



thrusting further, faster
than ever before

there's nowhere to look, except up.

a quantum leap

riding on the back of daring change and a new drive towards long term engagements with key partners in the previous years, helios and matheson has scaled new heights. a shift in focus towards servicing the top players across verticals has played a distinct role in this growth, providing new business opportunities and rising revenue earnings.

another vital reason for our success has been the sustained relationships with clients that helios and matheson has nurtured and continues to build upon. we repay this trust by constantly looking for ways to enrich client experience, focusing deliveries with better quality, consistency and an understanding of the client's and the market's needs.

as we end a decade of overcoming challenges, seizing opportunities and exciting growth, we look forward to leaping higher than ever before.

the bottom line

- headquartered at chennai with branches & subsidiaries spread across the globe
- healthy and proven track record of managing and integrating strategic acquisitions
- inherent values coupled with an incisive vision allowed us to ride the challenges of the recession
- a strong belief that our growth and success should reflect on our clients
- an uninterrupted record of profits and dividend distribution since inception (1991)
- constantly pushing higher, we have made three bonus share issues

qualitative shift in business



- active business remodeling during testing times has brought the strengths of our management to the fore
- narrowing down on clientele has allowed us to concentrate on servicing top players across the market
- this paradigm shift has helped us climb up the value chain along with our clients

sustained relationships



- we staunchly adhere to establishing a long term relationship with clients for equitable growth & success
- the quality and expertise in our services is aptly demonstrated by the profitable revenue generation from repeat businesses
- the top guns of the industry make up our client list
- second to none when it comes to quality and timely delivery of service, which reflects on the nature of our work

traction with clients



thanks to a refined business strategy, the composition of revenue has changed to a great extent

the challenge of being in the mid-tier space, the concept of "annuity income" and our persistence in long term engagement has contributed to growth

given our focus, we vouch for repeat businesses compared to new ones

a decade of opportunities



- the IT industry presents a substantial scope of growth for enterprises that deliver quality service irrespective of the size
- being in the mid-tier segment is a challenge that we took head on
- a popular quote that sums it all up "it's always the first billion that's difficult to reach; once that's done the rest falls in place."

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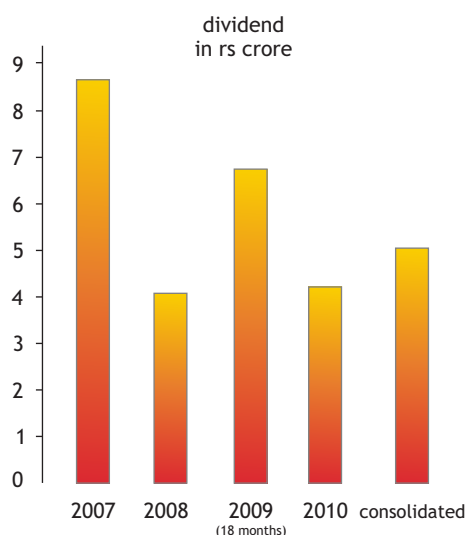
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the management cautions the readers that this report contains statements, which are forward - looking in nature, such statements are subject to risks and uncertainties that could cause actual results to differ materially from the expected results. such risks include, but are not limited to, the risk factors described in the risk management report here in. readers are requested to exercise their own judgment in assessing the risks associated with the company.

board of directors	chandra ramesh	
	diwakar sai yerra	executive director
	muralikrishna g k	ceo & managing director
	patil s k	
	sistla s r	
company secretary	kumar k m	
board committees		
audit committee	chandra ramesh	
	diwakar sai yerra	
	sistla s r	
investor services committee	chandra ramesh	
	diwakar sai yerra	
	sistla s r	
leadership team	chandramoulieswaran s	finance & accounts
	chellappan murali	business development
	divya r	US operations
	elango b	global delivery
	ganesan c s	human resources & shared services
	kumar k m	compliance & legal
	muralikrishna g k	chief executive officer
	pat krishnan	technology solutions
	ramsankar v	managed services
ravindran n s	architecture & processes	
auditors	venkatesh & co., chennai	
legal counsel	pais, lobo & alvares, chennai	
listed at	mumbai (BSE), chennai (MSE), national (NSE), luxembourg (LXSE)	
depositories for demat shares	cdsl, nsdl, ISIN no: INE 674B01012	
registered office	cybervale, # 02 - 01, mahindra world city, chennai - 603 002.	
url	www.heliosmatheson.com	

to the members of the company
your directors have great pleasure in presenting the annual report together with audited statement of accounts for the year ended september 30 2010.

financial highlights	2009-10 (12 months) in rs	2008-09 (18 months) in rs
net revenue from operations	230,45,57,427	307,40,73,154
less expenditure	173,56,48,125	229,90,60,705
operating profit (pbidt)	56,89,09,302	77,50,12,449
interest	8,33,37,658	9,99,95,695
profit before depreciation & tax (pbdt)	48,55,71,644	67,50,16,754
depreciation	24,89,25,465	29,91,46,926
profit before tax (pbt)	23,66,46,179	37,58,69,828
provision for taxation	4,02,18,018	4,51,42,264
profit after tax	19,64,28,161	33,07,27,564
provision for deferred tax	1,01,99,164	3,04,65,159
profit after deferred tax	18,62,28,997	30,02,62,405
balance brought forward	44,56,99,037	46,19,38,278
profit available for appropriation	63,19,28,034	76,22,00,683
appropriations		
interim dividend	-	3,46,68,494
interim dividend tax	-	47,91,727
proposed final dividend	3,58,68,494	2,31,12,329
final dividend tax	49,97,137	39,29,096
general reserve	25,00,00,000	25,00,00,000
balance carried forward	34,10,62,404	44,56,99,037



business & results of operation

it has been a satisfactory journey for the past 20 years. the company has been able to maintain an uninterrupted record of profits year on year for the last 20 years.

net revenue at rs.230 crore and pbidt at rs. 56.89 crore reflect an increase of 12% and 10% respectively over the previous year on a pro-rated basis. profit after tax is however impacted by 7% as compared to the previous year (on a pro-rated basis) on account of higher provision for depreciation, interest and income tax.

income for the year ended september 30.2010 was rs 360.70 crore as compared to rs.525.60 crore (18 months) the previous year on a consolidated basis. earnings per share was rs 9.0 as compared to rs. 10.35 .

share capital and dividend

the paid up share capital of the company as on september 30,2010 stood at rs 23.91 cr and reserves and surplus at rs 204.29 cr.

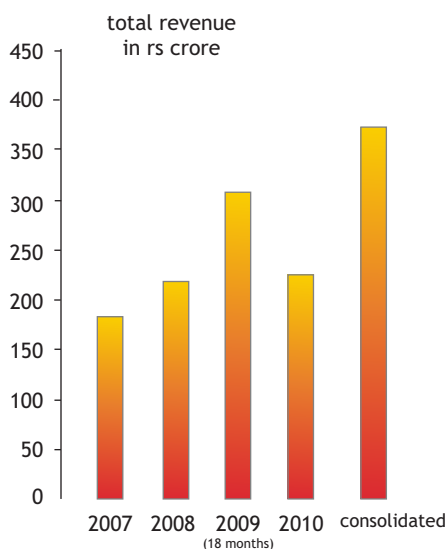
your directors are pleased to recommend a dividend of rs.1.50 per share on a paid up capital of rs 23.91 cr. total dividend pay-out including dividend distribution tax is rs 4.09 cr.

fccb

as on date a total of \$ 8 million stand converted into equity shares as advised by the trustee, bank of new york mellon, leaving \$ 17 million outstanding.

subsidiary companies and consolidated financial statements

we have 7 subsidiary companies viz. jayamaruthi software systems, chennai, helios and matheson (IT) bangalore, india, and the laxmi group inc, ca, usa, maruti consulting, ca, usa, helios and matheson inc, usa, helios and matheson (singapore) pte ltd, singapore and hmna (helios and matheson north america). with the exception of hmna which had to face the impact of global melt down, all other subsidiaries performed satisfactorily. steps have been taken to strengthen the management of hmna by deputing two of our senior executives to new york to hold full time c level positions in hmna.



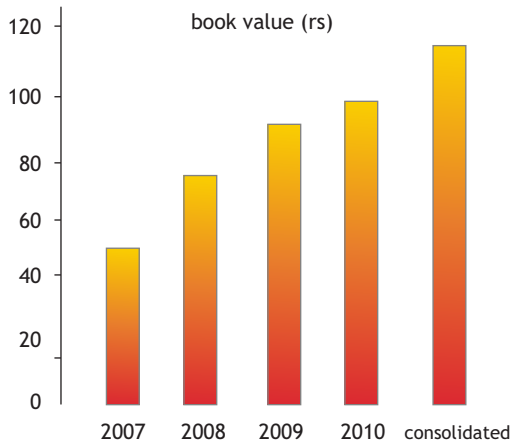
as per section 212 of the companies act, 1956, we are required to attach the directors' report, balance sheet, and profit and loss account of our subsidiaries. we had applied to the government of India for an exemption from such an attachment as we present the audited consolidated financial statements in the annual report. the government of India has granted us an exemption from complying with section 212. accordingly the annual report does not contain the financial statements of these subsidiaries. consequently the abridged version is being sent to all the shareholders. any shareholder of the company interested in obtaining the unabridged version of the results may write to the secretary at the corporate office of the company. The results will also be updated on the company's website www.heliosmatheson.com.

present position vis a vis arbitration proceedings in the vmoksha case.

as reported already, your company signed a definitive share purchase agreement (spa) to acquire 100% equity in three vmoksha entities based at bangalore, singapore and usa in the month of may 2005. however, the sellers tried to renege the spa and hence your company initiated arbitration proceedings.

arbitration proceedings were presided by hon'ble justice mr.k.venkataswami, judge, supreme court (ret'd) as the sole arbitrator. arbitration proceedings were conducted over a period of two years spread over 34 sittings. the first sitting was held on 28.10.2006 and thirty fourth sitting was held on 28.06.2008 and 5 volumes of 1370 pages of documents were submitted before the arbitrator. the hon'ble arbitrator posted the matter for pronouncement of award on 20.09.2008. at the request of the advocates of the respondents the award date was rescheduled to 29.09.2008. unfortunately, hon'ble justice mr.k.venkataswami passed away on 26.09.2008 just 3 days before the revised pronouncement date. as the company wanted to settle the issue in a legally valid manner, the company decided to continue the arbitration proceedings. hence, the company has filed a petition before the hon'ble high court of madras seeking its directions for appointment of a new arbitrator for speedy disposal of the arbitration proceedings [o.p.no.336 of 2009].

based on its present knowledge of facts and as per legal opinion obtained, the current legal proceedings, in the opinion of your management, will not have a material adverse effect on the results / operations of helios and matheson.



particulars of employees

as required by the provisions of section 217 (2a) of the companies act, 1956, read with companies (particulars of employees) rules, 1975, as amended, the names and other particulars of the employees are required to be set out in annexure to the directors report. however, as per the provisions of the section 219(1) (b) (iv) of the companies act, 1956, the report of the directors is being sent to all the shareholders of the company excluding the aforesaid information. any shareholder of the company interested in obtaining such information may write to the secretary at the corporate office of the company.

prospects

riding on the back of a drive towards long term engagements with key partners in the previous year, helios and matheson has scaled new heights. a shift in focus towards servicing the top players across verticals has played a distinct role in this growth, providing new business opportunities and rising revenue earnings.

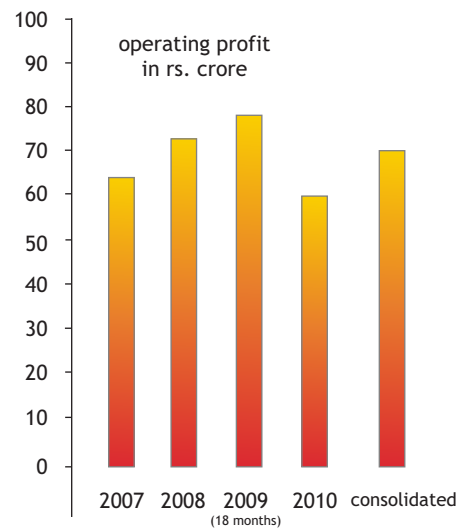
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listing

the company's shares are listed on national stock exchange mumbai (nse), the bombay stock exchange ltd. (bse), and the madras stock exchange (mse). the company has paid the respective annual listing fees to all the stock exchanges and there are no arrears.

directors' responsibility statement

pursuant to the requirement under section 217 (2aa) of the companies act, 1956, with respect to directors responsibility statement, it is hereby confirmed:

that in the preparation of the annual accounts for the financial year ended september 30 2010 the applicable accounting standards have been followed along with proper explanation relating to material departures.

that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent 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 profit of the company for the year under review.

that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the companies act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

that the directors have prepared the accounts for the financial year ended september 30 2010 on a "going concern" basis.

directors

mr. s.k patil retires by rotation at this annual general meeting and is eligible for reelection.

place: chennai
date : 14.02.2011

conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo

the provisions of subsection (1) (e) of section 217 of the companies act, 1956, read with companies (disclosure of particulars in the report of board of directors) rules, 1988, are set out in the annexure to this report.

auditors

m/s.venkatesh & co., chartered accountants, chennai, retire at the ensuing annual general meeting and are eligible for reappointment. a certificate under section 224 (1-b) of the companies act, 1956, has been received from them.

acknowledgement

your directors thank the clients, vendors, investors, financial institutions and bankers for their continued support for your company's growth. your directors place on record their appreciation of the contribution made by the employees at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the company to achieve rapid growth.

your directors thank the government of india, particularly the department of electronics, software technology parks-chennai and bangalore, department of commerce (mepz special economic zone) chennai, ministry of information technology, ministry of commerce, the reserve bank of india, the department of telecommunications, the state governments, and other government agencies for their support during the year and look forward to their continued support in the future.

for and on behalf of the board
g.k.muralikrishna
ceo & managing director

annexure to directors report

conservation of energy

the operations of your company are not energy-intensive. adequate measures have however been taken to reduce energy consumption by using energy efficient computer terminals and by the purchase of energy efficient equipment incorporating the latest technology. your company constantly evaluates new technologies and invests in them to make its infrastructure more energy efficient. these measures have enhanced energy efficiency. as energy forms a very small part of the total cost, the impact on cost is not material.

research & development

research & development of new services, designs, frameworks, and methodologies continue to be important to your company. this allows your company to reuse designs across projects, and thereby increase quality, productivity and profitability.

technology absorption and innovation

provision of state of art communication facilities to all the software development centers and total technology solutions to its client contribute to technology absorption and innovation.

foreign exchange

the details of foreign exchange earnings and outgoes are given in schedule o.

place: chennai
date : 14.02.2011

for and on behalf of the board
g.k.muralikrishna
ceo & managing director

details of directors seeking re-election at the annual general meeting.

	retiring by rotation and re-election
Name of the director	shashi kishore patil
date of birth	29.12.1961
date of appointment	23.01.2007
expertise in specific functional area	s k patil is a veteran in information technology. as an expert in setting up large e governance projects in socially relevant sectors, his focus is to drive the benefits of information and communication technologies to governments and businesses in both emerging and established markets. mr. patil holds an engineering degree and is an mba from iim, ahmedabad.
directorship held in other companies (excluding private & foreign companies)	none
committee positions held in other companies	none
no.of share held	nil

report on corporate governance

in accordance with clause 49 of the listing agreement with the stock exchanges in India and some of the best practices followed internationally on corporate governance, the report containing the details of governance systems and processes at helios and matheson is given hereunder:

transparency, fairness, disclosure and accountability are central to the working of the company and its board of directors.

the company is committed to meeting the aspirations of all our stakeholders. this is demonstrated in shareholder returns, governance processes and an entrepreneurial, performance based work environment. our customers have benefited from our high quality service offerings delivered at the most competitive prices.

corporate governance has indeed been an integral part of the way we have done business during the last two decades. this emanates from our strong belief that strong governance is integral to creating value on a sustainable basis. the fundamental concern of corporate governance is to ensure the conditions whereby a company's directors and managers act in the interest of the company and its various stakeholders. your company has always been guided by a strong conviction of adhering to transparency, accountability and integrity. the company strongly believes in maintaining a simple and transparent corporate structure driven solely by business needs. shareholders' interests are utmost and the management is only a trustee of the shareholders capital to carry out the activities in a truthful manner. in terms of distributing wealth to our shareholders, apart from having an track record of uninterrupted dividend payment, the company has also delivered consistent unmatched shareholder returns since listing.

corporate governance is a journey for constantly improving sustainable value creation and is an upward moving target. our employee satisfaction is reflected in the stability of our senior management, low attrition across various levels and substantially higher productivity.

board of directors

there are five directors in the company, of which 2 are whole time executive directors (including one promoter director) and 3 non executive/independent directors.

the board of directors and its committees meet at regular intervals.

the following functions come under the purview of the board of directors and its committees.

