



FORE!



rising above,
on the upswing

striking new heights, faster

this year we have raised the bar, generating momentum with our successes and spearheading growth. these successes were built upon a stable portfolio of large business clients and the phenomenal traction we have enjoyed in the market. as we toast to the year ahead it is time to set new goals, to leap forward, higher and faster than we have ever before.

10 years at a glance



10 years at a glance

annual report
2007-2008



annual report
2008-2009



annual report
2009-2010



annual report
2010-2011

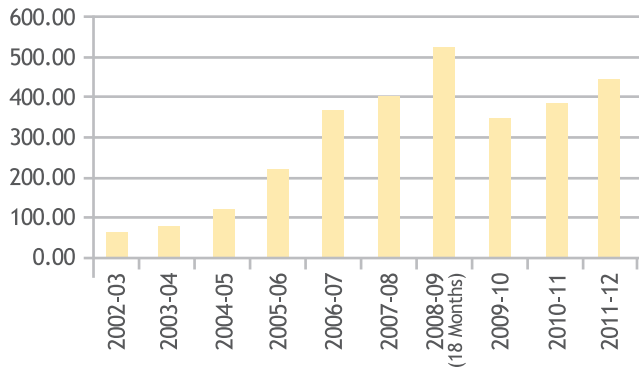


10 years at a glance

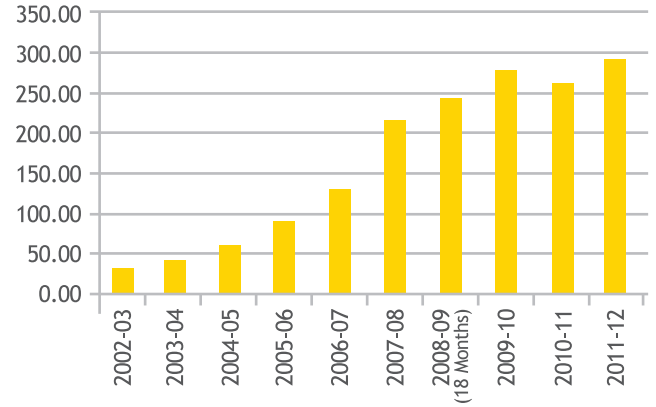
Year	Turnover (Rs. Cr)	Networth (Rs. Cr)	Book Value per Share (Rs. Cr)	EBITDA (Rs. Cr)
2002 - 03	60.02	34.40	68.76	16.40
2003 - 04	69.04	40.18	80.33	21.41
2004 - 05	119.94	55.62	55.59	33.16
2005 - 06	218.78	86.24	43.10	56.94
2006 - 07	390.08	127.95	63.94	85.29
2007 - 08	400.74	217.72	94.20	80.02
2008 - 09 (18 Months)	521.33	243.97	105.56	89.46
2009 - 10	356.75	274.74	114.90	69.42
2010 - 11	390.24	266.52	111.46	78.96
2011 - 12	449.84	292.19	122.19	100.33

10 years at a glance

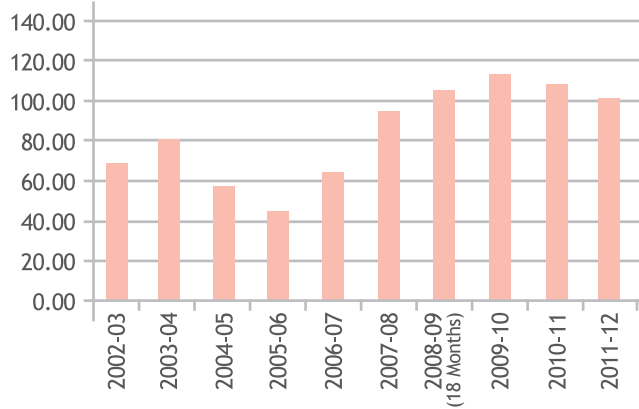
Turnover (Rs. Cr)



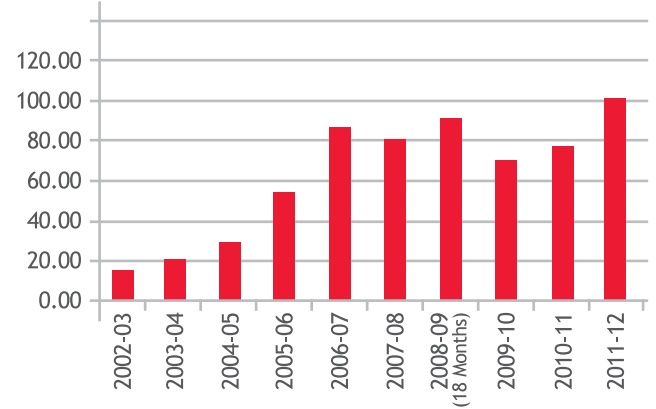
Networth (Rs. Cr)



Book Value per Share (Rs)



EBITDA (Rs. Cr)



our footprint

heliopolis, chennai



helios tower, chennai



whitefield, bangalore



brigade software tech park, bangalore



jp nagar, bangalore



our footprint

empire state building, new york



sanfransisco, california



mahindra world city, sez, chennai





management team



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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	managing director
	patil s k	
	sistla s r	
<hr/>		
board committees		
<hr/>		
audit committee	chandra ramesh	
	diwakar sai yerra	
	sistla s r	
<hr/>		
investor services committee	chandra ramesh	
	diwakar sai yerra	
	sistla s r	
<hr/>		
company secretary	kumar k m	
<hr/>		
leadership team	chandramoulieswaran s	finance & accounts
	divya r	US operations
	elango b	global delivery
	ganesan c s	human resources & shared services
	kumar k m	compliance & legal
	madhuri m	knowledge services
	muralikrishna g	chief executive
	pat krishnan	technology solutions
	ravindran n s	architecture & processes
suparna n r	India operations	
<hr/>		
auditors	venkatesh & co., sri ranga,151, mambalam high road, chennai - 600 017.	
<hr/>		
legal counsel	pais, lobo & alvares, chennai	
<hr/>		
listed at	mumbai (BSE), chennai (MSE), national (NSE),	
<hr/>		
depositories for demat shares	cdsl, nsdl, ISIN no: INE 674B01012	
<hr/>		
registered office	cybervale, # 02 - 01, mahindra world city, chennai - 603 002.	
<hr/>		
url	www.heliosmatheson.com	
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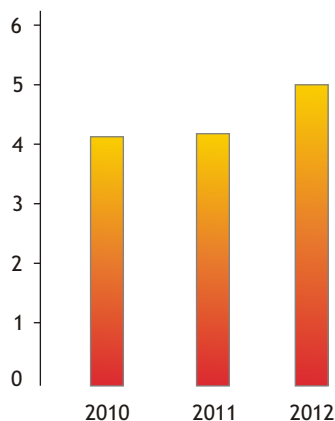
directors' report

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, 2012.

financial highlights	consolidated		standalone	
	2011-12 In ₹	2010-11 in ₹	2011-12 in ₹	2010-11 in ₹
net revenue from operations	452,05,81,457	394,14,84,572	308,39,19,980	259,01,34,455
less expenditure	351,72,78,952	315,19,23,741	232,52,57,512	196,42,22,961
operating profit (pbitd)	100,33,02,505	78,95,60,831	75,86,62,468	62,59,11,594
Interest	20,51,99,592	13,12,51,927	18,38,28,194	11,23,28,263
profit before depreciation & tax (pbt)	79,81,02,913	65,83,08,904	57,48,34,274	51,35,83,331
Depreciation	42,34,87,038	38,13,99,581	29,79,43,411	28,50,32,096
profit before tax	37,46,15,875	27,69,09,323	27,68,90,863	22,85,51,235
provision for taxation	6,74,85,866	6,25,23,300	5,53,15,987	4,44,39,137
profit after tax	30,71,30,009	21,43,86,023	22,15,74,876	18,41,12,098
provision for deferred tax	1,30,14,433	1,33,65,153	1,12,54,813	1,18,15,561
profit after deferred tax	29,41,15,576	20,10,20,870	21,03,20,063	17,22,96,537
balance brought forward	51,66,76,293	60,76,03,627	22,14,10,737	34,10,62,404
Profit available for appropriation	81,07,91,869	80,86,24,497	43,17,30,800	51,33,58,941
appropriations				
proposed final dividend	4,30,42,192	3,58,68,494	4,30,42,192	3,58,68,494
dividend distribution tax	69,82,520	60,79,710	69,82,520	60,79,710
general reserve	15,00,00,000	25,00,00,000	15,00,00,000	25,00,00,000
balance carried forward	61,07,67,157	51,66,76,293	23,17,06,088	22,14,10,738

dividend
in ₹ crore



results of operation :

consolidated

income for the year ended september 30 2012 was ₹.452.06 crore as compared to ₹.394.15 crore for the previous year. net profit after tax was ₹. 29.41 crore vis-à-vis ₹. 20.10 crore for fy 2010-11. earnings per share was ₹.12.30 compared to ₹.8.41 for the previous year.

standalone

income for the year ended september 30 2012 was ₹ 308.39 crore as compared to ₹. 259.01 crore for the previous year. net profit after tax was ₹ 21.03 crore vis-à-vis ₹. 17.23 crore for fy 2010-11. earnings per share was ₹.8.80 compared to ₹. 7.21 for the previous year.

share capital

the paid up share capital of the company as on september 30 2012 stood at ₹ .23.91 cr and the reserves and surplus stood at ₹.206.18 cr and on consolidated level reserves and surplus stood at ₹. 268.29 cr as against ₹. 242.61 cr in the previous year.

dividend

your directors are pleased to recommend an enhanced dividend of ₹ 1.80 per share on a paid up capital of ₹ 23,91,23,290 total dividend pay-out including dividend distribution tax is ₹.5.00 cr.

allotment of convertible warrants on preferential basis

in terms of the approval given by the shareholders of the company at the last annual general meeting held on 29.03.2012 and upon receipt of requisite statutory approvals, the board of directors of the company had, on 23.05.2012, allotted 12.50 lakh nos of convertible warrants each on preferential basis to g muralikrishna and v ramachandran, two of the promoters of the company. these warrants are convertible upon exercise of the option by the allottees within 18 months from the date of allotment. the promoters have brought in ₹.1,82,75,000 towards application money as per sebi guidelines. they have further brought in ₹.2,74,12,500 upon exercise of option for allotment of first tranche of equity shares as per applicable guidelines.

business and prospects

the business focus continues to be on banking and financial services and insurance, healthcare and technology verticals.

in the bfsi vertical, the company has seven of the top 20 global banks as its clients. clients in this vertical include universal banks, investment banks, capital market institutions, insurance companies etc. in the healthcare vertical the company caters to healthcare providers, healthcare payers and life sciences companies. the company works for multinational system integrators and technology companies. an iconic global automobile giant is another significant relationship in the manufacturing segment.

the company has long-standing relationships with large multinational corporations. top 20 clients are all fortune 500 corporations.

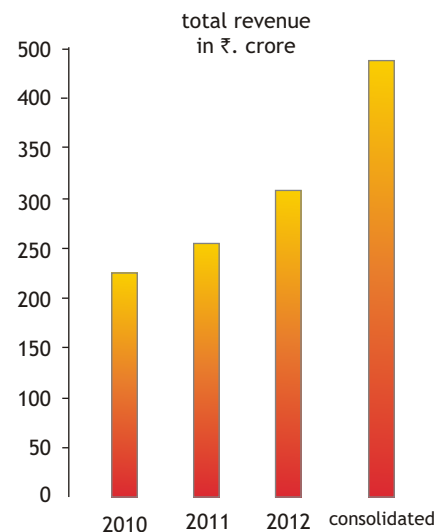
focus on a few large clients has helped the company to strengthen the relationship and gain increased traction from existing clients. the company derives more than 90% of

revenues through repeat business, which is a result of established client relationships.

the company has a strong deal pipeline and there is strong traction in the bfsi vertical.

the time tested relationship the company enjoys with these marquee clients is the main driver propelling huge organic growth momentum. as a result of constant efforts in mining these accounts, the company is witnessing record growth rate over the last few quarters. the management feels this organic growth thrust would take the company into the big league during the current decade.

this is endorsed by the credit rating agency crisl too. crisl in their report states that helios will continue to benefit over the medium term from its established customer relationships. crisl believes that as the scale of operations improves significantly through better client and geographical diversification of revenues, the company maintains healthy profitability levels.



subsidiary companies and consolidated financial statements

with the gradual easing of the global slowdown and with the USA economy looking up, all the subsidiaries have performed satisfactorily during the year

as per section 212 of the companies act 1956, the company is required to attach directors report, balance sheet and profit and loss account of the subsidiaries. the ministry of corporate affairs, government of india, vide its general circular no:

2/2011 dated 08.02.2011, has provided exemption to companies from complying with section 212, provided the board approves the proposal and such companies publish the audited consolidated financial statements in the annual report. accordingly, the annual report for 2011-12 does not contain the financial statements of the subsidiaries. the audited annual accounts and related information of the subsidiaries, where applicable, will be made available upon request. these documents will also be available for inspection during business hours at the registered office of the company at chennai. the same also will be published on the company's website www.heliosmatheson.com.

vmoksha - arbitration status

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]. the petition is pending before the hon'ble high court for disposal.

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.

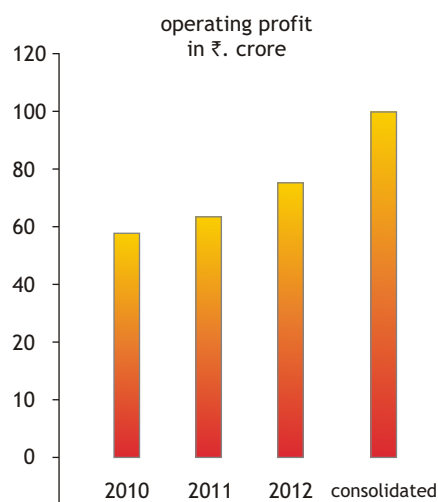
particulars of employees

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 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.

share capital

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 2012 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 2012 on a "going concern" basis.

directors

avm (retd) srinivasa rao.sistla retires by rotation at this annual general meeting and is eligible for election. the tenure of mr g.muralikrishna, managing director & ceo, expires in january 2014. the board of directors at their meeting held on 05.02.2013 decided to reappoint him for another 5 years with effect from 01.04.2013 on terms and conditions stipulated elsewhere in this annual report. mr.muralikrishna has been the managing director of the company since its inception in 1991. necessary resolutions for approval of shareholders are proposed in the notice of the ensuing annual general meeting for the reappointment of avm(retd) sr sistla as director and mr muralikrishna as managing director & ceo for a period of five years with effect from april 1,2013.

