

From the CEO's desk.....



Dear fellow stakeholders,

It is with a sense of responsibility and accountability, I present the 17th Annual Report of your company.

Fiscal 2009-10 was a tough year for the industry. During the year 2009, the IT sector for the first time ever, experienced a negative "Quarter Over Quarter" growth rate. There are encouraging signs for recovery during the current fiscal year and beyond. During the fourth quarter of the fiscal year, the company has experienced some improvements in order booking.

While the turnaround in Europe is expected to be slow, the economic recovery in US is bullish. This recession is not like what we have seen in normal economic cycles. It is lot deeper and more widespread and caused a reset for lot of companies worldwide. As a result of this reset, the organizations are leaner, more efficient and more focused on leveraging their direct employees for their internal development activities.

Given this change in operational thinking, we find that our customers are looking for partnerships rather than a typical customer/vendor relationship. Quality and continuous improvement is the backbone of your company and it is an expression of our corporate culture. This along with our investment in emerging technologies enables us to build strong relationships with our existing customers as well as forge new ones.

The consolidated operating revenues have declined by 12% compared to the previous year. In spite of a drop in sales, the gross margin for this year has improved to 25% as compared to 8% in the previous fiscal year. Our Wholly Owned Subsidiary, Danlaw Technologies Inc., has posted revenues of Rs.163 lacs,

and that is an improvement of 39% year over year.

The emerging economies afford exciting opportunities for our company. The Engineering division has established a new relationship with a leading auto manufacturer in India. We continue to expand our relationships with the domestic defense customers. Given this expansion of our relationships, we see signs of significant orders being released during this fiscal year.

While Global economic revival has proven to be sluggish, India's economic revival appears to be moving more briskly than that of other countries. The result of this economic uptick in India has caused significant turnover in human resources. Your company is taking measures to retain people by providing incentives to manage the effects of turnover.

I thank our shareholders, clients, partners, government agencies for their support last year and look forward to the same this year.

Finally, I wish to acknowledge our talented and committed associates for their tireless efforts toward the continued success of Danlaw and its customer commitments.

Raju S. Dandu
Chairman & Managing Director

BOARD OF DIRECTORS

Raju S Dandu
Chairman & Managing Director

Prakash S Kenjale
Director

M A Ashok Kumar
Director

N S Sappata
Director

K N Praveen Kumar
Additional Director

MANAGEMENT TEAM

B V Ramana
Chief Operating Officer

Prakash B Kulkarni
Executive Vice President – IT

G Govardhan Rao
Vice President

Kishan Chowbene
Vice President – Marketing & Sales

E U S Prabhakar
General Manager – ESD

A V R K Varma
General Manager – Finance

REGISTERED OFFICE

Plot No.43, Sagar Society,
Road No.2, Banjara Hills,
Hyderabad 500 034.
info@danlawinc.com

USA SUBSIDIARY

Danlaw Technologies Inc.
23700, Research Drive,
Farmington Hills,
MI 48335-2624, USA.

AUDITORS

M/s. Ramana Reddy & Associates
(formerly known as M/s. A. M. Reddy & Co.,)
Chartered Accountants,
10-5-6/B, “My Home Plaza”
Off: 103, II Floor,
Masab Tank, Hyderabad 500 028.

BANKERS

The Dhanalakshmi Bank Ltd,
Banjara Hills Branch, Hyderabad.

HDFC Bank Ltd. , Banjara Hills Branch,
Hyderabad.

**DEPOSITORY REGISTRARS & SHARE
TRANSFER AGENTS**

Sathguru Management Consultants (P) Ltd.
Plot No. 15, Hindi Nagar,
Punjagutta, Hyderabad 500 082.
Phones: 040-23356507, 23350586
E-mail: sta@sathguru.com

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NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Thursday, the 30th day of September 2010 at 11 a.m. at the Registered Office of the Company at Plot 43, Sagar Society, Road 2, Banjara Hills, Hyderabad – 500034, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2010 and the Profit & Loss Account for the year ended as on that date, along with the Auditors' Report and the Directors' Report thereon.
2. To appoint a director in place of Mr. N.S. Sappata, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. Appointment of Mr. K.N. Praveen Kumar as Director

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. K.N. Praveen Kumar, who was appointed as an Additional Director with effect from 19.07.2010 and who holds office upto the date this Seventeenth Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of directorship (under Section 257 of the Companies Act, 1956), be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation.”

By Order of the Board
For Danlaw Technologies India Ltd.,

Place: Hyderabad
Date: July 19, 2010

Raju S. Dandu
Managing Director

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and such proxy need not be a member of the Company. The instrument appointing a proxy should however be deposited at the Registered Office, not less than 48 hours before the commencement of meeting.
2. Members / Proxies are requested to bring copies of Annual Report along with them and the duly filled-in attendance slips for attending the meeting. No copies of Annual Report will be distributed at the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 27, 2010 to September 30, 2010 (both days inclusive).
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business as set out above is annexed herewith.
5. Members seeking any additional information on the accounts of the Company should write to the Compliance Officer on or before September 27, 2010, to facilitate the compilation of data for clarifications.
6. Members are requested to send all communications relating to shares to the Company's Share Transfer Agents (Physical and Electronic) to M/s. Sathguru Management Consultants Private Limited, Plot 15, Hindi Nagar, Panjagutta, Hyderabad - 500082. Phone Nos.: 040-23356507 & 23350586. E-mail: sta@sathguru.com.
7. Information about the director being re-appointed: Mr. N.S. Sappata is the Non-Executive Director of the Company. Commander N.S. Sappata has served in Indian Navy from December 1973 to January 2008 as Deputy General Manager in Dockyards, Ship Building Center and served in R&D Unit from November 2001 to January 2008 and served on Board in Ships.

EXPLANATORY STATEMENT

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

Item No.4

Appointment of Mr. K.N. Praveen Kumar as Director

The Board has appointed Mr. K.N. Praveen Kumar as an Additional Director with effect from 19.07.2010. He was also appointed as a Member of the Audit Committee.

He holds office of directorship upto the date of the ensuing Seventeenth Annual General Meeting. The Company received a notice in writing from a member along with a deposit of Rs.5,000/- proposing the candidature of Mr. K.N. Praveen Kumar for the office of directorship under the provisions of Section 257 of the Companies Act, 1956.

The Board of Directors recommends the resolution for the approval of the Members. None of the Directors of the Company, except Mr. K.N. Praveen Kumar himself, are considered or interested in the proposed resolution.

Information about Mr. K.N. Praveen Kumar

Mr. K.N. Praveen Kumar, B.E. (Mech.), is a Retired Superintending Engineer from the Public Health & Municipal Engineering Department, Government of Andhra Pradesh. He entered into government service during 1976 as Junior Engineer subsequently promoted as Deputy Executive Engineer, Executive Engineer, Deputy Superintending Engineer, and Superintending Engineer, and took voluntary retirement on 28.10.2008. He also worked as Deputy Chief Transport Officer in Municipal Corporation of Hyderabad (MCH), as Chief General Manager in Hyderabad Metro Water Supply & Drainage Board (HMWS&D). He designed and executed water supply schemes (systems) and underground drainage schemes (systems) during his service tenure of 32 years. He dealt with inviting tenders and acceptance and fixing agency with respect to civil engineering, mechanical engineering works like pump sets, mechanical equipments, water supply systems, etc. He is Life Member in Institute of Engineers, Kolkata, and Life Member in Indian Water Works Association, Mumbai. He underwent refresher courses in drawing and disbursing officers, disaster management, Right to Information Act, etc.

By Order of the Board
For Danlaw Technologies India Limited

Place: Hyderabad
Date: July 19, 2010

Raju S. Dandu
Managing Director

DIRECTORS' REPORT

To,
The Members,

Your Directors take pleasure in presenting the 17th Annual Report and the Audited Statement of Accounts for the year ended 31st March 2010.

FINANCIAL PERFORMANCE

Key aspects of your Company's financial performance for the year 2009-10 are tabulated below:

Rs. in Lakhs

Particulars	2009-10			2008-09		
	DTIL	WOS	Cons.	DTIL	WOS	Cons.
Net sales/Income from operations	453.74	162.97	616.71	568.58	117.36	703.94
Other Income	77.42	-	77.42	64.38	-	64.38
Total Income	531.16	162.97	694.13	650.96	117.36	768.32
Direct cost	349.04	116.67	465.71	541.35	106.70	648.05
Gross Profit	182.12	46.30	228.42	109.61	10.66	120.27
Selling expenses	48.59	2.35	50.94	57.03	14.54	71.56
General & Admin expenses	147.47	25.17	172.64	189.95	18.18	208.14
Profit/(Loss) before Interest, Depreciation and Tax	(13.94)	18.78	4.84	(137.37)	(22.06)	(159.43)
Interest	22.43	-	22.43	9.33	-	9.33
Depreciation	15.63	2.33	17.96	24.59	1.78	26.37
Exceptional Items	-	-	-	1044.75	108.55	1153.30
Extraordinary Items	-	-	-	20.62	-	20.62
Net Profit/(Loss) before tax	(52.00)	16.45	(35.55)	(1236.66)	(132.39)	(1369.05)
Income tax	-	-	-	52.14	-	52.14
Deferred taxes	(14.29)	4.72	(9.56)	(287.92)	(48.72)	(336.64)
Profit/(Loss) after tax	(37.71)	11.73	(25.99)	(1000.88)	(83.67)	(1084.55)
Paid up equity share capital	372.03	295.66	372.03	372.03	295.66	372.03
Reserves and Surplus (excl. revaluation reserve)	1759.47	(213.96)	1545.51	1795.18	(116.61)	1678.57
Earnings per share	(1.01)	-	(0.70)	(26.90)	-	(29.15)

The Gross Profit for the year has increased to Rs. 228 lacs (37%) as compared to Rs. 120 lacs (17%) last year, even though the total sales of the Company have come down by 12%. This is made possible because of the cost control measures implemented by the management. The direct Cost of Sales has been reduced by 16%. The General & Administration (G&A) costs relative to the sales have also come down significantly. The overall profit from operations has increased to Rs. 5 lacs as compared to a loss of Rs. 159 lacs last year.