- . review of financial plans and budgets
- . formulating strategic business plans
- . monitoring high end projects
- . keeping shareholders informed regarding plans, strategies and performance

a total of 4 meetings of the board of directors were held during the year 2009-2010 on 30.01.2010,13.05.2010 and 13.08.2010, and 12.11.2010.

details of helios and matheson board of directors, their attendance at company's board meetings and their directorships are set out below:

name of director	board meetings held during the year	attended	attendance at last agm	no of other directorships
chandra ramesh	4	3	yes	2
diwakar sai yerra	4	4	yes	2
muralikrishna g.k. managing director	4	4	yes	2
air-vice marshal vsm (retd) s r sistla	4	4	yes	0
s.k.patil	4	2	yes	0
ramachandiran v*	4	1	yes	1

(*vacated office as a director at the last agm held on 25.03.2010)

in accordance with the listing agreement entered into with the stock exchanges, the board had constituted 2 committees, namely, the audit committee and the investors' services committee.

shares held by non executive directors

air-vice marshal vsm (retd) s.r.sistla holds 850 equity shares in the company. the other non-executive directors namely, ms. chandra ramesh and mr. s. k. patil do not hold any share.

disclosures regarding appointment or reappointment of directors

mr.s.k.patil retires by rotation at this annual general meeting and is eligible for reelection. details regarding his back ground and other particulars are given elsewhere in the report.

directors with materially significant related party transactions, pecuniary or business relationship with the company

there has been no materially significant related party transactions, pecuniary transaction or relationship between helios and matheson and its directors that may have potential conflict with the interests of the company at large

information supplied to the board

the board has unfettered and complete access to any information within the company, and to any of our employee. the information regularly supplied to the board includes :

- . annual operating plans of business, capital budgets and updates
- . quarterly results of the company
- . minutes of meetings of audit and investor grievance committees as well as abstracts of circular resolutions passed. also, board minutes of subsidiary companies.
- . general notices of interest.
- . dividend data
- . information on recruitment and remuneration of senior officers below the board level
- . materially important litigations, show cause, demand, prosecution and penalty notices.
- . any materially relevant default in financial obligations to and by us of substantial nature.
- . details of joint ventures, acquisitions of companies or collaboration agreements.
- . transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- . any significant development on the human resources front.
- . sale of material nature, of investments, subsidiaries and assets, which are not in the normal course of business.
- . details of foreign exchange exposure and the steps taken by the management to limit risks of adverse exchange rate movement.
- . non-compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

the board of helios and matheson is routinely presented with the aforesaid information wherever applicable and materially significant. necessary follow up reports are also presented to the board regularly.

audit committee

the audit committee was constituted in terms of section 292 A of the companies act 1956 and as per the provisions of clause 49 of the listing agreement. the company has an audit committee comprising of two thirds of its composition of independent directors who possess rich experience in the areas of finance, audit and systems and is headed by ms. chandra ramesh with mr. diwakar sai yerra, and mr. s.r.sistla, directors, as its members. the constitution of the audit committee also meets with the requirements of the companies act, 1956. all members of the audit committee are knowledgeable in project finance, accounts and company law matters. minutes of each audit committee meeting are placed before the board and discussed in full. the company's external auditors are also invited to participate in these meetings. both the external and internal auditors have full and unrestricted access to the members of the audit committee.

internal control

management feels that the internal controls in place are sufficient considering the size, nature and complexities of the operations of the company. audit committee overlooks the operation and if required, modifications are put in place. the internal audit function is also reviewed by the audit committee of the board.

the terms of reference stipulated by the board of directors to the audit committee are, as contained in clause 49 of the listing agreement and section 292A of the companies act, 1956, as follows:

- . overseeing the company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
- . recommending the appointment / reappointment of external auditor, fixation of audit fee and approval for payment of other services.
- . reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on judgment by management (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit report, (v) the going concern assumption, (vi) compliance with accounting standards (vii) compliance with stock exchange and legal requirements concerning financial statements and any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries etc., that may have potential conflict with the interests of the company at large, (viii) matter required to be included in directors responsibility statement to be included in boards report.
- . reviewing with the management and external auditors, the adequacy and compliance of internal control systems.
- . reviewing the adequacy of internal audit functions.
- . discussion with statutory auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern and steps needed to correct the same.
- . reviewing the company's financial and risk management policies.
- . to look into the reasons for substantial defaults in the payment to the depositors, debenture holders and shareholders (in case of non payment of declared dividend) and creditors.

the audit committee mandatorily reviews the terms and reference and the information as laid down before it in terms of the listing agreement.

during the year the committee met 4 times on 30.01.2010, 13.05.2010, 13.08.2010 and 12.11.2010 as statutorily required. the statutory auditors of the company were also invited to take part in the proceedings.

attendance record of audit committee members

name of director	no of meetings held	no of meetings attended
ms. chandra ramesh	4	3
mr. diwakar sai yerra	4	4
avm (retd) s r sistla	4	4

investors' grievance committee

the investors' grievance committee/investors' services committee specifically looks into redressing of shareholders and investors' complaints such as transfer of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. the committee comprises of the following members.

ms chandra ramesh

mr. diwakar sai yerra

avm (retd) s r sistla - chairperson

the committee met thrice during the year on 13.05.2010, 13.08.2010 and 12.11.2010

given below is the attendance record.

name of director	no of meetings	meetings attended
ms chandra ramesh	3	2
mr. diwakar sai yerra	3	3
avm (retd) s r sistla	3	3

the committee acts in close liaison with share transfer agents and registrars, m/s integrated enterprises india ltd. the company has received a certificate from its share transfer agents and registrars that complaints, if any, received from the shareholders till 30.09.2010 have been suitably redressed. the company regularly follows up with registrars for redressal of all complaints in time as per statutory requirements.

remuneration committee

as the constitution of the remuneration committee is not mandatory, a report of the same is not attached, for the year under review.

details of remuneration paid to the directors during the year are as under

name of director	relationship with other directors	salary in rs. (12 months)	2008-09 (18 Months) in rs. (18 months)
mr.g.k.muralikrishna	none	3,00,000	4,50,000
mr.diwakar sai yerra	none	6,28,000 (6 months effective 1.4.2010)	nil

other than the managing director and executive director, other non executive directors are paid a sitting fee of rs.10,000 for each board meeting attended. they are not paid any sitting fee for attending the committee meetings. the directors are not paid any commission on net profits nor are they entitled to any other perquisite.

details of the sitting fees paid during 2009-10 are as follows:

	rs.
ms. chandra ramesh	30,000
mr. diwakar sai yerra	10,000 (for the meeting held on 30.01.2010)
air-vice marshal vsm (retd) s r sistla	40,000
mr. s.k.patil	20,000

Investor services/complaints during the year ended 30th september, 2010

nature of complaints	2010		2009 (18 months)	
	received	attended	received	attended
non receipt of share certificates	2	2	10	10
correction in share certificates	4	4	3	3
non receipt of bonus shares/split shares/ annual report	0	0	2	2
non receipt of dividend warrants	3	3	10	10
revalidation	8	8	12	12
change of address/bank mandate/ ecs mandate	0	0	0	0
general queries	3	3	4	4
procedure for loss of share certificate	5	5	25	25
procedure for transmission	1	1	2	2
issue of duplicate share certificate	2	2	5	5
issue of duplicate dividend warrants	11	11	1	1
total	39	39	74	74

all the letters (39)received covering “information and services” have been answered to.

management discussion and analysis

this annual report has a detailed chapter on management discussion and analysis.

disclosures by management to the board

all details relating to financial and commercial transactions where directors may have a potential interest are provided to the board and the interested directors neither participate in the discussion nor do they vote on such matters.

shareholders

means of communication

helios and matheson has its own website and all vital information relating to the company and its performance including quarterly results and official press releases are updated and posted on the websites. on line ticker information is also provided so as to keep the investor informed regarding the movement of the share prices in the market. the company's website address is www.heliosmatheson.com

investor grievances

the company has constituted investors' services committee for redressing shareholders' and investors' complaints. the status on complaints is reported to the board of directors as its meetings. mr. k.m.kumar, company secretary is the compliance officer. all the queries of the investors are attended to within a reasonable time limit. the company also has a separate email id investor@heliosmatheson.com to attend to shareholders' queries.

share transfers and dematerialization requests

all share transfers as well as requests for dematerialization of the company's shares by the shareholders are handled by integrated enterprises (India) ltd., registrars & share transfer agents, who are registered with sebi as a category 1 registrar. dematerialisation requests are attended to within the statutory time limit.

details of compliance with listing agreement

the company has complied with all provisions relating to the capital market as laid down in the listing agreement.

payment of listing fees to stock exchanges

the company has remitted the annual listing fees to the respective stock exchanges where its shares are listed (bse, nse and mse).

general body meetings**details of last annual general meetings**

financial year ended		date	time	venue
september 30, 2009	17th agm	march 25, 2010	3 pm	rani seethai hall, anna salai, chennai 600 006
march 31, 2008	16th agm	september 26, 2008	3 pm	-----do----
march 31, 2007	15th agm	september 26, 2007	3 pm	-----do----

no special resolutions were passed by the members during the 2 annual general meetings held on 25.03.2010 and 26.09.2008

the following special resolutions were passed by the members at the annual general meeting held on 26.09.2007

- . alteration in the capital clause of the articles of association.
- . alteration in the articles of association providing for payment of sitting fees as per rules to the directors for attending meetings of the board and its committees.

postal ballot

- . for the year /period ended september 30, 2010, no business was passed through postal ballot

auditors' certificate on corporate governance

- . as required by clause 49 of the listing agreement, the auditors' certificate is given as annexure to the directors' report.

ceo / cfo certification

as required by clause 49 of the agreement, a certificate, duly signed by the ceo and cfo of the company has been submitted to the board of directors.

general shareholder information

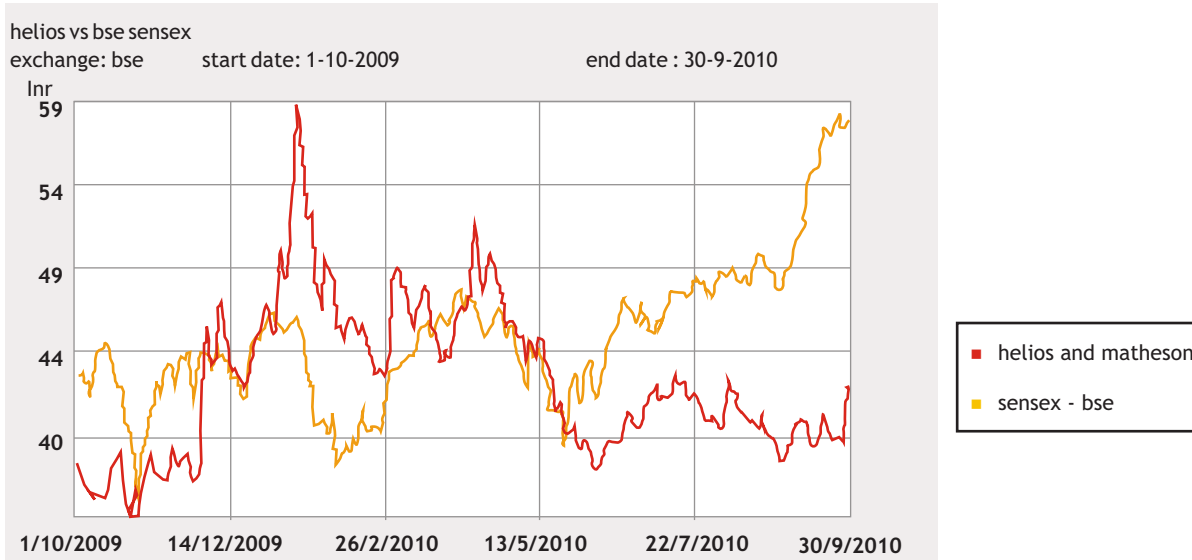
1. date, time and venue of agm : wednesday, march 30, 2011, 3.00 pm,
bharatiya vidya bhavan, new no.18, east mada street,
mylapore, chennai-600 004
2. dates of book closure : march 21 to march 30, 2011 (both days inclusive)
3. dividend payment : on or after march 30, 2011 but within
the statutory time limit of 30 days
4. financial calendar
(tentative and subject to change) : results for qe dec 31, 2010 : on february 14, 2011
results for qe march 31, 2011 : on or before may 15, 2011
results for qe june 30, 2011 : on or before august 15, 2011
results for qe sep 30, 2011 : on or before 15 november, 2011
annual general meeting : on or before 31 march 2012
5. listing on stock exchanges : bombay stock exchange ltd (bse)
national stock exchange of india ltd (nse)
madras stock exchange ltd (mse)
luxembourg exchange(for fccb) :xs0257638071
6. stock code & trading symbol/ : bombay stock exchange : helios mat i (532347)
national stock exchange : heliosmath
madras stock exchange : hms
bloomberg code : hmit in (bse)
7. listing fees : paid to all the stock exchanges for the year 2010-11.
8. corporate office : 9d, ganga griha, nungambakkam high road, chennai - 600 034
adwave towers, 9, south boag road, t nagar
chennai 600017
heliopolis crest, 04-01, ascendas international tech park,
taramani, chennai 600113
9. registrars & share transfer agents : integrated enterprises (india) ltd., kences towers,
1, ramakrishna street, t.nagar, chennai 600 017
10. share transfer system : total number of shares transferred in physical form during
2009-10 was 2,340 versus 9,998 during the previous year.
11. market price data (in rs per share)

month	bombay stock exchange		national stock exchange	
	month high	month low	month high	month low
october, 2009	40.50	34.65	40.60	35.10
november, 2009	40.30	35.25	40.50	35.40
december, 2009	49.50	37.50	49.80	37.65
january, 2010	60.90	45.25	60.80	45.50
february, 2010	55.00	42.75	51.40	42.65
march, 2010	51.45	43.15	51.10	43.40
april, 2010	54.15	44.00	54.25	44.75
may, 2010	48.00	39.20	48.50	39.50
june, 2010	43.10	38.05	43.10	37.90
july, 2010	44.65	40.50	44.75	40.30
august, 2010	44.50	38.30	44.25	38.20
september, 2010	45.25	38.50	45.40	38.00

* represents the yearly high and low of equity shares.