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

the provisions of subsection (1) (e) of section 217 of the

place: chennai
date : 05.02.2013

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 the 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
muralikrishna g.
chairman & 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 note 28.

for and on behalf of the board

place: chennai
date : february 5, 2013

muralikrishna g.
chairman & managing director

details of directors retiring by rotation and eligible reappointment at the annual general meeting.

name of the director	avm (retd) srinivas.rao.sistla	g muralikrishna
date of birth	26.11.1948	15.06.1952
date of appointment	23.01.2007	08.03.1991
expertise in specific functional area	<p>air vice marshal s r sistla, vsm retired from the indian air force after 35 years of rich and varied experience in both technical and management areas. he was awarded the vishisht seva medal by the honorable president of india in recognition of his "distinguished service of an exceptional order".</p>	<p>mr. g.muralikrishna co-founded the company in 1991. over the past 21 years he has led the company to become a leading system integrator specialising in banking financial services and insurance (bfsi) and healthcare verticals. the company currently has operations across usa, europe and asia pacific and offshore development centres in chennai and bangalore in india. the company's us subsidiary based in new york is listed on the nasdaq.</p> <p>under mr.muralikrishna's leadership helios and matheson has nurtured the three important constituents of business, namely customers, employees and investors. helios and matheson's client roster boasts of several fortune 500 organisations with whom the company has long standing relationship. the company's employee retention is among the best in the industry. helios and matheson has a proud track record of distributing dividends to its shareholders uninterrupted over the past 21 years.</p> <p>mr.muralikrishna has worked as a professional manager over 10 years before embarking on his entrepreneurial journey. he is a gold medalist in</p>

		science with post graduation from the indian institute of management, ahmedabad and has been ranked among the top 100 entrepreneurs in tamil nadu by cii in 2010.
directorship held in other companies (excluding private & foreign companies)	none	one
committee positions held in other companies	none	none
no.of shares held	850	406000

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, a 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 expectations of all its 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 a 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 and middle management, low attrition across various levels and substantially higher productivity.

board of directors

the company has an executive chairman and the number of independent directors is more than 50% of the total number of directors. as on 30th september, 2012, the company has 5 directors on its board, of which 3 directors are independent and non executive directors. the number of non-executive directors is more than 50% of the total number of directors. the company is in compliance with clause 49 of the listing agreement pertaining to composition of 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 2011-12 on 11.11.2011, 14.02.2012, 15.05.2012 and 13.08.2012.

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	3
diwakar sai yerra	4	4	yes	2
muralikrishna g.	4	4	yes	3
s r sistla	4	4	yes	0
s.k.patil	4	4	yes	3

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

shares held by non executive directors

air-vice marshal vsm (retd) s.r.sistla holds 850 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

air-vice marshal vsm (retd) s.r.sistla, director, retires by rotation at this annual general meeting and is eligible for re-election. details regarding his back ground and other particulars are given elsewhere in the report.

the tenure of mr g.muralikrishna, managing director & ceo, expires in january 2014. the board of directors at their meeting held on 05.02.2013 decided to reappoint him for another 5 years with effect from 01.04.2013 on terms and conditions stipulated elsewhere in this annual report. mr.muralikrishna has been the managing director of the company since its inception in 1991. necessary resolutions for approval of shareholders are proposed in the notice of the ensuing annual general meeting for the reappointment of avm(retd) sr sistla as director and mr muralikrishna as managing director & ceo for a period of five years with effect from april 1, 2013.

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

there has been no materially significant related party transaction, 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 the employees. the information regularly supplied to the board includes:

- . annual operating plans of business, capital budgets, acquisitions etc.,
- . quarterly results of the company
- . minutes of meetings of audit committee and investor grievance committees as well as abstracts of circular resolutions passed, also board minutes of subsidiaries.
- . 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.
- . significant development on the human resources and industrial relations 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 steps taken by management to limit risks of adverse exchange rate movement.
- . details of derivative transactions entered into by the company and update on foreign exchange exposure and provisions resulting from such transactions.
- . non compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delay 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 292a of the companies act 1956 and clause 49 of the listing agreement. audit committee is constituted with independent directors forming two-thirds of its strength. they possess rich experience in the areas of finance, audit and systems. the committee is headed by ms. chandra ramesh with mr. diwakar sai yerra, and mr. s.r.sistla directors, as its members. all members of the audit committee are knowledgeable in 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 (viii) 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 external 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 of reference and the information as laid down before it in terms of the listing agreement.

during the year the committee met 4 times on 11.11.2011, 14.02.2012, 15.05.2012 and 13.08.2012 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
mr. 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 the following members.

avm sr sistla - chairperson

mr. diwakar sai yerra

ms chandra ramesh

the committee met thrice during the year on 11.11.2011, 14.02.2012 and 13.08.2012.

given below is the attendance record.

name of director	no of meetings	meetings attended
avm sr sistla	3	3
mr. diwakar sai yerra	3	3
ms chandra ramesh	3	3

the committee acts in close liaison with its 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 30.09.2012 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 executive directors during the year are as under

name of director	relationship with other directors	salary in ₹.	total in ₹.
mr.g.k.muralikrishna	none	3,00,000	3,00,000
mr. diwakar syerra	none	12,85,000	12,85,000

other than the managing director and executive director, other non executive directors are paid a sitting fee of ₹.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 or any other perquisite.

details of the sitting fees paid during 2011-12 are as follows:

₹.

ms. chandra ramesh	30,000
avm vsm (retd) s. r. sistla	40,000
mr. s. k. patil	40,000

investor services/complaints during the year ended 30th september, 2012

nature of complaints	2012		2011	
	received	attended	received	attended
non receipt of share certificates	0	0	1	1
correction in share certificates	2	2	3	3
non receipt of bonus /split shares certificates	8	8	1	1
annual report	3	3	4	4
non receipt of dividend warrants	14	14	0	0
revalidation	21	21	12	12
general queries	4	4	3	3
procedure for loss of share certificate	6	6	4	4
procedure for transmission	1	1	0	0
issue of duplicate share certificate	2	2	2	2
issue of duplicate dividend warrants	3	3	11	11
total	64	64	41	41

all the letters 64 (41)received covering “information and services” have been attended 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 website. on line price ticker is also provided 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 at 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 and 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 3 annual general meetings

financial year ended		date	time	venue
september 30, 2011	19th agm	march 29, 2012	3 pm	bharatiya vidya bhawan, mylapore, chennai
september 30, 2010	18th agm	march 30, 2011	3 pm	bharatiya vidya bhawan, mylapore, chennai
march 31, 2009	17th agm	march 25, 2010	3 pm	rani seethai hall, anna salai, chennai

no special resolution was passed at the annual general meeting held on 25.03.2010 and 29.03.2012

the following special resolution was passed by the members at the annual general meeting held on 30.03.2011:

u/s 81(1a) of the companies act, 1956, authorizing the board of directors to issue equity shares and other financial instruments for an amount not exceeding ₹.500 crore to such entities as mentioned in the said resolution.

postal ballot

for the year ended september 30, 2012, no business was passed through postal ballot.

auditors' certificate on corporate governance

as required under 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.

general shareholder information

1. date, time and venue of agm : monday, march 25, 2013, 3.00 pm,
rani seethai hall,anna salai, chennai
2. dates of book closure : march 21 to march 25, 2013(both days inclusive)
3. final dividend payment : on or after march 25 , 2013 but within
the statutory time limit of 30 days
4. financial calendar
(tentative and subject to change) : results for qe dec 31, 2012 : on february 05, 2013
results for qe march 31, 2013 : on or before may 15, 2013
results for qe june 30, 2013 : on or before august 15, 2013
results for qe sep 30, 2013 : on or before 30 november, 2013
annual general meeting : on or before 31 march 2014
5. listing on stock exchanges : bombay stock exchange ltd (bse)
national stock exchange of india ltd (nse)
madras stock exchange ltd (mse)
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 2012-13.
8. corporate offices : heliostower,143/1,nungambakkam high road, chennai 600034;
04-01,heliopolis, crest, 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 : about 97.76 % of the company's paid up equity shares are in electronic
form. transfer of these shares is done through the depositories with no
involvement of the company. as regards transfer of shares held in
physical form, the transfer documents can be lodged with the company
or the share transfer agents, integrated enterprises (india) ltd., total
number of shares transferred in physical form during 2011-12 was 1199
as against 4825 during the previous year.

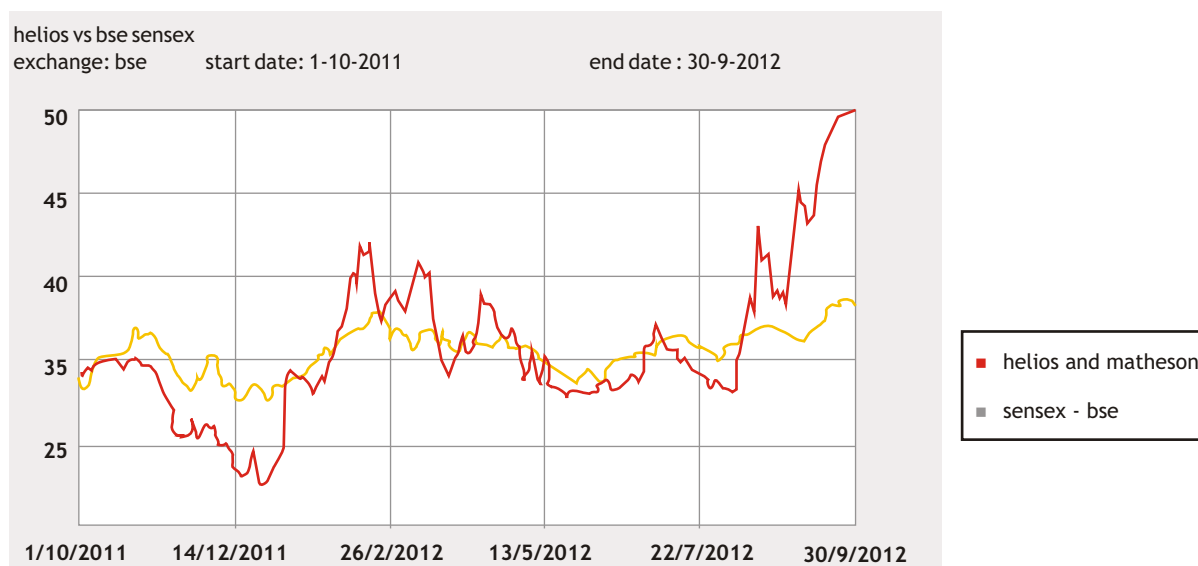
11. market price data (in ₹ per share)

month	bombay stock exchange		national stock exchange	
	month high	month low	month high	month low
october, 2011	25.80	23.30	25.00	23.35
november, 2011	24.80	20.00	24.80	20.20
december, 2011	24.60	18.25*	21.95	17.50*
january, 2012	24.95	18.25*	25.00	17.50*
february, 2012	31.50	24.50	31.45	24.05
march, 2012	29.50	23.50	29.40	23.50
april, 2012	28.50	24.50	29.40	24.35
may, 2012	26.75	22.10	26.40	22.35
june, 2012	24.75	22.05	24.75	22.50
july, 2012	27.20	23.00	27.20	23.05
august, 2012	31.85	22.80	32.00	22.60
september, 2012	37.25*	27.00	37.40*	26.60

*represents the yearly high and yearly 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 2012



13. distribution of shareholding

shareholding pattern of the members of the company as on september 30, 2012 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	413	4.59	10,96,645
institutions/banks	2	0.54	1,30,063
public	23969	54.49	1,30,29,941
total	24388	100	2,39,12,329

distribution of shares by size of shareholders as on september 30,2012

number of equity shares	no. of shareholders	% of shareholders	no. of shares	% of shareholding
1 to 500	20122	82.51	34,07,889	14.25
501- 1000	2249	9.22	18,22,260	7.62
1001- 5000	1676	6.87	36,35,550	15.20
5001- 10000	178	0.73	13,38,190	5.60
10001 and above	163	0.67	1,37,08,440	57.33
total	24388	100.00	2,39,12,329	100.00

14. dematerialization of shares

about 97.76 % of the company's paid up equity shares have been dematerialized upto september 30,2012. 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, 2011 to september 30, 2012.

month	bse		nse	
	no of shares traded	volume (in ₹. lakhs)	no of shares traded	volume (in ₹. lakhs)
october 2010	53,989	13.14	95,169	23.19
nov 2010	80,061	17.85	1,38,654	31.07
dec 2010	1,02,283	20.50	1,05,383	20.86
jan 2011	1,43,196	31.91	1,57,436	35.81
febr 2011	4,22,902	118.27	62,38,551	176.76
march 2011	3,20,906	86.41	3,86,078	104.81
april 2011	1,70,587	45.16	1,80,055	47.48
may 2011	1,73,641	41.67	2,13,474	50.83
june 2011	88,572	20.73	1,12,937	26.56
july 2011	1,19,395	29.85	1,71,052	44.13
august 2011	6,50,444	189.52	11,75,529	343.75
sept 2011	10,71,882	354.36	16,65,073	549.27
total	33,97,858	969.38	50,24,691	1456.53
average volume per month/ average price per share	2,83,154 28.52		4,18,724 28.98	

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

pursuant to the approval given by the shareholders at the last agm held on 29.03.2012, your company issued, on a preferential basis, 12.50 lakh nos of warrants each, convertible into one fully paid up equity share of the company at ₹. 29.24 per share, to mr g.muralikrishna, managing director, and mr v ramachandran, promoters of the company. they have paid the amount due thereon of ₹. 182.75 lakh being 25% of the value as application money. as on date, the said promoters have exercised their option for conversion of 6.25

lakh warrants each as provided in the regulations. after receipt of requisite statutory approvals, the company would allot the equity shares. with this allotment, the total holding by the promoter group would go up to 43.34% from the existing 40.38% and warrants outstanding for conversion as on date would be 12.50 lakh.

17. reconciliation of share capital

a qualified practising company secretary carried out a share capital audit to reconcile the total admitted capital with national securities depository limited (nsdl) and central depository services (india) limited (cdsl) and the total issued and listed capital. the audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with nsdl and cdsl.

