
- Staff Welfare	358144	238084
- Overseas Development Expenses	47900920	116943825
- Professional & Consultancy	2024437	1823666
- Director Sitting Fee	11667	0
- Computer Maintenance	39949	87325
- Web Registration & Hosting Charges	415161	211962
- Job Work Charges	266870	413660
- Internet Expenses	583832	1499808
- Donations	6000	0
- Equipment Hire Charges	517612	311215
- Electricity Charges	316677	266566
- Directors' Remuneration	3077874	2600949
- Printing & Stationery	254041	233880
- Books & Periodicals	113747	11104
- Postage & Telegrams	60027	109879
- Registration, License & Filing Fee	912459	665590
- Office Maintenance	590952	733728
- Vehicle Maintenance	171197	0
- Insurance	505052	326410
- Business & Sales Promotion	29350	354165
- Miscellaneous Expenditure	568707	21173
- Advertisement	1524334	711870
- Audit Fee	190134	173407
- Travelling & Conveyance	3192251	2145277
- Telephone Charges	475931	1224395
- Bad Debts written off	0	19574169
- Security Charges	0	79000
- Membership fees	213566	102500
- AGM Expenses	15595	12690
TOTAL	74804168	170081357

Particulars	Current Year Rs.	Previous Year Rs.
SCHEDULE - I		
FINANCIAL CHARGES		
- Interest on Cash Credit	3161967	721209
- Interest on Term Loan	159169	0
- Interest HP Loans	223955	174488
- Interest - Others	810030	153085
- Bank Charges	155057	90269
- Loan Processing Charges	0	881115
TOTAL	4510178	2020166

SCHEDULE – J**NOTES ON CONSOLIDATED ACCOUNTS****Scope of Business units**

Infronics Systems Limited is a company engaged in providing technology services in the areas of RFID, hardware design, developing software & hardware products for the clients. The company has also entered into the business of biometric products providing security solutions to the clients. The company has a single subsidiary at UK in the name of 'Infronics Technologies Limited' for promoting the services provided by the Infronics Systems Limited to UK Clients. The subsidiary is wholly owned by the company by virtue of its total holding of equity of the subsidiary. The Infronics Technologies Limited is basically engaged in providing engineering and software development and consultancy services to UK clients. The wholly owned subsidiary of the company together the parent shall hereinafter as Infronics for the purpose of consolidated accounts. The accounting year for the parent company and the UK subsidiary is the same i.e. from April 1st to March 31st every year.

1. Significant Accounting Policies and Notes on Accounts:**a) Basis of Preparation of Financial Statements:**

The consolidated financial statements of Infronics has been made as per the generally accepted accounting principles in India and the provisions of the Accounting Standard 21 issued by the Institute of Chartered Accountants of India. The consolidation of accounts of Infronics took place based on the audited financial statements of the parent by the statutory auditors of the company and reviewed financial statements of the subsidiary by TaxAssist Accountants, Certified Chartered Accountants, UK. While consolidation inter company balances and transactions is eliminated in full. The consolidation is based on the concepts of accrual, going concern and conservatism. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

b) Revenue recognition

Revenue from Software development is recognized based on software developed and billed to clients as per the terms of specific contracts. Revenue from the sale of software & hardware products is recognized when the sale is completed with the passing of title.

c) Expenditure

All expenses of the company are accounted on accrual basis.

d) Fixed Assets:

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

e) Depreciation

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

f) Inventories:

Inventories are valued at cost on FIFO basis.

g) Products under development :

Products under development represent the development expenditure incurred on various products being developed by the Company. Once the development phase is completed and the products are ready for commercial exploitation, these product development costs will be amortized over a period of years depending upon the period for which economic benefits would accrue from these products.

h) Retirement Benefits:

Provident Fund: The periodic contributions to Statutory Provident Fund are charged to revenue.

i) Earning per Share:

The Company reports its Earnings per Share (EPS) in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

j) Taxes on Income:

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet date.

k) Foreign Currency Transactions:

In the case of sales made to clients outside India for the parent, income is accounted on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sale proceeds on conversion into Indian currency upon actual receipt. In the case of expenditure in foreign currency, the expenses are accounted on the basis of exchange rate as on the date of the transaction. The transactions of subsidiary are in GBP. There is no foreign currency transaction per se but on account of consolidation all the outstanding entries of the subsidiary as on 31st March, 2010 have been converted into Indian rupees and consolidation was affected.