12. share price performance in comparison to broad based indices-bse sensx

helios and matheson share price performance relative to bse sensx based on share price on september 30 2010



13. distribution of shareholding

shareholding pattern of the members of the company as on september 30 2010 is given below according to category

category	no. of shareholders	voting strength (%)	no. of shares held
promoters	4	40.38	96,55,680
corporate bodies	530	6.97	16,66,239
institutions/banks	5	0.66	1,58,913
public	25582	51.99	1,24,31,497
total	26121	100.00	2,39,12,329

distribution of shares by size of shareholders as on september 30 2010

number of equity shares	no. of shareholders	% of shareholders	no. of shares	% of shareholding
1 to 500	21901	83.84	37,14,064	15.53
501- 1000	2293	8.78	18,45,072	7.72
1001- 5000	1610	6.16	35,00,294	14.64
5001- 10000	181	0.69	13,68,580	5.72
10001 and above	136	0.52	1,34,84,319	56.39
total	26121	100.00	2,39,12,329	100.00

14. dematerialization of shares

about 97.62 % of the company's paid up equity shares has been dematerialized upto september 30, 2010. trading in equity shares of the company is allowed only in dematerialized form as per notification issued by the securities and exchange board of india (sebi).

demat no in nsdl and cdsl for equity shares

: ISIN No. INE674B01012

15. liquidity

the company's shares are actively traded on the bse and nse. the data for the total no of shares traded in and the volume thereof is given below for the period from october 1, 2009 to 30th september 2010.

month	bse		nse	
	no of shares traded	volume (in rs. lakhs)	no of shares traded	volume (in rs. lakhs)
october 2009	4,60,067	174.86	5,80,387	219.78
nov 2009	4,43,453	169.36	5,15,989	196.16
dec 2009	20,09,660	921.90	21,61,534	989.80
jan 2010	32,57,712	1752.45	42,07,835	2258.46
febr 2010	7,30,294	347.76	8,27,040	392.89
march 2010	12,53,858	600.67	14,76,805	710.84
april 2010	19,53,704	989.03	26,80,444	1355.09
may 2010	4,44,469	197.12	6,05,667	266.28
june 2010	5,24,794	212.29	7,22,837	293.08
july 2010	4,81,982	205.62	7,07,415	303.07
august 2010	3,83,397	158.69	4,83,898	199.38
sept 2010	8,99,698	376.41	12,37,142	517.99
total	1,46,08,165	64825.93	1,62,06,993	7702.82
average volume per month/ average price per share	10,94,557 54.47		13,50,582 47.52	

16. outstanding gdrs/adrs/warrants or any convertible instruments, conversion date and likely impact on equity.

your company had placed \$ 25mn unsecured foreign currency convertible bonds in july 2006 (due 2011) with an option to convert into equity shares of the company. the bonds are listed on luxembourg stock exchange. as on date a total of \$ 8 million stood converted into equity shares leaving \$ 17 million outstanding.

17. address for correspondence

for queries relating to :

financial statements

s chandramoulieswaran
vice president (finance)
helios and matheson information technology ltd
heliopolis, crest, 04-01,
ascendas IT park, taramani, chennai 600113
tel: +91 44 4375 00 00
mouli.c@heliosmatheson.com

investor related matters

k.m.kumar
company secretary
helios and matheson information technology ltd
9d, ganga griha, nungambakkam high road
chennai 600 034
tel: +91 44 4391 00 00
kumar.km@heliosmatheson.com

declaration

this is to confirm that the company has adopted a code of conduct for its board members and the senior management team and the same is available on the company's website.

i confirm that the company has, in respect of financial year ended 30.09.2010, received from the senior management team of the company and the member of the board a declaration of compliance with the code of conduct as applicable to them .

for the purpose of this declaration, the term “ senior management “ means the direct reportees of the chairman and managing director.

g.k.muralikrishna
ceo & managing director

investor faq's

1. where and in which year was helios and matheson incorporated?
ans : helios and matheson was incorporated in chennai, in the state of tamil nadu, in India on march 8, 1991
2. when did helios and matheson have its initial public offer (ipo) and what was the initial listing price?
ans : helios and matheson made an initial public offer in october 1999 and was listed on the madras stock exchange ltd. bombay stock exchange ltd and national stock exchange of india ltd in december 1999, august 2000 and february 2005 respectively. trading opened at rs.209 per share on mse compared to the ipo price of rs.50 per share.
3. which are the stock exchanges where helios and matheson shares are listed and traded?
ans: shares of helios and matheson are listed and traded on bombay stock exchange ltd, national stock exchange of India ltd and madras stock exchange ltd,

4. what is the history of dividend issue at helios and matheson during the last five years?

year	2005	2006	2007	2008	2009
dividend: rs	1,50,07,500	3,00,15,000	7,17,46,422	3,46,68,493	5,77,80,823
	15%(tax free)	15%(tax free)	35%(tax free)	15%(tax free)	25%(tax free)

5. what has been the cagr in revenues and net income in the last five years?

ans:	5-year cagr
revenues	24.2 %
pat	3.0 %

6. how do i transfer my shares in india or change my address with the transfer agent?
ans: to transfer shares held in physical form, you may write to the company's registrars integrated enterprises (india) ltd., 2nd floor, kences towers, 1, ramakrishna street, north usman road, t.nagar, chennai 600 017 or the company secretary at 9d, ganga griha, nungambakkam high road, chennai 600 034. transfer of shares in electronic form is effected through your depository participant.

general correspondence regarding shares may be addressed to the company's registrars, integrated enterprises (india) ltd, or to the company secretary at the above address

7. how do i get to know of the latest updates / information regarding the company?
ans: in addition to the information given to the stock exchanges and sebi, company's financial results are regularly updated on the company's website www.heliosmatheson.com. you can also subscribe for the news alerts via the link <http://heliosmatheson.com/investors/invest.asp>
8. how do i contact helios and matheson by telephone, mail or in person?
ans: financial analysts and members of the press/media can contact at the following address during business hours for any information.

helios and matheson information technology ltd
heliopolis, crest, 04-01, ascendas IT park, taramani, chennai 600113
tel: +91 44 4375 00 00

risk management report

risks and risk mitigation:

the company has put in place an enterprise-wide risk management process. reports are placed before the board of directors at regular intervals.

helios and matheson is certified to iso 27001 standards and has a robust information security management system (isms) in place, the process of continuous evolution of risk identification includes taking stock of the risk landscape.

risks are categorized as:

- . strategic
- . operational
- . financial and
- . compliance related risks

risks and risk mitigation actions undertaken by the company are discussed below.

security related risks:

helios and matheson has adopted systems and processes to safeguard its people and assets, as well as ensure business continuity. the vision of the security team is to make helios and matheson reliable, resilient and immune to the existing and evolving volatile environment of constant change.

helios and matheson has a comprehensive security plan in place which is preventive in nature and aims at protecting its facilities from the various risks observed from time to time. the plan uses a blend of people, process and technology to ensure that the security levels are maintained at all times in line with risk landscape.

physical security:

access to helios and matheson premises is limited to those authorized to enter the facilities and in possession of valid identification.

the overall security development is governed by isms committee which looks at the integrated global security requirements across the organization. periodic audits are conducted by a group of experts, which helps to validate the development strategy and the need to reinforce any of the existing controls. concerted efforts have been made to create greater awareness amongst the associates.

information security:

as part of this process the company ensures that information is shared on a need to know basis. accessibility and availability of such information is limited to authorized users.

business continuity plans:

to ensure business continuity in case of a natural or man-made catastrophe, helios and matheson has a comprehensive business continuity plan (bcp) in place which is tested every year to ensure it is up-to date and functional.

foreign exchange volatility related risks:

in fiscal 2010, the impact of volatility of the indian rupee was both positive and negative on the it industry. this trend may continue in fiscal 2011.

the company regularly reviews its existing policies and processes for the use of financial derivative instruments and its hedging strategies. the company's hedging strategies are reviewed and approved by a risk management committee on quarterly basis.

compliance related risks:**regulatory & compliance related risk:**

the company has a global footprint and as it increases its global reach and operations, the risk of ensuring 100% compliance with the regulations and laws in the various jurisdictions, where it has a presence, increases like that of any global organization.

to mitigate this risk, the company has put in place an institutionalized structure to ensure 100% regulatory and legal compliance across the globe. the compliance officer of the company has a team of senior persons from all relevant functions as part of his team to ensure compliance with all laws and statutory requirements in these countries.

the use of local managers as well as consultants, auditors, lawyer's, specialists and experts in these geographies where we have a presence is encouraged to ensure 100% compliance.

process non-compliance related risk:

helios and matheson is a process-centric organization and compliance with defined processes in the company is de rigueur.

in order to ensure strict process compliance helios and matheson has established a world-class system to ensure the quality of its services which revolve around exceeding customer, defined service level agreements (sla's).

reputation related risks:**branding, brand name and corporate governance related risks:**

strong corporate governance practices and strict adherences to the code of conduct governs all actions and decisions made by the officers in the company . we believe that these practices minimize 'reputation risks'.

fraud related risks:

helios and matheson is a global organization with widespread operation in several countries. though it has best in class controls and built-in checks and balances for ensuring financial integrity in the conduct of its business and has adopted world class corporate governance and standards because of the widespread nature of its business operations the risk of fraud is always present. helios and matheson's internal audit system attempts to mitigate this risk.

business operational and strategic risks:**addressing macro - economic risks in an uncertain growth environment:**

during 2008, the global economy was subject to great turmoil. the crisis which led to a global recession continued during the first half of 2009. since then, the global economy has showed a turnaround. the crisis in the financial sector which led to a lower confidence in the financial markets resulted in the global credit crunch in 2008. this appears to be receding as the g20 economics initiated a set of rapid fiscal and monetary policy responses. responses included fiscal stimulus packages across these economies, coordinated efforts by central banks worldwide to lower interest rates, injection of liquidity into financial markets including quantitative easing.

global trade which had shrunk in 2008 started recovering from mid 2009. uncertainties in the currency markets are continuing to result in volatility in exchange rates as well as commodity prices.

according to the 'international monetary fund' : world economic outlook 2009', after a deep global recession, economic growth has turned positive, as wide ranging public intervention by governments across the globe has supported demand and lowered uncertainty and systemic risk in financial markets.

the global economic recovery is expected to be slow, as financial systems remain impaired, and support from public policies will gradually have to be withdrawn, and household in economies that suffered asset price busts will have to continue to rebuild savings while struggling with high unemployment.

advanced economies are projected to expand sluggishly through much of 2010, with unemployment continuing to rise until later in the year. annual growth in 2010 is projected to be about 1.25 percent, following a contraction of 3.5 percent in 2009.

in emerging economies, real gross domestic product (gdp) growth is forecast to reach almost 5 percent in 2010, up from 1.75 percent in 2009. the rebound is driven by china, india and a number of other emerging asian economies.

these risks are addressed by a healthy mix of revenue being generated from the developed markets as well as emerging markets.

global market risks:

with a slow economic recovery anticipated in the developed markets in 2010 the contours for conducting business globally is changing helios and matheson.

helios and matheson has adapted agile approach, customer reach and market presence, to effectively create proactive opportunities in such emerging economic scenarios. the company believes that it will be a beneficiary of the changing IT spending landscape , as its long-standing clients look for new opportunities for improving operational efficiencies, innovation and time to market.

the approach adopted by the company involves effectively leveraging its market/product/customer relationship built over many years, to work closely with its clients- to help them address their business problems and to enable them to meet their business objectives. helios and matheson does this by bringing all the innovation, domain knowledge and technical expertise of the entire organization to bear on customer requirements and needs, so that it can provide clients with value added solutions.

innovation related risks:

the company is focused on innovation. innovation initiatives are in multiple forms, but all of these are focused on better productivity through continuous improvement in processes, systems, methodologies and capabilities. emphasis on innovation also helps the company in moving up the value chain.

there are risks associated with translating all the investments that the company is making innovation into successful business opportunities for its future growth.

these risks of investment in innovation projects are addressed by structured periodic reviews of all such programs and investments- by senior management.

resource risks:

the movement of people between nations for providing high end technical and business service skills required by the global customer organizations in the developed markets including usa, uk, europe,

in order to address this risk helios and matheson has adopted a number of strategies:

- . strengthened its efforts to identify and train local recruits in all these markets.
- . strengthened its global compliance process for ensuring strict compliance with visa and work permit requirements and regulations.
- . working closely with all its global customers monitoring and planning in advance the need for such resources, to ensure smooth conduct of business.

executing m&a transaction risks:

ensuring successful integration of the inorganic growth opportunities that the company undertakes in line with the goals and the underlying premise for these transactions is a risk in terms of impairment of goodwill and effect on the profit and loss statements if these goals are not achieved.

risk mitigation action includes well-laid out integration plans and close monitoring and review of these transactions to ensure that the goals and milestones related to the transactions are achieved.