18. green initiative

as a responsible corporate citizen, the company welcomes and supports the 'green initiative' taken by the ministry of corporate affairs, government of india (mca), by its recent circulars, enabling electronic delivery of documents including the annual report, quarterly, half yearly results etc. to shareholders at their e-mail address previously registered with the depository participants (dps)/company/registrars & share transfer agents. shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses. those holding shares in demat form can register their e-mail address with their concerned dps. shareholders who hold shares in physical form are requested to register their e-mail addresses with integrated enterprises (India) limited, by sending a letter, duly signed by the first/sole holder quoting details of folio no.

19. depository services

shareholders may write to the respective depository or to integrated enterprises (india) ltd, for guidance on depository services. address for correspondence with depositories are as follows :-

national securities depository limited
trade world, a wing, 4th & 5th floors,
kamala mills compound,
lower parel,
mumbai-400 013.
telephone : (022) 2499 4200
facsimile : (022) 2497 6351
e-mail : info@nsdl.co.in
website : www.nsdl.co.in

central depository services (india) limited
phiroze jeejeebhoy towers,
17th floor,
dalal street,
mumbai-400 001.
telephone : (022) 2272 3333
facsimile : (022) 2272 3199
e-mail : investors@cdslindia.com
website : www.cdslindia.com

20. unclaimed dividend

all unclaimed/unpaid dividend amounts for the financial year 2004-05 have been transferred to investor education & protection fund(iepf) and no claims shall lie against the company or the fund in respect of the unclaimed amounts so transferred.

the unclaimed dividend in respect of the financial year 2005-06 is due for transfer to iepf on 26th october 2013. shareholders, who have not yet encashed their dividend warrant(s) for the said period are requested to forward their claims to the company well before the said date as no claims can be entertained by the company once the transfer is made to iepf.

21. address for correspondence for queries relating to:

financial statements

s chandramoulieswaran
vice president (finance)
helios and matheson information technology ltd
heliopolis, crest, 04-01, international tech park,
taramani, chennai 600113
tel: +91 44 4375 0022
mouli.c@heliosmatheson.com

investor related matters

k.m.kumar
company secretary
tel: +91 44 4391 0033
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 30.09.2012 received from the senior management team of the company and the members 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. muralikrishna
ceo & managing director

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 examined 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 year ended september 30, 2012.
2. the compliance of conditions of corporate governance is the responsibility of the management. our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance with 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 explanation given to us and the representation made by the management.
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 5, 2013

ca. v. dasaraty
partner
m.no.26336

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 ₹.209 per share on mse compared to the ipo price of ₹.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	2007	2008	2009	2010	2011
dividend: ₹.	7,17,46,422	3,46,68,493	5,77,80,823	3,58,68,494	3,58,68,494
(tax free)	35%	15%	25%	15%	15%
			(18months)		

5. 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 600017 or else, you can correspond directly with the company secretary at the corporate office at heliostower, 143/1, nungambakkam high road, chennai 600034. you can effect transfer of shares in electronic form through your depository participant. general correspondence regarding shares may be addressed to the company's registrars, integrated enterprises (india) ltd, at the above address or to the company secretary at the corporate office.
6. 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 and other information are regularly updated on the company's website at www.heliosmatheson.com. you can also subscribe for the news alerts via the link <http://heliosmatheson.com/investors/invest.asp>
7. how do i contact helios and matheson by telephone, mail or in person?
ans: financial analysts and members of the press/media can contact the following member of helios and matheson management during business hours for any information.
s.chandramoulieswaran
vice president finance
helios and matheson information technology limited,
heliopolis crest, #04-01, ascendas international tech park,
taramani, chennai 600113.
tel: +91 44 43750022
fax: +91 44 43910099

risk management report

today we face an ever increasing pace of change in market dynamics. we need to adapt to this dynamic situation and keep pace as demanded and ensure that risks are identified on a continuous basis. this process involves the following steps.

- . learning from the experience and making improvements
- . identifying the risks inherent in the growth strategy
- . implementing control to manage the remaining risks
- . monitoring the effectiveness of risk management approaches and controls
- . capability development

the information technology business is witnessing unparalleled growth with the global delivery undergoing transformational changes. concurrently, changes in the macro economic environment, shifts in competitive landscape with the expansion of overseas based competitors in India, stringent immigration laws, predatory pricing, and a weak rupee have brought new challenges and new risks that need to be managed.

helios and matheson comprehensively assesses these risks and this report details the prudent risk management practices of your company. the management cautions the readers that the risks outlined below are not exhaustive and are for information purposes only. further, this report contains statements, which are forward-looking in nature. such statements are subject to uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements.

helios and matheson is certified to iso 27001 standards and has a robust information security management system in place.

external risk factors

macro economic factors

as a result of rapidly changing economic and business conditions, an increasingly competitive market environment is driving corporations to transform the manner in which they operate.

exchange rate risk

the exchange rate between the Indian rupee and the US dollar has changed substantially in recent years and may fluctuate in the future. we expect a significant proportion of our revenues to be generated in US dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs, as well as capital and operating expenditures, will continue to be denominated in Indian rupee. your company faces the risks associated with exchange rate fluctuations and translation effect, which impact its profitability and operating results. helios and matheson risk management policy ensures that expenses in local currency are met through receipts in the same currency.

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

the company entered into derivative contracts with the banks for cross currency swap. the rupee term loans were converted in to usd loan as per cost reduction structure permitted by reserve bank of india. any adverse movement in usd-inr and 3 m+libor rate will have a impact on the cash flow to the extent there is no matching inflow of usd.

margin-pressure

as international players expand their delivery capability from India, their cost patterns are undergoing change. at the same time, the intensified competition for human resources in India is resulting in higher wage levels. due to the above, margins are under pressure. the company is using a multi-pronged approach to address the margin pressure it faces. in order to mitigate this risk, the company is focusing on creating greater value for its customers and hence for itself. four different strategies have been used by the company in this effort.

provide value added services : increasing focus on value added services, participating in transformation projects and constantly aiming to move up the value chain.

increasing offshore leverage: the company is increasing its effort to enhance revenues from offshore and global delivery centers. this helps the company to increase its margins.

focusing on cost management: the company is monitoring and steadily bringing down its operating expenses as a percentage of revenues by ensuring that growth in these expenses is minimized in line with company requirements. our large accounts are getting larger which helps us drive down sales costs through cross selling. the trends in repeat business as a percentage of total business are very positive indicating the satisfaction and value creation the company is achieving for its customers.

focusing on rate increases: the company is looking at rate increases for newer business and also for existing businesses which are up for renewal. the company's rates are competitive and in line with client expectations. in view of its track record, the company is seen as a credible global consulting organization, with end to end servicing capability.

competitive environment

the market in which we compete is experiencing rapid changes in its competitive landscape. some of our competitors are large consulting firms or offshore IT service providers who have significant resources and financial capabilities combined with much larger numbers of IT professionals.

high-end services combined with proven execution excellence is our competitive advantage and helps counter pricing pressure. your company continues to focus on rapidly increasing its market share and is undertaking marketing initiatives that would help clients and prospects make better-informed decisions based on our competitive strengths.

client concentration risk

we have historically earned, and believe that in the future we will continue to earn, a sizable portion of our revenues from limited number of clients. your company's profitability and revenues would not be affected in case of loss of some of the top 10 clients or a significant downsizing of projects given to the company by them. the uniform distribution of business over these clients has mitigated the client concentration risk.

business concentration risk by vertical

helios and matheson derives 60% of its revenues from clients in the bfsi and healthcare verticals. a downturn in the fortunes of these clients or reduction in their IT spending/budgets could affect helios and matheson's own profitability. your company's domain knowledge and competence make helios and matheson an invaluable partner to the client. being a high-end vertical, which is growing faster than the rest of the industry, the risk of downsizing is minimal. the company continues to pursue and win clients in manufacturing and technology verticals besides healthcare to provide more balanced opportunities for growth.

inflation & cost structure

our cost structure consists of salary and other compensation expenses, depreciation, overseas travel and other general costs. fast track development of the economy and increasing demand for global delivery may have a significant impact on these costs and the rate of inflation as relevant to the IT services industry. further competitions may treat India as a "cost center" and develop the same regardless of the increasing cost and its impact on their profitability. to derisk we continue to reinforce the variable compensation program. we have taken steps to opt for cost optimization, cost reduction, and assess the risk of changes in cost of each operational activity.

disaster recovery and business continuity

your company has implemented comprehensive disaster recovery and business continuity plans. backups are taken daily and stored in secure locations. helios and matheson can replicate any project within a development center in a short timeframe using these backups. redundancy has been built into data communication links. each development center is connected to other centers using multiple links. last fiscal, helios and matheson further invested in establishing several links to overseas destinations, using different routes, and provided by multiple service providers.

further, helios and matheson adheres to stringent physical security procedures at all its development centers across the world. we adhere to strict procedures to control the access to server rooms and other critical installations. firewalls are in place on all external connections from our network.

technology risks

management continues to develop and implement business and technology solutions that anticipate rapid and continuing changes in technology, industry standards and client preferences. the successful implementation of these systems will be critical to the effective delivery of our services to our clients.

internal risk factors**contractual commitments**

this risk pertains to liquidated damages and other penalties associated with the non-fulfillment of contractual obligations (such as adherence to deliverables and service level agreements) either with clients or with other parties.

the management has clearly chartered out a review and documentation process for contracts. the management calls on the legal advisors of the company to evaluate the legal risks involved in a contract, ascertain legal responsibilities of the company under the applicable law of the contract, restrict its liabilities under the contract, and cover the risks involved. all operational teams are briefed on compliance related issues so that they can ensure adherence to all contractual commitments.

to date, helios and matheson has no material litigation in relation to contractual obligations pending against it in any court, in India or overseas.

regulatory risks

helios and matheson operates out of multiple countries across the world. accordingly, we must comply with a wide variety of national and local laws, and we are subject to restrictions on the import and export of certain technologies and multiple and overlapping tax structures.

helios and matheson has appointed legal counsels and consultants in various countries where it operates to ensure compliance with their respective regulations. currently, all the operational policies of helios and matheson are compliant with the local laws of the countries that it operates in.

liquidity risk

our company could face a liquidity crunch due to long payment cycles, delay in recoveries, bad debts etc. to mitigate such a risk helios and matheson maintains a significant portion of its assets as liquid assets.

engagement execution

a portion of the company's revenues is derived from fixed price projects. in some cases, the specifications may not be completely defined at the inception of the project, where for competitive reasons, the company still needs to accept the project. this could lead to differences in opinion with client at the time of delivery of the project. helios and matheson client relationships are sufficiently strong whereby such disputes can be resolved to the mutual satisfaction of the client and the company.

human resource management

continued ability to hire and retain qualified personnel is key to success. your company strives to provide excellent staff welfare measures to promote employee satisfaction and thereby attract and retain efficient manpower. further, to ensure that employees grow with technology helios and matheson conducts regular training programs.

termination of contracts by clients

sometimes the contracts are awarded to us on project-by-project basis. these projects do not carry a commitment of future volume of business. some of the actions that could affect the business are

- . financial difficulties for client
- . a demand for reduction in prices
- . a change in outsourcing technology
- . by shifting to in house IT departments or to the competitors.

by close interaction with clients, helios and matheson engagement managers keep track of changes at the clients' end thereby mitigating this risk.

customer retention

this is an important factor in determining predictability of revenue and profits. our ability to retain existing customers depends on a number of factors

- . customer satisfaction
- . service offerings by competitors
- . price

helios and matheson has an exemplary record of client retention with over 90% of the business being repeated by existing clients.

mergers and acquisitions

one of the company's growth strategies is to make acquisitions and investments in complementary businesses, technologies that will enable the company to add services for its core customer base and to expand geographically. our ability to make these acquisitions and investments depends on the availability of suitable candidates and investments of acceptable costs, the ability to compete effectively for these candidates and investments, and the availability of capital to complete these acquisitions and investments.

conclusion

risk management is an on-going process based on the dynamics of risk environment. we at helios and matheson continually seek to improve and enhance our ability to identify risks and plan responses thereto.

the company has adequate systems of internal control commensurate with the size and nature of its operations. these have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with statute, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

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

to
the members,
m/s helios and matheson information technology limited
chennai.

we have audited the attached balance sheet of helios and matheson information technology limited as at 30th september, 2012, 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.

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.
2. 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 the books;
 - c. the balance sheet and profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - 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, 2012 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, 2012, 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 consolidated balance sheet, of the state of affairs of the company as at 30th september, 2012;
 - ii. in the case of the consolidated profit and loss account, of the profit for the period ended on that date; and
 - iii. in the case of the consolidated cash flow statement, of the cash flows of the period ended on that date.

for venkatesh & co
chartered accountants
fr.no.0046365

place : chennai
date : february 5, 2013

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, 2012

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 company's 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 its wholly owned subsidiary covered in the register maintained u/s.301 of the companies act, 1956. the maximum amount involved during the year was ₹.1,00,00,000/- and the year-end balance of loan taken from such party is nil.
 - b. the company has granted interest free advances to three of its subsidiaries covered in the register maintained u/s 301 of the act without stipulation as to repayment. the maximum amount during the year was ₹.46,17,76,686/- at the year-end balance of advance given to such parties was ₹.46,17,76,686/-
 - 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. the company is regular in repayment of the principal and interest amounts wherever stipulated.
 - e. 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.
 - a. 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 ₹.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.
 - b. in respect of sale of services to parties listed in the register maintained u/s.301 of the companies act, 1956 these transactions 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 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, 2012 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.
- a in respect of assessment year 2006-2007, the company has been served with a demand of ₹.1,94,98,583/- against which the company has gone on appeal to the commissioner of income tax (appeals) and the company has paid ₹.5,00,000/- and contested the demand.
 - b in respect of assessment year 2008-09, the company has been served with a demand of ₹.15,94,66,361/- against which the company has gone on appeal to the commissioner of income tax (appeals) and the company has paid ₹.1,70,00,000/- and contested the demand.
 - c in respect a.y.2009-2010, the company has been served with a demand of ₹.2,47,10,740/- against which the company has gone on appeal to the commissioner of income tax (appeals) and the company has paid ₹.45,00,000/- and contested the demand.
 - d the company has filed an appeal before commissioner of central excise (appeals) disputing the service tax levy or demand of ₹.3,93,720 and the company has paid under protest of ₹.1,90,000/- towards demand.
10. the company has no accumulated losses at the end of 30th september, 2012, 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. during the year the company has issued convertible warrants to the promoters and in terms of the issue and as per preferential guidelines of sebi 25% of conversion price amounting to ₹.1,82,75,000/- was received by the company during the year.
 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 05 , 2013

ca. v.dasaraty
partner
m.no.26336

balance sheet as at september 30, 2012

	note	september 30, 2012 ₹.	september 30, 2011 ₹.
i. equity and liabilities			
1. shareholders' funds			
a) share capital	3	23,91,23,290	23,91,23,290
b) reserves and surplus	4	206,18,28,766	190,15,33,415
c) money received against share warrants	5	1,82,75,000	
		231,92,27,056	214,06,56,705
2. advance received towards subscription of redeemable preference shares	6	63,04,14,007	63,04,14,007
3. non-current liabilities			
a) long-term borrowings	7	139,87,33,415	166,32,75,397
b) deferred tax liabilities		20,01,50,832	18,88,96,020
c) long term provisions	8	23,63,870	18,88,471
		160,12,48,117	185,40,59,888
4. current liabilities			
a) short-term borrowings	9	45,25,27,611	39,85,26,139
b) other current liabilities	10	44,35,63,613	21,39,96,715
c) short-term provisions	11	14,94,44,121	5,38,49,549
		104,55,35,345	66,63,72,403
total equity & liabilities		559,64,24,525	529,15,03,003
ii. assets			
1. non-current assets			
fixed assets			
a) tangible assets	12	156,17,69,980	147,76,05,520
b) intangible assets		14,20,03,758	15,56,25,981
c) capital work inprogress		13,92,41,306	24,45,68,689
		184,30,15,044	187,78,00,190
2.a) non current investments	13	81,52,08,177	81,52,08,177
b) advance	14	65,02,50,007	65,02,50,007
3. current assets			
a) trade receivables	15	97,38,20,638	80,78,61,273
b) cash and cash equivalents	16	36,95,48,858	44,46,89,346
c) other current assets	17	63,31,66,371	49,42,28,798
d) unbilled revenue (valued at cost)		31,14,15,431	20,14,65,212
		228,79,51,298	194,82,44,629
total assets		559,64,24,525	529,15,03,003
notes forming part of the financial statements	1-38		

