



impressions.  
**integration.**  
inviting.

Ybrant Digital Limited Annual Report 2010-11



## Disclaimer

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements [written and oral] that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.



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# Corporate Information

## REGISTERED OFFICE

Plot No.7A, Road No.12, MLA Colony, Banjara Hills,  
Hyderabad – 500 034 Andhra Pradesh, India.  
Phone: +91 (40) 4567 8999 Email: [ir@ybrantdigital.com](mailto:ir@ybrantdigital.com)  
Website: [www.ybrantdigital.com](http://www.ybrantdigital.com)

## BRANCH OFFICE

1201 West, 5th Street,  
Suite 300,  
Los Angeles,  
CA 900017, USA.

## SUBSIDIARIES

### Frontier Data Management Inc (MediosOne)

108 West, 13th Street, Wilmington, Delaware 19801, USA.

### International Expressions Inc (VoloMP)

108 West, 13th Street, Wilmington, Delaware 19801, USA.

### Pennyweb Inc (AdDynamix)

1201, West 5th Street, Suite 300,  
Los Angeles, CA 90017, USA.

### Online Media Solutions Limited (Oridian)

Sapir 3 Herzlia 46733, PO Box 12637, Israel.

### Ybrant Media Acquisition LLC

1201, Orange St, Suite 600, Wilmington, New Castle County,  
Delaware, 19801, USA.

### Dream ad S.A , Argentina

Av.Corrientes, 327 Piso 11, Buenos Aires, Argentina.

### Dream ad S.A , Chile

Padre Mariano 103 Of. 207,  
Providencia Santiago de Chile, Chile.

### Dream ad S.A, Panama

Av. Samuel Lewis y Calle 50, Panama city, Panama.

### Dream ad S.A, Uruguay

Ellauri 357,Of. 50, 2Piso, Montevideo,Uruguay CP. 11300.

### Get Media Mexico S.A. DE CV

Presidente Masaryk No. 111, 1er. Piso, Col. Chapultepec  
Morales, Mexico D.F.

### Max Interactive Pty Ltd

5 Kings Lane, Darlinghurst, NSW 2010, Australia.

### Lycos Inc

100 5th Ave STE 3, Waltham MA 02451-8727, USA

### Dyomo Corporation

16192, Coastal Highway, Lewes, Delaware 19958-9776,  
County of Sussex, USA

### Ybrant Digital Servicios De Publicidade LLTDA.

12995, Andar 18 Sala 36, 04.578-000,  
Brooklin Novo, Sao Paulo, SP

### Ybrant Digital (Brasil) Limited

188721, 333, North Bridge Road, #08-00,  
KH KHEA Building, Singapore.

## BANKERS

### ING Vysya Bank Limited

Banjara Hills, Hyderabad, Andhra Pradesh, India.

### ICICI Bank Limited,

Jubilee hills, Hyderabad, Andhra Pradesh, India.

## AUDITORS

### M/s. P. MURALI & CO

Chartered Accountants, 6-3-655/2/3, Somajiguda,  
Hyderabad - 500 082, Andhra Pradesh, India.

## COMPANY SECRETARY

Jyothi Kommidi

## REGISTRAR AND SHARE TRANSFER AGENT

Aarthi Consultants Private Limited, 1-2-285, Domalguda,  
Hyderabad-500 029, Andhra Pradesh, India.

Phone: +91 (40) 2763 8111

Email: [info@aarthiconsultants.com](mailto:info@aarthiconsultants.com)

## END-TO-END DIGITAL MARKETING SOLUTIONS



Mobile Advertising



Social Advertising



Search Advertising



Display Advertising



Online Video Advertising



Email and Lead Generation



Casual Gaming

## COMPLEMENTARY SERVICES

Digital Media Planning and Buying



User Data Collection and Aggregation



Campaign Optimization and Analysis

Ad Serving and traffic monitoring

Customizable Applications and Widgets



Creative enhancement for performance



Search Optimization support and management



Expert advice for digital marketing strategy

Multi-time-zone support structure



# Impressions.

30 billion impressions a month and growing.

# Integration.

Following the Lycos acquisition, we are a fully integrated global Internet advertisement powerhouse.

# Inviting.

The percentage of global advertising deployed on the internet at a low 8% represents an inviting opportunity for prospective growth.



#### IDENTITY

Founded in 1999 by M. Suresh Kumar Reddy and Vijaya Kancharla, Ybrant Digital Limited offers digital marketing solutions worldwide to businesses, agencies and online publishers. The Company links advertisers with audiences across all digital media formats by enhancing the visibility of brands

and maximizing revenues. It also collaborates closely with advertising agencies to create and deliver global advertisement campaigns.

#### PRESENCE

Headquartered in Hyderabad, Ybrant enjoys a presence in over 20 countries, including the US, Argentina, Uruguay, Chile, Mexico, the UK, France, Germany, Israel,

Philippines, Serbia and Australia, among others.

#### SERVICES

Ybrant builds networks between advertisers and publishers, collaborates with advertising agencies optimizes tailored and personalized campaigns and ensures growing global traffic at competitive rates.