certificate
auditors' certificate on compliance with the conditions of corporate governance
under clause 49 of the listing agreement

to

the members of helios and matheson information technology limited

1. we have reviewed the records concerning the company's compliance of conditions of corporate governance as stipulated in clause 49 of the listing agreement entered into, with the stock exchanges of india, for the financial year ended september 30, 2010.
2. the compliance of conditions of corporate governance is the responsibility of the management. our review 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.
3. we have conducted our review on the basis of the relevant records and documents maintained by the company and furnished to us for the review and the information and explanations given to us by the company.
4. based on such a review , in our opinion and to the best of our information and according to the explanations given to us, the company has complied with the conditions of corporate governance, as stipulated in clause 49 of the said listing agreement.
5. we further state that , such compliance is neither an assurance as to the future viability of the company, nor as to the efficiency or effectiveness with which the management has conducted the affairs of the company.

for and on behalf of
venkatesh & co
chartered accountants
fr.no.0046365

place: chennai
date : february 14 , 2011

ca. v. dasaraty
partner
m.no.26336

auditors' report to the members of helios and matheson information technology limited

1. we have audited the attached balance sheet of helios & matheson information technology limited as at 30th september, 2010, the profit and loss account and also the cash flow statement of the company 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 to support the financial statement amounts and disclosures in the financial statements. an audit also includes assessing the accounting principles used in preparation of financial statements, assessing significant estimates made by management in the preparation of financial statements and evaluation the overall financial statement presentation. we believe that our audit provides a reasonable basis for our opinion.

we report that:

1. as required by the companies (auditor's report) order, 2003 issued by the central government of india in terms of subsection 4a of section 227 of companies act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order.

further to our comments in the annexure referred to above in paragraph 1 above we report that:

- a. 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.
- b. 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 such books.
- c. the balance sheet , profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts.
- D. in our opinion, the profit and loss account and balance sheet are compiled in accordance with the accounting standards referred to in sub-section (3c) of section 211 of companies act, 1956.
- e. on the basis of written representations received from directors, as on 30th september, 2010 and taken on record by the board of directors, we report that none of the directors of the company are disqualified, as on 30th september, 2010, from being appointed as director of the company under clause (g) of sub-section (1) of section 274 of the companies act, 1956;
- F. in our opinion and to the best of our information and according to the explanations given to us, the said balance sheet and profit and loss account read together with other notes and accounting policies give the information required by the companies act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in india:
 - i. in the case of the balance sheet of the state of affairs of the company as at 30th september , 2010 and
 - li. in the case of the profit and loss account, of the profit for the year ended on that date
 - lii. in the case of the cash flow statement, of the cash flows of the year ended on that date.

for venkatesh & co
chartered accountants
fr.no.0046365

place : chennai
date : february 14 , 2011

ca.v.dasaraty
partner
m.no.26336

annexure to auditors' report

annexure referred to in paragraph 1 of the auditors' report on the accounts of helios & matheson information technology limited, for the year ended 30th september, 2010

1.
 - a. the company is maintaining proper records showing full particulars, including quantitative details and situations of fixed assets.
 - b. the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
 - c. no fixed assets have been disposed off during the year and the going concern concept is not altered.
2. the companies nature of operations does not require it to hold an inventory and accordingly clause 4 (ii) of the companies auditors report order 2003 is not applicable.
3.
 - a. the company had taken loan from one company covered in the register maintained u/s 301 of the companies act, 1956. the maximum amount involved during the year was rs.3.5 crore and the year end balance of loan taken from such party is rs.2 crore.
 - b. the company has granted interest free advances to three companies which are its subsidiaries covered in the register maintained u/s 301 of the act without stipulation as to repayment. the maximum amount involved during the year was rs.11,57,55,244/- at the year end balance of loan taken from such parties was rs.11,57,55,244/-
 - c. in our opinion the terms and conditions on which loans have been taken from / granted to company listed in the register maintained under section 301 are not, prima facie, prejudicial to the interest of the company.
 - d. there are no overdue amount in respect of advances granted to companies listed in the register maintained under section 301 of the companies act, 1956
4. in our opinion and according to the information and explanation given to us there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of fixed assets and for the sale of services. no instances of continuing failure to correct major weakness in internal control where notice by us during the course of audit.
5. in respect of contractual arrangements entered in the register maintained in pursuance of section 301 of the companies act and to the best of our knowledge and belief and according to the information and explanation given to us, where each of such transaction made in pursuance of contract or arrangement, is in excess of rs.5 lacs in respect of each party, transaction have been made at prices which are prima facie reasonable having regard to prevailing market prices at the relevant time.in respect of sale of services to parties listed in the register maintained u/s.301 of the companies act, 1956 these transaction have been made at prices which are prima facie reasonable having regard to prevailing market prices at the relevant time.
6. the company has accepted deposits from public. the provision of section 58a & 58aa of the companies act, 1956 and the rules made there under are complied with.
7. in our opinion the company has an internal audit system commensurate to the size of the company and the nature of business.
8. the central government has not prescribed maintenance of any costing records for the services of the company under section 209(1)(d) of the companies act, 1956.
9.
 - a. according to the information and explanation given to us, and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including provided fund, income tax, sales tax, wealth tax, service tax, vat , customs duty, excise duty, cess and other material statutory dues as applicable, have generally been regularly

deposited by the company during the year with appropriate authorities. according to the information and explanation given to us, there are no arrears of outstanding statutory dues as mentioned above as at 30th september, 2010 for a period of more than 6 months from the date they became payable

- b. according to the information and explanations produced to us, there are no dues in respect of sales tax, customs duty, excise duty and cess that have not been deposited with appropriate authorities on account of any dispute. according to the information and explanation given to us the income tax demand of rs.2,38,53,150/- relating to the assessment year 1997-1998 is being contested by the company in the supreme court as the madras high court ruled in favour of the income tax department. the company has paid rs.2,17,77,990/- towards the demand. in respect of assessment year 2008-09, the company has been served with a demand of rs.17,84,49,650/- against which the company has gone on appeal to the commissioner of income tax (appeals).the company has filed an appeal before commissioner of central excise (appeals) disputing the service tax levy or demand of rs.3,93,720/-.
10. the company has no accumulated losses at the end of 30th september, 2010, the company has not incurred cash losses during the financial year on that date and in the immediately preceding financial year.
11. the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. hence we do not comment on the adequacies of securities and documents.
13. the company is not a nidhi or mutual benefit fund or a society.
14. the company is not dealing or trading in shares, securities, debentures and other investments and therefore, we do not comment on the maintenance of proper records.
15. the company has not given any guarantee for loans taken by others from bank or financial institutions except in the case of guarantee given to its subsidiary company, the terms and conditions, whereof, in our opinion or not prejudicial to the interest of the company.
16. the company has obtained term loans during the year and as per the records of the company the term loans were applied for the purpose for which they were raised.
17. as per the records of the company funds raised on short term basis were not used for long term investments and vice versa.
18. the company has made preferential allotment to parties u/s 301 of the act was made by the company during the year. In our opinion, prices at which share have been issued are not prejudicial to the interest of the company.
19. no debentures were issued by the company. hence we have nothing to comment on the security or charges created on debentures.
20. no funds were raised from public issues during the year.
21. during the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in india and according to the information and explanations given to us we have neither come across any instance of significant fraud on or by the company, noticed or reported during the year nor we have been informed of such case by the management.

for venkatesh & co
chartered accountants
fr.no.0043635

place : chennai
date : february 14 , 2011

ca. v.dasaraty
partner
m.no.26336

balance sheet as at september 30, 2010

	schedule	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
i. sources of funds			
1. shareholders' funds			
share capital	a	23,91,23,290	23,11,23,290
reserves and surplus	b	204,29,44,014	182,17,82,247
advance received towards subscription of redeemable preference shares		63,04,14,007	63,04,14,007
preferential convertible warrants -application money			3,70,27,200
2. loan funds			
secured loans	c	68,64,78,346	52,63,24,097
unsecured loans	d	120,94,55,530	103,66,07,068
3. deferred tax			
		17,70,80,459	16,68,81,295
		498,54,95,646	445,01,59,204
ii. application of funds			
1. fixed assets			
gross block	e	253,93,93,146	221,98,21,098
less : depreciation		109,26,16,810	84,36,91,344
net block		144,67,76,336	137,61,29,754
capital work in progress at cost		19,63,44,276	19,95,55,314
		164,31,20,612	157,56,85,068
2. investments			
	f	81,52,08,177	75,23,53,177
3. advance			
	g	65,02,50,007	65,02,50,007
4. current assets, loans and advances			
sundry debtors	h	75,00,21,455	75,27,47,295
cash and bank balances	i	73,28,61,923	37,51,25,122
unbilled revenue		19,86,95,719	19,92,81,316
loans and advances	j	33,13,38,878	25,16,07,955
		201,29,17,975	157,87,61,688
5. less: current liabilities & provisions			
	k	14,09,49,252	12,17,37,034
net current assets		187,19,68,723	145,70,24,654
6. miscellaneous expenditure			
deferred revenue expenditure to be written off		49,48,126	1,48,46,298
		498,54,95,645	445,01,59,204
notes forming part of the accounts	o	-	-

as per our report of even date

for and on behalf of the board

for venkatesh & co
chartered accountants
fr.no.0046365place: chennai
date : february 14 , 2011g.k.muralikrishna
ceo & managing directordiwakar sai yerra
executive directork.m.kumar
company secretaryca. v.dasaraty
partner
m.no.26336

profit and loss account for the year ended september 30, 2010

	schedule	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
i. income - revenue from operations	l	230,45,57,427	307,40,73,154
		<u>230,45,57,427</u>	<u>307,40,73,154</u>
ii. expenditure:			
software services & administration expenses	m	173,56,48,125	229,90,60,705
profit before interest depreciation & taxes		56,89,09,302	77,50,12,449
interest	n	8,33,37,658	9,99,95,695
profit before depreciation & taxes		48,55,71,644	67,50,16,754
depreciation		24,89,25,465	29,91,46,926
profit after depreciation & before taxes		23,66,46,179	37,58,69,828
provision for taxation		402,18,018	4,51,42,264
profit after tax		19,64,28,161	33,07,27,564
provision for deferred tax		101,99,164	3,04,65,159
profit after deferred tax (PAT)		18,62,28,997	30,02,62,405
balance brought forward from previous year		44,56,99,037	46,19,38,278
balance of profit		63,19,28,034	76,22,00,683
appropriations			
interim dividend			3,46,68,494
interim dividend tax			47,91,727
proposed final dividend		3,58,68,494	2,31,12,329
proposed final dividend tax		49,97,137	39,29,096
general reserve		25,00,00,000	25,00,00,000
balance carried forward		34,10,62,404	44,56,99,037
notes forming part of the accounts	o		
earnings per share-basic		7.79	12.99
number of shares		2,39,12,329	2,31,12,329

as per our report of even date

for and on behalf of the board

for venkatesh & co
chartered accountants
fr.no.0046365place: chennai
date : february 14 , 2011g.k.muralikrishna
ceo & managing directordiwakar sai yerra
executive directork.m.kumar
company secretaryca. v.dasaraty
partner
m.no.26336

	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
schedule - a : share capital		
authorised		
4,00,00,000 equity shares of rs.10 each	40,00,00,000	40,00,00,000
1,00,00,000 redeemable preference shares of rs.10 each	10,00,00,000	10,00,00,000
	<u>50,00,00,000</u>	<u>50,00,00,000</u>
Issued		
23916429 (23116429) equity shares of rs 10 each	23,91,64,290	23,11,64,290
subscribed and paid up		
23912329 (23112329) equity shares of rs 10 each fully paid up (of the above, 15953100 nos were allotted as fully paid bonus shares by capitalization of reserves)	23,91,23,290	23,11,23,290
schedule-b : reserves and surplus		
general reserve	128,38,50,000	103,38,50,000
capital reserve	3,19,32,900	1,02,500
share premium	38,60,98,710	34,21,30,710
profit & loss account	34,10,62,404	44,56,99,037
	<u>204,29,44,014</u>	<u>182,17,82,247</u>
schedule - c : secured loans		
from banks	68,64,78,346	52,63,24,097
	<u>68,64,78,346</u>	<u>52,63,24,097</u>
schedule - d : unsecured loans		
foreign currency convertible bonds	78,31,90,000	78,31,90,000
others	42,62,65,530	25,34,17,068
	<u>120,94,55,530</u>	<u>103,66,07,068</u>
schedule - f : investments (non-trade at cost)		
i. 2589429 equity shares of rs.10/-each in helios and matheson IT (bangalore) limited (unquoted) (face value rs.25894290/-) (formerly systemlogic solutions ltd)	9,58,24,475	9,58,24,475
ii. 2941 shares in helios and matheson inc., usa (unquoted)	7,23,87,951	7,23,87,951
iii. 2 shares of s\$1 each in helios and matheson (singapore) pte ltd, singapore (unquoted)	49	49
iv. 100000 equity shares of rs.10/-each jayamaruthi software systems pvt.ltd. (unquoted) face value (rs.1000000)	2,43,07,500	2,43,07,500
v. 10000 shares of maruthi consulting inc, usa (unquoted)	9,16,49,794	9,16,49,794
vi. 2142868 (1278213) shares of common stock in helios and matheson north america inc., ny usa (formerly the a consulting team inc.,) (quoted)	53,10,38,408	46,81,83,408
	<u>81,52,08,177</u>	<u>75,23,53,177</u>
schedule - g : advance		
advance for investment in shares of vmoksha entities 3,31,165 equity shares of 100 each - (unquoted)	65,02,50,007	65,02,50,007
	<u>65,02,50,007</u>	<u>65,02,50,007</u>
schedule - h : sundry debtors (unsecured, considered good)		
a. debts outstanding for a period exceeding six months	1,12,01,814	1,91,56,486
b. other debts	73,88,19,641	73,35,90,809
	<u>75,00,21,455</u>	<u>75,27,47,295</u>