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 05, 2013muralikrishna g.
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, 2012

	note	september 30, 2012 ₹.	september 30, 2011 ₹.
i. income - revenue from operations	18	306,34,58,126	255,53,71,380
ii. other income	19	2,04,61,854	3,47,63,175
total revenue		308,39,19,980	259,01,34,555
iii. expenses:			
employee benefit expense	20	142,45,08,029	114,35,28,692
operation and other expenses	21	90,07,49,483	82,06,94,269
financial cost	22	18,38,28,194	11,23,28,263
depreciation & amortisation expense	12	29,79,43,411	28,50,32,096
total expenses		280,70,29,117	236,15,83,320
iii. profit before tax		27,68,90,863	22,85,51,235
tax expense			
current tax		5,53,15,987	4,44,39,137
deferred tax		1,12,54,813	1,18,15,561
		6,65,70,800	5,62,54,698
profit for the year		21,03,20,063	17,22,96,537
earning per equity share:			
basic & diluted		8.80	7.21
no. of shares		2,39,12,329	2,39,12,329
notes forming part of the financial statements	1-38		

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 05 , 2013muralikrishna g.
managing directordiwakar sai yerra
executive directork.m.kumar
company secretaryca. v.dasaraty
partner
m.no.26336

notes forming part of the financial statements

1. corporate information;

helios and matheson information technology ltd is a public ltd company registered in india and incorporated under the provisions of the companies act, 1956. its shares are listed in nse and bse in india and its subsidiary company helios and matheson information technology inc, usa is listed in NASDAQ.

helios and matheson information technology ltd along with its subsidiaries namely helios and matheson information technology inc, usa, maruthi consulting inc, usa ,the laxmi group inc, usa, helios matheson inc,usa , helios & matheson(singapore) pte ltd helios & matheson it (bangalore)ltd, bangalore and jayamaruthi software services (p) ltd, chennai provide a wide range of information technology and consultancy services including software management solution, technology corporate training education services. the company's full services portfolio consist of application development and maintenance ,system integration, independent verification ,managed services. the company caters to the bfsi (banking ,financial services and insurance),health care and technology sectors in india and across the global

note no.2

significant accounting policies and notes to accounts

a) 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)rule,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 ongoing basis. .

b) 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.

c) 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 be 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 date.

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.

d) 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 good will 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.

e) 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. revenue 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 on time and material contracts till a milestone is reached and on fixed price, fixed time frame contracts and until the balance sheet date. the valuation of unbilled revenue is recognized at cost in the financial statement.

f) 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. 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 in this report.

g) forward contracts in foreign currency

the company uses forward contracts and options 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.

h) 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 contracts are charged to revenue in the same year.

i) 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 assets costing less than ₹.5,000/- are depreciated in full in the year of purchase.

j) 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 diminution in the value of investments as they are long term and strategic in nature.

k) retirement benefits

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

the company's contribution to provident fund is 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.

the gratuity provision is made in terms payment of gratuity act 1972.

the leave encashment provision is made as per the service rules of the company.

l) 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.

m) 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.

n) leases

lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognized as operating leases. lease rentals under operating leases are recognized in the statement of profit and loss account on a straight line basis.

	september 30, 2012 ₹.	september 30, 2011 ₹.
note:- 3. share capital		
authorised share capital		
4,00,00,000 (4,00,00,000) equity shares capital of ₹.10 each	40,00,00,000	40,00,00,000
1,00,00,000(1,00,00,000) redeemable preference shares of ₹.10 each	10,00,00,000	10,00,00,000
	50,00,00,000	50,00,00,000
issued share capital		
2,39,16,429 (2,39,16,429) equity shares capital of ₹.10 each	23,91,64,290	23,91,64,290
	23,91,64,290	23,91,64,290
subscribed & paid- up share capital		
2,39,12,329 (2,39,12,329) equity share capital of rs.10/-each	23,91,23,290	23,91,23,290
	23,91,23,290	23,91,23,290

a) reconciliation of number of equity shares outstanding at the beginning and at the end of the reporting period

equity shares	september 30, 2012		september 30, 2011	
	no of shares	amount	no of shares	amount
at the beginning of the period	2,39,12,329	23,91,23,290	2,39,12,329	23,91,23,290
changes during the reporting period	-	-	-	-
outstanding at the end of period	2,39,12,329	23,91,23,290	2,39,12,329	23,91,23,290

(b) rights, preferences and restrictions attaching to various classes of shares

equity

the company has issued only one type of share, ie, equity, the rights and restrictions are as per the provisions of the companies act and the articles of association.

(c) shares in the company held by each shareholder holding more than 5% shares

sl.no.	name of the shareholder	no of shares held september 30, 2012	% held	no of shares held september 30, 2011	% held
1	padmaja r	44,20,016	18.48	44,20,016	18.48
2	annapurna g	44,23,604	18.50	44,23,604	18.50

(d) details of securities convertible into equity shares

sl.no.	particulars of convertible securities	term of convertible securities into equity shares	earliest date of conversion
1	25,00,000 warrants convertible into fully paid up shares of the company allotted to v.ramachandran & g.muralikrishna, the promoters of the company in may 2012.	one equity share for each warrant held at ₹. 29.24 per share	18 months from the date of allotment, ie 23.05.2012 on or before 22.11.2013
2.	57,00,000 warrants were issued to two of the promoters of the company and a non promoter on 30.09.2008	one equity share for each warrant held at ₹. 64.96 per share.	8,00,000 equity shares were issued to the promoters upon exercise of option by them

	september 30, 2012 ₹.	september 30, 2011 ₹.
note:- 4. reserves and surplus		
a) securities premium reserve		
opening balance	9,42,46,526	38,60,98,710
add:- additions during the year	-	-
	9,42,46,526	38,60,98,710
less:- fccb redemption premium written of during the period	-	29,18,52,184
closing balance	9,42,46,526	9,42,46,526
b) general reserve		
opening balance	153,38,50,000	128,38,50,000
add:- additions during the year	15,00,00,000	25,00,00,000
	168,38,50,000	153,38,50,000
less:- deduction during the year		
closing balance	168,38,50,000	153,38,50,000
c) capital reserve		
opening balance	5,20,26,152	3,19,32,900
add:- additions during the year	-	2,00,93,252
less:- deduction during the year	-	-
closing balance	5,20,26,152	5,20,26,152
d) surplus in statement of profit & loss account		
opening balance	22,14,10,737	34,10,62,404
add:- profit for the year	21,03,20,063	17,22,96,537
	43,17,30,800	51,33,58,941
less:- appropriation		
i. proposed dividend	4,30,42,192	3,58,68,494
ii. dividend distribution tax	69,82,520	60,79,710
iii. general reserve	15,00,00,000	25,00,00,000
iv. closing balance	23,17,06,088	22,14,10,737
	206,18,28,766	190,15,33,415

note 5

money received against share warrants

share application money received as on september 30,2012 represents the amount received from the promoters towards preferential allotment of equity shares as per sebi guidelines.

note 6

advance received towards subscription of redeemable preference shares

this represents advance amount received from the sellers of vMoksha towards subscription of redeemable preference shares of your company as provided in the transaction agreements dated may 11, 2005. however, the sellers tried to renege the agreements and the company initiated arbitration proceedings. this matter is, therefore, sub-judice.

this is a contra entry - refer to note 14 - arising out of a cash neutral structure envisioned in the transaction agreements. based on the legal opinion received, in the opinion of the management, outcome of the arbitration proceedings is unlikely to have any adverse effect on the operations of the company.

	september 30, 2012 ₹.	september 30, 2011 ₹.
note:- 7. long term borrowings		
secured		
from banks (secured by paripassu first charge on the fixed assets and paripassu second charge on the receivables of the company and also guaranteed by the promoters) there is no default in repayment of loan and interest as on the balance sheet date refer note 33	69,76,81,000	105,52,58,605
un secured		
other loans & overdrafts there is no default in repayment of loan and interest as on the balance sheet date refer note 34	70,10,52,415	60,80,16,792
	<u>139,87,33,415</u>	<u>166,32,75,397</u>
note:- 8 long term provisions		
provision for employee benefit	23,63,870	18,88,471
	<u>23,63,870</u>	<u>18,88,471</u>
note:- 9 short term borrowings		
secured working capital from banks (repayable on demand) (secured by paripassu first charge on receivables of the company, second paripassu charge on the fixed assets of the company and also guaranteed by the promoters) there is no default in repayment of loan and interest as on the balance sheet date	45,25,27,611	39,85,26,139
	<u>45,25,27,611</u>	<u>39,85,26,139</u>
note:- 10 other current liabilities		
a) other payables	2,41,87,522	99,45,328
b) unclaimed dividend	50,10,601	46,26,117
c) other liabilities *	5,40,59,490	1,04,15,270
d) current maturities of long term debt	36,03,06,000	18,90,10,000
	<u>44,35,63,613</u>	<u>21,39,96,715</u>
* other liabilities include statutory liabilities		
note:- 11. short term provisions		
provision for tax	71,03,925	
provision for dividend	4,30,42,192	3,58,68,494
provision for dividend distribution tax	69,82,520	60,79,710
mtm derivative provision	9,23,15,484	1,19,01,345
	<u>14,94,44,121</u>	<u>5,38,49,549</u>

note no.12 particulars	gross block		depreciation block		net block		
	as on 30.9.2011 ₹	additions ₹	as on 30.9.2012 ₹	as on 30.9.2011 ₹	for the year ₹	as on 30.9.2012 ₹	as on 30.9.2011 ₹
1. tangible asset							
Leasehold land	1,57,88,262	-	15788262	24,72,325	2,57,348	27,29,673	1,33,15,937
plant & machinery	231,37,02,068	30,12,16,081	261,49,18,149	107,35,80,650	23,17,87,983	130,53,68,633	124,01,21,418
furniture & fixtures	29,20,80,855	36,001,136	32,80,81,991	10,27,80,585	1,93,85,492	12,21,66,077	18,93,00,270
vehicles	4,77,43,740		4,77,43,740	1,28,75,845	16,21,933	1,44,97,778	3,48,67,895
total	266,93,14,925	33,72,17,217	300,65,32,142	119,17,09,405	25,30,52,756	144,47,62,161	147,76,05,520
2. intangible assets							
software & other rights	34,15,65,482	3,12,68,431	37,28,33,913	18,59,39,501	4,48,90,655	23,08,30,155	15,56,25,981
total	34,15,65,482	3,12,68,431	37,28,33,913	18,59,39,501	4,48,90,655	23,08,30,155	15,56,25,981
total	301,08,80,407	36,84,85,648	337,93,66,055	137,76,48,906	29,79,43,411	167,55,92,317	163,32,31,501
previous year	253,93,93,146	47,14,87,261	301,08,80,407	109,26,16,810	28,50,32,096	137,76,48,906	144,67,76,336

leasehold land represents the value of land taken on long term lease at mahindra world city and ascends international tech park, taramani

	september 30, 2012 ₹.	september 30, 2011 ₹.
note:- 13. non current investments		
investment in equity shares in subsidiary companies		
25,89,429 equity shares of ₹.10/-each in helios & matheson it (bangalore) limited (unquoted) (face value ₹.2,58,94,290/-)	9,58,24,475	9,58,24,475
1500 shares in helios & matheson inc., usa (unquoted)	72,387,951	7,23,87,951
2 shares of s\$1 each in helios & matheson singapore pte ltd, singapore (unquoted)	49	49
1,00,000 equity shares of ₹. 10 each in jayamaruthi software systems pvt. ltd.(un-quoted)	2,43,07,500	2,43,07,500
10,000 shares of maruthi consulting inc,usa (unquoted)	9,16,49,794	9,16,49,794
8,57,149 (21,42,868) shares of common stock in helios & matheson information technology inc usa (formerly helios & matheson north america inc)	53,10,38,408	53,10,38,408
	81,52,08,177	81,52,08,177

note 14

advance

the represents the advance paid by our company for investment in 100% equity of vMoksha entities - 3,31,165 equity share of ₹. 100 each (unquoted) as provided in the transaction agreements dated may 11, 2005. however, the sellers tried to renege the agreements and the company initiated arbitration proceedings. this matter is, therefore, sub-judice.

this is a contra entry - refer to note 6 - arising out of a cash neutral structure envisioned in the transaction agreements. based on the legal opinion received, in the opinion of the management, outcome of the arbitration proceedings is unlikely to have any adverse effect on the operations of the company.