The increase in other income is mainly on account of exchange gain. An amount of Rs. 2.32 lacs was written off as bad debt from domestic debtors. Your management has made every single effort possible to collect these receivables without success.

CORPORATE GOVERNANCE

The Corporate governance practices are described separately in page no.10 of this Annual Report. We have obtained a certification from the statutory auditor of the Company as to the compliance of the provisions of the relevant clauses of the Listing Agreement. This certificate is given in page no.15.

EMPLOYEE PARTICULARS

No employee of the Company falls within the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

FIXED DEPOSITS

The Company has not accepted or invited any deposits and consequently no deposit has matured / become due for repayment as on 31st March 2010.

WHOLLY OWNED SUBSIDIARY

The Company has a wholly owned subsidiary in USA, Danlaw Technologies Inc. The financial statements of the said Company have been attached herewith for complying with the provisions of Section 212 of the Companies Act, 1956.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A management discussion and analysis report, pursuant to clause 49 of the listing agreement forms part of this report and is annexed hereto.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company confirms that:

- a) In the preparation of annual accounts for the year ended 31st March 2010, the applicable accounting standards have been followed along with proper explanation relating to any material departures.
- b) Such accounting policies as mentioned in schedule of the notes to the financial statements have been selected and applied consistently and judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended 31st March 2010 and of the profit and loss of the Company for the year ended on that date.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The annual accounts for the financial year 2009-2010 have been prepared on a going concern basis.

AUDITORS

M/s. A.M. Reddy & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing annual general meeting. They have expressed their willingness to accept re- appointment.

M/s. A.M. Reddy & Co., Chartered Accountants have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED U/s.217 (1)(e) OF THE COMPANIES ACT, 1956

a) Conservation of Energy:

The Company is engaged in the business of Software and Information Technology. The activity of the Company does not require huge energy/power. The Company is monitoring the consumption of energy and is identifying measures for saving energy. During the year the Company has taken adequate measures to use energy efficiently and reduce avoidable energy consumption.

b) Research & Development and Technology Absorption:

(i) *R & D:* Your Company has a team of people working on R & D. This year no revenue expenditure was deferred.

(ii) *Technology Absorption:* Your Company continues to use state of the art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your Company continues to invest in the latest hardware and software.

(iii) *Foreign Exchange Earnings and Outgo:* The particulars of foreign exchange earnings and outgo are given below:

Particulars	2009-2010 INR	2008-2009 INR
Earnings	1,66,41,312	86,01,894
Outgo	55,68,919	75,58,167

APPRECIATION & ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their sincere thanks to the suppliers, customers, bankers, auditors, registrar and transfer agents and all others associated with the Company for their support and co-operation extended to the Company from time to time.

Your Directors express gratitude to the shareholders of the Company for the confidence reposed in the management. Your directors are also pleased to record their appreciation of the dedicated and sincere services of the employees of the Company

By Order of the Board
For Danlaw Technologies India Ltd.

Hyderabad
May 22, 2010

Raju S Dandu
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

1. The Philosophy and the Policy

The company's philosophy on corporate governance is based on the principles of ethical and responsible decision-making, integrity in financial reporting and recognizing the legitimate interest of the stakeholders. This is achieved through adoption of competitive corporate strategies, prudent business plans and strategic monitoring and mitigation of risks.

Corporate Governance has been a continuous journey at Danlaw always taking into account the welfare of its stakeholders in all its business decisions. Its business culture and practices are founded upon a common set of values that govern its relationships with customers, employees, shareholders, suppliers and the communities in which the company operates. The company follows sound and healthy business practices in all facets of its operations and conducts its business in a transparent manner.

2. The Board and its Meetings

The Board consists of four directors of whom three are Independent Non-Executive directors. Four meetings were held during the Financial Year 2009-2010 on 29th May '09, 31st July '09, 23rd October '09, and 29th January '10.

The particulars of directors, their attendance and other directorships, memberships / chairmanships of committees for the financial year 2009-2010 are given below:

Name	Category	Attendance At		Particulars of other Indian Directorships, Committee Memberships/ Chairmanships		
		Board	Last AGM	Directorship	Committee Membership	Committee Chairmanship
Raju S Dandu	Promoter Executive	4	Yes	Nil	Nil	Nil
D S N Raju *	Promoter Non-executive	1	No	1	Nil	Nil
Prakash Kenjale	Independent Non-executive	Nil	No	1	Nil	Nil
M. A. Ashok Kumar	Independent Non-executive	4	Yes	1	Nil	Nil
Naga Satyanarayana Sappata	Independent Non-executive	4	Yes	Nil	Nil	Nil

* Mr. DSN Raju resigned as Director w.e.f. 17-07-2009

3. The Committees of the Board

a) Audit Committee

As on date the Audit Committee consists of four directors as its members, out of whom three are independent non-executive directors and one is promoter managing director. Its members as on date are : Mr. Prakash S Kenjale, Mr. Naga Satyanarayana Sappata, Mr. M. A. Ashok Kumar and Mr. Raju S Dandu.

The Committee met four times during the financial year 2009-2010, on 29th May '09, 31st July '09, 23rd October '09, and 29th January '10.

The terms of reference to the Audit Committee are in line with the powers, duties and responsibilities stipulated in the 'Audit Committee Charter' drafted as per Clause 49 of the Listing Agreement and adopted by the Board.

b) Remuneration Committee

The company has a Remuneration Committee comprising the Non-executive Directors Mr. M A Ashok Kumar [Chairman], Mr. Prakash S Kenjale. The terms of reference are review of the compensation policy for the Executive Directors. Accordingly, they are authorised to negotiate, finalise and approve the terms of appointment for Managing Director/Whole-time Directors on behalf of the company.

Details of remuneration to directors

Non-Executive directors are not paid any remuneration, except sitting fee @ Rs.5,000/- per meeting attended by them.

The Managing Director is paid monthly remuneration by way of salary as approved by the committee, board and the members. The following is the remuneration paid to the directors during the financial year 2009 - 2010:

Name	Salary	Contribution To PF	Perks	Sitting Fee	TOTAL
Raju S Dandu	8,11,920	97,428	3,481	-	9,12,829
Prakash S Kenjale	-	-	-	-	-
M A Ashok Kumar	-	-	-	30,000	30,000
Naga Satyanarayana Sappata	-	-	-	40,000	40,000

c) Share Transfer and Investors' Grievance Committee

Mr. M A Ashok Kumar and Mr. Raju S Dandu are members of the committee. While Mr. Ashok Kumar is the Chairman, Mr. B V Ramana is the Compliance Officer and is responsible for the share transfers / demat and remat requests.

M/s. Sathguru Management Consultants Pvt. Ltd., the Registrars and Share Transfer Agents, maintains the share accounting package and upgrades the data on weekly basis, as per the information received from NSDL / CDSL. No investor complaints were received during the entire financial year.

4. General Body Meetings

Year	Meeting	Date, Venue & Time	Special Resolutions passed at the meetings
2006-2007	AGM	29th September, 2007 Regd. Office 11.00 a.m.	Nil
2007-2008	AGM	27th September, 2008 Regd. Office 11.00 a.m.	Nil
2008-2009	AGM	30th September, 2009 Regd. Office 10.00 a.m.	1) Appointment of Mr. N S Sappata as Director 2) Appointment of Mr. M A Ashok Kumar as Director

5. Disclosures

The details of transactions with related parties are given in 15.2.6 of the 'Notes on Accounts' at page no. 33 forming part of the accounts. There were no potentially conflicting transactions with the related parties. There were no 'charges of non-compliance' against the company.

6. Means of Communication

The periodical financial results are being released in the prescribed format within the prescribed time period from time to time. They were also sent to the Stock Exchanges promptly. These results were published in Financial Express and Andhra Prabha and were also posted on the website of the company, www.danlawtechnologies.com.

Official news releases, if any, shall also be promptly informed to the stock exchange alongwith posting of the same on the company's website. The company has not made any presentations to any institutional investors or analysts during the year under review.

GENERAL SHAREHOLDERS INFORMATION

(A) GENERAL INFORMATION

General information about the Company, viz., Contacts, Names of Directors, Compliance Officer, Management Team, Addresses of Registered Office, Subsidiary, Statutory Auditors, Bankers and Depository Registrars & Share Transfer Agents are provided at Page 2.