	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
schedule - i : cash & bank balances		
a. balances with scheduled banks		
i. fixed deposit account		
in rupee account	60,49,74,286	35,26,37,202
ii. current accounts:		
in rupee account	7,01,17,154	65,63,821
in foreign currency account	5,35,99,436	1,28,88,171
unclaimed dividend	40,02,349	29,83,982
b. cash on hand	1,68,698	51,946
	73,28,61,923	37,51,25,122
schedule -j : loans and advances (unsecured, considered good)		
advance income tax	11,94,85,812	6,15,72,633
advances recoverable in cash or in kind or for value to be received	21,18,53,066	19,00,35,322
	33,13,38,878	25,16,07,955
schedule - k : current liabilities and provisions		
sundry creditors	1,09,43,254	71,09,142
security deposit	4,49,20,000	-
unclaimed dividend	40,02,349	29,83,982
interim dividend		3,46,68,494
interim dividend tax		47,91,727
provision for final dividend	3,58,68,494	2,31,12,329
provision for final dividend tax	49,97,137	39,29,096
provision for taxation	4,02,18,018	4,51,42,264
	14,09,49,252	12,17,37,034
schedule - l : revenue from operations		
income from software sales & services	227,77,72,232	304,33,05,858
other income	2,67,85,195	3,07,67,296
	230,45,57,427	307,40,73,154
schedule - m : software services and administration expenses		
software services and development expenses	149,82,32,924	194,57,99,285
staff welfare	2,02,49,557	3,48,74,337
rent	2,10,15,254	3,08,59,319
power & fuel charges	1,28,64,315	2,18,50,841
postage telegram & telephones	1,41,84,382	2,17,77,658
printing & stationary	1,26,92,057	2,03,88,086
repairs to plant & machinery	1,93,92,449	2,83,38,674
maintenance	15,86,348	22,45,895
travelling & conveyance	3,95,30,535	4,93,95,805
advertisement & business promotional expenses	4,74,89,625	7,08,41,022
bad debts written off	41,52,648	1,17,84,849
Insurance	21,53,722	22,54,686
rates & taxes	65,18,612	87,76,618
auditors remuneration	8,27,250	8,27,250
miscellaneous expenses	1,95,15,430	2,74,87,170
professional & consultancy charges	90,88,632	1,37,28,931
bank charges	61,54,385	78,30,279
	173,56,48,125	229,90,60,705
schedule - n : interest paid		
on fixed loans	2,12,86,424	1,09,58,675
on others	6,20,51,234	8,90,37,020
	8,33,37,658	9,99,95,695

schedule - e : fixed assets

particulars	gross block		depreciation block			net block	
	as on 30.9.2009	additions	as on 30.9.2010	as on 30.9.2009	for the year	as on 30.9.2010	as on 30.9.2009
leasehold land	1,57,88,262	-	1,57,88,262	19,57,628	2,57,349	22,14,977	1,38,30,634
plant & machinery	198,78,61,278	27,79,16,485	226,57,77,763	80,11,20,344	23,60,87,298	103,72,07,642	118,67,40,934
furniture & fixtures	19,16,02,874	3,00,68,035	22,16,70,909	313,07,296	1,06,32,983	4,19,40,279	16,02,95,578
Vehicles	2,45,68,684	1,15,87,528	361,56,212	93,06,077	19,47,835	112,53,912	1,52,62,607
Total	221,98,21,098 (161,27,15,714)	31,95,72,048 (60,71,05,384)	253,93,93,146 (221,98,21,098)	84,36,91,345 (54,45,44,419)	24,89,25,465 (29,91,46,926)	109,26,16,810 (84,36,91,345)	137,61,29,754 (106,81,71,295)

leasehold land represents the value of land taken on long term lease at mahindra world city and taramani

significant accounting policies and notes on accounts

schedule -o

significant accounting policies and notes to accounts

basis of preparation of financial statements:-

the financial statements are prepared under the historical cost convention, on an accrual basis, in accordance with indian generally accepted accounting principles (gaap) and applicable accounting standards as notified under the companies (accounting standards) rules, 2006, issued by the central government, in consultation with national advisory committee on accounting standards (nacs) and relevant provisions of the companies act, 1956 and the guidelines issued by security exchange board of india (sebi). the management evaluates all recently issued or revised accounting standards on an on going basis. .

use of estimates

the preparation of the financial statements in conformity with indian gaap requires that the management make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities as on the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. where no reliable estimate can be made, a disclosure is made as contingent liability. actual results could differ from those estimates.

fixed assets

fixed assets are stated at the cost of acquisition and the value of acquired business assets less accumulated depreciation. direct costs are capitalized till the assets are ready to put to use and includes financing costs relating to acquisition. capital work in progress includes the cost of fixed assets that are not yet ready for their intended use and the cost of assets not put to use before the balance sheet.

the consideration paid for acquisition and takeover of businesses includes the value of business contracts, customer rights, employees, technology, knowhow, software and hardware products and other assets in connection with the acquired businesses and is part of capital expenditure. this value is based on independent valuation.

impairment of assets

as per accounting standard 28, the company assesses at each balance sheet date whether there is any indication that an asset including goodwill is impaired. if any such indication exists, the company estimates the recoverable amount of the asset. if such recoverable amount of the asset is less than the carrying amount then carrying amount is reduced to recoverable amount. the reduction is treated as impairment and recognized in profit and loss account. if at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. in respect of goodwill the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent events. during the year no such impairment has occurred.

revenue recognition

revenue from software services and projects comprise income from time and material and fixed price contracts. revenue from time and material contracts is recognized on the basis of software developed and billable in accordance with terms of the contracts with the clients. revenues from fixed price contracts is recognized using percentage of completion of method calculated as a percentage of the cost of efforts incurred up to the reporting date to estimated total cost of efforts.

maintenance revenue is recognized over the period of underlying maintenance contracts.

interest receipt is recognized on accrual basis. dividend is recognized on receipt basis.

unbilled revenue primarily comprises the revenue recognized in relation to efforts incurred up on fixed price, fixed time frame contracts until the balance sheet date.

foreign currency transactions (other than fixed assets)

the transactions in foreign currency are recorded in the books by applying the exchange rate prevailing as at the date of the transaction. investments in foreign currency are reported using the exchange rate at the date of transaction. fccb liability is stated at the fixed exchange rate of rs.46.07 as per offer document and not restated to the closing exchange rate. other foreign currency transactions are converted at the exchange rate prevailing on the last working day of the accounting year. further the gain or loss on account of fluctuations in exchange rate has been recognized in the profit and loss account. in respect of foreign currency transaction in fixed assets the exchange gain or loss is adjusted in the carrying amount of fixed asset and accordingly the depreciation is charged. the consolidated inflows and outflows arising from foreign currency transactions are disclosed elsewhere in this report.

forward contracts in foreign currency

the company uses forward contracts and auctions to hedge its exports in foreign exchange. this reduces the risk or cost to the company and this cover is not used for speculation or trading purposes.

expenditure

expenses are accounted on accrual basis and provisions are made for all known losses and liabilities. provisions are made for future and unforeseeable factors, which may affect the ultimate profit on fixed price. software development and service expenses are charged to revenue in the same year.

depreciation

the depreciation has been provided on the basis of straight line method adopting the rates and the manner as provided in schedule xiv to the companies act, 1956 as amended. depreciation is charged on a pro-rata basis for assets purchased/sold during the year. individual costing less than rs.5,000/- are depreciated in full in the year of purchase.

investments

investments in subsidiaries are accounted as per accounting standard 13 of accounting for investments issued by the institute of chartered accountants of india. investments are stated at cost including advisory and related expenses incurred in connection with the investments. no provision is made for diminishing in the value of investments as they are long term and strategic in nature.

sundry debtors

sundry debtors amount to rs 75.02 crore as of september 2010 as compared to rs. 75.27 crore as of september 2009. the debtors are considered good and realizable. the debtors are -118 days of sales of september 2010 as against 133 days of sales as of september 2009. A significant part of this receivable is since realized.

retirement benefits

the company has a scheme of provident fund for its employees, registered with the regional provident fund commissioner, chennai.

the companies contribution to provident fund are charged to the profit and loss account every year. certain senior executives of the company are also participants in a defined contribution plan of superannuation plan of helios & matheson it ltd., superannuation trust. the company makes contribution under this plan to this trust every month. the company has no further obligation beyond its monthly contribution.

taxes on income

provision is made for income tax on an annual basis, under the tax payable method, based on the tax liability as computed after taking credit for allowances and exemptions. in case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by the company. sufficient future taxable income will be available against which such deferred tax assets can be realized as per as -22 "accounting for taxes on income" issued by the institute of chartered accountants of india.

deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

deferred tax assets are not recognized on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized as per as-22 “accounting for taxes on income” issued by the institute of chartered accountants of india.

cash flow statement

cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. the cash flows from regular revenue generating, investing and financing activities of the company are segregated.

share capital

	september 30, 2010		september 30, 2009	
	number	(in rs.)	number	(in rs.)
opening balance as of october,2009	2,31,12,329	23,11,23,290	2,31,12,329	23,11,23,290
pursuant to conversion of preferential warrants	8,00,000	80,00,000	-	-
closing balance as at september, 2010	2,39,12,329	23,91,23,290	2,31,12,329	23,11,23,290

preferential allotment of warrants:

the company allotted 8,00,000 equity shares to the promoters upon exercise of option by them. consequent to this allotment share capital and share premium were increased by rs.80,00,000 and rs.4,39,68,000 respectively during the year. the balance 49,00,000 warrants were forfeited as the holders of the warrants did not exercise their rights to convert the warrants in to equity shares. the forfeited amount of rs.3,18,30,400 was credited to capital reserves account as per sebi preferential guidelines . the forfeited application money has been used for the business requirements of the company. all the preferential warrants that have been forfeited on account of non exercise of option by the holders of the warrants were duly cancelled and extinguished. the company does not have any warrant pending conversion.

secured loans

secured loans from the banks are secured by hypothecation of fixed and current assets of the company and guaranteed by the managing director and the promoters of the company.

unbilled revenue

unbilled revenue is revenue recognized in the books as per percentage completion of work done but not invoiced to customer since it is not due for billing as per payment schedule in the contract entered in to with the customer.

cash and bank balance:-

the cash and bank balance is rs. 73,24,32,154 (37,51,25,122) which includes balances of rs.5,35,99,436 (1,28,88,171) in foreign currency.

remuneration paid to managing director

	september 30,2010 (in rs.) (12 months)	september 30,2009 (in rs.) (18months)
total remuneration paid to the managing director	3,00,000	4,50,000

auditors' remuneration

	september 30,2010 (in rs.)	september 30,2009 (in rs.)
audit fees	3,25,000	3,37,500
tax audit & tax representation	2,00,000	1,87,500
certification fees	1,75,000	1,87,500
out of pocket expenses	50,000	37,500
service tax	77,250	77,250
total	8,27,250	8,27,250

quantitative details

the company is engaged in software development ,software consultancy and maintenance of computer software. the production of sale of such software can not be expressed in any generic unit. hence, it is not possible to give the quantitative details of sales and certain information as required under part ii of schedule vi to the companies act, 1956.

deferred tax liabilities

	september 30,2010 (in rs.)	september 30,2009 (in rs.)
timing difference on fixed assets	1,01,99,164	3,04,65,159

the tax year for the company being the year ending 31st, march, the provision for taxation for the period is the aggregate of the provision made for the twelve months ended 31st march, 2010 and the provision based on the figures for the remaining six months up to 30th september, 2010, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st april, 2010 to 31st march, 2011.

dues to ssi, micro, small and medium enterprises:

sundry creditors includes amount due to ssi, micro, small and medium enterprises as on 30.09.2010 : rs. nil (nil) with available information from micro, small and medium enterprises regarding their registration with central/state government authorities the disclosure as per sec 23 of the micro small medium enterprises development act 2006 is made.

foreign exchange inflow and outflow.

	september 30, 2010 (in rs.)	september 30, 2009 (in rs.)
earnings in foreign exchange	173,81,91,150	277,98,68,982
foreign exchange outgo		
employee related personal cost and allowances onsite	37,61,71,576	168,06,38,471
repayment of loan	1,82,25,427	2,94,52,419
interest	67,87,709	1,12,63,007
travelling	32,72,012	9,15,772
total	40,44,56,724	172,22,69,669

segment reporting

the company is operating in a single segment and the risk and reward is same for the segment in all the location and hence the segment reporting is not applicable to the company.

current year figures are recast and regrouped wherever necessary to confirm with current year's presentation. the current year figures are for 12 months as against 18 months in the previous period and hence, are not directly comparable.

related party disclosure

name of the related party	relationship
maruthi consulting inc, usa	subsidiary
the laxmi group inc, usa	step down subsidiary
helios and matheson it (bangalore) ltd., bangalore	subsidiary
helios and matheson inc , usa	subsidiary
helios and matheson inc , north america	subsidiary
jayamaruthi software systems pvt ltd.,	subsidiary
helios and matheson it (singapore) pte ltd.,	subsidiary

name of the key management personnel and their remuneration :

mr. g.k. muralikrishna	managing director	rs.3,00,000
mr. diwakar sai yerra	executive director	rs.6,28,800

related party transaction for the year ended september 30, 2010

nature of transaction	maruthi consulting inc, usa	the laxmi group inc, usa	helios and matheson it (bangalore) ltd., bangalore	helios and matheson inc , usa	helios and matheson inc, north america	jayamaruthi software systems pvt. Ltd.,	helios and matheson (singapore) pte ltd,	managing director mr.g.k. murali krishna	executive director mr.diwakar sai yerra
investments @	9,16,49,794	7,23,87,951	9,58,24,475	7,23,87,951	46,81,83,408	2,43,07,500	49		
invested in share capital					6,28,55,000				
sales & services income	4,03,27,785	3,85,27,965							
loan	4,63,19,544	4,62,84,100					2,31,51,600		
security deposit (liability)					4,49,20,000				
managerial remuneration								3,00,000	6,28,800
closing @								(4,50,000)	(-)

deferred revenue expenditure

deferred revenue expenditure represents fccb issue related expenses of rs.465.21 lacs and as the benefit is expected to accrue over the life of the bonds, the balance amount is carried over to balance sheet after writing off of rs. .98.98 lakhs for the year ended.

contingent liability

- the case relating to income tax demand of rs. 2,38,53,150 excluding interest relating to earlier years due to certain disallowances is decided against the company by madras high court . the company has already paid rs.2,17,77,990 towards the demand. the company intends to prefer an appeal before the supreme court. -
- the income tax demand of rs. 17,84,49,640 on account of certain disallowance under section section 10A of the income tax act for the assessment year 2008-09 and the same is contested before the commissioner of appeals.
- the company has given corporate guarantee on behalf of its subsidiary company for rs. 55.34 crore for the business requirements of the subsidiary.