l) Foreign Currency Translations

The accompanying financial statements of WOS are reported in GBP. The functional currency of the parent company in India is the Indian Rupee ('Rs.'). Hence translation of GBP to Rs. is performed for balance sheet accounts, revenue and expense using the exchange rate prevailing as at the balance sheet date. The gains or losses resulting from such translation are reported as "Exchange conversion reserve", a separate component of reserves and surplus head in the consolidated accounts. The balance sheet and profit and loss account items of the WOS have been converted at the rate Rs.68.2552 per GBP.

m) Investments:

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

2. Particulars of Employees required in pursuant to the Provisions of Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 - Nil.
3. Expenditure incurred for overseas software development by the consulting associates has been shown under the head "Overseas Development Expenses" in the financial statements.

4. Composite Scheme of Arrangement and Amalgamation:

The Composite Scheme of Arrangement (Scheme) involving merger of Instrument and Defence Technologies (India) P Ltd. with the Company (Scheme) and demerger of Biometric Solutions Division and Enterprises Mobility Services Division into two Resulting Companies viz. Biomorf Systems Limited and Mobiprise Systems Limited

A) Merger of Instrument and Defence Technologies (India) Private Limited (IDTPL) with the Company

- a) Pursuant to the approval of the shareholders at the meeting held on 2nd January 2010 which was convened as per the Orders of the Hon'ble High Court of Judicature at Andhra Pradesh (Court) and its Order in Company Petition Nos.9 to 12 of 2010 on 8th March 2010 sanctioning the Scheme, the assets and liabilities of IDTPL, whose principal business lies in the areas of Process Control Instrumentation and Industrial Automation, are vested in the Company with effect from the appointed date viz. 1st October 2009 in accordance with the Scheme so sanctioned. The Scheme has, accordingly, been given effect to in the Accounts.
- b) The amalgamation has been accounted for under the Pooling of Interest Method of Accounting as prescribed by Accounting Standard 14 (AS-14) issued by the Institute of Chartered Accountants of India. The assets and liabilities of the erstwhile IDTPL as at 1st November, 2009 have been taken over at their book values.

- c) The difference between the value of the net assets acquired on amalgamation and the amount of shares issued to the shareholders of the amalgamating company IDTPL are adjusted against the Reserves in the books of the company.
- d) As per the provisions of the Scheme, the company has allotted 20,00,000 Equity Shares of face value of Rs.5/- each to the shareholders of IDTPL on 10th May, 2010. As the Scheme is effective from the appointed date of 1st November, 2009, and allotment of shares to the shareholders of IDTPL took place only on 10th May, 2010 i.e. post year end date of 31st March 2010, the allotment adjustment is given against the head 'Share Capital Suspense – Pending Allotment' in the Balance Sheet.
- e) As per the provisions of the Scheme, the results of the operations of IDTPL from 1st November, 2009 being the appointed date till the year end date are considered in the books of the Company.

B. Demerger of two divisions of the Company

Under the Composite Scheme of Arrangement (same Scheme as referred to in the previous section) two divisions of the company viz. Biometric Solutions Division and Enterprises Mobility Services Division are demerged into two Resulting Companies viz. Biomorf Systems Limited and Mobiprise Systems Limited and the approval of the Court was obtained on 8th March 2010.

As the scheme has become effective from the appointed date (1st November, 2009), the Demerged Undertakings stand transferred to and vest in as going concerns in BioMorf Systems Limited and Mobiprise Systems Limited respectively at their book values.

As per the provisions of the Scheme, the results of the operations of businesses of the Demerged Undertakings i.e. Biometric Solutions Division and Enterprise Mobility Solutions divisions, for the period from the appointed date for demerger (1st November, 2009) till the year end date are considered in the respective Resulting Companies – BioMorf Systems Limited and Mobiprise Systems Limited. In other words the operational results of the demerged undertakings, from the appointed date of 1st November, 2009, are not considered in the books of the Company.

Consequent to obtaining the Court Order sanctioning the Scheme, the BioMorf Systems Limited had allotted 77,36,720 shares of Rs.4/- each to for every one share Rs.10/- each held by the Shareholders of the Company and similarly, Mobiprise Systems Limited had allotted 77,36,720 shares of Re.1/- each to for every one share Rs.10/- each held by the shareholders of the Company.