(B) OTHER INFORMATION

Annual General Meeting

Day	:	Thursday
Date	:	30 th September, 2010
Time	:	11.00 a.m.
Venue	:	Registered Office, at Plot No. 43, Sagar Society, Road No. 2, Banjara Hills, Hyderabad 500 034.
Date of Book Closure	:	27 th to 30 th September, 2010 (both days inclusive)
Financial Year	:	1 st April 2009 to 31 st March 2010
Listing Details	:	Bombay Stock Exchange Limited
Stock Code	:	532329
ISIN for NSDL & CDSL	:	INE310B01013

(C) Market Price Data & Comparison with BSE Sensex

Month	Danlaw		Sensex	
	High	Low	High	Low
April 2009	11.10	7.50	11,492.10	9,546.29
May	12.09	8.08	14,930.54	11,621.30
June	14.59	10.40	15,600.30	14,016.95
July	14.65	9.93	15,732.81	13,219.99
August	14.24	12.15	16,002.46	14,684.45
September	18.31	11.51	17,142.52	15,356.72
October	15.30	9.95	17,493.17	15,805.20
November	11.20	8.91	17,290.48	15,330.56
December	11.29	9.12	17,530.94	16,577.78
January 2010	13.50	9.20	17,790.33	15,982.08
February	12.01	8.35	16,669.25	15,651.99
March	12.79	8.75	17,793.01	16,438.45

Source: www.bseindia.com

(D) Distribution of Shareholding as on March 31, 2010

Category	Shareholders	%	Share Amount INR	%
1 - 5000	1185	72.17	18,47,380	4.97
5001 - 10000	208	12.67	17,33,990	4.66
10001 - 20000	88	5.36	13,46,250	3.62
20001 - 30000	40	2.44	10,14,510	2.73
30001 - 40000	21	1.28	7,59,390	2.04
40001 - 50000	27	1.64	12,77,720	3.43
50001 - 100000	30	1.83	21,52,410	5.79
100001 & Above	43	2.62	2,70,71,350	72.77
Total	1642	100.00	3,72,03,000	100.00

(E) Categories of Shareholders as on March 31, 2010

Category	Shares	%
Promoters & Promoter Group	18,50,605	49.74
Banks / FIs / MFs / Governments	43,000	1.16
Bodies Corporate	4,05,326	10.89
NRIs / OCBs	5,390	0.14
Indian Public	14,15,979	38.07
Total	37,20,300	100.00

(F) Shares & Dematerialization

As per SEBI Regulations, the shares of the Company are brought under compulsory dematerialized form. The shares can be traded in dematerialized form only. The Company has entered into agreements with NSDL and CDSL, whereby shareholders have the option to dematerialize their shares with either of the Depositories. The Depository Registrars & Share Transfer Agents, M/s. Sathguru Management Consultants Private Limited, process the physical share transfers and demat / remat requests, with intimation to the Company. More than 95% of shares are dematerialized and there are no outstanding ADRs / GDRs or other instruments pending conversion into equity shares.

CORPORATE GOVERNANCE CERTIFICATE

The Members of
M/s Danlaw Technologies India Limited
Hyderabad

We have examined the compliance of the conditions of Corporate Governance by M/s. Danlaw Technologies India Limited for the year ended on 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2010 no investor grievances are pending against the Company as on 30th April, 2010 as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for A.M.REDDY & CO.,
Chartered Accountants
FRN: 003246S

Place : Hyderabad.
Date : May 22, 2010

(CA. Kishore Kumar. K)
Partner
Membership No. 215459

DECLARATION OF COMPLIANCE OF CODE OF CONDUCT

I hereby declare that the Company has obtained confirmation from all the Board Members and Senior management personnel of the Company for the compliance of the Code of conduct of the Company for the year.

Place : Hyderabad
Date : May 22, 2010

Raju S Dandu
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The financial statements have been prepared in compliance with Generally Accepted Accounting Principles (GAAP) in India. The financial statements for Danlaw Technologies Inc. (our US subsidiary) have been prepared in compliance with US GAAP. Our Management accepts full responsibility for the integrity of these financial statements.

Industry Structure and Development

Global recession had significant impact on the export revenues of Indian companies. There are encouraging signs for a recovery during the current fiscal year and beyond. Globalization along with changing economic and business conditions is driving the companies to transform the manner in which they operate.

To address the pressures of cost reduction in all aspects of a business the global organizations are more open to look at alternatives from products and solutions from India and China. This provides an opportunity for Indian companies to enter into some long-term relationships with OEMs and large Tier-1 suppliers. The English speaking talent pool along with significant cost savings still affords a strategic advantage for Indian companies.

Danlaw is still considered by our global clients as a premier source for designing and developing advanced technology products and solutions. Our model effectively integrates onsite and offshore execution capabilities to deliver both hardware and software solutions. We continue to train our resources in a broad range of existing and emerging technologies.

The continued focus areas of your company are Embedded Engineering Solutions (Hardware, Firmware and Software), Information Technology Services, and Intelligent Security Solutions. The diversification along with presence in both Indian and Overseas markets is our key for sustainability.

Opportunities And Threats

Opportunities

The signs of recovery from global recession seem to be in sight, says NAASCOM, the premier trade body in India. NAASCOM has released its 'Perspective 2020' report that outlined opportunities and vision for the next decade. 'Transform Business, Transform India' is the vision adopted by NAASCOM and its' members for the next decade. As per NAASCOM's projections for the current fiscal year, the IT industry is likely to grow at 4-7 percent and projects that industry should see double digit growth from April next year.

According to NAASCOM, e-governance will be in focus in 2010, as many pilot projects will go live. Government departments and organizations are expected to launch several e-governance initiatives aimed at improving their interface with citizens of the country and easing their day-to-day lives.

Threats, Risks and Concerns

While the strength of Rupee against US Dollar makes our imports (Security Products) slightly less expensive, it puts a pressure on our Rupee revenue from the US exports. While there are signs of recovery, the continued recession in the US auto industry makes our export revenues unpredictable. We are continuing our cost control measures to mitigate the impact of possible reduction in the revenues.

Performance and Outlook

The Engineering division continues to develop technologically advanced and complex solutions for both the domestic and overseas customers. Even in the economic downturn, an automotive tier-1 supplier has expanded the offshore development team from 7 to 12. We are also doing some offshore development work for a tier-1 that is involved in the battery technologies. The global push towards hybrid and electric vehicles provides us an opportunity for growth and positions us well for the future.

The Information Technologies division has successfully developed all the modules for the Municipal Administration System for Kolkata Urban Services for Poor (KUSP). All the modules have been accepted in principle and the 3-Year maintenance phase has started. The client has expressed desire to further engage us in enhancements to this product and other possible solutions. With several e-governance initiatives expected to be launched by Government organizations, our IT division is well positioned to take advantage and grow.

The Intelligent Security Solutions continues to face significant competition from low cost products from China. The division is exploring the possibilities of adding low cost alternatives (while maintaining high quality) to its product portfolio. The cost cutting measures taken by the management will help us remain competitive.

Business Outlook

Your company continues to forge relationships with several domestic companies along with expanding our relationships with global non-automotive customers. Some of the products developed for our domestic customers should come into production in the current fiscal year. As the global economy turns around, Strategic steps taken by your company enable us to be stronger as the global economy shows the signs of recovery.

Internal Control System and its Adequacy

Your Company has a policy of maintaining effective internal control system and also focuses on strict implementation of these policies and procedures so as to safe guard the assets and interests of the Company.

Your Company has an Audit Committee comprising of two-thirds of Independent Directors of the Company. The findings of internal audit are periodically placed before the Audit committee and the Board of directors of the Company. The Audit Committee also reviews periodically the performance of statutory and internal auditors, and adequacy of the internal control systems.

In order to ensure that the financial transactions comply with current legislative requirements and accounting standards, your Company has developed a Financial Accounting Procedure Manual (FAM). The FAM contains procedures, which cover the effective and efficient financial administration of the Company.

Financial Performance

During the year under review the Paid up Share Capital of the Company as on date is Rs.3,72,03,000/- comprising of 37,20,300 Equity Share of Rs. 10/- each. Your Company hasn't gone for any issue of shares during the fiscal year 2009-10.

The Net Sales for the current year are Rs. 617 Lacs as compared to Rs. 704 Lacs in the last fiscal year and this represents a year over year drop of 13%. While the sales have gone down the gross profit has increased to 33% compared to 16% last year. The company has posted a profit from operations of about Rs. 5 Lacs as compared to a loss of Rs. 159 Lacs last year.

For Danlaw Technologies Inc. (WOS), the revenues have increased by 39% year over year. DTI has posted a profit from operations of Rs. 19 Lacs compared to a loss of Rs. 22 Lacs during 2008-09.

The exchange gain of Rs. 19.2 Lacs which is included in the other income has affected earnings (slightly) positively for the current fiscal year.

Material Development In Human Resources

Your Company believes that the quality of its employees is the key to success in the long run and is committed to provide the necessary training opportunities to enable them to adapt to the latest technological advancements. Additionally, we are taking steps to ensure the resources we have are utilized optimally.

As on date the Company has a total strength of 93 Employees.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Companies objectives, projections, estimated and expectations may be forward-looking statement. Actual results may vary materially from those expressed or implied.

CERTIFICATION BY CEO & CFO OF THE COMPANY

We, Raju S Dandu, Managing Director and A V R K Varma, Chief Manager-Accounts of Danlaw Technologies India Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet, Profit and Loss Account, its schedules & notes to the accounts and cash flow statement for the year ended 31st March 2010 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's and are in compliance with existing accounting standards, applicable laws and regulations.
2. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee:
 - a) significant changes in internal control during the year;
 - b) significant changes in accounting policies during the year and the same have been disclosed in notes to the financial statements; and
 - c) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

PLACE : HYDERABAD.
DATE : May 22, 2010

(RAJUSDANDU)
Chairman & Managing Director

(AVRK VARMA)
Chief Manager - Accounts

AUDITORS' REPORT

The Members of
DANLAW TECHNOLOGIES INDIA LIMITED,
HYDERABAD.

1. We have audited the attached Balance Sheet of M/s. DANLAW TECHNOLOGIES INDIA LIMITED as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(vi) In our opinion to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956 and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
- (b) In the case of the Profit and Loss account, of the Loss for the year ended on that date; and
- (c) In the cash of Cash Flow Statement, of the cash flows for the year ended on that date.

for A.M.REDDY & CO.,
CHARTERED ACCOUNTANTS
FRN: 003246S

PLACE : HYDERABAD.
DATE : May 22, 2010

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

ANNEXURE TO THE AUDITORS' REPORT

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

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stock of goods of the company has been physically verified by the management during the year, in our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of records of stock, in our opinion, the company has maintained proper records of stock. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. (a) The company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s.301 of the Act.

(b) The company has not taken any interest free loans from companies, firms or other parties listed in the register maintained u/s.301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system with the size of the company and the nature of its business, for the purchase of plant and machinery, equipment and other and with regard to services rendered. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of Act, have been so entered.

- (b) In our opinion, and according to the information and explanations given to us, the company has made contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of each party during the year. However, the terms and conditions are not prejudicial to the interest of the company.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
9. (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
10. The company has accumulated losses of Rs.947.10 lakhs as on 31.03.2010 and it has incurred cash loss of Rs.36.37 lakhs during the financial year ended on that date and cash loss of Rs.1212.07 lakhs in the immediately preceding financial year.
11. The company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.