- d. the service tax demand of rs.3,93,720 on sponsorship services as the recipient of services is appealed before the commissioner of central excise (appeals) and the appeal is yet to be taken up.
- e. sebi has alleged violation of certain regulations under prevention of unfair trade practices and prevention of insider trading regulations and imposed a penalty of rs.50 lacs on the company vide its' order dated january 31,2011. the company is preferring an appeal before the securities appellate tribunal (SAT) .
- f. **foreign currency convertible bonds (fccb)**

the company has funded a significant part of its overseas acquisitions and capex expenditure through fccb . the company has used this instrument effectively as it has got the advantages of both a debt and an equity instrument. as debt, they carry 2.0% coupon rate till redemption and as equity, they convert at a premium, thereby reducing the dilution impact to existing shareholders.

details of fccb	usd
issue size (including green shoe option of usd 5 mn)	25 million
issue date	july 7, 2006
maturity date	july 11,2011
coupon rate payable semi annually	2.0%
conversion price (determined as per sebi guidelines)	rs. 130 .00
fixed exchange rate of conversion	rs.46.07
conversions as at september, 2009	nil
conversions as at march 31, 2008	\$ 8.00 million
conversions as at march 31, 2007	nil
total no of bonds issued @ face value of \$100000	250
bonds converted pursuant to conversion notice from bond holders in the earlier years	80

apart from coupon rate of 2%, fccbs carry yield to maturity (ytm) which gets payable only if they are redeemed or repurchased. since payment of premium is contingent upon certain factors the outcome of which is not determinable as of now, the management has treated the premium payable as mentioned in the above table as contingent in nature accordingly premium of rs 25.45 crore would be accounted and adjusted against share premium account in the year of redemption or repurchase. as per accounting standards, there is no need to make a provision for the premium payable on redemption since it is only contingent on repayment and is not payable, if the fccbs get converted.

cash flow statement for the year ended september 30, 2010

	year ended september 30, 2010 rs.	18 month period ended september 30, 2009 rs.
i. cash flow from operating activities		
net profit before interest, tax and extra ordinary items	31,99,83,837	47,58,65,524
adjustment for:		
Depreciation	24,89,25,465	29,91,46,926
misc. expenses (w/off)	98,98,172	1,48,46,982
operating profit before working capital changes	57,88,07,474	78,98,59,432
adjustment for:-		
work in progress	5,85,598	(7,63,93,939)
sundry debtors	27,25,840	(4,78,34,642)
loans and advances	7,97,30,923	(11,63,23,008)
sundry creditors	(40,90,608)	(8,04,28,473)
cash generated from operations	49,82,97,381	46,88,79,370
interest paid	(8,33,37,658)	(9,99,95,695)
dividend paid	(5,77,80,823)	(3,46,68,494)
net cash from operating activities	35,71,78,900	33,42,15,181
ii. cash flow from investing activities		
sale of fixed assets		
purchase of fixed assets	(31,63,61,010)	(64,75,36,929)
purchase of investments	(6,28,55,000)	(9,99,25,000)
incl deferred payment for hmna		-
net cash from investing activities	(37,92,16,010)	(74,74,61,929)
iii. cash flow from financing activities		
proceeds from issue of capital	80,00,000	-
proceeds from preferential convertible warrants application money	(3,70,27,200)	3,70,27,200
proceeds(application) of share premium	4,39,68,000	-
transfer to capital reserve	3,18,30,400	-
proceeds from secured loans	16,01,54,249	28,62,08,195
proceeds from unsecured loan	17,28,48,462	6,92,22,033
net cash from financing activities	37,97,73,911	39,24,57,428
iv. net inflow/outflow		
net increase/(decrease) in cash & cash equivalents	(35,77,36,801)	(2,07,89,320)
cash and cash equivalents(opening)	37,51,25,121	39,59,14,442
cash and cash equivalents(closing)	73,28,61,923	37,51,25,122
net increase/(decrease) in cash & cash equivalents	35,77,36,802	(2,07,89,320)

for and on behalf of the board

place: chennai
date : february 14 , 2011g.k.muralikrishna
ceo & managing directordiwakar sai yerra
executive directork.m.kumar
company secretary

certificate

we have examined the attached cash flow statement of helios and matheson information technology limited for the year ended 30th september 2010. the statement has been prepared by the company in accordance with the requirements of listing agreement 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 february 14, 2011 to the members of the company.

as per our report of even date

for venkatesh & co
chartered accountants
fr.no.0046365ca. v.dasaraty
partner
m.no.26336

**balance sheet abstract and company's general business profile
as per part iv of schedule vi to the companies act, 1956**

i. registration details

registration no.	2 0 4 4 3	state code	1 8
balance sheet date	3 0 0 9 2 0 1 0		

ii. capital raised during the year (rs. in 000's)

public issue	N I L	rights issue	N I L
bonus issue	N I L	private placement	8 0 0 0

iii. position of mobilisation and deployment of funds

source of funds			
total liabilities	4 9 8 5 4 9 5	total assets	4 9 8 5 4 9 5
paid-up capital	2 3 9 1 2 3	reserves & surplus	2 0 4 2 9 4 4
shares application money	6 3 0 4 1 4	secured loans	6 8 6 4 7 8
deferred tax	1 7 7 0 8 0	unsecured loans	1 2 0 9 4 5 6

iv. application of funds

net fixed assets	1 6 4 3 1 2 0	investments	8 1 5 2 0 8
net current assets	1 8 7 1 9 6 9	misc. expenses	4 9 4 8
advance	6 5 0 2 5 0		

v. performance of the company

turnover	2 3 0 4 5 5 7	total expenditure	2 0 6 7 9 1 1
profit before tax	2 3 6 6 4 6	profit after tax	1 8 6 2 2 9
earnings per share (in rs.)	7 . 7 9	dividend rate	1 5 %

vi. generic names of the three principal products / services of company

item code no.(itc code)	N O T A P P L I C A B L E
product description	S O F T W A R E S E R V I C E S
product description	S O F T W A R E D E V E L O P M E N T

place: chennai
date : february 14 , 2011

g.k.muralikrishna
ceo & managing director

diwakar sai yerra
executive director

k.m.kumar
company secretary

management discussion and analysis

overview

the financial statements have been prepared in compliance with the requirements of the companies act, 1956, guidelines issued by the securities and exchange board of india (sebi) and generally accepted accounting principles (gaap) india. our management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. the estimates and judgment relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the company's state of affairs, profits and cash flows for the year.

industry structure and development and outlook

changing economic and business conditions and rapid technological advances are creating an ever increasing competitive market environment that is driving corporate entities to transform their operations. consumers of products and services are increasingly demanding accelerated delivery times but with lower prices. to adequately address these needs, companies are focusing on their core competencies and are using outsourced technology service providers to help improve productivity, develop new products, conduct research and development activities, reduce business risk and manage operations more effectively.

the role of technology has evolved from supporting corporations to transforming them. the ability to design, develop and implement and maintain advanced technology platforms and solution to address business and client needs has become a competitive advantage and a priority for corporations world wide. concurrently the prevalence of multiple technology platforms and a greater emphasis on network security and redundancy have increased the complexity and cost of IT systems, and have resulted in greater technology related risks. the need for more dynamic technology solutions and the increased complexity, cost and risk associated with these technology platforms has created a growing need for specialists with experience in leveraging technology to help improve efficiency and security.

there is an increasing need for highly skilled technology professionals in the markets in which we operate. at the same time, corporations are reluctant to expand their internal IT departments and increase costs. these factors have increased corporations reliance on their outsourced technology service providers and are expected to continue to drive future growth for outsourced technology services.

increasing trend towards offshore technology services

outsourcing the development, management and ongoing maintenance of technology platforms and solutions has become increasingly important. companies are increasingly turning to offshore technology service providers to meet the need for high quality, cost competitive technology solutions. as a result, offshore technology service providers have become critical in the industry and continue to grow in recognition and sophistication. the effective use of offshore technology services offers a variety of benefits, including lower cost of ownership of IT infrastructure, lower labor costs, improved quality and innovation, faster delivery of technology solutions and more flexibility in scheduling. in addition, companies are also recognizing the benefits of offshore technology service providers in software research and development and related support functions, and are outsourcing a greater portion of these activities. the range of services delivered offshore is also increasing. a leading analyst firm has forecast that outsourcing expenditure on services will increase to an estimated \$328 billion by 2011.

how we deliver value:**evolution of technology outsourcing**

the nature of technology outsourcing is changing. historically, corporations either outsourced their technology requirements entirely or on a stand alone project-by-project basis. in an environment of rapid technological change, globalization and regulatory changes, the complete outsourcing model is often perceived to limit a companies' operational flexibility and not fully deliver potential cost savings and efficiency benefits. similarly project by project outsourcing is also perceived to result in increased operational risk coordination costs, and as falling fully leverage technology service providers complete range of capabilities. to address these issues, companies are looking at outsourcing approaches that require their technology service providers to develop specialized systems, processes and solutions along with cost- effective delivery capabilities.

offshore development product

our unique delivery model allows us to execute services where it is most cost effective and sell services where it is most profitable. it enables us to derive maximum benefit from:

- . access to our large pool of highly skilled technology professionals.
- . 24-hour execution capabilities across multiple time zones.
- . the ability to accelerate delivery times of large projects by simultaneously processing project components.
- . cost competitiveness across geographic regions
- . built in redundancy to ensure uninterrupted services.
- . a knowledge management system that enables us to reuse solutions wherever appropriate.

in a typical offshore development project, we assign a team of technology professionals to visit a client site to determine the scope and requirement of the project. once the initial specification of the project have been established, our project managers return to the relevant global development centre to supervise a larger team of technology professionals dedicated to the development or implementation of solution. typically small teams remain at the client's site to manage project coordination and address changes in requirement as the project progresses. teams return to the clients site when necessary to ensure seamless integration. to the extent required, a dedicated team provides ongoing maintenance from our global development centres. the client system are linked to our facilities enabling simultaneous processing in our global development centers. our model ensures that our project managers remain in control of execution throughout the life of the project regardless of their geographical location.

for the past 10 years, we have successfully executed projects at our global development centers. we have 8 global development centers.

our quality control processes and programs are designed to minimize defects and ensure adherence to pre-determined project parameters. additionally, software quality advisors help individual teams establish appropriate process for projects and adhere to multi-level testing plans. the project manger is responsible for tracking metrics, including actual effort spent versus initial estimates, project budgeting and estimating the remainder of efforts required on a project.

our global delivery model mitigates risks associated with providing offshore technology services to our clients. for our communication needs, we use multiple service providers and a mix of terrestrial and optical fiber links with alternate routing. in india we rely on the two/three communications carriers to provide a high speed links inter-connecting our global development customers. internationally we rely on the multiple links on submarine cable paths provide by various service providers to connect indian global development centers with network hubs other parts of the world.

proven global delivery model:

we believe our highly evolved global delivery model represents a key competitive advantage. over the past decade, we have developed our onsite and offshore execution capabilities to deliver high quality and scalable services. in doing so, we have made substantial investments in our processes, infrastructure and systems, and have refined our global delivery model to effectively integrate onsite and offshore technology services. our global delivery model provides clients with seamless, high quality solutions in reduced time frames enabling them to achieve operating efficiencies. to address changing industry dynamics, we continue to refine this model. through our modular global sourcing framework, we assist clients in segmenting their internal business processes and applications, including IT processes.

commitment to superior process:

the company delivers high quality and cost effective services to its clients through mature delivery processes, scalable infrastructure and skilled global resource base. the service offerings are delivered through a mix of onsite resources located in the client geography and offshore resources at the company's facilities in india.

long-standing client relationships:

we have long-standing relationships with large multinational corporations built on successful prior engagements with them. our track record of delivering high quality solutions across the entire software life cycle and our strong domain expertise help us solidify these relationships and gain increased business from our existing clients. as a result, we have a history of client retention and derive a significant proportion of revenues from repeat clients.

ability to scale:

we have successfully managed our growth by investing in infrastructure and by rapidly recruiting, training and deploying new professionals. we can rapidly deploy resources and execute new projects through the scalable network of our global delivery centers.

our strategy:

we seek to further strengthen our position as a leading global technology services company by successfully differentiating our service offerings and increasing the scale of our operations. to achieve these goals, we seek to:

increase business from existing and new clients:

our goal is to build enduring relationships with both existing and new clients. with existing clients, we aim to expand the nature and scope of our engagements by increasing the size and number of projects and extending the breadth of our service offerings. for new clients, we seek to provide value added solutions by leveraging our in-depth industry expertise and expanding the breadth of services

offered to them beyond those in the initial engagement. we manage first-time engagements by educating clients about the offshore model, taking on smaller projects to minimize client risk and demonstrating our execution capabilities. we also plan to increase our recurring business with clients by providing software re-engineering, maintenance, infrastructure management and business process management services which are long-term in nature and require frequent client contact. our strategic global sourcing group consists of senior professionals and has been established to identify, secure and manage new, large, and long-term client engagements.

expand geographically:

we seek to selectively expand our global presence to enhance our ability to service clients. we plan to accomplish this by establishing new sales and marketing offices, representative offices and global development centers to expand our geographical reach. we intend to increase our presence in Europe. we intend to use our operations in this region to eventually support clients in the local market as well as our global clients.

invest in infrastructure and employees:

we intend to continue to invest 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 will invest in recruitment and training, and maintain a rewarding work environment.

enhance our solution set:

we seek to continually enhance our portfolio of solutions as a means of developing and growing our business. to differentiate our services, we focus on emerging trends, new technologies, specific industries and pervasive business issues that confront our clients.

develop deep industry knowledge:

we continue to build specialized industry expertise in the financial services, manufacturing, telecommunications, retail, transportation and logistics industries. we combine deep industry knowledge with an understanding of our clients' needs and technologies to provide high value, quality services.

our industry expertise can be leveraged to assist other clients in the same industry, thereby improving quality and reducing the cost of services to our clients. we will continue to build on our extensive industry expertise and enter into new industries.

financial analysis

results of operations:

financial highlights	2009-10	2008-09
	(12 months)	(18 months)
	in rs	in rs
net revenue from operations	230,45,57,427	307,40,73,154
less expenditure	173,56,48,125	229,90,60,705
operating profit (pbidt)	56,89,09,302	77,50,12,449
interest	8,33,37,658	9,99,95,695
profit before depreciation & tax (pbdt)	48,55,71,644	67,50,16,754
depreciation	24,89,25,465	29,91,46,926
profit before tax (pbt)	23,66,46,179	37,58,69,828
provision for taxation	4,02,18,018	4,51,42,264
profit after tax	19,64,28,161	33,07,27,564
provision for deferred tax	1,01,99,164	3,04,65,159
profit after deferred tax	18,62,28,997	30,02,62,405
balance brought forward	44,56,99,037	46,19,38,278
profit available for appropriation	63,19,28,034	76,22,00,683
appropriations		
interim dividend	-	3,46,68,494
interim dividend tax	-	47,91,727
proposed final dividend	3,58,68,494	2,31,12,329
final dividend tax	49,97,137	39,29,096
general reserve	25,00,00,000	25,00,00,000
balance carried forward	34,10,62,404	44,56,99,037

income

the company's revenues consist mainly of income from IT services.

total revenue grew to rs. 230.46 crore (12 months) from rs. 307.40 crore last year (18 months)

other income

other income comprised interest income of rs. 2.03 crore received on deposits placed with banks the dividend income of rs. 0.65 crore is received from an indian subsidiary.

expenditure

software services and administrative expenses comprised software services and development expenses of rs. 149.82 crore relating to software consultancy and development, operating expenses, general administrative expenses, and selling expenses for rs. 23.74 crore.

profit before interest, depreciation and taxes

net revenue at rs.230 crore and pbdit at rs. 56.89 crore reflect an increase of 12% and 10% respectively over the previous year on a pro-rated basis.

interest cost

interest expenses increased to rs.8.33 crore (12 months) from rs. 9.99 crore (18 months) due to servicing of term loan and working capital interest.