Digital marketing services	Related services
Mobile marketing	Digital media planning and buying
Affiliate marketing	Digital advertising campaigns, optimization and analysis
Social media marketing	Data collection and aggregation
Email marketing and lead generation	Ad serving and traffic monitoring
Search marketing	Technology platforms and marketing creative impressions
Display ads marketing	Licensing technology software
Causal gaming	Search optimization support and search management

#### INDUSTRY PIONEERS

- Creates 7 billion searches and 31 billion impressions every month
- Reaches 130 million casual gaming users every month
- Accessible to 100+ million unique visitors across 20 countries
- Serves over 500+ global brands and agencies
- Regional representative for Yahoo, Microsoft Advertising and Viacom
- Chosen as one of Facebook's marketing API (application programming interface) partners
- Ranked among the top 25 digital marketing solutions companies

# Brand-enhancing clients

## ADVERTISERS



## AGENCIES



## PUBLISHERS





# Key mergers and acquisitions

**2006**

**MEDIOSONE**  
Display and search engine marketing (SEM)

**2007**

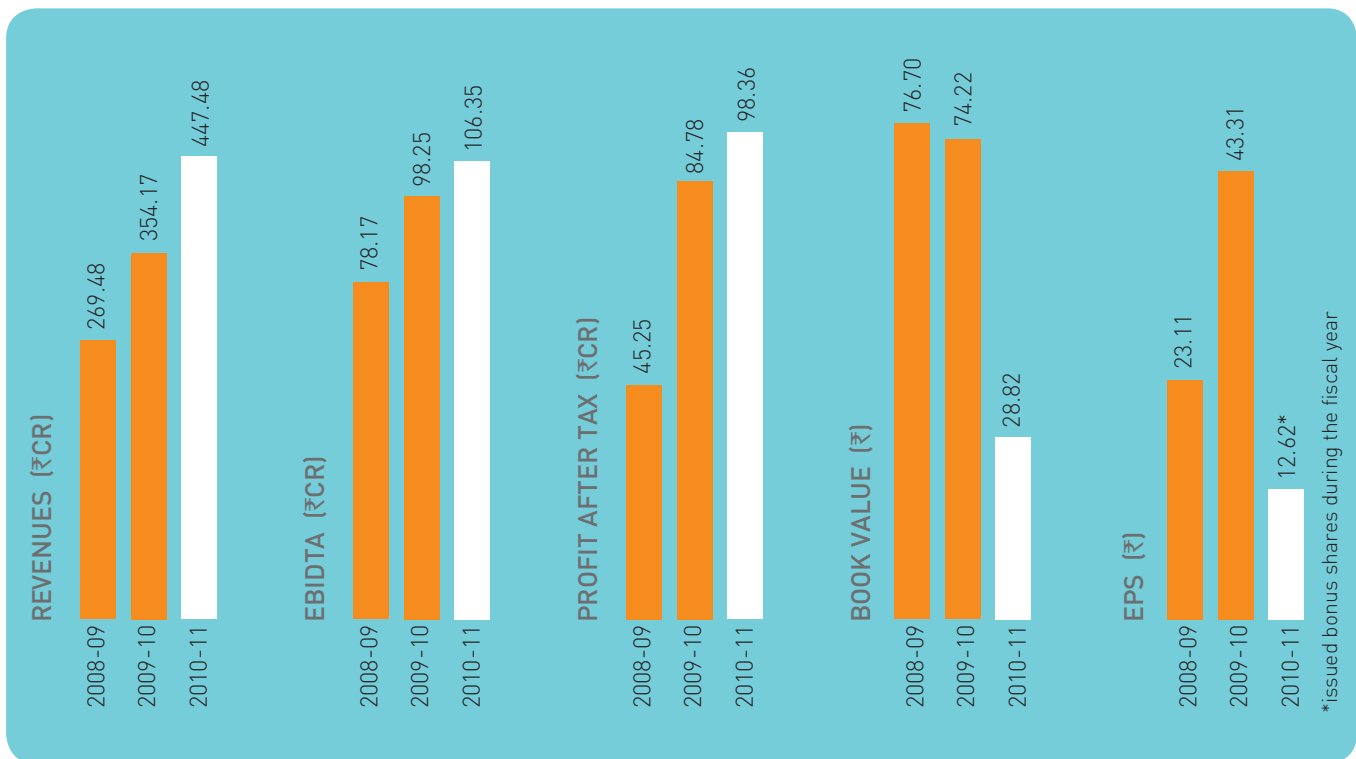
**VOLOMP**  
Email marketing software

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**AD DYNAMIX**  
Display

**2008**

**ORIDIAN**  
Display





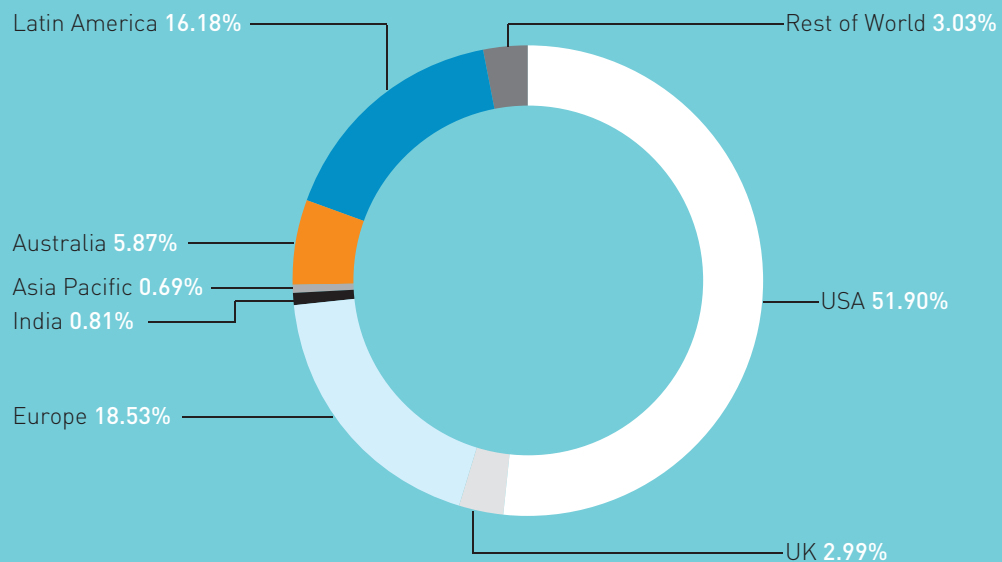


**2009**  
DREAM AD  
Display and SEM  
AD MAX INTERACTIVE  
Display and SEM

**2010**  
LYCOS  
Profitable digital brand

**2011**  
PIC APP  
In-image solutions  
WEB 3.0  
Advertising technology  
LGS GLOBAL  
Cloud and mobile applications

DREAM REVENUE CONTRIBUTION FROM COUNTRIES, 2010-11





# From the Chairman's desk



## DEAR SHAREHOLDERS,

The popularity of the Internet as an effective media channel has increased significantly on account of faster and affordable broadband connections. As a result, a large number of advertisers are shifting from traditional channels to the online format to enhance their exposure and capture a bigger market share.

Ybrant registered a 26.35% growth in revenues from ₹354.1 crore to ₹447.4 crore and 16% growth in net profit from ₹84.7 crore to ₹98.3 crore.

The global online advertising industry witnessed a 13.82% growth from US\$ 60.22 billion in 2010 to US\$ 68.55 billion in 2011, as online advertising reinforced its position as a low-cost global advertising medium. Besides, the Internet provides flexibility to advertisers by controlling advertising run time, depending on responses, leading to swift decision making and optimal cost management.

## OPERATIONAL HIGHLIGHTS, 2010-11

Ybrant capitalized on this favourable industry reality through the following performance:

- Registered a 26.35% growth in revenues from ₹354.1 crore to ₹447.4 crore and 16% growth in net profit from ₹84.7 crore to ₹98.3 crore
- Released Facebook Quality Control Center (QCC), a new technology solution to comply with Facebook's advertising regulations, designed to enhance user experience and ensure that only the most relevant and acceptable advertisements are displayed
- Selected by Facebook as its official marketing application programming interface partner, which will enable the Company's technology platform to integrate into the Facebook Ads system and provide marketers with new solutions