note:- 15. trade receivables		
unsecured and considered good		
receivables outstanding for more than 6 months	1,38,43,410	1,05,16,481
others	95,99,77,228	79,73,44,792
	97,38,20,638	80,78,61,273
note:- 16. cash and cash equivalents		
cash on hand	1,78,488	2,44,144
balances with bank in current accounts	2,32,90,983	3,29,45,200
bank deposit with more than 12 months maturity	34,10,68,786	40,68,73,885
unclaimed dividend	50,10,601	46,26,117
	36,95,48,858	44,46,89,346

	september 30, 2012 ₹.	september 30, 2011 ₹.
note:- 17. loan and advances		
deposits	3,76,15,432	3,66,03,135
advances to subsidiary companies	46,17,76,956	36,60,89,191
other advances	13,37,73,983	9,15,36,472
total	63,31,66,371	49,42,28,798
note:- 18. revenue from operations		
information technology & consultancy	306,34,58,126	255,53,71,380
	306,34,58,126	255,53,71,380
note:- 19. other income(net)		
interest received on bank deposits	1,58,00,514	2,46,30,278
exchange fluctuation	43,45,354	1,01,32,897
miscellaneous income	3,15,986	-
	2,04,61,854	3,47,63,175
note:- 20. employee benefit expenses		
employee cost and benefits	130,19,69,704	105,40,90,694
staff welfare	12,25,38,325	8,94,37,998
	142,45,08,029	114,35,28,692
note:- 21. operation and other expenses		
software services and development expenses	68,36,24,757	61,87,61,451
rent	3,87,47,392	2,97,90,316
power and fuel charges	2,11,12,548	1,47,43,969
postage telegram & telephones	1,94,58,965	1,64,57,785
printing & stationary	1,78,96,587	1,55,82,486
repairs to plant and machinery	1,12,48,463	1,82,83,171
travelling & conveyance	3,62,85,469	3,05,70,655
advertisement & promotional expenses	1,78,25,685	1,51,47,801
subscription & insurance	68,05,677	38,85,150
rates & taxes	81,46,985	67,96,459
professional charges	1,33,45,839	92,94,445
bank charges	3,92,274	3,02,90,398
amortisation of mtm	1,93,15,087	
miscellaneous expenses	54,76,334	1,00,42,333
audit fees		
. statutory audit	4,25,000	4,25,000
. tax audit	75,000	75,000
. tax representation	2,25,000	2,25,000
. certification	1,75,000	1,75,000
. out of pocket expenses	50,000	50,000
. service tax	1,17,421	97,850
	90,07,49,483	82,06,94,269
note:- 22. finance cost		
interest on term loans	12,86,48,458	6,96,40,389
interest on cash credit and over drafts	5,50,24,868	4,26,87,874
other interest	1,54,868	
	18,38,28,194	11,23,28,263

23) managerial remuneration:-

	september 30,2012 (in ₹.)	september 30,2011 (in ₹.)
remuneration to managing director	3,00,000	3,00,000
remuneration to executive director	12,83,000	12,31,460

24) auditors' remuneration

	september 30,2012 (in ₹.)	september 30,2011 (in ₹.)
audit remuneration	4,25,000	4,25,000
tax audit & tax representation	3,00,000	3,00,000
certification fees	1,75,000	1,75,000
out of pocket expenses	50,000	50,000
service tax	1,17,421	97,850
total	10,67,421	10,47,850

25) quantitative details

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

26) deferred tax liabilities

	september 30,2012 (in ₹.)	september 30,2011 (in ₹.)
timing difference on fixed assets	1,12,54,813	1,18,15,561

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, 2012 and the provision based on the figures for the remaining six months up to 30th september, 2012, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st april, 2012 to 31st march, 2013.

27) dues to ssi, micro, small and medium enterprises:

sundry creditors includes amount due to ssi, micro, small and medium enterprises as on 30.09.12 : ₹. 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.

28) foreign exchange inflow and outflow.

	september 30, 2012 (in ₹.)	september 30, 2011 (in ₹.)
earnings in foreign exchange	231,55,57,795	182,01,84,688

29) foreign exchange outgo

employee related personnel cost and allowances onsite	100,44,17,723	42,88,41,371
redemption of fccb	-	96,39,72,379
repayment of loan	2,64,76,450	3,16,27,600
interest	37,55,686	1,90,92,296
travelling	44,64,733	68,30,679

30) segment reporting

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

the company transferred ₹.3,08,162/- to the investor education and protection fund. this is the amount the dividend payable account for the year ended 31.03.2005 remaining unclaimed and unpaid for a period of seven years from the date that they first became due for payment u/s. 205c of the companies act, 1956.

31) 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 information technology inc	subsidiary
jayamaruthi software systems pvt ltd.,	subsidiary
helios and matheson (singapore) pte ltd.,	subsidiary

32) related party transaction for the year ended september 30, 2012

nature of transaction	maruthi consulting inc, usa	helios and matheson it (bangalore) ltd.,	helios and matheson inc , usa	helios and matheson information technology inc	jayamaruthi software systems pvt. Ltd.,	helios and matheson (singapore) pte ltd,	the laxmi group inc, usa	managing director mr.g murali krishna	executive director mr.diwakar sai yerra
investments @	9,16,49,794 (9,16,49,794)	9,58,24,475 (9,58,24,475)	7,23,87,951 (7,23,87,951)	53,10,38,408 (53,10,38,408)	2,43,07,500 (2,43,07,500)	49 (49)	7,23,87,951 (7,23,87,951)		
invested in share capital				-					
sales & services income	5,39,47,150 (5,75,92,037)			2,68,67,072 (2,81,83,530)					
loan (cr) @		(1,00,00,000)							
loan (dr) @	16,50,97,655 (21,14,17,199)	2,17,50,000 -				27,49,29,031 (8,11,04,510)			
security deposit (long term)				5,44,30,000 (4,89,25,300)			- -		
managerial remuneration								3,00,000 (3,00,000)	12,83,000 (12,31,460)

(figures in brackets represent previous year's numbers)

@ closing date

	september 30, 2012 ₹.
note : 33	
maturity profile of long term borrowings	
TL i tenor 2 equal instalments in 2013 -14	2,58,06,000
TL ii tenor 9 equal instalments in 2014-2017	19,68,75,000
TL iv tenor 5 equal instalments in 2013 -2016	25,00,00,000
TL v tenor 6 equal instalments in 2014-2016	22,50,00,000
total	69,76,81,000
note : 34	
overdraft from banks	16,94,92,653
form subsidiary company	5,44,30,000
long term maturities of other loan. (in 2013-16)	47,71,29,762
total	70,10,52,415

35) names of the key management personnel

mr. muralikrishna g.
mr. diwakar sai yerra

36) contingent liability

- a. the income tax demand of ₹.1,94,98,583/- on account of section 10a disallowances for the a.y.2006-2007 is contested before the commissioner of appeals and the company has paid ₹.5,00,000/- and contested the demand.
- b. the income tax demand of ₹.15,94,66,361/- (revised) on account of section 10 a of the income tax act for the assessment year 2008-09 and is contested before the commissioner of appeals. the company has already paid ₹.1,80,00,000/- towards the demand.
- c. the income tax demand of ₹.2,47,10,740 on account of section 10 a of the income tax act for the assessment year 2009-10 and is contested before the commissioner of appeals and the company has paid ₹.40,00,000/- against the demand and contested.
- d. the company has given corporate guarantee on behalf of its subsidiary company for ₹.55.34 crore for the business requirements of the subsidiary.
- e. the service tax demand of ₹.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 and the company has paid under protest ₹.1,90,000/- towards demand.

37) consequent to the notification issued by the ministry of corporate affairs on december 29, 2011, the company adopted the option given in paragraph 46a of the accounting standard-11 "the effects of changes in foreign exchange rates". accordingly the exchange difference on foreign currency denominated long term borrowings and derivative contracts thereon with banks relating to acquisition of depreciable capital assets are adjusted in the carrying cost of such assets.

38) during the year ended september 30, 2012, the revised schedule vi notified under the companies act 1956, has become applicable to the company, for preparation and presentation of its financial statements. accordingly, the company has reclassified / regrouped / amended the previous year figures in accordance with the requirements applicable in the current year.

cash flow statement for the year ended september 30, 2012

	year ended september 30, 2012 ₹.	year ended september 30, 2011 ₹.
i. cash flow from operating activities		
net profit before interest, tax and extra ordinary items	46,07,19,0,57	34,08,79,498
adjustment for:-		
depreciation	29,79,43,411	28,50,32,096
loss on sale of assets		
misc. expenses (w/off)		49,48,126
profit on sale of investment		
loss on sale of investment		
operating profit before working capital changes	75,86,62,468	63,08,59,720
adjustment for:-		
work in progress	(10,99,50,219)	(27,69,493)
sundry debtors	(16,59,59,365)	(5,78,39,818)
other current assets		
loans and advances	(18,71,49,634)	(20,73,29,057)
sundry creditors	13,30,80,726	(173,78,927)
cash generated from operations	42,86,83,976	34,55,42,425
interest paid	(18,38,28,194)	(11,23,28,263)
dividend paid	(3,58,68,494)	(3,58,68,494)
net cash from operating activities	20,89,87,288	19,73,45,668
ii. cash flow from investing activities		
sale of fixed assets		
purchase of fixed assets	(26,31,58,265)	(51,97,11,674)
sale of investment		
purchase of investments net		
incl deferred payment for tact		
misc. expenses not w/off		
net cash from investing activities	(26,31,58,265)	(51,97,11,674)
iii. cash flow from financing activities		
proceeds from issue of capital		
proceeds from preferential allotment application money	1,82,75,000	
fccb redemption premium transfer to share premium		(29,18,52,184)
transfer to capital reserve		2,00,93,252
repayment of unsecured loans		
proceeds from secured loans (net of tod)		95,63,16,398
proceeds from unsecured loan	9,30,35,623	13,28,25,962
proceeds from fccb		
repayment of fccb		(78,31,90,000)
repayment of secured loans	(13,22,80,133)	
net cash from financing activities	(2,09,69,510)	3,41,93,428
d. net inflow/outflow		
net increase/(decrease) in cash & cash equivalents	(7,51,40,488)	(28,81,72,578)
cash and cash equivalents(opening)	44,46,89,346	73,28,61,923
cash and cash equivalents(closing)	36,95,48,858	44,46,89,346
net increase/(decrease) in cash & cash equivalents	(751,40,488)	(28,81,72,578)

for and on behalf of the board

place: chennai
date : february 05 , 2013muralikrishna g.
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 2012. 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 05, 2013 to the members of the company.

as per our report of even date

for venkatesh & co
chartered accountants
fr.no.0046365place: chennai
date : february 05 , 2013ca. v.dasaraty
partner
m.no.26336

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 overview and outlook

according to the global tech market outlook for 2012 and 2013, an independent report published by forrester research inc. in January 2012, purchases of IT consulting, system integration services and IT outsourcing by global businesses and governments are estimated to grow by 6% in calendar year 2012, when calculated in US dollars.

corporations are increasingly turning to off shore service providers for higher quality, cost competitive technology solutions. as a result, off shore service providers have become critical to the operations of many enterprises and they continue to grow in recognition and sophistication, in view of this, the addressable market for offshore technology services has expanded.

for fy2013, the export revenues are expected to grow by 11-14 per cent while the domestic revenues will grow by 13-16 percent.

according to a global services outlook survey, 2013 will be a critical year for many markets and the role that IT plays within them. IT buyers will be looking for stability and ways to prepare for the next few years in their business cycle.

achieving business and IT transformation in a stable format is a complex challenge, and recently bundling has become an increasingly influential component for delivering real change, but with added predictability and control.

at the start of 2012, the overall global outlook was cautiously optimistic, with the view that although the mature economies of western europe (even with the euro crisis) and north america were still struggling to regain their mojo, continuing asian and latin american growth would lubricate a much-anticipated rebound - however, the imf recently re-lowered its projection for global growth in 2013 to just 3.6% (assuming the us will avoid the "fiscal cliff"). with ongoing instability across global markets and even in locations with historically robust growth such as china and india, the outlook for IT services in 2013 is unclear.

IT customers are demanding greater predictability and control as a more risk-averse perspective takes hold. cost cutting has made a slight resurgence in europe but remains less pressing in other geographies, while raising organizational efficiencies remains the top IT investment driver.

this points to a trend that has been gathering pace over the past 12 months and is expected to continue into 2013: enterprises are looking for greater reliability and stability in their external service providers and as a consequence, substantial focus on governance and control is prevalent. however, governance needs to be seen as more than a set of project support operations. the report expects this investment in the governance and management layers to continue in 2013 and beyond as a full suite/portfolio of offerings is increasingly being procured in "bundled packages" by buyers looking for expertise, stability and breadth and depth of technology capability.

the domestic scenario in 2013 and beyond;

the indian IT market is forecast to reach \$10.2 billion in 2013, a 12 percent increase from an estimated \$9.1 billion in 2012.

the rate of growth remains relatively high driven primarily by growing domestic consumption. government projects together with the financial services and manufacturing/infrastructure services will strongly drive IT in india. all industry verticals across india will exhibit high willingness towards IT spending.

as per industry research, the indian domestic IT services market is fast transitioning, with profound changes in buying needs and behavior. the number, size and scale of IT services deals are increasing. buyers are becoming more sophisticated in their sourcing practice and vendor management. deals are transitioning from first- to second-generation outsourcing. the indian market of the future is likely to see efficiency and enhancement-based deals in energy and utilities, transportation, education and parts of government bodies. likewise, the market is likely to see more transformation deals in banking and insurance, telecom, retail and government.

speaking of IT spending in india, which is projected to total \$71.5 billion in 2013, would encounter a 7.7 percent increase from the \$66.4 billion forecasted for 2012. as per latest outlook by industry leaders, india like other emerging markets continues exercising strong momentum despite inflationary pressures.

company overview

helios and matheson is an information technology (IT) services, consulting and business solutions company that delivers measurable results to global enterprises. the company's full services portfolio consists of application development and maintenance, enterprise solutions, validation services and IT infrastructure services. in addition, the company has launched several new service offerings around mobility, big data and cloud.

the company has built strong domain capabilities in BFSI and healthcare verticals, positioning itself as a strategic partner capable of reliably delivering innovative technology-led solutions to business problems.

while the company continues to realise a majority of its revenue from the north american markets, it has been steadily expanding its footprint in other geographies such as asia pacific.

our strategy:

the company's strategy to support longer term growth is to continually extend the core IT services business by expanding its customer reach, industry coverage and service capabilities.