5. Secured Loans:

During the period, the company has transferred Andhra Bank term loan and cash credit under the Composite Scheme of Arrangement to Mobiprise Systems Limited and BioMorf Systems Limited. But the transfer of such liability in the name of the said companies with the bankers is under process. The term loan and cash credit from Andhra Bank are secured by fixed assets, stocks, debtors and personal guarantee of directors.

6. Segment Reporting

There are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – 'Segment Reporting', notified in the companies (Accounting Standards) Rules 2006.

7. Transactions with the Related Parties pursuant to Accounting Standard 18

Sno.	Description	2009-2010 Rs.	2008-2009 Rs.
A	Availment / (Repayment) of Unsecured Loans	— —	1610000 (-)

8. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Scale Business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

9. Earning Per Share

The numerators and denominators used for calculation of EPS

	Year ended 31.03.10	Year ended 31.03.09
a) Profit available to the Equity Shareholders (Rs.)	20985240	10246882
b) No. of Equity Shares	7736720	6877920
c) Weighted Average No. of Shares	7352821	6362268
d) Nominal value of Share (Rs.)	5	10
e) Earning per Share	2.71	1.49
f) Earning per Share- considering share capital suspense	2.16*	-

* considering the allotment of 20,00,000 shares to shareholders of amalgamating company viz. Instrument & Defence Technologies (India) Pvt.Ltd., under the Composite Scheme of Arrangement. The Scheme was approved by the Hon'ble High Court of Andhra Pradesh on 8.3.2010 and the shares were allotted on 8.5.2010. As the shares were allotted subsequent to the Balance Sheet date they are shown under 'Share Capital Suspense- Pending allotment).

10. Paise have been rounded off to the nearest rupee. Previous year figures have been regrouped wherever if thought necessary in conformity with the current year groupings.
11. The company is engaged in the software development. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the Information required pursuant to paragraphs 3, 4C and 4D of Part II of Schedule - VI of the Companies Act, 1956.

Notes, Schedules, Statement on accounting policies form an integral part of the balance sheet and profit and loss account.

SIGNATURES TO SCHEDULES 'A' TO 'J'

VIDE OUR REPORT OF EVEN DATE

for **RAMANA REDDY & ASSOCIATES**
 CHARTERED ACCOUNTANTS
 Firm Reg. No. 003246S

(CA. KISHORE KUMAR K.)

PARTNER

Membership No.215459

PLACE : HYDERABAD

DATE : 30.08.2010

FOR AND ON BEHALF OF THE BOARD

(D. V. RAJU)

DIRECTOR

(M.MADHUSUDAN RAJU)

MANAGING DIRECTOR

Ms. PARUL AGARWAL

Company Secretary

Emobility Division - Success Stories



eZSMS USB



eZSMS Series



eZSMS Plus



Fieldman

Emobility Division - Success Stories



ePest Launch



epest demonstration in east Africa summit



Sponser to UK Football club - eZSMS



Field offier, Kephis Kenya



Sponser to UK Football club - eZSMS.



Training at Kephis, Kenya

Biometric Division - Success Stories



▲
BIO Coasta



▲
BioMorf enrollment station - GSM



▲
BioRF Enrollment Station - TCP/IP



▲
BioFire

Biometric Division - Success Stories



▲
BioMoRF



▲
BioMoRF422



▲
BioMoRF GSM



▲
BioMoRF TCP/IP

Biometric Division - Success Stories



BioMoRF launch by Madhya Pradesh Chief Minister for Indore Municipal Corporation

When biometrics meet mobile phone technology

M. Rajeev

HYDERABAD: Facing difficulties in monitoring the attendance of employees working in a remote location? Unable to ascertain how many students have opted for mid-day meals in social welfare hostels?

The Hyderabad-based Infonics Systems (formerly Sachdevshi) has created a novel solution for coping with such problems.

The device is called BioMoRF and it combines three technologies: biometrics, or body measurements for identification; RFID or Radio Frequency Identification for storage and retrieval of data; and the Global System for Mobile Communication or GSM for mobility.