- Emerged as an exclusive representative for Viacom in Argentina and Chile
- Acquired Lycos, a leading search-based Internet property, from Daum Communications (South Korea). The acquisition helped Ybrant add 'search' to its digital media capabilities, reinforcing existing

strengths in display, social media and mobile to offer seamless cross-platform solutions

- Launched brand-safe solutions, preventing advertisements from appearing on non-legitimate sites in real-time
- Launched the first mobile advertising campaign using the new Mobile Ad server
- Launched Lycos Games in the UK and Australia

## OUTLOOK

The digital advertising industry is poised for growth with 20-30 key players contributing US\$ 1 billion in annual revenues each. In this exciting space, Ybrant intends to emerge as an industry leader by 2015, generating annual revenues of US\$ 1 billion through the following strategies:

- Increase our market share in the already established markets of the US and Europe through the organic and inorganic routes, and leveraging our globally integrated model.
- Acquire a stake in the Israel-based Web 3.0 (exclusive representative of Yahoo! Israel), which provides mobile marketing, performance-based marketing and smartphone development solutions. This will help Ybrant expand geographically and

acquire a strong advertising sales force

- Introduce a unique technology offering the best solutions for advertisers to access brand-safe and quality inventory as well as publishers to enjoy a constant feed of quality advertising to monetize their social network inventory
- Merge with LGS Global to create a global digital marketing powerhouse offering comprehensive digital marketing services for businesses, publishers and agencies across best-in-class platforms
- Expand our geographic presence to Eastern Europe, China, Africa and South Korea, developing a local merchant database through local search
- Establish relations with traditional advertising and media service providers through superior and comprehensive offerings
- Leverage our sales network through the acquisition of an under-monetized media

As always, we remain grateful for the support of our shareholders and expect to grow our Company faster in the coming years.

Sincerely,

**M Suresh Kumar Reddy**

Chairman and Managing Director

**Maxinteractive**  
A Ybrant Digital Network

**mediosone**  
A Ybrant Digital Network

**ORIDIAN**  
A Ybrant Digital Network



**AdDynamix**  
A Ybrant Digital Network

**dream ad**  
A Ybrant Digital Network

**LYCOS**

# Riding the internet wave



A third of the world's population of seven billion use the internet.

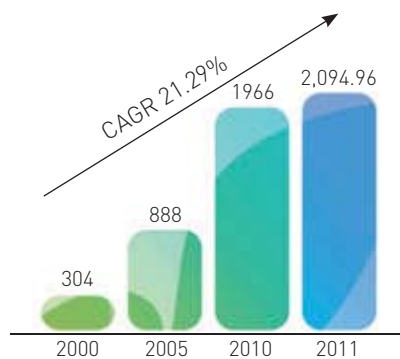
In a decade, internet usage has grown 480% and the global internet user base has grown at 21.29% CAGR from 304 million in 2000 to over 2 billion in 2011. The average internet time spent by an individual has surged from seven hours per week in 1999 to 15 hours in 2011.

North America has the highest internet penetration at 78.3%, followed by 60% in Australia and 58.3% in Europe. Much of the prospective growth will emerge from Asia, which is home to the largest number of internet users at 922.32 million (44% of the total world population). However, Asian internet penetration is significantly lower than other continents at about 23.8%.