depreciation

depreciation charge has increased to rs. 24.89 crore (12 months) from 29.91 crore (18 months) in terms of total income, the depreciation charge was 10.80 % as against 9.72% in the previous year. the depreciation charge was higher due to addition to fixed assets.

profit before taxes

profit before taxes was rs. 23.66 crore (12 months) as against rs. 37.58 crore (18 months) in terms of percentage of total income pbt is 10.27 % as against 12.23 % in the previous year.

provision for taxation

provision is made for income tax on an annual basis, under the tax payable method, based on the tax liability as computed after taking credit for allowance and exemptions, the company benefits in india from certain tax incentives under section 10a of the income tax act, 1961 for it services exported from designated software technology parks (stp).in case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by the company.

net profit

the company's net profit as a percentage of income has decreased to 8.08 % from 9.74 % in previous year.

dividend

the board recommends a dividend of 15 % amounting to rs. 3.59 crore, as against a total dividend of 25% for the year 2008-09, total dividend pay out including dividend distribution tax is rs. 4.09 crore

share capital

	september 30, 2010		september 30, 2009	
	number	value in rs	number	value in rs
opening balance as of sept 30, 2009	2,31,12,329	23,11,23,290	2,31,12,329	23,11,23,290
balance as at sept 30 2010	2,39,12,329	23,91,23,290	23,11,23,329	23,11,23,290

secured loans

secured loans from banks are secured by hypothecation of fixed and current assets of the company and are guaranteed by the promoters of the company including the managing director..

fixed assets

during the year, the company added rs. 31.96 crore to its gross block of assets, including investments in technology assets, and upgrade training centers to meet the present trend. capital work in progress as on sept 30 2010 amounting to rs. 19.63 crore represents advance paid towards capital expenditure.

sundry debtors

sundry debtors amount to rs. 75.00 crore representing 118 days sale as against rs.75.27 crore in the previous year representing 133 days sale. these are considered good and realizable. however, a significant portion of receivables is since received.

cash & bank balances

fixed deposits with banks amount to rs. 60.50 crore and forex balance in current account amounts to rupee equivalent of 5.36 crore.

report of the auditors to the board of directors of helios and matheson information technology limited

we have audited the attached consolidated balance sheet of helios and matheson information technology ltd and its subsidiaries (the group) as at 30th september,2010 and also the consolidated profit and loss account and also the consolidated cash flow statement for the year ended on that date , annexed thereto. the consolidated financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. our responsibility is to express an opinion on these consolidated financial statements based on our audit.

we conducted our audit in accordance with the auditing standards generally accepted in india. those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. an audit 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.

we have audited the financial statements of helios and matheson information technology ltd and its subsidiaries namely helios & matheson IT (bangalore) ltd and jaymaruthi software systems pvt ltd for the period october 2009 to September 30,2010, which are considered in the consolidated financial statement. the financial statements of helios and matheson north america inc, usa for the year ended december 2009 as audited by mercadien p.c and helios and matheson (singapore) pte ltd for the year ended march 31,2010 as audited by b.sharma & co,cpa, singapore were considered by us for consolidation purpose. the financial statements of other subsidiaries namely the laxmi group inc ,usa and maruthi consulting inc, usa as reviewed by the chugh firm, cpa,usa for the period october 2009 to september 2010 respectively were considered by us for consolidation purpose. the financial statement of helios and matheson inc, usa helios and matheson north america inc, usa, and helios and matheson (singapore) pte ltd for the period october 2009 to september 2010 as prepared by the respective managements were considered by us for consolidation purpose.

we report that the consolidated financial statements have been prepared by helios and matheson information technology ltd's management in accordance with the requirements of accounting standard 21, consolidated financial statements notified under the companies (accounting standard) rules,2006.

based on our audit and on consideration of the reports of other auditors and the management on separate financial statements and on the other financial information of the components, in our opinion and to the best of information and according to the explanations given to us , the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in india:

- a. in the case of the consolidated balance sheet, of the state of affairs of helios and matheson information technology ltd as at 30 th september, 2010;
- b. in the case of the consolidated profit and loss account, of the profit for the period october 2009 to september 2010 ended on that date; and
- c. in the case of the consolidated cash flow statement, of the cash flows for the period ended september 2010

for venkatesh & co
chartered accountants
fr.no.0046365

place : chennai
date : february 14 , 2011

ca. v. dasaraty
partner
m.no.26336

consolidated balance sheet as at september 30, 2010

helios and matheson | annual report 2009-10

	schedule	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
i. sources of funds			
1. shareholders' funds			
share capital	a	23,91,23,290	23,11,23,290
reserves and surplus	b	251,33,61,881	222,88,29,692
minority interest		35,38,801	5,24,66,654
advance received towards subscription of redeemable preference shares		63,04,14,007	63,04,14,007
preferential convertible warrants -application money			3,70,27,200
2. loan funds			
secured loans	c	73,22,25,330	58,26,60,456
unsecured loans	d	170,89,91,984	138,15,58,335
3. deferred tax		22,13,43,674	21,06,99,226
		604,89,98,968	535,47,78,859
ii. application of funds			
1. fixed assets	e		
gross block		474,73,57,082	407,42,62,154
less : depreciation		185,72,52,597	154,77,59,653
net block		289,01,04,486	252,65,02,501
capital work in progress at cost		19,63,44,276	19,95,55,314
		308,64,48,762	272,60,57,815
2. advance	f	65,02,50,007	65,02,50,007
3. current assets, loans and advances			
sundry debtors	g	114,35,61,378	101,13,89,296
cash and bank balances	h	84,35,36,375	62,12,20,787
unbilled revenue		24,35,63,503	24,52,50,530
loans and advances	i	40,00,47,115	47,44,97,230
		263,07,08,372	235,23,57,843
4. less: current liabilities & provisions	j	32,33,56,299	39,40,23,349
net current assets		230,73,52,073	195,83,34,493
5. miscellaneous expenditure (to the extent not written off or adjusted)	k		
deferred revenue expenditure		49,48,126	2,01,36,544
		604,89,98,968	535,47,78,859
notes forming part of the accounts	o		

as per our report of even date

for and on behalf of the board

for venkatesh & co
chartered accountants
fr.no.0046365

place: chennai
date : february 14 , 2011

g.k.muralikrishna
ceo & managing director

diwakar sai yerra
executive director

k.m.kumar
company secretary

ca. v.dasaraty
partner
m.no.26336

consolidated profit and loss account for year ended september 30, 2010

	schedule	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
i. income:			
a. revenue from operations	l	368,59,19,479	534,81,47,612
b. less: intra group sales		7,88,55,750	9,21,16,768
		360,70,63,729	525,60,30,844
ii. expenditure:			
software services & administration expenses	m	291,29,12,159	436,14,76,922
profit before interest depreciation & taxes		69,41,51,570	89,45,53,922
interest	n	10,44,65,964	10,80,45,642
profit before depreciation & taxes		58,96,85,605	78,65,08,280
depreciation & amortization of goodwill		30,94,92,944	44,50,65,066
profit after depreciation & before taxes		28,01,92,662	34,14,43,214
provision for taxation		5,21,98,569	6,73,03,981
profit after tax (PAT)		22,79,94,093	27,41,39,233
provision for deferred tax		1,23,55,189	3,48,73,764
profit after deferred tax		21,56,38,904	23,92,65,469
-concern share		22,44,87,313	31,84,93,278
-minority		(88,48,409)	(7,92,27,810)
balance brought forward		69,54,04,433	81,02,14,690
balance of profit		91,10,43,337	104,94,80,159
appropriations			
interim dividend			3,46,68,494
interim dividend tax			47,91,727
proposed final dividend		4,23,42,067	2,95,85,902
proposed final dividend tax		60,97,644	50,29,603
general reserve		25,50,00,000	28,00,00,000
balance carried forward		60,76,03,626	69,54,04,433
notes forming part of the accounts	o		
earning per share-basic		9.0	10.35
number of shares		2,39,12,329	2,31,12,329

as per our report of even date

for and on behalf of the board

for venkatesh & co
chartered accountants
fr.no.0046365place: chennai
date : february 14 , 2011g.k.muralikrishna
ceo & managing directordiwakar sai yerra
executive directork.m.kumar
company secretaryca. v.dasaraty
partner
m.no.26336

schedules forming part of the consolidated accounts

	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
schedule - a : share capital		
authorised		
4,00,00,000 equity shares of rs.10 each	40,00,00,000	40,00,00,000
1,00,00,000 redeemable preference shares of rs.10 each	10,00,00,000	10,00,00,000
	<u>50,00,00,000</u>	<u>50,00,00,000</u>
Issued		
23916429 (23116429) equity shares of rs 10 each	23,91,64,290	23,11,64,290
subscribed and paid up		
23912329 (23112329) equity shares of rs 10 each fully paid up (of the above, 15953100 nos were allotted as fully paid bonus shares by capitalization of reserves)	<u>23,91,23,290</u>	<u>23,11,23,290</u>
schedule - b : reserves and surplus		
general reserve	134,88,50,000	109,38,50,000
capital reserve	3,31,81,900	13,51,500
share premium	4,50,084,420	40,61,16,420
profit & loss account	51,43,57,194	59,80,17,091
add : minority interest	17,04,27,168	18,19,61,335
total	<u>251,69,00,682</u>	<u>228,12,96,346</u>
less : minority interest in reserves & surplus	35,38,801	5,24,66,654
	<u>251,33,61,881</u>	<u>222,88,29,692</u>
schedule - c : secured loans		
from banks	73,22,25,330	58,26,60,456
	<u>73,22,25,330</u>	<u>58,26,60,456</u>
schedule - d : unsecured loans		
foreign currency convertible bonds	78,31,90,000	78,31,90,000
ecb & others	92,58,01,984	59,83,68,335
	170,89,91,984	138,15,58,335
schedule - f : advance		
advance for investments in shares of vMoksha entities 3,31,165 equity shares of 100 each - (unquoted)	65,02,50,007	65,02,50,007
	<u>65,02,50,007</u>	<u>65,02,50,007</u>

schedules forming part of the consolidated accounts

	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
schedule - g : sundry debtors (unsecured, considered good)		
a. debts outstanding for a period exceeding six months	2,80,24,732	2,37,60,836
b. other debts	111,55,36,646	98,76,28,460
	<u>114,35,61,378</u>	<u>101,13,89,296</u>
schedule - h : cash & bank balances		
a. balances with scheduled banks		
i. fixed deposit account		
in rupee account	61,15,26,486	35,83,77,162
ii. current accounts:		
in foreign currency	15,11,52,410	24,72,45,825
in rupee account	7,66,32,327	1,25,15,127
unclaimed dividend	40,02,349	29,83,982
b. cash on hand	2,22,804	98,691
	<u>84,35,36,375</u>	<u>62,12,20,787</u>
schedule - i : loans and advances (unsecured, considered good)		
advance income tax	11,94,85,812	6,15,72,633
advances recoverable in cash or in kind or for value to be received	28,05,61,303	41,29,24,597
	<u>40,00,47,115</u>	<u>47,44,97,230</u>
schedule - j : current liabilities and provisions		
a. sundry creditors	20,96,34,424	23,27,02,471
b. unclaimed dividend	40,02,349	29,83,982
c. provision for interim dividend		3,46,68,494
d. provision for interim dividend tax		47,91,727
e. provision for dividend	4,23,42,067	2,31,12,329
f. provision for dividend tax	60,97,644	39,29,096
g. provision for taxation	6,12,79,816	9,18,35,251
	<u>32,33,56,299</u>	<u>39,40,23,349</u>
schedule - k : miscellaneous expenditure (to the extent not written off or adjusted)		
fccb issue related expenses	49,48,126	1,48,46,298
preliminary expenses	-	52,90,246
	<u>49,48,126</u>	<u>2,01,36,544</u>
schedule - l : revenue from operations		
a. income from software sales & services	364,63,60,350	530,53,98,945
b. other income	3,95,59,129	4,27,48,667
	<u>368,59,19,479</u>	<u>534,81,47,612</u>

schedules forming part of the consolidated accounts

	september 30, 2010 (12 months) rs.	september 30, 2009 (18 months) rs.
schedule - m : software services and administration expenses		
salaries and bonus and staff welfare	211,13,80,539	315,52,60,107
technical sub-contractors	8,72,82,055	12,74,94,823
overseas travel expenses	5,42,70,828	8,62,97,039
communication expenses	4,69,73,003	7,23,41,455
rent	1,36,81,327	2,04,67,193
consumables & computer maintenance	4,61,29,625	6,87,31,476
miscellaneous expenses	51,32,691	89,43,827
	<u>236,48,50,068</u>	<u>353,95,35,920</u>
selling and general and administration expenses		
salaries, bonus and staff welfare	23,69,66,215	34,13,94,619
overseas travel expenses	2,19,14,037	3,25,48,784
travelling and conveyance	65,23,479	1,07,62,066
advertisement, brand building & promotional expenses	4,94,25,723	7,63,00,468
professional and service charges	5,24,97,268	7,95,31,475
power and fuel	1,68,25,317	2,58,24,951
rent	2,15,07,162	3,21,58,415
postage & telephone charges	2,39,44,129	3,40,26,805
printing and stationery	1,71,27,903	2,47,59,437
repairs & maintenance	2,81,00,374	4,13,64,129
rates and taxes	1,96,24,327	3,76,09,284
subscription	4,52,835	8,57,336
provision for bad and doubtful debts	69,25,243	1,61,27,392
loss on sale of fixed assets	-	1,39,931
bank charges and commission	7,186,136	83,48,228
auditors' remuneration	1,58,75,039	2,39,01,943
miscellaneous expenses	2,31,66,904	3,62,85,739
	<u>54,80,62,091</u>	<u>82,19,41,002</u>
	<u>291,29,12,159</u>	<u>436,14,76,922</u>
schedule - n : interest paid		
(i) on fixed loans	2,12,86,424	10,958,675
(ii) on others	8,31,79,540	97,086,967
	<u>10,44,65,964</u>	<u>10,80,45,642</u>

schedules forming part of the consolidated accounts

schedule - e : fixed assets

in rs.