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.

full service capability

the company's continued investments in building full services capability has resulted in a comprehensive, integrated portfolio of services that captures the entire value-chain of IT, from consulting, implementation to support, presenting a compelling value proposition for global enterprises.

the strategy has helped the company find its niche along side global IT service providers, who can offer transformative capabilities, global delivery footprint and time-to-market advantages in addition to optimisation. these end-to-end capabilities have made helios and matheson an important partner to many key clients, significantly deepening the relationship and boosting its share of wallet.

long-standing client relationships:

building and maintaining deep customer relationship is the key to the company's mission to be a trusted business partner to global enterprises. the company's industry- segmented, customer-centric organisation is an important enabler to achieve such mission.

by building business units around groups of key clients in each industry vertical and giving end-to-end sales and delivery responsibility to the business head, helios and matheson has ensured high levels of accountability and superior customer service.

the company primarily focuses on organic growth. however, the company is also open to selective strategic acquisitions in order to penetrate select markets, strengthen verticals as well as enhance offerings. the strategic acquisitions over the years have been successfully integrated and have provided value enhancement.

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.

proven global model

the global delivery model allows helios and matheson to seamlessly and uniformly deliver services to global customers from multiple locations in india and abroad. this enables teams located in different delivery centers across the world to collaborate on projects and leverage all of the company's assets. with most of the large global clients expanding their focus beyond their home markets, the scale and depth of the company's offering makes it the preferred partner in their expansion initiatives.

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.

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 manager 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 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.

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.

ability to scale:

we have successfully managed our growth by investing in infrastructure and by rapidly recruiting, training and deploying new professionals. we currently have 9 global development centers. we can rapidly deploy resources and execute new projects through the scalable network of our global delivery centers.

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. the company has launched several new service offerings around mobility, big data and cloud.

mobility solutions

the company's mobility solutions unit strives to transform enterprise business processes and customer service by leveraging mobile applications deployed on tablets and smart phones. the company has set up a center of excellence to develop mobility solutions for its customers.

big data solutions

big data solutions help customers utilise the burgeoning volume, variety and velocity of data and create value for all stakeholders. the company has established alliances with leading technology providers and has invested in building a highly skilled team and state of the art big data infrastructure.

the company is working on creating niche analytical business solutions using big data, for customer specific problems that are not solved easily using traditional architectures. in addition, the company is looking to leverage its deep domain expertise across different verticals, analytics and visualisation capabilities to build intellectual property that addresses specific business problems using big data.

cloud

cloud represents a new business model wherein helios and matheson manages and executes customers' business processes using its own, centrally hosted technology platform. this is a bundled service offering that enables end-to-end execution of business processes.

non linear models

in order to strengthen future sustainability of the business model, the company has been pursuing non-linear growth opportunities, which would bring in revenue growth without commensurate growth in headcount. non-linearity in the current IT services businesses come from productivity-enhancing tools, frameworks, solution accelerators and managed services engagements.

in addition to the cloud and managed services engagements, the company's knowledge services unit which has been making steady progress is expected to contribute significantly to the non-linear revenue pie in the years to come.

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.

human resources and development

the company continues to invest in developing its human capital, building strong relationships with academia and establishing its brand in the market to attract and retain the best talent. the initiatives taken in this regard include developing competencies, early identification and nurturing a strong pipeline of leaders, giving periodical training and motivating the employees to achieve their career goals. performance is suitably recognized with promotions and incentives. this results in continuous superior output and productivity. the company's hr strategy helped it fulfill the demand to generate and provide the experience of certainty to all stakeholders.

in addition, a robust and time tested talent acquisition team has been developed and an in-house hr model has helped the company source, transition and effectively integrate the recruits. with the acquisition of more space for its operations and provision of necessary infra structure facilities to its employees, the company is endeavoring to continuously upgrade the skill sets of its staff members.

highly engaged employees are essential for sustaining the company's growth. the company is continuously focusing on improving the hr practices around talent engagement, talent deployment, performance and career development, reward and timely recognition for superior performance and provision of suitable monetary benefits helped the company to retain and attract the best talent available in the market.

compliance

the compliance cell in the HR department continues to keep track of developments in immigration, employment and labour laws globally and recommends changes in policies and procedures to mitigate future risks arising out of changes in the legal environment. the HR cell also constantly updates its compliance on various labour laws and wherever required puts in place requisite controls and mechanisms to achieve full compliance.

financial overview :

the financial statements have been prepared in compliance with the requirements of the companies act, 1956 and generally accepted accounting principles in india. the financial statements have been prepared on a prudent and reasonable basis to reflect in a true and fair manner the state of affairs of the company.

share capital :

at present we have two classes of shares equity shares of ₹.10 each and redeemable preference shares of ₹.10 each. our authorized share capital is ₹.50 crore comprising equity share capital of ₹.40 crore and redeemable preference shares of ₹. 10 crore. the subscribed capital is ₹.23.91 crore of equity shares which includes ₹.15.95 crore by way of bonus shares which were capitalized out of free reserves in earlier years. equity shares of value ₹.41,000 were forfeited.

reserves:

the general reserves is ₹.153.38 cr at the beginning of the year and an amount of ₹. 15 crore was transferred to general reserves account from appropriation account of profit and loss account.

the capital reserves account stood at ₹.5.20 cr during the year.

the share premium account stood at ₹. 9.42 crore.

the balance in the profit and loss account at the beginning of the year is ₹.22.14 crore and an amount of ₹.1.03 cr was transferred to this account during the year after the appropriation and closing balance stood at ₹.23.17 cr.

loans:

secured and unsecured loans:

the net decrease of ₹.13.23 cr in long term borrowing and current maturities of long term debt is on account of repayment of term term loans.

the net increase in unsecured loan is ₹.9.30 cr.

fixed assets:

capital expenditure:

the company incurred capital expenditure of ₹.26.32 crore during the year and major part of capex is in the nature of plant and machinery consisting of investment in computer equipment, software products, high end servers, net work solutions, infrastructure and communication facilities connecting our global and domestic offices. this increase in capital expenditure has been necessitated to support anticipated business growth. this capital expenditure has been funded out of our internal accruals.

investments:

the investments of ₹.81.52 crore represent strategic investments in our subsidiaries aimed at bringing additional business to the company. since the investments are long term in nature and are for a strategic purpose, the diminution in value of investments, if any, is not recognized.

sundry debtors:

sundry debtors amount to ₹.97.38 crore representing 116 days sale as against ₹. 80.78 crore representing 113 days sale in the previous year. the need for provision for doubtful debts is assessed taking various factors into account. considering these factors, no provision is made for doubtful debts and all are considered good and realizable.

cash and bank balances :

out of the bank balances of ₹.36.44 crore, fixed deposits with banks amount to ₹.34.11 crore and current account balances amount to ₹.2.32 crore.

unbilled revenue:

unbilled revenue of ₹.31.14 crore represents expenses incurred and not billed to clients pending achievement of milestones as at balance

sheet date. the billing is done in the subsequent year depending upon completion of milestones as per contract terms. the valuation of unbilled revenue is done at cost and recognised accordingly in the accounts.

loans and advances :

loans and advances given to subsidiaries are in the normal course of business and are repayable with interest. advances to others represent rental, electricity, telephone and communication deposit and travelling advances to employees .

results of operations :

revenue

the company's revenue consist mainly of income from IT services. total revenue grew to ₹. 308.39 cr from ₹. 259.01 cr. during the year, there was growth across all the industry verticals, with increased traction in banking vertical riding on the back of a drive towards long term engagements with key partners in the previous years, helios matheson has scaled new heights. a shift in focus towards servicing top players across verticals has played a distinct role in this growth, providing new business opportunities. another vital reason for our success has been the sustained relationship with clients that the company has nurtured and continues to build upon. we constantly look for ways to enrich client experience, focusing on deliveries with better quality, consistency and an understanding of the client's and the market's needs. narrowing down on clientele allowed us to concentrate on servicing top players across the market. this paradigm shift has helped us climb the value chain along with our clients.

other income comprises interest income of ₹.1.58 crore received on deposits placed with banks and others and net of forex gain ₹.0.43 crore.

expenditure

expenditure includes employee benefit expenses of ₹.142.45 crore, software services and development expenses and operating expenses of ₹. 68.36 crore and general administrative expenses and selling expenses for ₹. 21.71 crore.

profit before interest, depreciation and taxes

revenue and the profit growth for the year was higher over the previous year resulted in increase in the operating margin. the profit before interest, depreciation and taxes is ₹. 75.87 crore and as a percentage of income, pbitd is 24.60% compared to 24.16% in the previous year.

interest cost

interest expenses increased to ₹.18.38 crore from ₹. 11.23 crore due to increase in term loans.

depreciation

depreciation charge has increased to ₹.29.79 crore from ₹. 28.50 crore. the depreciation charge is 9.65% on revenue for the year as against 11% in the previous year.

profit before taxes

profit before taxes was ₹. 27.69 crore as against ₹. 22.85 crore. in terms of percentage of total income pbt is 8.98% as against 8.82% 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 ofm 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 is 6.82% compared to 6.64% in the previous year.

dividend

the board recommends a dividend of 18% amounting to ₹.4.30 crore as against 15% for the previous year amounting to ₹.3.58 crore. total dividend payout including dividend distribution tax is ₹.5.00 crore representing a payout of 23.79% of pat.

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 & matheson information technology limited and its subsidiaries (the group) as at 30th september, 2012, the also the consolidated profit and loss account and also the consolidated cash flow statement of the company for the period ended on that date annexed thereto. these consolidated financial statements are the responsibility of the company's management and have been prepared by the management from the basis of separate financial statements and other financial information regarding components, our responsibility is to express an opinion on these 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 to support the amounts and disclosures in the financial statements. an audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation 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 limited and its subsidiaries namely helios& matheson it (bangalore) ltd., and jayamaruthi software systems private limited for the period october, 2011 to september, 2012, which are considered in the consolidated financial statements, the financial statements of helios and matheson information technology inc, usa for the year ended december 2011 as audited by mercadien p.c. and helios and matheson (singapore) pte ltd for the year ended march, 31, 2012 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, 2011 to september, 2012 respectively were considered by us for consolidation purpose, the financial statement of helios and matheson information technology inc for the period october, 2011 to september, 2012 which were subjected to limited review by the auditors and the financial statement of helios and matheson inc, usa and helios and matheson (singapore) pte ltd for the period october, 2011 to september, 2012 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 requirement 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 explanation 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 the company as at 30th september, 2012;
- b. in the case of the consolidated profit and loss account, of the profit for the period ended on that date; and
- c. in the case of the consolidated cash flow statement, of the cash flows of the period ended on that date.

for venkatesh & co
chartered accountants
fr.no.0046365

place : chennai
date : february 05 , 2013

ca. v. dasaraty
partner
m.no.26336

consolidated balance sheet as at september 30, 2012

	note	september 30, 2012 ₹.	september 30, 2011 ₹.
i. equity and liabilities			
1. shareholders' funds			
share capital	3	23,91,23,290	23,91,23,290
reserves and surplus	4	268,28,50,345	242,61,34,407
minority interest		5,81,33,528	3,54,32,229
money received against share warrants	5	1,82,75,000	-
		<u>299,83,82,163</u>	<u>270,06,89,926</u>
advance received towards subscription of redeemable preference shares	6	63,04,14,007	63,04,14,007
2. non-current liabilities			
long-term borrowings	7	186,77,65,697	219,24,67,177
deferred tax liabilities		23,65,74,274	23,76,60,747
long term provisions	8	23,63,870	18,88,471
		<u>210,67,03,841</u>	<u>243,20,16,395</u>
3. current liabilities			
short-term borrowings	9	47,41,67,508	41,67,23,512
trade payables	10	43,92,800	59,45,985
other current liabilities	11	50,32,65,050	37,05,04,914
short-term provisions	12	16,17,89,747	8,32,56,922
		<u>114,36,15,106</u>	<u>87,64,31,334</u>
total equity & liabilities		<u>687,91,15,116</u>	<u>663,95,51,661</u>
ii. assets			
1. non-current assets			
(a) fixed assets	13		
tangible assets		189,29,65,600	179,00,94,181
intangible assets		134,20,54,985	143,15,34,190
capital work in progress		13,92,41,306	24,45,68,689
		<u>337,42,61,892</u>	<u>346,61,97,060</u>
(b) advance	14	65,02,50,007	65,02,50,007
(2) current assets			
trade receivables	15	123,81,14,339	114,33,20,892
cash and cash equivalents	16	49,82,75,296	56,56,37,583
other current assets	17	77,13,16,454	57,62,57,197
unbilled revenue (valued at cost)		34,68,97,129	23,78,88,922
		<u>285,46,03,218</u>	<u>252,31,04,594</u>
total assets		<u>687,91,15,116</u>	<u>663,95,51,661</u>
notes forming part of the accounts	1-24		

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 5 , 2013muralikrishna g.
managing directordiwakar sai yerra
executive directork.m.kumar
company secretaryca. v.dasaraty
partner
m.no.26336

consolidated profit and loss account for year ended september 30, 2012

	note	september 30, 2012 ₹.	september 30, 2011 ₹.
i. revenue from operations	18	457,92,21,800	398,81,43,220
ii. other income	19	2,21,73,879	3,91,16,919
a. total		460,13,95,679	402,72,60,139
b. less: intra group sales		8,08,14,222	8,57,75,567
		452,05,81,457	394,14,84,572
iii. expenditure:			
employee benefit expense	20	177,88,22,334	154,44,42,633
operation and other expenses	21	173,84,56,618	160,74,81,108
profit before interest depreciation & taxes (pbidt)		100,33,02,505	78,95,60,831
financial cost	22	20,51,99,592	13,12,51,927
profit/(loss) before depreciation & taxes (pbdt)		79,81,02,913	65,83,08,904
depreciation	13	42,34,87,038	38,13,99,581
iv. profit/(loss) before exceptional and extraordinary items and tax (pbt)		37,46,15,875	27,69,09,323
v. prior period item - provision for tax			
vi. profit before tax (vii - viii)		37,46,15,875	27,69,09,323
vii. tax expense:			
- current tax		6,74,85,866	6,25,23,300
- deferred tax		1,30,14,433	1,33,65,153
viii. profit(loss) from the period from continuing operations		29,41,15,576	20,10,20,870
-concern share		28,76,96,538	20,27,26,932
-minority		64,19,039	(17,06,062)
notes forming part of the accounts	1-24		

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 5, 2013muralikrishna g.
managing directordiwakar sai yerra
executive directork.m.kumar
company secretaryca. v.dasaraty
partner
m.no.26336

notes forming part of the consolidated accounts

1. corporate information;

helios and matheson information technology ltd is a public ltd company registered in india and incorporated under the provisions of the companies act, 1956. its shares are listed in NSE, BSE and MSE in India and its subsidiary company helios and matheson information technology Inc, USA is listed in NASDAQ.

helios and matheson information technology ltd along with its subsidiaries namely helios and matheson information technology inc, usa, maruthi consulting inc, usa, the laxmi group inc, usa, helios matheson inc, usa, helios & matheson(singapore) pte ltd, helios & matheson IT (bangalore) ltd, bangalore and jayamaruthi software services (p) ltd, chennai provide a wide range of information technology and consultancy services. the company's full services portfolio consist of application development and maintenance, system integration, independent verification, managed services. the company caters to the bfsi (banking, financial services and insurance), health care and technology sectors in india and across the globe.

note no. 2

significant accounting policies and notes to accounts

a) 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) rule, 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 ongoing basis.