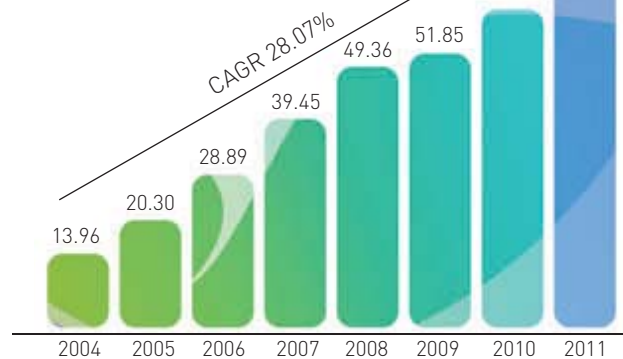
With improving internet infrastructure, proliferation of tablets and mobile phones, faster broadband speeds, cheaper connections and progressive 3G rollout (even 4G in certain areas), internet usage growth is shifting towards Asia.

Over the years, the advertising ecosystem has undergone a dramatic shift as the boundaries of traditional

**GLOBAL INTERNET USERS**  
(in million)



**INTERNET ADVERTISEMENT**  
(in million US\$)



## GLOBAL INTERNET PENETRATION AND USAGE

	Population (2011; in million) as on 2000)	Internet users (in million; as on 2011)	Internet users (in million;	Penetration (% of population)	Ten-year CAGR
Africa	1,037.52	4.51	118.60	11.4%	2527.4%
Asia	3,879.74	114.30	922.32	23.8%	706.9%
Europe	816.42	105.09	476.21	58.3%	353.1%
Middle East	216.25	3.28	68.55	31.7%	1987.0%
North America	347.39	108.09	272.06	78.3%	151.7%
Latin America	597.28	18.06	215.93	36.2%	1,037.4%
Australia	35.42	7.62	21.29	60.1%	179.4%
World Total	6,930.02	360.98	2,094.96	30.2%	480.4%

print and broadcast advertising disappear in the online medium. Online marketing has not only opened new ways of reaching out to target audiences but can also effectively track and measure this outreach. It is being considered superior to traditional advertising as it is cheaper, enables efficient conversion tracking, facilitates interactivity and provides analytic tools that measure effectiveness.

Internet advertising retained its position as the fastest-growing segment within the overall advertising space with the global internet advertising industry growing 13.82% from US\$ 60.22 million in 2010 to US\$ 68.55 million in 2011. Internet advertising is projected to

become a US\$ 100-billion market by 2015, supported by a proliferation of tablets, mobile phones, connected appliances, smart machines, increase in the user base and faster broadband speeds.

Rising global internet penetration, evolving preference for online advertising over traditional media and a growing scope of online advertising offers exciting opportunities for digital advertisement solution providers like Ybrant. The Company offers comprehensive solutions for advertisers' digital marketing needs with enhanced revenue generation (through online media) and conducts campaigns and web banners for publishers that catalyse revenue growth. These initiatives have

graduated Ybrant into an integrated services provider for brand marketing and direct response solutions and have expanded the scope for dedicated digital marketing planning and execution services. Ybrant and its subsidiaries enjoy an established presence in this space, facilitating an optimal utilization of digital advertising budgets through the adoption of advanced technologies, which enhance capabilities in various formats across the digital medium. The Company will continue to build, license, acquire technologies and companies and deliver successful marketing solutions in line with industry growth and demand.



# Ybrant's business model

Ybrant provides end-to-end digital marketing solutions to global businesses, agencies, advertisers and online publishers, by leveraging the power of the Internet. It buys media from publishers and sells them to the advertisers and agencies. Ybrant has affiliations with over 6,000 online publishers and over 140 agencies. Ybrant enables companies (advertisers) to harness the potential of the digital media by connecting them to target audiences, enhancing their brand visibility and maximizing their revenues.

## YBRANT'S REVENUE MODELS

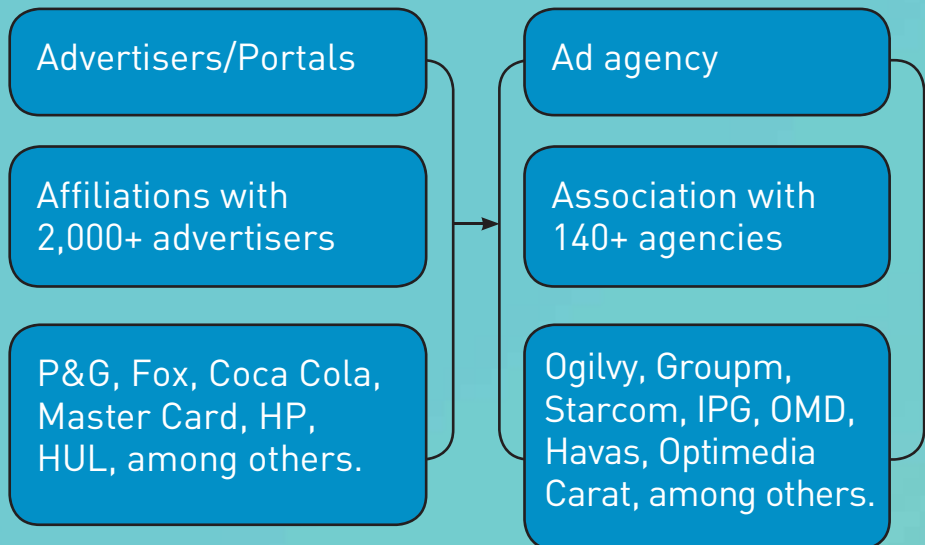
### CPM (Cost per thousand impressions):

An impression is a single appearance of an advertisement on a web page.