14. In our opinion, the company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures, and other investments during the year and timely entries have been made therein. Further, such securities have been held by the company in its own name or are in the process of transfer in its name except to the extent of exemption granted u/s.49 of the Act.
15. The company has not given any guarantees for loans taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion are prima facie prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us and on an overall examination, we report that the company has not availed any term loan during the year under report.
17. Accordingly to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

for A.M.REDDY & CO.,
CHARTERED ACCOUNTANTS
FRN: 003246S

PLACE : HYDERABAD.

DATE: May 22, 2010

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

Balance Sheet as at

		in Rs.	
	Schedule	31-03-2010	31-03-2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,72,03,000	3,72,03,000
Reserves and Surplus	2	27,06,57,400	27,04,57,400
Secured Loans	3	2,65,66,121	1,78,59,459
		33,44,26,521	32,55,19,859
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	4,98,51,760	4,92,61,160
Less: Depreciation		3,83,58,069	3,67,95,599
Net Block		1,14,93,691	1,24,65,561
INVESTMENTS	5	2,95,66,245	2,95,66,245
DEFERRED TAX ASSET (NET)	6	4,91,76,546	4,77,47,733
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	7	8,65,57,755	8,02,84,131
Cash and bank balances	8	6,04,40,808	6,16,46,575
Loans and advances	9	1,75,44,502	1,77,02,276
Inventory		46,64,348	40,80,022
		16,92,07,413	16,37,13,004
Less: Current liabilities & Provisions	10	1,97,27,734	1,89,12,247
NET CURRENT ASSETS		14,94,79,679	14,48,00,757
Profit & Loss Account		9,47,10,360	9,09,39,563
		33,44,26,521	32,55,19,859
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	15		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

(CA.KISHORE KUMAR.K)
Partner

Hyderabad
May 22, 2010

Profit and Loss Account for the period ended

		in Rs.	
	Schedule	31-03-2010	31-03-2009
INCOME			
Income from Operations			
- Exports		2,67,36,411	2,49,45,625
- Domestic		1,86,37,708	3,37,12,388
Other income	11	77,41,620	64,38,288
		5,31,15,739	6,50,96,301
EXPENDITURE			
Direct Cost	12	3,49,04,149	5,41,35,438
Selling Expenses	13	48,59,148	57,02,611
General and Administration expenses	14	1,47,46,825	1,89,95,732
		5,45,10,122	7,88,33,781
Operating Profit [PBIDT]		(13,94,383)	(1,37,37,480)
Interest		22,42,756	9,33,226
Depreciation		15,62,471	24,58,520
Exceptional Items		-	10,44,75,117
Extraordinary Items		-	20,61,616
Profit/(Loss) before tax		(51,99,610)	(12,36,65,959)
Less: Fringe benefit tax		-	1,40,312
Provision for current year income tax		-	-
Provision for earlier years Income Tax		-	50,73,797
Deferred Tax (Asset)		(14,28,813)	(2,87,92,123)
Profit/(Loss) after tax		(37,70,797)	(10,00,87,945)
Profit carried forward from last year		(9,09,39,563)	91,48,382
AMOUNT TRANSFERRED TO BALANCE SHEET		(9,47,10,360)	(9,09,39,563)
Basic & dilluted EPS		(1.01)	(26.90)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	15		

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account

This is the Profit & Loss Account referred to in our report of even date

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

(CA.KISHORE KUMAR.K)
Partner

Hyderabad
May 22, 2010

Schedules to the Balance Sheet as at

		in Rs.	
		31-03-2010	31-03-2009
1.	SHARE CAPITAL		
	AUTHORISED		
	50,00,000 Equity Shares of Rs.10/- each	5,00,00,000	5,00,00,000
	ISSUED, SUBSCRIBED AND PAID UP		
	37,20,300 Equity Shares of Rs.10/- each Fully Paid	3,72,03,000	3,72,03,000
		3,72,03,000	3,72,03,000
2.	RESERVES AND SURPLUS		
	Share premium account	26,58,07,400	26,58,07,400
	Convertible warrants forfeited	32,50,000	32,50,000
	Investment Subsidy	16,00,000	14,00,000
		27,06,57,400	27,04,57,400
3.	SECURED LOANS		
	Car loans from HDFC Bank Limited	2,37,483	5,57,388
	The Dhanalakshmi Bank Ltd	2,63,28,638	1,73,02,071
		2,65,66,121	1,78,59,459

Assets	Gross Block				Depreciation				Net Block	
	Cost as at 31-03-2009	Additions during the year	Deductions during the year	Cost as at 31-03-2010	Total upto 31-03-2009	For the year	Deductions during the year	As at 31-03-2010	As at 31-03-2010	As at 31-03-2009
Additions to Leasehold premises	14,84,850			14,84,850	2,11,776	24,203		2,35,979	12,48,871	12,73,074
Computers & software	2,98,92,233	5,90,600		3,04,82,833	2,87,96,740	4,37,137		2,92,33,877	12,48,956	10,95,493
Office Equipment	14,29,983			14,29,983	5,37,631	86,059		6,23,690	8,06,293	8,92,352
Electrical Equipment	13,03,432			13,03,432	4,88,340	43,423		5,31,763	7,71,669	8,15,092
Lab Equipment	14,56,827			14,56,827	4,48,713	69,010		5,17,723	9,39,104	10,08,114
D G Set	2,94,616			2,94,616	1,36,200	13,956		1,50,156	1,44,460	1,58,416
Elevator	3,25,123			3,25,123	1,40,275	15,401		1,55,676	1,69,447	1,84,848
Air-conditioners	16,36,508			16,36,508	6,76,253	77,522		7,53,775	8,82,733	9,60,255
Furniture & Fixtures	62,31,392			62,31,392	34,66,094	3,93,370		38,59,464	23,71,928	27,65,298
Office Interiors	19,17,818			19,17,818	7,51,595	90,848		8,42,443	10,75,375	11,66,223
Vehicles	32,88,378			32,88,378	11,41,981	3,11,542		14,53,523	18,34,855	21,46,397
Grand Total	4,92,61,160	5,90,600	-	4,98,51,760	3,67,95,598	15,62,471	-	3,83,58,069	1,14,93,691	1,24,65,562
Previous Year	5,28,77,685	7,27,045	43,43,570	4,92,61,160	3,59,57,682	24,58,520	16,20,604	3,67,95,598	1,24,65,562	1,69,20,003

Schedules to the Balance Sheet as at

		in Rs.	
		31-03-2010	31-03-2009
5.	INVESTMENTS		
	Investment in Danlaw Technologies Inc (WOS)	2,95,66,245	2,95,66,245
		<u>2,95,66,245</u>	<u>2,95,66,245</u>
6.	DEFERRED TAX ASSET (NET)		
	Fixed Assets	(17,67,077)	(29,48,702)
	Investments	70,48,963	70,48,963
	Others	4,38,94,660	4,36,47,472
		<u>4,91,76,546</u>	<u>4,77,47,733</u>
7.	SUNDRY DEBTORS		
	Debts outstanding for a period less than six months		
	Unsecured considered good	1,99,18,705	2,23,30,276
	Debts outstanding for a period exceeding six months	6,66,39,050	5,79,53,855
		<u>8,65,57,755</u>	<u>8,02,84,131</u>
8.	CASH AND BANK BALANCES		
	Cash on hand	4,656	4,093
	Balances with banks		
	- in current accounts	1,01,533	3,83,135
	- in EEFC accounts	44,271	436
	- in deposit accounts in Indian rupees	6,02,90,348	6,12,58,911
		<u>6,04,40,808</u>	<u>6,16,46,575</u>
9.	LOANS AND ADVANCES		
	Unsecured, considered good		
	Advances recoverable in cash or in kind or for value to be received		
	Earnest Money Deposit	2,43,454	30,454
	Advances for expenses	3,87,826	5,80,640
	Advances for purchases	2,48,498	-
	Rent deposits	14,10,352	13,96,352
	Deposits with Government Agencies	4,71,055	4,72,305
	Prepaid Expenses	83,355	1,01,386
	Interest Receivable	48,71,984	46,80,655
	Tax Deduction at Source	28,05,474	26,37,836
	Intercorporate Deposits	70,22,504	78,02,648
		<u>1,75,44,502</u>	<u>1,77,02,276</u>
10.	CURRENT LIABILITIES		
	Sundry Creditors - for goods	65,37,543	53,77,188
	- for services	69,40,370	73,53,359
	- for expenses	61,15,075	58,44,856
	Outstndng dues of micro and small enterprises	-	-
	Advances from customers	1,34,746	3,31,532
	Provision for Fringe Benefit Tax	-	5,312
		<u>1,97,27,734</u>	<u>1,89,12,247</u>

Schedules to P & L Account

		in Rs.	
		31-03-2010	31-03-2009
11.	OTHER INCOME		
	Interest Income (TDS - Rs.6,51,051/-, Previous year Rs.12,93,202/-)	53,99,119	57,75,394
	Exchange Gain (net)	19,25,804	5,22,935
	Interest on IT Refund	1,16,697	75,852
	Miscellaneous Income	3,00,000	64,107
		77,41,620	64,38,288
12.	DIRECT COST		
	Salaries & other benefits	2,30,68,734	2,68,32,490
	Sub-contract works	4,56,752	27,04,051
	Cost of Biometrics goods sold	65,46,702	1,13,94,215
	Obsolete Stocks Written Off	-	31,11,478
	Cost of electronic components	39,14,313	30,14,497
	Work-in-progress (opening)	-	58,53,758
	Freight outward	1,10,418	1,55,841
	Transit insurance	14,538	19,768
	Travel & Conveyance	7,92,692	10,49,340
		3,49,04,149	5,41,35,438
13.	SELLING EXPENSES		
	Salaries & other benefits	41,03,134	45,44,412
	Travel & Conveyance	5,66,601	7,72,838
	Business development expenses	79,461	1,38,597
	Sales commission	1,06,000	2,11,000
	Advertisement	3,952	35,764
		48,59,148	57,02,611

Schedules to P & L Account

in Rs.