particulars	gross block			depreciation block			net block		
	as on 1.10.2009	additions	deletion	as on 30.09.2010	as on 01.10.2009	for the year	deletion	as on 30.09.2010	as on 30.09.2009
goodwill	56,01,20,229	2,72,22,709		58,73,42,938	5,02,02,416	-		53,71,40,522	50,99,17,813
lease hold land & building	1,68,01,895			1,68,01,895	20,91,966	2,66,161		1,44,43,768	1,47,09,929
plant & machinery	325,92,24,248	60,38,60,223		386,30,84,471	144,44,68,434	29,52,80,979		212,33,35,057	181,47,55,814
furniture & equipment	21,23,50,364	3,05,53,364		24,29,03,728	414,29,003	1,19,08,768		18,95,65,957	17,09,21,361
vehicles	2,57,65,418	1,15,87,528	1,28,895	3,72,24,051	95,67,833	20,37,035		2,56,19,182	1,61,97,585
total	407,42,62,154 (298,24,97,248)	67,32,23,824 (110,43,13,985)	1,28,895 (1,25,49,080)	474,73,57,082 (407,42,62,154)	154,77,59,653 (110,33,56,018)	30,94,92,944 (44,50,65,066)	0 (6,61,431)	289,01,04,486 (252,65,02,501)	252,65,02,501 (187,91,41,231)

consolidated cash flow statement for the year ended september 30, 2010

	year ended september 30, 2010 (12 months) rs.	year ended september 30, 2009 (18 months) rs.
i. cash flow from operating activities		
net profit before interest, tax and extra ordinary items	38,46,58,626	44,94,88,855
adjustment for:-		
Depreciation	30,94,92,944	39,48,62,650
loss on sale of assets		
misc. expenses (w/off)	1,51,88,418	95,56,736
impairment of goodwill		5,02,02,416
operating profit before working capital changes	70,93,39,987	90,41,10,658
adjustment for:-		
work in progress	16,87,027	(8,00,03,357)
sundry debtors	(13,21,72,082)	8,91,05,309
loans and advances	7,44,50,115	(18,06,69,635)
sundry creditors	(2,20,49,680)	2,86,18,706
cash generated from operations	63,12,55,367	76,11,61,682
tax paid	(8,27,54,004)	(4,09,09,160)
net cash from operating activities	54,85,01,363	72,02,52,521
ii. cash flow from investing activities		
purchase of fixed assets	(64,26,61,182)	(114,47,45,530)
purchase of investments	(15,26,95,000)	(9,99,25,000)
net cash from investing activities	(79,53,56,182)	(124,46,70,530)
iii. cash flow from financing activities	14,33,78,414	
proceeds from issue of capital	4,39,68,000	-
proceeds(application) of share premium		-
proceeds from preferential allotment - application money	(3,70,27,200)	3,70,27,200
Transfer to capital reserve	3,18,30,400	
proceeds from unsecured loan	32,74,33,649	40,65,07,054
proceeds from secured loans	14,95,64,875	32,66,51,196
interest paid	(10,44,65,964)	(10,80,45,642)
dividend paid	(6,65,01,646)	(4,81,34,808)
net cash from financing activities	48,81,80,527	61,40,05,000
iv. net inflow/outflow		
effect of foreign exchange change	(1,90,10,121)	4,55,22,916
net increase/(decrease) in cash & cash equivalents	22,23,15,587	13,51,09,907
cash and cash equivalents(opening)	62,12,20,787	48,61,10,880
cash and cash equivalents(closing)	84,35,36,375	62,12,20,787
net increase/(decrease) in cash & cash equivalents	22,23,15,587	13,51,09,907

notes :

the cash flow statement has been prepared in accordance with the requirements of accounting standard -3 "cash flow statement" and accounting standard - 21 - "consolidated financial statements" issued by the institute of chartered accountants of india. the figures of the previous year have been regrouped and rearranged, wherever necessary.

for and on behalf of the board

place: chennai
date : february 14 , 2011

g.k.muralikrishna
ceo & managing director

diwakar sai yerra
executive director

k.m.kumar
company secretary

certificate

we have examined the attached consolidated cash flow statement of helios and matheson information in accordance with the requirements of accounting standard - 3 "cash flow statement" and accounting standard - 21 " consolidated financial statements " issued by the institute of chartered accountants of india.

for venkatesh & co
chartered accountants
Fr.no.0046365

place: chennai
date :february 14 , 2011

ca.v. dasaraty
partner
m.no.26336

schedule o**significant accounting policies and notes to the accounts for the consolidated financial statement of
helios and matheson information technology limited for the year ended 30.09.2010****accounting convention**

the preparation of consolidated financial statements in conformity with indian gaap (generally accepted accounting principles) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities.

basis of preparation of financial statements

the audited financial statements of the subsidiary companies used in consolidation are drawn up to the same reporting date as that of the parent company i.e. year ended 30th september 2010.

the financial statements have been prepared under the historical cost convention in accordance with indian gaap and all income and expenditures are recognized on accrual basis. the management evaluates all recently issued or revised accounting standards on an ongoing basis. the accounts of the parent and other subsidiaries have been prepared in accordance with the accounting standards issued by the institute of chartered accountants of india, and those of foreign subsidiaries have been prepared in accordance with the local laws and applicable accounting standards/generally accepted accounting principles.

principles of consolidation

the financial statements of the parent company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and un realized profits.

the financial statements of the parent company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances except depreciation policy as reported under depreciation .

the excess of the cost to the parent company of its investments in each of the subsidiaries over its share of equity in the respective subsidiary is recognized in the financial statements as good will. exchange difference resulting from the difference due to translation of foreign currency assets and liabilities in subsidiaries is disclosed as accumulated foreign currency translation adjustment account in the reserves account and goodwill accordingly.

minority interest represents that part of the net profit and net assets of subsidiaries which are controlled by the minority shareholders.

investment

investment, being long term, are started at cost. however, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

revenue recognition

revenue for software services and projects comprise income from time and material and fixed price contracts. revenue from time and material contracts is recognized on the basis of software developed and billable in accordance with terms of the contracts with the clients. revenues from fixed price contracts is recognized using percentage of completion of method calculated as a percentage of the cost of efforts incurred up to the reporting date to estimated total cost of efforts. maintenance revenue is recognized over the period of underlying maintenance contracts.

unbilled revenue

unbilled revenue primarily comprises the revenue recognized in relation to efforts incurred on fixed price, fixed time frame contracts until the balance sheet date.

fixed assets

fixed assets are stated at the cost of acquisition and the value of acquired business assets less accumulated depreciation. direct costs are capitalized till the assets are ready to put to use and include financing costs relating to acquisition. capital work in progress includes the cost of fixed assets that are not yet ready for their intended use and the cost of assets not put to use before the balance sheet.

the consideration paid for acquisition and take over of businesses includes value of business contracts, customer rights, employees, technology, know how, software and hardware products and other assets in connection with the acquired businesses and is part of capital expenditure. this value is based on independent valuation.

depreciation

fixed assets are stated at the cost of acquisition, less accumulated depreciation. direct costs are capitalized till the assets are ready to be put to use. these costs include financing costs relating to specific borrowing (s) attributable to fixed assets as per as 16 “borrowing cost” issued by the institute of chartered accountants of india.

depreciation on fixed assets is provided using the straight-line method at the rates specified in schedule xiv to the companies act, 1956 as amended except the usa subsidiary, the laxmi group inc, maruthi consulting inc, and helios and matheson north america inc, usa follow the rates computed by taking only the estimated useful life of the assets, which is not in accordance with schedule xiv to the companies act, 1956. depreciation is charged on a pro-rata basis for assets purchased/sold during the year. individual assets costing less than rs.5000 are depreciated in full in the year of purchase.

foreign currency transactions

foreign currency transactions are recorded in the books by applying the exchange rate as on the date of transaction. investments in foreign currency are reported using the exchange rate at the date of transaction. other foreign currency transactions are converted at the exchange rate prevailing on the last working day of the accounting year. fluctuations in the exchange rate transactions are charged to profit & loss account wherever necessary,.

taxation

indian companies income tax expenses comprise current tax and deferred tax charges or credit. the deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date. the foreign subsidiary recognizes deferred tax assets and liabilities in accordance with the local laws and the applicable accounting standards or generally accepted accounting principles.

sundry debtors

sundry debtors amount to rs.114.36 crore as of september,2010 as compared to rs. 101.14 crore as of september, 2009. the debtors represent 115 days sales on as of september,2010 as against 105 days of sales on as of september,, 2009. the debtors are considered good and realizable. a significant part of receivable is since realised

notes to accounts

in accordance with accounting standard 21 “consolidated financial statements” issued by the institute of chartered accountants of india, the consolidated financial statements of helios and matheson information technology ltd include the financial statements of all subsidiaries which have more than 50% shareholding and board control to govern the financial and operating polices of subsidiaries as follows.

name of the subsidiary	country of incorporation	% holding
helios and matheson IT (bangalore) ltd	india	100
jayamaruthi software systems ltd	india	100
the laxmi group inc	usa	100
helios and matheson inc	usa	100
maruthi consulting inc	usa	100
helios and matheson (singapore) pte ltd	singapore	100
helios and matheson north america inc	usa	83

uniform accounting policies

in preparing the consolidated financial statements of helios and matheson information technology ltd, and the indian subsidiaries depreciation method is followed as per schedule xiv of the companies act, 1956, whereas for overseas subsidiaries, the method for depreciation is followed by using the estimated useful lives of the assets.

the financial statements of the holding company and its indian & foreign subsidiaries used in the consolidation are drawn up to the same reporting date as that of the parent company i.e., september 30,2010.

details of parent holding in subsidiaries

name of the subsidiary	country of incorporation	% holding
helios and matheson IT (bangalore) ltd	india	100
jayamaruthi software systems ltd	india	100
the laxmi group inc	usa	100
helios and matheson inc	usa	100
maruthi consulting inc	usa	100
helios and matheson (singapore) pte ltd	singapore	100
helios and matheson north america inc (*thro' direct and subsidiary's holding)	usa	83*

as per our report of even date

for and on behalf of the board

for venkatesh & co
chartered accountants
fr.no.0046365

place: chennai
date : february 14 , 2011

g.k.muralikrishna
ceo & managing director

diwakar sai yerra
executive director

k.m.kumar
company secretary

ca. v.dasaraty
partner
m.no.26336

**statement regarding subsidiary companies
pursuant to section 212 of the companies act, 1956.**

a) name of subsidiary company	helios and matheson it (bangalore) ltd	jayamaruthi software systems p ltd	the laxmi group inc., usa	helios and matheson inc., usa	helios and matheson (singapore) pte ltd	maruthi consulting, inc., usa	helios and matheson north america inc., usa
b) financial year of the subsidiary company ended on	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.12.2009
c) holding company's interest:							
i) number equity shares face value paid up value	25,89,429 rs 10 each rs 2,58,94,290	1,00,000 rs 10 each rs 10,00,000	1,00,000 npv us \$ 1,000	2,941 npv us \$ 1.6 mn	2 npv s \$ 2	10,000 npv us \$ 45,765	2,142,868 us \$ 0.01 us \$ 11,827,136
ii) extent of shareholding	100%	100%	100%	100%	100%	100%	69.43%
d) net aggregate amount of subsidiary's profits(losses) not dealt with in the holding company's accounts:							
i) for the subsidiary's financial year	rs 2,47,18,078	rs 94,94,976	us \$ 67,392	na	sd(4,055)	us \$ 118,553	usd (2,080,456)
ii) for its previous financial years	rs 2,38,63,599	rs 1,31,72,944	us \$ 108,154	na	sd(4,055)	us \$ 165,176	usd (2,919,140)
e) net aggregate amount of subsidiary's profits (losses) dealt with in the holding company's accounts:							
i) for the subsidiary's financial year	nil	nil	nil	na	na	na	na
ii) for its previous financial years	nil	nil	nil	na	na	na	na
f) changes in the interest of the holding company between the end of the subsidiary's financial year ended 31 st march, 2010 and 31 st march, 2009	no change	no change	no change	no change	no change	no change	(+) 864,655
i) holding company's interest as on 31.03.2010 number of equity shares face value paid up value	25,89,429 rs 10 each rs 2,58,94,290	1,00,000 rs 10 each rs 10,00,000	1,00,000 npv us \$ 1,000	2,941 npv us \$ 1.6 mn	2 npv s \$ 2	10,000 npv us \$ 45,765	2,142,868 us \$ 0.01 us \$ 11,827,136
ii) extent of shareholding	100%	100%	100%	100%	100%	100%	69.43%
g) material changes between the end of the subsidiary's financial year ended 31 st march, 2010 and 31 st march 2009 in respect of :							
i) subsidiary's fixed assets	no change	no change	no change	no change	no change	no change	na
ii) subsidiary's investments	no change	no change	no change	no change	no change	no change	na
iii) monies lent by the subsidiary	no change	no change	no change	no change	no change	no change	na
iv) monies borrowed by the subsidiary other than for meeting current liabilities	no change	no change	no change	no change	no change	no change	na

for and on behalf of the board

note : npv denotes no par value
place: chennai
date : february 14 , 2011

g.k.muralikrishna
ceo & managing director

diwakar sai yerra
executive director

k.m.kumar
company secretary

statement pursuant to section 212 of the companies act, 1956
financial information of subsidiary companies

a) name of subsidiary company	helios and matheson IT (bangalore) ltd	jayamaruthi software systems p ltd	the laxmi group inc., usa	helios and matheson inc., usa	helios and matheson (singapore) pte ltd	maruthi consulting, inc., usa	helios and matheson north america inc., usa
1) reporting date(financial year of the company ended on)	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.12.2009
2) reporting currency	INR (in crore)	INR (in crore)	USD / (INR in crore)	USD / (INR in crore)	singapore dollars / (INR in crore)	USD / (INR in crore)	USD / (INR in crore)
3) capital	2.58	0.10	16600 / 0.07	1600000 / 7.18	2 / 0.00	1918400 / 8.61	2609499 / 11.72
4) reserves	27.05	10.26	1521675 / 6.83	-	1640653 / 5.26	1834946 / 8.24	-
5) total assets	41.82	11.84	2251479 / 10.11	1803477 / 8.10	532642127 / 1708.71	7582398 / 34.04	4424457 / 19.86
6) total liabilities	41.82	11.84	2251479 / 10.11	1803477 / 8.10	532642127 / 1708.71	7582398 / 34.04	4424457 / 19.86
7) investments	-	-	-	1600000 / 7.18	-	-	-
8) turnover / total income	23.65	2.54	4289302 / 19.26	-	-	7979599 / 35.83	14890970 / 66.89
9) profit before taxation	3.28	1.05	103279 / 0.46	-	1640613 / 5.26	183658 / 0.82	(2053746) / (9.22)
10) provision for taxation	0.81	0.10	35886 / 0.16	-	-	65105 / 0.29	21931 / 0.10
11) profit after taxation	2.47	0.95	67392 / 0.30	-	1640613 / 5.26	118553 / 0.53	(2080456) / (9.35)
12) proposed divid end	Rs. 2 per share	-	-	-	-	-	-

* 1 USD = INR 44.90

* 1 SGD = INR 32.08

note :- information on subsidiaries is provided in compliance with the central government approval. we undertake to make available the audited annual accounts and related information of subsidiaries, where applicable, upon request by any of our shareholders. the annual accounts will also be available for inspection during business hours at our registered office.

for and on behalf of the board

place: chennai
date : february 14 , 2011

g.k.muralikrishna
ceo & managing director

diwakar sai yerra
executive director

k.m.kumar
company secretary