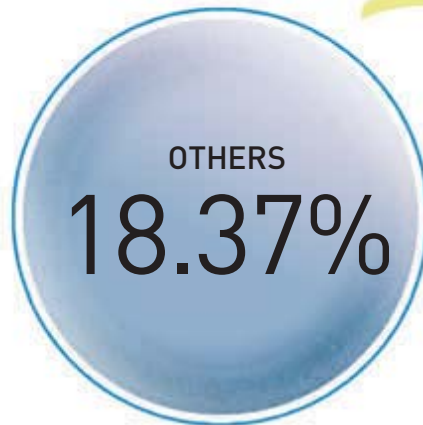
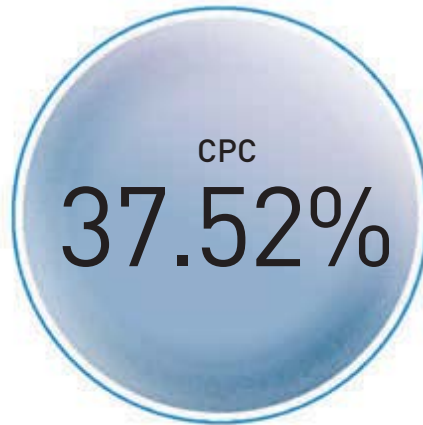
Each time an advertisement loads onto a user's screen, the ad server counts that loading as one impression. CPM is used for measuring the worth and cost of a specific e-marketing campaign and it is usually applied with web banners, text links, email and opt-in e-mail advertising.

**CPC (Cost per click):** CPC is used to direct traffic to websites, where advertisers pay publishers (website owners) when the advertisements are clicked upon.

**CPA (Cost per action):** In CPA, the advertiser pays for each specified action (purchase, form submission, among others) inked to the advertisement.



Revenue pricing wise



Publishers

Association with  
6,000+ publishers

Google, Yahoo,  
Facebook, Lycos,  
Microsoft, Yakedi,  
ebuddy, Fotolog,  
Viacom, among  
others.

Internet users

More than  
112 million



# Ybrant's technology edge

Ybrant provides integrated technology solutions to execute global advertisement campaigns by providing high-performance email marketing platforms, ad serving technology requirements, web analytics for publishers and marketer interfaces.

## YBRANT'S TECHNOLOGY PLATFORMS

Ybrant deploys a mix of open source and commercially-available software, using the following technology platforms:

- **Affiliate management:** Affiliate management software can track high volumes of impressions, clicks and specified actions that could come from different publishing sources including websites, emails, search engines and newsletters.
- **Co-registration:** Co-registration engine is a web-based lead generation software solution, which helps publishers in campaign management, tracking website traffic, revenue accounting and providing performance details on statistical reports.
- **Ad management system (AMS):** AMS is an innovative advertisement

management technology that combines targeting capabilities with robust tracking, inventory management and reporting features to provide comprehensive solutions for advertisers and publishers. It helps in tracking traditional cost-per-thousand (CPM) campaigns, as well as cost-per-click (CPC) and cost-per-action (CPA) campaigns.

- **VoloMP:** VoloMP is a bulk email platform that provides clients with scalable mass mailing solutions with features including reporting, tracking and list maintenance. It is the best solution for email marketers as the platform is capable of sending up to 20 million emails per day and can enhance the client's financial performance.

## YBRANT'S TECHNOLOGICAL EDGE

- Ybrant's campaign analysis optimizes customer response rates and targets the right customer mix to achieve desired target goals
- Ybrant uses proprietary technology and data analysis capabilities to track, store and measure website data used for improving campaign performance

- Ybrant's ad serving system enables it to provide campaign data to clients through comprehensive online performance reports, which helps them in evaluating campaign effectiveness across multiple dimensions (sales, leads, registrations and software downloads, among others)
- Ybrant's ability to conduct ongoing advertising campaigns helps in simultaneous data collection and storage in its data warehouse. This data is analysed to structure it for targeted advertising campaigns to enable clients to reach the desired results




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**“YBRANT EMPLOYS A MIX OF OPEN SOURCE AND COMMERCIALY-AVAILABLE SOFTWARE, USING AFFILIATE MANAGEMENT, CO-REGISTRATION, AMS, VOLOMP TECHNOLOGY PLATFORMS”**

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# Synergic acquisitions



## LYCOS

Ybrant acquired Lycos for US\$ 36 million in 2010, which is now its wholly-owned subsidiary. Lycos is the leading search-based Internet media and broadband content provider. It offers services ranging from email, social networking, search, gaming, video, chat and blogging to web hosting, web publishing and web page add-ons. It is headquartered in Waltham, Massachusetts, and its network includes Lycos.com, Tripod, Angelfire, HotBot, Gamesville, WhoWhere and Lycos Mail. It averages 12-15 monthly unique visitors a month in the US and is a top-25 Internet destination, reaching 60 million unique visitors globally.

## ORDIAN

Ordian is Ybrant's international ad network brand, conducting local sales and site-specific representation in Europe, North America, Latin America, Israel, Argentina, Germany, India and the UK. It is accredited by the Internet Advertising Sales House (IASH) and enables premium websites to monetize their international traffic in more than 40 countries.