	31-03-2010	31-03-2009
14. ADMINISTRATION AND OTHER EXPENSES		
Advertisement	47,777	40,191
AGM Expenses	23,700	18,486
Audit expenses	2,100	2,200
Auditor's remuneration - audit fees	80,000	70,000
Bank charges and commission	58,091	76,302
Books & Periodicals	10,299	15,928
Bad debts written off	2,31,523	16,53,228
Depository Registrar Fee	74,288	55,147
Directors sitting fee	70,000	20,000
Insurance Charges	2,68,393	3,09,816
Internet Service Charges	2,38,001	4,16,644
Legal & Professional Charges	2,10,534	3,79,218
Listing Fee	10,000	11,084
Membership Fee	-	2,247
Miscellaneous Expenses	4,454	15,312
Office Maintenance	9,69,088	13,04,698
Postage & Telegrams	84,958	50,122
Power and Fuel	9,42,943	13,05,541
Printing and Stationery	1,82,822	1,53,708
Registration, Licence & Filing Fee	7,094	1,81,844
Rent, Rates & Taxes	47,51,786	62,27,315
Salaries & other benefits	50,59,227	49,49,432
Staff Recruitment & Training	47,668	56,181
Staff welfare	5,26,412	7,86,975
Telephone charges	4,97,896	6,67,208
Travel and Conveyance		
Directors	2,39,742	1,42,372
Others	1,08,029	84,533
	1,47,46,825	1,89,95,732

15. **Significant Accounting Policies And Notes On Accounts**

15.1 **Significant accounting policies**

15.1.1 **Basis for preparation of financial statements**

The financial statements have been prepared under the historical-cost convention and as a going concern as per the Generally Accepted Accounting Principles and the Provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

15.1.2 **Revenue recognition**

Revenue from software development is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the work completed.

15.1.3 **Expenditure**

Expenses are accounted on accrual basis.

15.1.4 **Fixed assets**

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

15.1.5 **Inventory**

Inventory is valued at cost and work-in-progress is valued at cost or realizable value whichever is less.

15.1.6 **Depreciation**

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

15.1.7 **Research and development**

Revenue expenditure – direct expenses on R&D incurred during the year for the development of products are treated as deferred revenue expenditure. The amount shall be amortized against the revenues to be earned over a period of time, to be determined at the time of product launch.

15.1.8 **Foreign currency transactions**

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

In the case of expenditure in foreign currency, the expenses are accounted on the basis of exchange rate as on the date of the transaction. In case expenses are met out of EEFC accounts, the same is accounted for at the rate at which the EEFC funds are maintained in the books of account.

15.1.9 **Investments**

Long-term investments are stated at cost. The short-term investments are valued and carried at cost or fair value whichever is lower. Provision will be made for decline, other than temporary, in the value of investments.

15.2 Notes on accounts

The previous year's figures have been regrouped, reclassified / restated, wherever necessary, to conform to the current year's classification.

15.2.1 Contingent liabilities

The Company has outstanding counter guarantees of Rs.95,81,022/- as at March 31, 2010, to various banks, in respect of guarantees given by the said banks in favor of bodies corporate to the extent of Rs.93,19,557/- and Rs.2,61,465/- to government authorities. The counter guarantees outstanding as at the previous year-end was Rs. 80,18,856/- and Rs.1,92,525/- respectively.

15.2.2 Quantitative details

The information as required under paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 are not applicable to this company.

15.2.3 Taxes on Income as per Accounting Standard 22

a) In accordance with the Accounting Standard (AS) 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, an amount of Rs.14.29 lakhs has been recognized in Profit & Loss Account as Deferred Tax Asset accrued during the year.

b) Major components of deferred tax assets on account of timing differences are -

Year ended March 31	2010	2009
Fixed Assets	11,81,625	(2,08,443)
Investments	--	--
Others	2,47,188	2,90,00,566
Total	14,28,813	2,87,92,123

15.2.4 Secured Loans:

Overdraft facility from The Dhanalakshmi Bank Ltd is secured against the fixed deposits of the Company.

15.2.5 Managerial Remuneration

The following managerial remuneration was paid as per the board of director's decision and approved by the shareholders.

Whole time Directors		Rs.
Particulars	Raju S Dandu, CMD	
Salary	8,11,920	
Contribution to PF	97,428	
Medical	3,481	
Total	9,12,829	

15.2.6 Related Party transactions

The Company had transactions with the following related parties:

Danlaw Inc., USA (DI) in which Mr. Raju S Dandu is CEO; Danlaw Technologies Inc., USA, (DTI) which is 100% Subsidiary of Danlaw Technologies India Ltd; Danlaw Systems India Ltd., in which Mrs. Lakshmi Dandu wife of Mr. Raju S Dandu is director; Mr. Raju S Dandu, Chairman & Managing Director (CMD); Mr. DSN Raju, Director; and Mrs. D Lakshmi, wife of Mr. DSN Raju.

Summary of the transactions with the above related parties is as follows:

Rs. in Lacs

Nature of transaction	Transactions for the year ended March 31		Balance as at March 31	
	2010	2009	2010	2009
<u>Sales</u>				
Danlaw Inc	-	-	117.42	117.42
Danlaw Technologies Inc	267.01	246.67	652.07	545.47
<u>Purchases</u>				
Danlaw Inc	3.14	2.07	13.43	19.30
Danlaw Technologies Inc	-	-	53.88	53.88
<u>Remuneration</u>				
Raju S Dandu	9.12	11.16	-	-
<u>Lease Rentals</u>				
D Lakshmi	41.48	40.50	9.33	5.74
<u>ICD</u>				
Danlaw Systems (I) Ltd	(2.89)	12.98	110.63	113.52
<u>Investments (WOS)</u>				
Danlaw Technologies Inc	-	-	295.66	295.66

The receivable and payables are confirmed by the Danlaw Inc as well Danlaw Technologies Inc.

15.2.7 Segment reporting

The company's sales are basically related to providing software development services delivered to customers situated at USA. Hence the primary and secondary segment reporting is based on the software development services to USA only.

15.2.8 There are no dues to small Scale Industrial undertakings outstanding above Rs. one lack and exceeding 30 days.

15.2.9 Imports on CIF basis

In Rs.

Year ended March 31	2010	2009
Capital goods	Nil	Nil

15.2.10 Expenditure in foreign currency

In Rs.

Year ended March 31	2010	2009
Outflow	55,68,919	75,58,167

15.2.11 Earnings in foreign exchange

In Rs.

Year ended March 31	2010	2009
Inflow	1,66,41,312	86,01,894

15.2.12 Outstanding dues to Micro, Small and Medium Enterprises under the MSME Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below.

Year ended March 31	2010	2009
a) Principal amount remaining unpaid	Nil	Nil
b) Interest due thereon	Nil	Nil
c) Interest paid by the Company in terms of Section 16 of MSME Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year	Nil	Nil
d) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSME Development Act, 2006.	Nil	Nil
e) Interest accrued and remaining unpaid	Nil	Nil
f) Further interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

Signatures to Schedules 1 to 15

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

(CA.KISHORE KUMAR.K)
Partner

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

Hyderabad
May 22, 2010

Statement of cash flows for the year ended March 31

	in Rs.	
	2010	2009
Cash flows from operations		
Profit / (Loss) from operations	(51,99,610)	(12,36,65,959)
Depreciation and depletion	15,62,471	24,58,520
Income Taxes paid	-	(1,40,312)
Loss on sale of fixed assets	-	(20,61,616)
Investment Subsidy	2,00,000	14,00,000
Decrease (increase) in sundry debtors	(62,73,624)	(1,34,06,548)
Decrease (increase) in loans and advances	1,57,774	47,07,845
Decrease (increase) in inventory	(5,84,326)	90,05,670
Increase (decrease) in current liabilities	8,15,487	(42,25,254)
Increase (decrease) in provisions	-	(50,73,797)
Decrease (Increase) in miscellaneous expenditure	-	10,44,75,117
Net cash from operations	(93,21,828)	(2,65,26,334)
Cash flows from financing		
Secured loans	87,06,662	1,73,50,059
Net cash from financing	87,06,662	1,73,50,059
Cash flows from investing		
Proceeds of sale of fixed assets	-	6,61,350
Purchase of Fixed Assets	(5,90,601)	33,96,187
Net cash from investing	(5,90,601)	40,57,537
Total increase (decrease) in cash and equivalents during the year	(12,05,767)	(51,18,738)
Cash and equivalents at the beginning of the year	6,16,46,575	6,67,65,313
Cash and equivalents at the end of the year	6,04,40,808	6,16,46,575

These are the Cash Flow Statements referred to in our report of even date

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

(CA.KISHORE KUMAR.K)
Partner

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

Hyderabad
May 22, 2010

Balance Sheet Abstract And Company's General Profile

I)	Registration No.	15099	State Code:	01
	Corporate Identification No. (CIN)	L72200AP1992PLC015099		
II)	Capital raised during the year	(Amount in Rs.in ,000)		
	Public Issue	- NIL -	Right Issue	- NIL -
	Bonus Issue	- NIL -	Private Placement	- NIL -
III)	Position of Mobilization and deployment of funds: (Amount in Rs.in ,000)			
	Total Liabilities	3,34,427	Total Assets	3,34,427
	Sources of Funds		Application of Funds	
	Paid-up Capital	37,203	Net Fixed Assets	11,494
	Reserves & Surplus	2,70,658	Investments	29,566
	Secured Loans	26,566	Deferred Tax Asset (Net)	49,177
			Net Current Assets	1,49,480
			Profit & Loss Account	94,710
IV)	Performance of Company (Amount in Rs.in ,000)			
	Turnover	53,116	Total Expenditure	58,316
	Profit/Loss before Tax	(5,200)	Profit after Tax	(3,771)
	Earning per share (Rs.)	(1.01)	Dividend Rate	- NIL -
V)	Generic Names of principal products, services of the Company			
	Item Code No.	85249009.1		
	Product Description	Computer Software		

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

(CA.KISHORE KUMAR.K)
Partner

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

Hyderabad
May 22, 2010

**Statement Pursuant To Section 212 Of The Companies Act, 1956 Relating To The
Company's Interest In Subsidiary Company**

Name of the Subsidiary : Danlaw Technologies Inc
 Financial year of the Subsidiary : April 2009 to March 2010
 Extent of holding Company's interest : 100%

DANLAW TECHNOLOGIES INC.