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., period ended 30th september 2012.

b) 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 transaction and unrealized 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.

c) 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.

d) investment

investments, being long term, are stated as cost. however, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

e) 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. revenue 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.

f) unbilled revenue

unbilled revenue primarily comprises revenue recognized in relation to efforts incurred on time and material contracts till a mile stone is reached and on fixed price / fixed time frame contracts. until the balance sheet date. unbilled revenue is recognised at cost in the financial statement.

g) 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.

h) 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 and the manner as provided 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 information technology inc, north america, follow the rates computed by taking only the estimated useful life of the assets which is not in accordance with schedule xiv of the companies act, 1956. depreciation is charged on a pro-rata basis for assets purchased/sold during the year. individual assets costing less than ₹. 5,000/- are depreciated in full in the year of purchase.

i) 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. other foreign currency transactions are converted at the exchange rate prevailing on the last working day of the accounting year. fluctuations in exchange rate transactions are charged to profit & loss account wherever necessary.

j) taxation

indian companies income tax expenses comprise current tax and deferred tax charges or credit. the deferred tax asset and deferred tax liabilities 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.

k) in accordance with accounting standard 21 “consolidated financial statement” issued by the institute of chartered accountants of india, the consolidated financial statements of helios & matheson information technology limited include the financial statements of all subsidiaries which have more than 50% shareholding and board control to govern the financial and operating policies 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 information technology inc	usa	74*
* through the parent and its subsidiary		

l) uniform accounting policies

in preparing the consolidated financial statements of helios and matheson information technology limited 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 statement of the holding company and its indian & foreign subsidiaries used in the consolidation are drawn up to the same reporting date as that the parent company ie., september, 2012

m) 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 information technology inc	usa	74*
* through the parent and its subsidiary		

	september 30, 2012 ₹.	september 30, 2011 ₹.
note - 3 : share capital		
authorised share capital		
4,00,00,000 (4,00,00,000) equity shares of ₹.10 each	40,00,00,000	40,00,00,000
1,00,00,000 (1,00,00,000) redeemable preference shares of ₹.10 each	10,00,00,000	10,00,00,000
	50,00,00,000	50,00,00,000
issued share capital		
2,39,16,429 (2,39,16,429) equity shares of ₹.10 each	23,91,64,290	23,91,64,290
subscribed & paid up share capital		
2,39,12,329 (2,39,12,329) equity shares of ₹.10 each (out of the total shares of the company mrs. g.annapurna holds 18.50 % & mrs. r.padmaja holds 18.48 %)	23,91,23,290	23,91,23,290

	september 30, 2012		september 30, 2011	
	no of shares	amount	no of shares	amount
equity shares				
at the beginning of the period	2,39,12,329	23,91,23,290	2,39,12,329	23,91,23,290
changes during the reporting period	-	-	-	-
outstanding at the end of period	2,39,12,329	23,91,23,290	2,39,12,329	23,91,23,290

(b) rights, preferences and restrictions attaching to various classes of shares

equity

the company has issued only one type of share, ie, equity, the rights and restrictions are as per the provisions of the companies act and the articles of association.

(c) shares in the company held by each shareholder holding more than 5% shares

sl.no.	name of the shareholder	no of shares held september 30, 2012	% held	no of shares held september 30, 2011	% held
1	padmaja r	44,20,016	18.48	44,20,016	18.48
2	annapurna g	44,23,604	18.50	44,23,604	18.50

(d) details of securities convertible into equity shares

sl.no.	particulars of convertible securities	term of convertible securities into equity shares	earliest date of conversion
1	25, 00,000 warrants convertible into fully paid up shares of the company allotted to v.ramachandran & g.muralikrishna, the promoters of the company in may 2012.	one equity share for each warrant held at ₹. 29.24 per share	18 months from the date of allotment, ie 23.05.2012 on or before 22.11.2013
2.	57,00,000 warrants were issued to two of the promoters of the company and a non promoter on 30.09.2008	one equity share for each warrant held at ₹. 64.96 per share.	8,00,000 equity shares were issued to the promoters upon exercise of option by them

	september 30, 2012 ₹.	september 30, 2011 ₹.
note - 4 : reserves and surplus		
a. general reserve	174,88,50,000	159,88,50,000
b. capital reserve	5,32,75,152	5,32,75,152
c. share premium	15,82,32,236	15,82,32,236
d. surplus in profit & loss account	61,07,67,157	51,66,76,293
e. accumulated foreign currency translation adjustment	16,98,59,328	13,45,32,955
total	274,09,83,873	246,15,66,636
less:- minority interest in reserves & surplus	5,81,33,528	3,54,32,229
total reserve	268,28,50,345	242,61,34,407

note 5

money received against share warrants

share application money received as on september 30,2012 represents the amount received from the promoters towards preferential allotment of equity shares as per sebi guidelines.

note 6

advance received towards subscription of redeemable preference shares

this represents advance amount received from the sellers of vMoksha towards subscription of redeemable preference shares of your company as provided in the transaction agreements dated may 11, 2005. however, the sellers tried to renege the agreements and the company initiated arbitration proceedings. this matter is, therefore, sub-judice.

this is a contra entry - refer to note 14 - arising out of a cash neutral structure envisioned in the transaction agreements. based on the legal opinion received, in the opinion of the management, outcome of the arbitration proceedings is unlikely to have any adverse effect on the operations of the company.

	september 30, 2012 ₹.	september 30, 2011 ₹.
note 7 :- long term borrowings		
secured		
from banks	69,76,81,000	106,52,58,605
(secured by paripassu first charge on the fixed assets and paripassu second charge on the receivables of the company and also guaranteed by the promoters)		
there is no default in repayment of loan and interest as on the balance sheet date refer note 23		
un secured		
other loans	117,00,84,697	112,72,08,572
there is no default in repayment of loan and interest as on the balance sheet date refer note 24		
total	186,77,65,697	219,24,67,177

	september 30, 2012 ₹.	september 30, 2011 ₹.
note 8:- long term provisions		
provision for employee benefit	23,63,870	18,88,471
total	23,63,870	18,88,471
note 9:- short term borrowings		
loans repayable on demand (secured by paripassu first charge on receivables of the company and also guaranteed by the promoters)	47,41,67,508	41,67,23,512
there is no default in repayment of loan and interest as on the balance sheet date		
total	47,41,67,508	41,67,23,512
note 10:- trade payables		
trade payables	43,92,800	59,45,985
total	43,92,800	59,45,985
note 11:- other current liabilities		
a) other payables	8,09,89,427	16,38,43,043
b) unclaimed dividend	50,10,601	46,26,117
c) other liabilities	5,69,59,022	1,30,25,754
d) current maturities of long term debt	36,03,06,000	18,90,10,000
total	50,32,65,050	37,05,04,914
* other liabilities include statutory liabilities		
note - 12 : short-term provisions		
provision for employees' benefits	9,73,603	5,12,813
provision for taxation	41,04,357	2,07,31,507
provision for taxation current year	1,43,71,592	81,63,053
provision for dividend and dividend tax	5,00,24,712	4,19,48,204
mtm derivative provision	9,23,15,484	1,19,01,345
	16,17,89,747	8,32,56,922

note 13 : fixed assets

in ₹.

particulars	gross block				depreciation block			net block	
	as on 1.10.2011	additions	deletion	as on 30.09.2012	as on 01.10.2011	for the year	deletion	as on 30.09.2012	as on 30.09.2011
lease hold building	1,68,01,895	-	-	1,68,01,895	26,29,944	2,73,871	-	1,38,98,081	1,41,71,952
plant & machinery	339,01,35,074	38,37,65,217	-	377,39,00,291	184,65,20,102	29,47,97,571	-	163,25,82,617	154,36,14,972
furniture & equipment	30,90,41,310	3,62,64,477	-	34,53,05,787	11,22,39,849	2,03,98,522	-	21,26,67,416	19,68,01,461
vehicles	4,86,82,594	-	-	4,86,82,594	1,31,76,797	16,88,310	-	3,38,17,487	3,55,05,796
total	376,46,60,873	42,00,29,694	-	418,46,90,567	197,45,66,692	31,71,58,274	-	189,29,65,600	179,00,94,181
intangible asset software & other rights	1,173,708,287	3,12,68,431	-	120,49,76,718	21,37,54,085	10,63,28,764	-	88,48,93,870	95,99,54,202
goodwill on acquisition	52,17,82,404	-	1,44,18,873	50,73,63,531	5,02,02,416	-	-	45,71,61,115	47,15,79,988
total	169,54,90,691	3,12,68,431	1,44,18,873	171,23,40,249	26,39,56,501	10,63,28,764	-	134,20,54,985	143,15,34,190
total previous year	546,01,51,564 (474,73,57,083)	45,12,98,125 (71,29,23,466)	1,44,18,873 (1,28,985)	589,70,30,816 (546,01,51,564)	223,85,23,193 (185,72,52,597)	42,34,87,038 (38,13,99,581)	(1,28,985)	323,50,20,585 (322,16,28,371)	322,16,28,371 (289,01,04,486)

note 14

advance

the represents the advance paid by our company for investment in 100% equity of vMoksha entities - 3,31,165 equity share of ₹. 100 each (unquoted) as provided in the transaction agreements dated may 11, 2005. however, the sellers tried to renege the agreements and the company initiated arbitration proceedings. this matter is, therefore, sub-judice.

this is a contra entry - refer to note 6 - arising out of a cash neutral structure envisioned in the transaction agreements. based on the legal opinion received, in the opinion of the management, outcome of the arbitration proceedings is unlikely to have any adverse effect on the operations of the company.

note :- 15 trade receivables	september 30, 2012	september 30, 2011
	₹.	₹.
unsecured and considered good		
receivables outstanding for more than 6 months	2,85,92,755	2,20,65,079
others	120,95,21,584	112,12,55,813
total	123,81,14,339	114,33,20,892
schedule - 16 : cash and cash equivalents		
cash on hand	11,18,05,761	9,19,55,100
balances with bank in current a/c	3,35,39,026	5,22,90,815
bank deposit with more than 12 months maturity	34,79,19,908	41,67,65,551
unclaimed dividend	50,10,601	46,26,117
total	49,82,75,296	56,56,37,583
schedule - 17 : other current assets		
deposits	4,42,56,226	4,46,39,555
loans & advances	72,70,60,228	53,16,17,642
total	77,13,16,454	57,62,57,197
note:- 18 revenue from operations		
revenue from operations in respect of sale of service	457,92,21,800	398,81,43,220
total	457,92,21,800	398,81,43,220
note:- 19 other income		
interest received on bank deposits	1,65,91,930	2,78,78,927
exchange fluctuation	46,23,602	109,76,840
miscellaneous income	9,58,347	2,61,152
total	2,21,73,879	3,91,16,919
note :- 20 employee benefit expenses		
employee cost and benefits	165,52,12,399	145,36,44,099
staff welfare	12,36,09,935	9,07,98,534
total	177,88,22,334	154,44,42,633

	september 30, 2012 ₹.	september 30, 2011 ₹.
note 21 :- operation and other expenses		
software services and development expenses	148,37,56,677	134,31,59,329
rent	4,06,79,874	3,56,66,758
power and fuel charges	2,11,12,548	1,88,64,308
postage telegram & telephones	2,21,38,200	1,98,76,122
printing & stationary	1,80,48,200	1,73,45,618
repairs to plant and machinery	1,58,01,108	297,16,229
travelling & conveyance	4,31,34,694	315,19,627
advertisement & promotional expenses	1,78,75,539	165,32,466
subscription & insurance	98,21,725	84,30,222
rates & taxes	1,38,66,016	135,47,816
professional charges	2,33,45,397	238,75,381
bank charges	15,62,740	3,23,24,168
amoertisation of mtm	193,15,087	-
miscellaneous expenses	64,69,986	1,28,47,541
provision for bad and doubtful debts	-	22,18,741
audit fees	-	-
- statutory audit fees	8,35,650	8,86,406
- tax audit fees	75,000	75,000
- tax representation fees	2,25,000	2,25,000
- certification	1,75,000	1,75,000
- out of pocket expenses	50,000	50,000
- service tax	1,68,177	1,45,375
total	173,84,56,618	160,74,81,108
note :- 22 finance cost		
interest on term loans	14,71,30,386	8,56,88,497
interest on cash credit and over drafts	5,79,13,726	4,54,62,211
other interest	1,55,480	1,01,219
total	20,51,99,592	13,12,51,927
note : 23		
maturity profile of long term borrowings		
TL 1 tenor 2 equal instalments in 2013 -14	2,58,06,000	
TL 2 tenor 9 equal instalments in 2014-2017	19,68,75,000	
TL 3 tenor 5 equal instalments in 2013 -2016	25,00,00,000	
TL 4 tenor 6 equal instalments in 2014-2016	22,50,00,000	
total	69,76,81,000	
note : 24		
overdraft from banks	16,94,92,653	
long term maturties other loans. in 2012-16	100,05,92,044	
total	117,00,84,697	