## AD DYNAMIX

Ad Dynamix is an interactive ad network that delivers advertisement management, video and digital media services to agencies, entertainment clients and direct marketers. It offers customized campaigns and conducts advertisement deliveries for the US market and specializes in performance-based advertising.

## MEDIOSONE

MediosOne has an online ad network in South America, Europe and India and assists advertisers, publishers and agencies with graphical and contextual banners. It aids in demographic targeting and reaching out to users native languages.

## DREAMAD

Dreamad is a leading ad network company catering to Latin America, Argentina, Chile, Uruguay and Mexico. It specializes in Internet media and possesses an exclusive sales house for Microsoft advertising in Latin America.

## MAX INTERACTIVE

Max Interactive specializes in banner-based web advertising and mobile.

This strategic acquisition has helped Ybrant enter the attractive Asia-Pacific market



**“LYCOS IS A WHOLLY-OWNED SUBSIDIARY OF YBRANT WHICH OFFERS SERVICES RANGING FROM EMAIL, SOCIAL NETWORKING, SEARCH, GAMING, VIDEO, CHAT AND BLOGGING TO WEB HOSTING, WEB PUBLISHING AND WEB PAGE ADD-ONS”**



# Strategies for a sustainable business

Ybrant's objective is to be the leading provider of Internet and other digital media advertising solutions to advertisers globally. The Company is capitalizing on the immense potential in global Internet marketing; it is focusing on growing organically and inorganically. The Company's growth strategy is based on the following:

- **Expand internationally through acquisitions:** Ybrant is focused on expanding its global reach to capitalize on higher Internet penetration and other growing digital media such as digital TV and Internet-ready mobile phones. There exists immense potential for Internet marketing services in the US, South America, Europe, China and India, among others. Ybrant plans to expand its global reach by acquiring and tying up with companies which are already present in these countries.
- **Acquire complementary businesses and establish relationships with traditional advertising and media service providers:** Ybrant will pursue opportunities to acquire complementary businesses in the same domain to expand and

enhance capabilities and services and concurrently increase the client base. Over the long-term, it will aggressively establish relationships with companies that provide traditional advertising and media services like forging joint marketing arrangements and signing preferred provider agreements.

- **Aggressively acquire new clients and develop new markets:** The Company intends to expand its client base by aggressively adding new clients that focus their advertising efforts on the Internet and other digital media, as well as clients that rely on traditional advertising media.
- **Leverage its proprietary knowledge to improve service quality:** With its strong knowledge base, the Company expects to leverage its extensive database and data analysis expertise to attract clients. It plans to increase scale and diversity as well as the number and type of advertising campaigns to aggregate statistically significant data and relevant analysis to enhance client campaigns.
- **Provide superior client service**

## **through comprehensive offerings:**

The Company intends to add superior services that will expand client ability to advertise and market on the Internet and various fast-growing digital marketing platforms. It will also add technology and services, based on advances in online marketing technology to provide comprehensive and fully-integrated digital advertising and marketing services.

- **Focus on technology upgradation:** The Company will continue to build, license and acquire technologies, including enhanced ad servings and media measurement technologies to plan and execute effective digital advertising and marketing campaigns. It will increase its investment in data analysis technology and expertise in its efforts to realize the full potential of the data that the campaigns generate.
- **Exploit emerging digital media opportunities:** The Company will extend its capabilities to deliver targeted advertisements through emerging digital media such as smart phones, wireless devices and digital TV, among others.



**Industry pioneer**

Established in 2000, Ybrant enjoys a decades worth of rich experience in digital advertising. It possesses deep industry insights and has influenced the gradual shift from traditional to digital media, on the back of rising Internet usage and penetration.



**Presence across the digital medium**

Ybrant enjoys presence across the entire digital marketing space – from search marketing, display ads marketing, affiliate marketing to mobile and email marketing.



**Rich relationships**

Ybrant acts as an intermediary between advertisers, publishers and agencies helping connect businesses to their target audiences. The Company is associated with over 1,000 agencies, advertisers and 6,000 publishers, making it easy for advertisers to connect with publishers and agencies through reliable efficient services.



**Global presence**

Ybrant enjoys a strong presence in over 20 countries, enabling it to mitigate from socio-economic risks of operations in one particular country.



**Superior technological expertise**

Ybrant's superior technology enriches niche services like geo-targeting, contextual targeting, behavioral targeting and tracking different target audiences. This edge helps it in efficient digital traffic management, optimized ad serving, quality data collection own aggregation and campaign analysis.



**Intellectual capital**

Ybrant enjoys a multi-cultural workforce comprising 415 competent employees globally.

# Ybrant's reach







# Board of Directors



**MR. M SURESH KUMAR REDDY**  
Chairman and Managing Director

Mr. Muthukuru Suresh Kumar Reddy is the Chairman and Managing Director of the Company. He was appointed as the Chairman and Managing Director of the Company on 1st December, 2006. He is the co-founder of the USA Greetings and Ybrant Technologies Inc. He is responsible for the strategic direction and expansion efforts of the Company. He holds a Master of Science degree in Engineering from the Iowa State University and a Bachelor of Technology degree from the Indian Institute of Technology, Kharagpur, India. He has two decades of experience in the field of designing, development and support of various software technologies including business intelligence development and has worked in various key roles namely as project engineer, software analyst and business analyst in different industries, such as AM General Corporation, Caterpillar, Chrysler, SBC (PacBell) and Charles Schwab Corporation.