DIRECTORS' REPORT

Your directors take pleasure in presenting the financial results of the company for the year 2009-10.

No.	Particulars	In USD		Rs. in lakhs	
		2009-10	2008-09	2009-10	2008-09
1	Revenue	920,649	792,097	435.67	359.01
2	Cost of Sales	823,937	764,638	389.38	348.35
3	Gross Profit	96,712	27,459	46.29	10.66
4	General and Administrative Expenses	62,798	74,677	29.85	34.51
5	Profit/(Loss) from Operations	33,914	(47,218)	16.44	(23.85)
6	Abandonment of Software Development Costs	-	218,136	-	108.54
7	Net Income/(Loss)	33,914	(265,354)	16.44	(132.39)
8	Paid up equity share capital	640,000	640,000	295.66	295.66

The export sales of hardware almost doubled as compared to last fiscal year. The sales for Centennial Education Solutions (CES) division have increased by 42% year over year. Overall, DTI revenue in US Dollars for the current year have increased by 16%. The cost of Sales over Revenue was down by 7% compared to the previous year. The Gross Profit has increased from 3.5% last year to 10.50% this fiscal year. The overall profit from operations has improved to \$34k US dollars compared to a loss of \$47K in 2008-09.

Raju S Dandu

President



CERTIFIED PUBLIC ACCOUNTANT CERTIFICATE
ON WHOLLY OWNED SUBSIDIARY

GRANT, MILLMAN & JOHNSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTANTS
38475 W. THIRTEEN MILE ROAD, SUITE 200
NOVI, MICHIGAN 48334-2266

Accountants' Review Report

To the Board of Directors
Danlaw Technologies, Inc.
Farmington Hills, Michigan

We have reviewed the accompanying balance sheets of Danlaw Technologies, Inc. (a wholly owned subsidiary of Danlaw Technologies India, Ltd.) as of March 31, 2010 and 2009 and the related statements of operations, stockholder's equity and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Danlaw Technologies, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

GRANT, MILLMAN & JOHNSON, P.C.

May 6, 2010

DANLAW TECHNOLOGIES, INC.
BALANCE SHEETS
March 31, 2010 and 2009

ASSETS

	2010	2009
Current Assets:		
Cash	\$ 27,113	\$ 15,807
Accounts Receivable	1,09,469	24,622
Accounts Receivable - Parent	118,028	118,028
Accounts Receivable - Affiliate	1,269,728	1,097,166
Total Current Assets	1,524,338	1,255,623
Property and Equipment:		
Computer Equipment	16,549	15,999
Office Furniture and Equipment	8,007	8,007
	24,556	24,006
Less: Accumulated Depreciation	(16,620)	(11,668)
Total Property and Equipment	7,936	12,338
Other Assets:		
Goodwill	205,000	205,000
TOTAL ASSETS	\$ 1,737,274	\$ 1,472,961

LIABILITIES AND STOCK HOLDER'S EQUITY

Current Liabilities:		
Accounts Payable - Affiliate	\$ 35,373	\$ -
Accounts Payable - Other	19,864	19,115
Accounts Payable - Parent	1,467,684	1,276,573
Accrued Payroll and Payroll Taxes	10,742	7,576
Loans	284,983	284,983
Total Current Liabilities	1,818,646	1,588,247
Stockholder's Equity:		
Common Stock - \$10 Par Value; 34,000 Shares Authorized, Issued and Outstanding	340,000	340,000
Additional Paid-in Capital	300,000	300,000
Accumulated Deficit	(721,372)	(755,286)
Total Stockholder's Equity (Deficit)	(81,372)	(115,286)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 1,737,274	\$ 1,472,961

Read Accountants' Report and Notes to Financial Statements

STATEMENTS OF OPERATIONS
For the Years Ended March 31, 2010 and 2009

	2010	2009
Revenue:		
Automotive Electronics	\$ 603,477	\$ 540,231
Security Products	3,550	19,947
ESAP cm Sales	-	11,497
ESAP sp Sales	313,652	220,422
Total Revenue	920,649	792,097
Cost of Sales:		
Subcontract Work - Parent	448,105	461,300
Subcontract Work - Affiliate	26,000	18,100
Cost of Products - Parent	129,200	71,325
Hardware Parts	1,160	-
Security Product Costs	1,770	12,063
Shipping Costs	25	208
Technical Salaries	-	1,615
Billing Salaries	152,189	145,682
Payroll Taxes	14,070	13,326
Employee Benefits	22,100	18,220
ESAP sp Processing Fees	29,318	22,799
Total Cost of Sales	823,937	764,638
Gross Profit	96,712	27,459
General and Administrative Expenses:		
Business Development	3,085	
Travel & Lodging	1,797	29,722
Payroll Preparation	1,483	1,916
Telephone	5,686	4,395
Meals & Entertainment	157	267
Rent & Utilities	9,665	11,350
Professional Services	3,260	6,725
Server Hosting	5,310	4,700
Repairs & Maintenance	6,137	1,468
Office Supplies and Expenses	8,030	4,709
Depreciation	4,951	3,835
Bank Charges	500	523
Other	12,737	5,067
Total General and Administrative Expenses	62,798	74,677
LOSS FROM OPERATIONS	33,914	(47,218)
Other Expense		
Abandonment of Software Development Costs	-	(218,136)
NET INCOME (LOSS)	\$ 33,914	\$ (265,354)

Read Accountants' Report and Notes to Financial Statements

STATEMENTS OF STOCKHOLDER'S EQUITY
For the Years Ended March 31, 2010 and 2009

	Accumulated Deficit	Additional Paid-in Capital	Common Stock	Total
Balance March 31, 2008	\$ (489,932)	\$ 300,000	\$ 340,000	\$ 150,068
Net Loss	(265,354)	-	-	(265,354)
Balance March 31, 2009	(755,286)	300,000	340,000	(115,286)
Net Income	33,914	-	-	33,914
Balance March 31, 2010	<u>\$ (721,372)</u>	<u>\$ 300,000</u>	<u>\$ 340,000</u>	<u>\$ (81,372)</u>

STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ 33,914	\$ (265,354)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	4,951	3,835
Abandonment Loss	-	218,136
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(257,409)	(177,872)
Accounts Payable	227,233	226,977
Accrued Payroll and Payroll Taxes	3,167	(2,428)
Customer Deposits	-	(8,774)
Net Cash Provided by (Used in) Operating Activities	<u>11,856</u>	<u>(5,480)</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(550)	(6,027)
Net Cash Used in Investing Activities	<u>(550)</u>	<u>(6,027)</u>
Increase (Decrease) in Cash	<u>11,306</u>	<u>(11,507)</u>
Cash at Beginning of Year	<u>15,807</u>	<u>27,314</u>
Cash at End of Year	<u>\$ 27,113</u>	<u>\$ 15,807</u>

Read Accountants' Report and Notes to Financial Statements

Notes To Financial Statements

March 31, 2010 and 2009

NOTE 1- **Summary of Accounting Policies :**

Business Activity

The Company is in the business of providing engineering and software development consulting services. Danlaw Technologies Inc. (DTI) is a wholly owned subsidiary of Danlaw Technologies India Ltd., a foreign corporation organized in India. DTI was incorporated in September 2001 to market engineering and information technology services to customers in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition Policy

The Company's policy is to recognize revenue as services are provided. Revenue is calculated based on the hours of service provided at contractual rates and adjusted for expected realization upon final invoicing.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash includes amounts in corporate bank accounts, which may exceed Federal Deposit Insurance Corporation insurance limits of \$250,000.

Accounts Receivable and Concentration of Credit Risk

At March 31, 2010 and 2009, the Company's accounts receivable are due mainly from affiliates and concentrated in the automotive suppliers and manufacturer market. Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Depreciation

The Company depreciates its property, plant and equipment using declining balance and straight-line methods over estimated useful lives ranging from three to seven years for financial reporting purposes.

Notes To Financial Statements (continued)

March 31, 2010 and 2009

NOTE 1 - Summary of Accounting Policies (Continued):

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial tax reporting. Deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Federal income taxes are reflected in the financial statements in accordance with FASB ASC 740. The Company has adopted the provisions of FASB ASC Section 740 regarding uncertain tax positions. As a result, the Company recognizes tax benefits of tax positions that have a greater than fifty percent likelihood of being sustained upon examination by taxing authorities. The effect of adopting this provision was not material. The Company's policy is to recognize interest and penalties related to income tax issues as components of interest income or expense.

Goodwill

Goodwill is recognized for the excess of the purchase price of business acquired over the fair value of net assets acquired. Goodwill is reviewed annually for impairment of stated value. There were no losses for goodwill impairment recognized.

Subsequent Events

Management has evaluated events and transactions through May 6, 2010, the date the financial statements were available to be issued.

NOTE 2 - Software Development Costs:

Management elected to abandon all development of software products during fiscal 2009. Accordingly, the Company has recorded an abandonment loss for all costs and advances associated with the products. The loss of \$218,136 is included in the 2009 statement of operations.

NOTE 3 - Income Taxes:

There is no provision for current income taxes included in the 2010 or 2009 statement of operations due to the net operating losses available to offset taxable income.