According to Infonics chief M.S. Raju, BioMoRF can be installed in offices, social welfare hostels and even remote locations such as mines. One has to prepare a database of the employees, students or others and feed it to a centralised server. When the server puts his finger print, on the terminal, it generates an SMS message and sends it to the central database for authentication in real time.

BioMoRF can be used to control access to information or facilities, restrict the usage to specific category of users and maintain constant surveillance over the desired location. Unlike other access control applications such as smart cards or swipe cards, the device prevents frauds. It can be used either as a standalone or can be fully networked and can be adapted for other biometric parameters. The pricing of the device is yet to be finalised, but is expected to be around Rs. 50,000. The makers have applied for a patent.

REMOTE READING: Indigenously developed BioMoRF, a device that helps in monitoring activities at a remote location on a real-time basis.

News Article about BioMoRF in The Hindu

Bio-metric attendance launched

DH News Service

BIJAPUR: The bio-metric device to check the attendance of teachers in government primary schools, was inaugurated by Devar Hippargali MLA A S Patil Nadahalli in the office of the deputy director of public instruction, here on Friday. Giving details of the device named as Remote Location Attendance Monitoring System, DDPJ Rajendra Prasad said that there were complaints from parents and SDMC members about the late coming or unauthorised absence of teachers to schools, especially in remote rural schools. But the education department had no device through which it could check the attendance of teachers. Thus emerged the concept of bio-metric attendance device.

He said that such devices were already in use in many offices but the one being tried in Sindagi taluk was the first and very unique. All the 300 government primary schools of taluk had been connected on the bio-metric device and nearly 1,700 teachers of the taluk would come under the purview.

He said that the device, monitored centrally in his office, would give every day attendance position of every teacher in every school. The device had a Smart Card Reader which would send an SMS to the central server installed in his office, every time an employee put his/her finger on it. The SMS thus received would be decoded at the central server. Nearly 15,000 transactions could be made using the instrument in a month and 500 employees could be enrolled on it. It did not need any broadband connection as there was any great need of electricity as the instrument developed could work on charged battery for eight hours. The finger print of every employee had been enrolled and the moment he put his finger his name would be displayed and the time of his entry into the school would be recorded.

Answering a question why Sindagi taluk was chosen for the pilot experiment, Mr Prasad said that the Nanjundappa Committee in its report had said that the taluk was very backward and almost 25 per cent teachers were found missing the schools. Giving details of unique features of the device Mr Prasad said that it would reduce time manipulation and waste theft and would reduce fraud, besides improving attendance.

MLA A S Patil Nadahalli speaking after inaugurating the system lauded the efforts of the DDPJ in trying to bring about a qualitative change in the working of the teachers.

ZP President Apsara Begum ChapparaBand, Vice-President Siddharam Patil and Deputy Director of Public Instruction Rajendra Prasad are present.



Exclusive BioMoRF terminal for Rural Health centres / Primary & secondary schools



Doctors using biometric terminals at PHCs in Punjab

Infronics Systems Limited

Regd. Off: 2nd Floor, Ektha Towers, Plot No. 2 & 3, Whitefields, Kondapur, Madhapur,
 Hyderabad – 500082

PROXY FORM

Folio No. DP ID No.* Client ID No.*

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 vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30.09.2010 at 10.00 AM at PRIDE Inn
 Guest Rooms, 8-2-289/1/B, Banjara Hills, Road No. 14, Beside BN Reddy Colony, Opp. Walden Street, Hyderabad - 500 034. and at any
 adjournment thereof.

Signed this day of 2010.

Address

Signed

* Applicable for investors holding shares in electronic form.

NOTE :

- A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself.
- Proxy need not be a member.
- The proxy form duly completed should be deposited at the registered office of the company not less than 48 hours before the time fixed for holding the meeting.

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 Hyderabad – 500082

ATTENDANCE SLIP

Folio No. DP ID No.* Client ID No.*

No. of Shares held

I hereby record my presence at the Extra-ordinary General Meeting of the Company to be held on 30.09.2010 at 10.00 AM at PRIDE
 Inn Guest Rooms, 8-2-289/1/B, Banjara Hills, Road No. 14, Beside BN Reddy Colony, Opp. Walden Street, Hyderabad - 500 034.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

NOTE:

- To be signed at the time of handing over this slip.
- Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.