**MR. VIJAY KANCHARLA**  
Whole-Time Director

Mr. Vijay Kumar Kancharla is the Whole-time Director of the Company. He was appointed as the Whole-Time Director on 1st December, 2006. He is the co-founder of USA Greetings and Ybrant Technologies Inc. He is currently responsible for the technological operations and technology platforms owned and managed by the Company. He holds Master of Science degree in Computer Science from the University of Louisville and a Bachelor of Technology from the Jawaharlal Nehru Technological University, Hyderabad, India. He has over 15 years of experience in the field of online advertising technology degree. He has served as the Chief Executive Officer of Ybrant Technologies Inc. and was involved in business development, strategic short and long-term planning, setting up of sales and marketing teams, building long-term business and corporate relationships and managing financial and operation teams both in Ybrant Technologies Inc. and our Company. Prior to the setting up of Ybrant Technologies Inc., he worked for companies like Hewlett Packard and Pacific Bell. During his tenure in these companies, he was responsible for the design, development and maintenance of various software.



**MR. RAGHUNATH ALLAMSETTY**  
Independent Non-Executive Director

Mr. Raghunath Allamsetty is an Independent Director of the Company. He became a member of the Company's Board of Directors on 20th October, 2006. He holds a Bachelor of Technology degree in Electronics and Communication from Osmania University and a correspondence degree in marketing from IGNOU. He has over 17 years of experience in the areas of project development, technical management and business development. Mr. Allamsetty is the Chief Executive Officer of Aasra Archiventures Private Limited and Director of Apere India Private Limited. Prior to joining Adaptec, he was the Managing Director of Adaptec India Private Limited, and was the co-founder and Chief Executive Officer of various organizations such as Platys Communication India Pvt Ltd.



**MR. VIJAYA BHASKER REDDY**  
Independent Non-Executive Director

Mr. Vijaya Bhasker Reddy is the Independent Director of the Company. He became a member of the Company's Board of Directors on 20th October, 2006. He has a Master's degree in Food Engineering from the Indian Institute of Technology, Kharagpur, and has completed his Management Development programme from the Indian Institute of Management, Ahmedabad. He has over 19 years of experience in marketing and management and has worked as General Manager at Coca-Cola India and is currently on the Boards of Nettlinx Limited, Nettlinx Realty Private Limited, REDI Tropicals and Naturals Private Limited and FRESH – an NGO involved in food safety.



**MR. SAGIREDDY PULLA REDDY**  
Independent Non-Executive Director

Mr. Sagireddy Pulla Reddy is an Independent Director of the Company. He became a member of the Company's Board of Directors on 1st December, 2006. He holds a Bachelor of Technology degree in Computer Science from Nagarjuna University, Andhra Pradesh, India. He has over 20 years of experience in the field of ITES. Mr. Reddy is the Chairman and Managing Director of SP Software Private Limited since 1995. From 1990 to 1995, he was a partner in Binary Semantics and Embee Software Pvt Ltd, New Delhi. He has received several awards for his work, including the Bharat Nirman Excellence Award, and more recently, the Rashtriya Rattan Award for his role in the Company's socio-economic development.



**MR. Y RAMESH REDDY**  
Independent Non-Executive Director

Mr. Yerradoddi Ramesh Reddy is an Independent Director of the Company. He became a member of the Company's Board of Directors on 1st May, 2007. He holds a degree in Chemical Engineering from the Indian Institute of Technology, Chennai, and a management degree in Finance & Marketing from XLRI, Jamshedpur. He has over 18 years of experience in the field of IT, manufacturing, investment banking and heads the Finance Department at Cambridge Technology Enterprises Limited (CTE). Prior to joining CTE, he was a Strategic Business Unit head with Virinchi Technologies Limited, a Hyderabad-based start-up in e-business and web-based analytical solutions, for its operations in Malaysia.



**MS. ALICIA ANN EASTMAN**  
Nominee Director

Ms. Alicia Eastman is a Nominee Director of Everest Capital (M) Ltd on the Company's Board of Directors. She became a member of the Board of Directors on 1st October, 2009 pursuant to Asia Pacific Capital. She holds a Bachelor of Science degree in Economics from the Wharton School, at University of Pennsylvania and a Master of Arts degree from the Fletcher School of Law & Diplomacy at Tufts University. Ms. Eastman is an Executive Director of Asia Pacific Capital and Asia Pacific Capital Fund II. Previously, she worked as Head of Global Strategy and Alliances at Elan Pharmaceuticals, Vice President of Prudential's Asia Infrastructure Mezzanine Capital Fund, a founding principal at NetFuel Ventures and held international strategy and investment positions at Capgemini Ernst & Young and Lend Lease. Ms. Eastman is also an advisor to Microbank based in the Philippines, and sits on the Board of One Ummah, a foundation dedicated to building secular schools in Asia.