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 5 , 2013muralikrishna g.
managing directordiwakar sai yerra
executive directork.m.kumar
company secretaryca. v.dasaraty
partner
m.no.26336

consolidated cash flow statement for the year ended september 30, 2012

	year ended september 30, 2012 ₹.	year ended september 30, 2011 ₹.
i. cash flow from operating activities		
net profit before interest, tax and extra ordinary items	57,98,15,467	40,81,61,250
adjustment for:		
depreciation	42,34,87,038	38,13,99,581
misc. expenses (w/off)		49,48,126
operating profit before working capital changes	100,33,02,505	79,45,08,957
adjustment for:-,		
work in progress	(10,90,08,207)	56,74,580
sundry debtors	(9,47,93,447)	2,40,486
loans and advances	(19,50,59,257)	(21,94,53,166)
sundry creditors	4,12,61,278	36,69,308
cash generated from operations	64,57,02,872	58,46,40,164
tax paid	(7,79,04,477)	(6,72,28,022)
net cash from operating activities	56,77,98,395	51,74,12,143
ii. cash flow from investing activities		
purchase of fixed assets	(34,59,70,742)	(82,67,08,413)
net cash from investing activities	(34,59,70,742)	(82,67,08,413)
iii. cash flow from financing activities		
proceeds from issue of capital	-	-
proceeds from preferential convertible warrants application money	1,82,75,000	-
transfer to capital reserve	-	2,00,93,252
proceeds from unsecured loans	4,28,76,125	20,14,06,588
appropriation of share premium for fccb redemption premium	-	29,18,52,184
repayment of fccb	-	78,31,90,000
proceeds from secured loans	-	93,87,66,787
repayment of secured loans	(13,88,37,609)	-
interest paid	(20,51,99,592)	13,12,51,927)
dividend paid	(4,19,48,204)	(4,84,39,711)
net cash from financing activities	(32,48,34,280)	(9,44,67,195)
iv. net inflow/outflow		
effect of foreign exchange change	3,56,44,340	12,58,64,674
net increase/(decrease) in cash & cash equivalents	(6,73,62,288)	(27,78,98,792)
cash and cash equivalents(opening)	56,56,37,583	84,35,36,375
cash and cash equivalents(closing)	49,82,75,296	56,56,37,583
net increase/(decrease) in cash & cash equivalents	(6,73,62,288)	(27,78,98,792)

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 05 , 2013

muralikrishna g.
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 05, 2013

ca.v. dasaraty
partner
M.no.26336

statement pursuant to section 212 (8) 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 Information technology inc.,
1) reporting date(financial year of the company ended on)	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.12.2011
2) reporting currency	₹ (in crore)	₹ (in crore)	\$	\$	singapore dollars	\$	\$
3) capital	2.58	0.10	16600 / 0.08	1600000 / 8.14	2 / 0.00	1918400 / 9.76	4956803 / 25.21
4) reserves	30.84	11.03	1610786 / 8.19	-	(832616) / (3.36)	2123277 / 10.80	-
5) total assets	43.97	11.06	1827509 / 09.30	1605430 / 8.16	13216112 / 53.45	7309132 / 37.18	4956803 / 25.21
6) total liabilities	43.97	11.06	1827509 / 09.30	1605430 / 8.16	13216112 / 53.45	7309132 / 37.18	4956803 / 25.21
7) investments	-	-	-	1600000 / 8.14	-	-	-
8) turnover / total income	24.56	0.34	1059157 / 5.39	-	-	7607408 / 38.70	12203990 / 62.08
9) profit before taxation	3.42	0.03	84699 / 0.22	-	-	209717 / 1.07	199076 / 1.01
10) provision for taxation	1.61	0.01	34240 / 0.17	-	-	70614 / 0.36	12243 / 0.06
11) profit after taxation	1.81	0.02	50459 / 0.25	-	-	139102 / 0.71	186833 / 0.95
12) proposed dividend	Nil	-	-	-	-	-	-

* 1 USD = INR 50.87

* 1 SGD = INR 40.45

note :- information on subsidiaries is provided in compliance with the circular no.2/2011 dated february 8, 2011 of the ministry of corporate affairs, government of india. 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 in chennai, india . the same will also be available on our website. www.heliosmatheson.com

for and on behalf of the board

place: chennai
date : february 05 , 2013

muralikrishna g.
managing director

diwakar sai yerra
executive director

k.m.kumar
company secretary



helios
and matheson

notice

notice is hereby given that the twentieth annual general meeting of the members of helios and matheson information technology limited will be held on monday, the 25th day of march, 2013 at 3.00 p.m. at rani seethai hall, anna salai, chennai 600 006 to transact the following business:

ordinary business:

1. receive, consider and adopt the audited balance sheet as at 30th september 2012 and profit and loss account of the company for the year ended on that date along with reports of the directors and auditors thereon.
2. declare a dividend on the equity shares of the company.
3. appoint a director in place of avm(retd) srinivasa rao sistla who retires by rotation and being eligible, seeks reappointment.
4. appoint statutory auditors for the year 2012-13 and fix their remuneration at rs 10 lakh and reimbursement of out of pocket expenses. m/s venkatesh & co., the retiring auditors are eligible for reappointment.

special business :

5. to pass with or without modification the following resolution as an ordinary resolution:

“resolved that pursuant to the provisions of sections 198, 269, 309, 310 and other applicable provisions, if any, of the companies act, 1956 and schedule xiii to the said act and as per the recommendations of the board of directors, consent of the company be and is hereby given to reappoint mr. g.k. muralikrishna as managing director & ceo for a tenure of five years w.e.f. 1st april, 2013, on the following terms and conditions. as stated in the explanatory statement and on the remuneration set out below, with liberty to the board of directors (hereafter referred to as 'the board', which term shall be deemed to include any committee of the board constituted to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of appointment and/or remuneration, subject to the same not exceeding the limits specified under schedule xiii of the companies act, 1956 or any statutory modification(s) or re-enactment thereof.

a) salary: ₹.2,00,000/- per month aggregating to ₹.24,00,000/- per annum with an annual increase of 10%.

b) perquisites:

i) rent free furnished accommodation, mediclaim policy for self and family, personal accident insurance for self and other benefits not exceeding ₹.1,00,000 per month in accordance with the rules of the company. the monetary value of the perquisites shall be valued as per the provisions of the income tax act, 1961 and the rules made thereunder wherever applicable and in the absence of any such provision, perquisites shall be valued at actual cost.

ii) use of one motor car with driver with all running and maintenance expenses to be paid for by the company.

iii) gratuity in accordance with the rules of the company.

iv) reimbursement of actual medical expenses incurred for self and family as per company's rules.

v) use of one telephone at the residence and one mobile phone for company's business provided that the cost of personal long distance calls, if any, shall be reimbursed by the appointee to the company.

vi) fees (excluding life membership and entrance) of maximum of two clubs together with the benefit of all expenses incurred thereat towards the business of the company.

vi) reimbursement of business promotion/entertainment expenses/books and periodicals expenses incurred towards the business of the company at actual.

resolved further that in case of inadequacy of profits or absence of profits in any financial year during the tenure of mr. g. muralikrishna, he shall be paid remuneration as stated aforesaid and such remuneration shall be deemed as the minimum remuneration payable to him;

resolved further that the board be and is hereby authorized to do all such acts, deeds and things and to execute all such documents, instruments and writings as may be required to give effect to this resolution.”

6. to pass with or without modification, the following resolution as a special resolution:

resolved that pursuant to section 309 and all other applicable provisions, if any, of the companies act, 1956 [“the act”], and subject to all permissions, sanctions and approvals as may be necessary approval of the company be and is hereby accorded for the payment of commission to those directors of the company who are neither in the whole time employment nor are managing or whole time directors, in accordance with and upto the limits laid down under the provisions of section 309[4] of the act, computed in the manner specified in the act, for a period of 5 years from the financial year commencing 1 october 2012, in such manner and upto such extent as the board may, from time to time, determine.

resolved further that for the purpose of giving effect to this resolution, the board be and is hereby authorized to take all actions and do all such deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.

by order of the board
for helios and matheson information technology limited

place : chennai
date : 05.02.2013

muralikrishna g.
managing director

notes:

a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and the proxy need not be a member of the company. the instrument appointing the proxy shall be deposited at the registered office of the company or at the office of the company's share transfer registrars not later than 48 hours before the time fixed for holding the meeting; in default, the instrument of proxy shall not be treated as valid.

the register of members and share transfer books of the company will remain closed from 21st march 2013 to 25th march 2013 (both days inclusive).

members/proxies should bring the attendance slip (attached with the annual report) duly filled-in and signed and they are requested to handover the same at the entrance of the hall for attending the meeting.

dividend, upon its declaration at the meeting will be paid to those members whose names appear in the register of members of the company on 21.03.2013 (date of opening of the book closure).

members holding shares in physical form are advised to furnish, on or before march 20, 2013, particulars of their bank account, if not done already or if it is changed, to the company to incorporate the same in the dividend warrants/payment instruments. in respect of cases, where the payments to the shareholders holding shares in dematerialised form are made by dividend warrants/payment instruments, particulars of bank account registered with their depository participants will be considered by the company for printing the same on the dividend warrants/ payment instruments.

members who hold shares in the dematerialised form and want to change/correct the bank account details should send the same immediately to their concerned depository participant and not to the company. members are also requested to give the micr code of their bank to their depository participants. the company, in case of such demat shares, will not entertain any direct request from such members for change of address, transposition of names, deletion of name of deceased joint holder and change in the bank account details. while making payment of dividend, registrar is obliged to use only the data provided by the depositories.

as per rbi notification, with effect from October 1, 2009, the remittance of money through ecs is replaced by national electronic clearing services (necs) and banks have been instructed to move to the necs platform. in this regard, please note that, if the members have not provided to the corporation or their dp the new bank account number, if any, allotted to them, after implementation of core banking system (cbs), credit of dividend through necs to their old bank account number, may be rejected or returned by the banking system.

shareholders holding shares in physical form under multiple folios are requested to send company's share transfer agent details of such folios together with the share certificate to consolidate their holdings in a single folio so as to enable us to serve them in a better, most efficient and effective manner. the share certificate will be returned to the members after making the requisite changes, thereon.

sebi has made it mandatory for every participant in the securities/capital market to furnish the details of income tax permanent account number (pan). accordingly, all the shareholders holding shares in physical form are requested to submit their details of pan along with a photocopy of both sides of the pan card, duly attested, to the registrar and share transfer agents of the company, m/s. integrated enterprises (india) limited, chennai.

members who have not claimed their dividends, for the years from 2005-06 are requested to correspond with mr. k.m. kumar, company secretary at the company's corporate office at 143/1, nungambakkam high road, chennai 600 034, members may also note that dividends not encashed or claimed within seven years from the date of transfer to the company's unpaid dividend accounts, as per section 205a of the companies act, 1956, will be transferred to investor education and protection fund. members are encouraged to use the electronic clearing system for receiving dividends. no claim shall lie against the dividend for the year 2004-05 as the same has been transferred to investors' education and protection fund in accordance with the governing rules.

members are hereby informed that the company's shares can be traded only in electronic form. hence, in their own interest, they are advised to have their shares converted in electronic form, if they not done so far. they may send requests for dematerialization as well as for shares transfers, transmission documents, etc., to the company's registrars whose name appears elsewhere in the report and also may correspond directly for other queries/requests.

by order of the board
for helios and matheson information technology limited

place : chennai
date : 05.02.2013

muralikrishna g.
managing director

explanatory statement

item no: 5

re-appointment of managing director requires approval from the shareholders. the board recommends the said resolution for your approval.

the resolution along with accompanying explanatory statement may be treated as an abstract of the terms of appointment and memorandum of interest within the meaning of section 302 of the companies act, 1956.

mr.g.k.muralikrishna was re-appointed as the managing director of the company for a period of five years w.e.f. february 01, 2009 at the annual general meeting of the company held on 26.09.2008. since the present term of contract expires early next year following this agm, the board has decided at its meeting held on 5.2.2013 to seek shareholder approval for his re-appointment as managing director of the company at the ensuing agm for a further period of five years w.e.f. april 1, 2013.

mr.muralikrishna co-founded helios and matheson information technology ltd in 1991. over the past 21 years he led the company to become a leading system integrator specialising in banking financial services and insurance (bfsi) and healthcare verticals. the company currently has operations across usa, europe and asia pacific and offshore development centres in chennai and bangalore in india. the company's US subsidiary based in new york is listed on the nasdaq.

under mr. muralikrishna's leadership helios and matheson has nurtured the three important constituents of business, namely customers, employees and investors. helios and matheson's client roster boasts of several fortune 500 organisations with whom the company has long standing relationship. the company's employee retention is among the best in the industry. helios and matheson has a proud track record of distributing dividends to its shareholders uninterrupted over the past 21 years.

mr. muralikrishna has worked as a professional manager for over 10 years before embarking on his entrepreneurial journey. he is a gold medalist in science with post graduation from the indian institute of management, ahmedabad. mr. muralikrishna has been ranked among the top 100 entrepreneurs in tamil nadu by CII in 2010.

no director other than mr. muralikrishna may be deemed to be interested or concerned in the resolution.

item no: 6

in view of the time spent and valuable advice given by the non executive directors of the company from time to time and at board meetings, the board of directors has decided to pay commission to the non executive directors from the financial year 2012-13 onwards within the limits specified in the companies act, 1956. the quantum of the said commission will be apportioned amongst the non-executive directors as per the recommendations of the board. the board of directors recommends the resolution as set out in item no.6 for the approval of the members. no director other than the non executive directors may be deemed to be interested or concerned in the resolution.

by order of the board
for helios and matheson information technology limited

place : chennai
date : 05.02.2013

muralikrishna g.
managing director

important communication to members

the ministry of corporate affairs (mca), government of india, has taken a green initiative in the corporate governance by allowing paperless compliance by the companies and has issued circulars stating that service of notice/ documents including annual report can be sent by email to its members. to support this green initiative of the government in full measure, members who have not registered their email addresses, so far, are requested to register their email addresses, in respect of electronic holdings with the depository through their respective depository participants. members who hold shares in physical form are requested to provide details of their email addresses to registrar and transfer agent of the company at corpserv@integratedindia.in.

helios and matheson information technology ltd

registered office : cybervale, # 02 - 01, mahindra world city, chennai - 603 002.

l.f. no. no. of shares held

i/we..... of

in the district of being a member / members of helios and matheson information technology ltd hereby appoint

of..... in the district of as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the company to be held on monday, the 25th day of march, 2013 at 3.00 pm at rani seethai hall, anna salai, chennai - 600 006 and /or at any adjournment thereof.

signed this day of 2013.

signature of shareholder(s)



note: the proxy duly completed must reach the registered office or the registrars not less than 48 hours before the time fixed for the meeting.

..... (tear here)

helios and matheson information technology ltd

registered office : cybervale, # 02 - 01, mahindra world city, chennai - 603 002.

attendance slip

annual general meeting on march 25, 2013 at 3.00 p.m

name & address of the shareholder	l.f.no

i hereby record my presence at the annual general meeting of the company at rani seethai hall, anna salai, chennai - 600 006

if shareholder, please sign here	if proxy, please sign here

- notes : (i) please complete this attendance slip and hand it over at the entrance of the meeting hall
 (ii) joint shareholders may obtain additional attendance slips on request.
 (iii) kindly bring your copy of the annual report with you, as no extra copies will be circulated at the meeting.
 (iv) shareholders may please note that no gifts / compliments would be distributed at the meeting