Management has reviewed the Company's tax positions and concluded that there are no significant uncertain tax positions that are required to be recognized in the financial statements. The Company does not have any unrecognized tax benefits which would impact the effective income tax rate. The total amount of interest and penalties relating to income taxes was not material.

Notes To Financial Statements (continued)

March 31, 2010 and 2009

The Company files income tax returns with various federal and state tax jurisdictions. Tax returns filed with the Internal Revenue Service for the years 2007 – 2009 are subject to examination. Tax returns filed with the various states are subject to examination for the years 2006 -2009.

The deferred tax asset is as follows at March 31:

	2010	2009
Deferred income tax		
Benefit of net operating loss carry over	\$ 263,000	\$ 273,000
Valuation allowance	(263,000)	(273,000)
Total Deferred Income Tax	\$ -	\$ -

For income tax purposes at March 31, 2010, the Company has net operating loss carryovers which expire as follows:

Fiscal Years Ended March 31	
2023	\$101,000
2024	\$148,000
2027	\$128,000
2028	\$268,000
2029	\$129,000

NOTE 4 - Related Party Transactions:

The Company is related by common ownership to Danlaw Technologies India Ltd. and by common management to Danlaw Inc. The following summarizes transactions and outstanding balances with the related entities:

Transactions For The Year Ended March 31:

	2010	2009
<u>Sales</u>		
Danlaw Inc.	\$ 453,805	\$ 492,625
<u>Purchases</u>		
Danlaw Technologies India, Ltd.	\$ 577,305	\$ 532,625
Danlaw, Inc.	\$ 26,000	\$ 18,100
<u>Administration Fees</u>		
Danlaw, Inc.	\$ 9,300	\$ 4,050
<u>Rent Expense</u>		
Danlaw, Inc.	\$ -	\$ 1,974

Balances as of March 31:

<u>Accounts Receivable</u>		
Danlaw, Inc.	\$ 1,269,727	\$ 1,097,166
Danlaw Technologies India Ltd	\$ 118,028	\$ 118,028
<u>Accounts Payable</u>		
Danlaw Technologies India, Ltd.	\$ 1,467,684	\$ 1,276,573
Danlaw, Inc.	\$ 35,373	\$ -

Notes To Financial Statements (continued)

March 31, 2010 and 2009

NOTE 5- Lease Commitments

The Company rents office space on a month-to-month basis. For the years ended March 31, 2010 and 2009, rent paid was \$7,200 and \$9,174 respectively.

NOTE 6- Retirement Plan

The Company maintains a 401(k) Profit Sharing Plan available to all employees meeting certain age and service requirements. The plan allows employees to contribute up to 15% of their salary to the plan, subject to Internal Revenue Code limitations. The Company may elect to match a portion of the employees' contribution to the plan and may contribute additional amounts at its discretion. There were no employer contributions for the years ended March 31, 2010 and 2009.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
Danlaw Technologies India limited
Hyderabad.

We have examined the attached Consolidated Balance Sheet of Danlaw Technologies India Limited and its subsidiary as at March 31, 2010, the Consolidated Profit and Loss Account for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit of the parent Company in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit for the parent Company provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, Danlaw Technologies, Inc., which have been reviewed by M/s Grant, Millman & Johnson, P.C., Michigan State, USA. The report of the Certified Public Accountant has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the CPA.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Danlaw Technologies India Limited and reviewed financial statements of the subsidiary are included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Danlaw Technologies India Limited and its aforesaid subsidiary, we are of the opinion that:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Danlaw Technologies India Limited and its subsidiaries as at March 31, 2010; and
- b) the Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Danlaw Technologies India Limited and its subsidiary for the year then ended.

for AM REDDY & CO
CHARTERED ACCOUNTANTS
FRN: 003246S

Place: Hyderabad
Date: May 22, 2010

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

Consolidated Balance Sheet as at

		in Rs.	
	Schedule	31-03-2010	31-03-2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	3,72,03,000	3,72,03,000
Reserves and Surplus	2	27,49,83,734	28,56,90,914
Secured Loans	3	2,65,66,121	1,78,59,459
		33,87,52,855	34,07,53,373
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	5,09,42,046	5,04,84,266
Less: Depreciation		3,90,95,997	3,73,90,083
Net Block		1,18,46,049	1,30,94,183
DEFERRED TAX ASSET (NET)	5	6,08,53,746	6,16,57,083
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	6	8,25,86,650	8,28,92,607
Cash and bank balances	7	6,16,44,625	6,24,51,942
Loans and advances	8	1,75,44,502	1,77,02,276
Inventory		46,64,348	40,80,022
		16,64,40,125	16,71,26,847
Less: Current liabilities & Provisions	9	2,99,22,024	2,94,03,614
NET CURRENT ASSETS		13,65,18,101	13,77,23,233
Goodwill		91,02,000	1,04,44,750
Profit & Loss Account		12,04,32,959	11,78,34,124
		33,87,52,855	34,07,53,373
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	14		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

(CA.KISHORE KUMAR.K)
Partner

Hyderabad
May 22, 2010

Consolidated Profit and Loss Account for the period ended

		in Rs.	
	Schedule	31-03-2010	31-03-2009
INCOME			
Income from Operations		6,16,70,652	7,03,94,217
Other income	10	77,41,620	64,38,288
		6,94,12,272	7,68,32,505
EXPENDITURE			
Direct Cost	11	4,65,71,475	6,48,04,948
Selling Expenses	12	50,93,522	71,56,533
General and Administration expenses	13	1,72,64,390	2,08,14,337
		6,89,29,387	9,27,75,818
Operating Profit [PBIDT]		4,82,885	(1,59,43,313)
Interest		22,42,756	9,33,226
Depreciation		17,95,547	26,36,957
Exceptional Items		-	11,53,29,564
Extraordinary Items		-	20,61,616
Profit/(Loss) before tax		(35,55,418)	(13,69,04,676)
Less: Fringe benefit tax		-	1,40,312
Provision for current year income tax		-	-
Provision for earlier years Income Tax		-	50,73,797
Deferred Tax (Asset)		(9,56,583)	(3,36,63,853)
Profit/(Loss) after tax		(25,98,835)	(10,84,54,932)
Profit carried forward from last year		(11,78,34,124)	(93,79,192)
AMOUNT TRANSFERRED TO BALANCE SHEET		(12,04,32,959)	(11,78,34,124)
Basic & diluted EPS		(0.70)	(29.15)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	14		

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

(CA.KISHORE KUMAR.K)
Partner

Hyderabad
May 22, 2010

Schedules to the Consolidated Balance Sheet as at

		in Rs.	
		31-03-2010	31-03-2009
1. SHARE CAPITAL AUTHORISED			
50,00,000 Equity Shares of Rs.10/- each		5,00,00,000	5,00,00,000
ISSUED, SUBSCRIBED AND PAID UP			
37,20,300 Equity Shares of Rs.10/- each Fully Paid		3,72,03,000	3,72,03,000
		3,72,03,000	3,72,03,000
2. RESERVES AND SURPLUS			
Share premium account		26,58,07,400	26,58,07,400
Convertible warrants forfeited		32,50,000	32,50,000
Investment Subsidy		16,00,000	14,00,000
Exchange conversion reserve		43,26,334	152,33,514
		27,49,83,734	28,56,90,914
3. SECURED LOANS			
Car loans from HDFC Bank Limited		2,37,483	5,57,388
The Dhanalakshmi Bank Ltd		2,63,28,638	1,73,02,071
		2,65,66,121	1,78,59,459

4. FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block	
	Cost as at 31-03-2009	Additions during the year	Deductions during the year	Cost as at 31-03-2010	Total upto 31-03-2009	For the year	Deductions during the year	As at 31-03-2010	As at 31-03-2010	As at 31-03-2009
Additions to Leasehold premises	14,84,850			14,84,850	2,11,776	24,203		2,35,979	12,48,871	12,73,074
Computers & software	2,98,92,233	5,90,600		3,04,82,833	2,87,96,740	4,37,137		2,92,33,877	12,48,956	10,95,493
Office Equipment	14,29,983			14,29,983	5,37,631	86,059		6,23,690	8,06,293	8,92,352
Electrical Equipment	13,03,432			13,03,432	4,88,340	43,423		5,31,763	7,71,669	8,15,092
Lab Equipment	14,56,827			14,56,827	4,48,713	69,010		5,17,723	9,39,104	10,08,114
D G Set	2,94,616			2,94,616	1,36,200	13,956		1,50,156	1,44,460	1,58,416
Elevator	3,25,123			3,25,123	1,40,275	15,401		1,55,676	1,69,447	1,84,848
Air-conditioners	16,36,508			16,36,508	6,76,253	77,522		7,53,775	8,82,733	9,60,255
Furniture & Fixtures	62,31,392			62,31,392	34,66,094	3,93,370		38,59,464	23,71,928	27,65,298
Office Interiors	19,17,818			19,17,818	7,51,595	90,848		8,42,443	10,75,375	11,66,223
Vehicles	32,88,378			32,88,378	11,41,981	3,11,542		14,53,523	18,34,855	21,46,397
WOS Equipment	12,23,106	(1,32,820)		10,90,286	5,94,485	2,33,076		7,37,928	3,52,358	6,28,621
Grand Total	5,04,84,266	4,57,780	-	5,09,42,046	3,73,90,083	17,95,547	-	3,90,95,997	1,18,46,049	1,30,94,183
Previous Year	5,35,96,306	12,31,530	43,43,570	5,04,84,266	3,62,70,768	26,36,957	16,20,604	3,73,90,083	1,30,94,183	1,73,25,538

Schedules to the Consolidated Balance Sheet as at

in Rs.

	31-03-2010	31-03-2009
5. DEFERRED TAX ASSET (NET)		
Fixed Assets	(17,67,077)	(29,48,702)
Investments	70,48,963	70,48,963
Others	5,55,71,860	5,75,56,822
	6,08,53,746	6,16,57,083
6. SUNDRY DEBTORS		
Debts outstanding for a period less than six months		
Unsecured considered good	6,73,02,371	6,89,10,754
Debts outstanding for a period exceeding six months	1,52,84,279	1,39,81,853
	8,25,86,650	8,28,92,607
7. CASH AND BANK BALANCES		
Cash on hand	4,656	4,093
Balances with banks		
- in current accounts	13,05,350	11,88,502
- in EEFC accounts	44,271	436
- in deposit accounts in Indian rupees	6,02,90,348	6,12,58,911
	6,16,44,625	6,24,51,942
8. LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
<i>Advances recoverable in cash or</i>		
<i>in kind or for value to be received</i>		
Earnest Money Deposit	2,43,454	30,454
Advances for expenses	3,87,826	5,80,640
Advances for purchases	2,48,498	-
Rent deposits	14,10,352	13,96,352
Deposits with Government Agencies	4,71,055	4,72,305
Prepaid Expenses	83,355	1,01,386
Interest Receivable	48,71,984	46,80,655
Tax Deduction at Source	28,05,474	26,37,836
Intercorporate Deposits	70,22,504	78,02,648
	1,75,44,502	1,77,02,276
9. CURRENT LIABILITIES		
Sundry Creditors - for goods	65,37,543	53,77,188
- for services	40,04,470	29,38,845
- for expenses	1,92,45,265	2,07,50,737
Outstanding dues of micro and small enterprises		-
Advances from customers	1,34,746	3,31,532
Provision for Current Year Income Tax		-
Provision for Fringe Benefit Tax		5,312
	2,99,22,024	2,94,03,614

Schedules to the Consolidated P & L Account

in Rs.

	31-03-2010	31-03-2009
10. OTHER INCOME		
Interest Income (TDS - Rs.6,51,051/-, Previous year Rs.12,93,202/-)	53,99,119	57,75,394
Exchange Gain (net)	19,25,804	5,22,935
Interest on IT Refund	1,16,697	75,852
Miscellaneous Income	3,00,000	64,107
	77,41,620	64,38,288
11. DIRECT COST		
Salaries & other benefits	3,19,82,636	3,50,95,878
Sub-contract works	16,76,072	35,19,714
Cost of Biometrics goods sold	66,32,405	1,19,34,191
Obsolete Stocks Written Off	-	31,11,478
Cost of electronic components	39,14,313	30,14,497
Work-in-progress (opening)	-	58,53,758
Freight outward	1,64,953	1,66,191
Transit insurance	14,538	19,768
ESAPsp Processing Fees	13,93,866	10,40,133
Travel & Conveyance	7,92,692	10,49,340
	4,65,71,475	6,48,04,948
12. SELLING EXPENSES		
Salaries & other benefits	41,03,134	45,44,412
Travel & Conveyance	6,53,845	22,26,760
Business development expenses	2,26,591	1,38,597
Sales commission	1,06,000	2,11,000
Advertisement	3,952	35,764
	50,93,522	71,56,533

Schedules to the Consolidated P & L Account

in Rs.

	31-03-2010	31-03-2009
13. ADMINISTRATION AND OTHER EXPENSES		
Advertisement	47,777	40,191
AGM Expenses	23,700	18,486
Audit expenses	2,100	2,200
Auditor's remuneration - audit fees	80,000	70,000
Bank charges and commission	82,050	99,967
Books & Periodicals	10,299	15,928
Bad debts written off	2,31,523	16,53,228
Depository Registrar Fee	74,288	55,147
Directors sitting fee	70,000	20,000
Insurance Charges	2,68,393	3,09,816
Internet Service Charges	2,38,001	4,16,644
Legal & Professional Charges	4,38,496	7,59,542
Listing Fee	10,000	11,084
Membership Fee		2,247
Miscellaneous Expenses	4,455	15,314
Office Maintenance	25,00,049	19,87,867
Postage & Telegrams	84,958	50,122
Power and Fuel	9,42,943	13,05,541
Printing and Stationery	1,82,822	1,53,708
Registration, Licence & Filing Fee	7,094	1,81,844
Rent, Rates & Taxes	52,09,092	67,43,522
Salaries & other benefits	50,59,227	49,49,432
Staff Recruitment & Training	47,668	56,181
Staff welfare	5,33,814	7,98,861
Telephone charges	7,67,870	8,70,560
Travel and Conveyance		
Directors	2,39,742	1,42,372
Others	1,08,029	84,533
	1,72,64,390	2,08,14,337

Schedule 14

Statement of Significant Accounting Policies

for the consolidated financial statements

Scope of Business units

Danlaw Technologies India Limited is a company engaged in providing technology services in the areas of engineering services, internet, developing software products and security solutions for the clients. The Company has also entered into the business of biometric products providing security solutions to the clients. The company has a single subsidiary at USA in the name of 'Danlaw Technologies Inc' for promoting the services provided by the Danlaw Technologies India Limited to US clients. The subsidiary is wholly owned by the company by virtue of its total holding of equity of the subsidiary. The Danlaw Technologies Inc (DTI) is basically engaged in providing Engineering and software development and consultancy services to USA clients. The wholly owned subsidiary of the company together with the parent shall hereinafter be referred as Danlaw for the purposes of consolidated accounts. The accounting year for the parent company and the US subsidiary is the same i.e. from April 1st to March 31st every year.

Significant Accounting Policies And Notes On Accounts:

1. Basis for consolidation of financial statements

The consolidation of financial statements of Danlaw has been made as per the Generally Accepted Accounting Principles and the Provisions of the Accounting standard 21 issued by the Institute of Chartered Accountants of India. The consolidation of accounts of Danlaw took place based on the audited financial statements of the parent by the statutory auditors of the company and reviewed financial statements of the subsidiary by the Certified Public Accountants of Michigan State. While consolidation Inter Company balances and transactions are eliminated in full. The consolidation is based on the concepts of accrual, going concern and conservatism. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

2. Revenue recognition

Revenue from software development of Danlaw is recognized based on software developed and billed to clients considering the men and material used for the specific project. In the case of fixed-price contracts, revenue is recognized based on the work completed.

3. Expenditure

All expenses of Danlaw are accounted on the accrual basis.

4. Fixed assets

Fixed assets are stated at the cost of acquisition, less accumulated depreciation. Cost comprises of purchases and attributable cost. Depreciation on fixed assets is provided based on the Companies Act 1956 for the Indian assets and for the assets of Subsidiary on declining/straight line methods over estimated lives of assets.

5. Foreign currency transactions

In the case of sales made to clients outside India for the parent, income is accounted on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sale

proceeds on conversion into Indian currency upon actual receipt.

In the case of expenditure in foreign currency, the expenses are accounted on the basis of exchange rate as on the date of the transaction. In case expenses are met out of EEFC accounts, the same is accounted for at the rate prevailing on the date of receipt of funds in EEFC account or at the rate at which the EEFC funds are maintained.

The transactions of the subsidiary are in US dollars and Euro. There is no foreign currency transaction per se. But on account of consolidation all the outstanding entries of the subsidiary as on March 31, 2010 have been converted into Indian rupees and consolidation was affected.

6. Foreign Currency translations

The accompanying financial statements of WOS are reported in U.S. dollars. The functional currency of the parent company in India is the Indian rupee ("Rs."). Hence translation of U.S. dollars to Rs is performed for balance sheet accounts using the exchange rate prevailing as at the balance sheet date, and for revenue and expense accounts using a quarterly average exchange rate for the respective quarters. The gains or losses resulting from such translation are reported as "Exchange conversion reserve", a separate component of reserves and surplus head in the consolidated accounts. The method for translating expenses of overseas operations depends upon the timing of the funds used. The balance sheet items of the WOS have been converted at the rate Rs.44.40 per dollar. For conversion of the income statement, the statement figures have been segregated based on the quarter to which the transaction pertains and translated at the average quarterly exchange rate of Rs.48.67, Rs.48.42, Rs.46.64 & Rs.45.92 per US dollar for the respective quarters.

7. Investments

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

8. Related Party transactions

The company entered into related party transactions during the year with Danlaw Inc., USA. The CMD of the company is also CEO of the Danlaw Inc. The Danlaw Technologies Inc had sales of Rs.435.67 lakhs during the year ended March 31, 2010 of which the sales made to the Danlaw Inc are Rs 214.95 lakhs. During the year ended March 31, 2010 Danlaw Technologies Inc has purchased services of Rs.16.63 lakhs from Danlaw Inc.

for and on behalf of the Board

For A.M. REDDY & CO
Chartered Accountants

RAJU S DANDU
Chairman &
Managing Director

M.A. ASHOK KUMAR
Director

(CA.KISHORE KUMAR.K)
Partner

Hyderabad
May 22, 2010



Regd. Office: Plot No.43, Sagar Society, Road No.2, Banjara Hills, Hyderabad 500 034.

PROXY FORM

I / We _____ of _____ being member / members of Danlaw Technologies India Ltd. do hereby appoint _____ or failing him / her _____ of _____ as my / our Proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 17th Annual General Meeting of the Company to be held on September 30th, 2010 at 11.00 a.m. and at any adjournment thereof.

In witness whereof, I / We have set my / our hand / hands this ____ day of _____ 2010.

Re. 1/-
Revenue
Stamp

(Signature of the member across the stamp)

Note: The proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.



Regd. Office: Plot No.43, Sagar Society, Road No.2, Banjara Hills, Hyderabad 500 034.

ATTENDANCE SLIP

17th Annual General Meeting on September 30th, 2010 at 11.00 A.M. at the Registered Office.

Ledger Folio / Ben. A/c. No. _____

Full Name of the Shareholder _____

Name of the Proxy _____

I certify that I am a member / proxy for the member, of the Company.

I hereby record my presence at the 17th Annual General Meeting of the Company held at Registered Office at Plot No.43, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034 on September 30th, 2010 at 11.00 A.M.

Shareholder's / Proxy's Signature _____

Note: Please fill in this attendance slip and hand it over at the entrance of the hall.