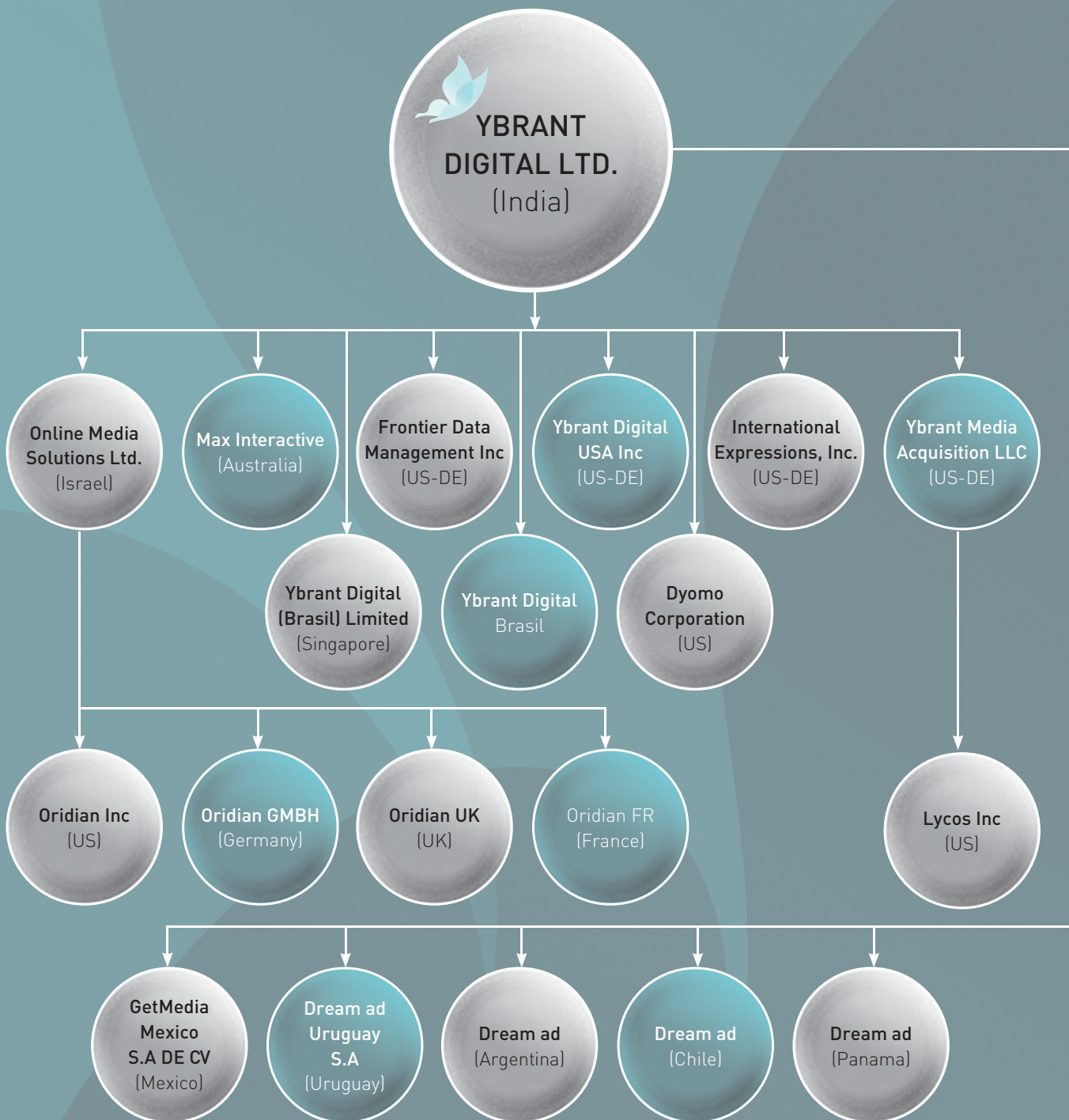


**MR. ROY RODRIGUES**  
Nominee Director

Roy Rodrigues joined Oak as a Venture Partner in 2010. Prior to that, he spent two years as CEO, Investment Banking at Anand Rathi Securities, a financial services firm based in Mumbai, India. Before joining Anand Rathi, he spent over a decade at Bear Stearns in New York, where he was a Managing Director, heading the IT Services and Investment Banking practice as well as running their India franchise. After receiving his undergraduate degree from Sydenham College in Mumbai, he worked for four years with Arthur Andersen in Mumbai. Roy received his MBA from the Stern School of Business at New York University and is a qualified Chartered Accountant.



# Corporate structure





# Management discussion and analysis

## GLOBAL ECONOMY

The global economy grew at 5.1% in 2010 against (0.5%) in 2009. Private consumption, which had fallen sharply during the crisis, revived in the advanced economies, while growth in the emerging and developing economies was spurred by private demand, accommodative policy stances and resurgent capital inflows. However, pockets of vulnerability persisted; real estate markets and household income remained weak in some advanced economies. Going forward, global GDP is projected to grow more than 4.3% in 2011, with developing economies expanding more than 6.6%, about three times the 2.2% growth expected for advanced economies (Source: IMF).

GDP growth	[%]	
	2009	2010
Global	(0.5)	5.1
Advanced economies	(3.4)	3.0
Emerging economies	2.8	7.4

Source: IMF

## Challenges in advanced economies:

The Eurozone crisis deepened in the first half of CY 2011. Greece was the target of a second bailout package of Euro 110 billion while the Greek government passed a five-year plan that aims to reduce spending and privatize many government operations. Experts fear that there is a danger of the economic contagion spreading from peripheral countries such as Greece and Portugal to major European economies such as Italy, Spain and France. Besides, Standard & Poor downgraded the USA's AAA credit rating for the first time, down one notch to AA+.

However, such challenges provide us with an opportunity as the tough economic situation in advanced economies such as the US and Europe lead to bankruptcy filed by various brick and mortar players. As a result, companies are moving their inventories from the B&M model to e-commerce and internet-based models. We believe we can monetize this opportunity by leveraging our

globally integrated model.

## Emerging markets will redefine

**the global economy:** According to the World Bank report 'Global Development Horizons 2011 – Multipolarity: The New Global Economy', Brazil, China, India, Indonesia, South Korea and Russia will drive growth in lower-income countries through cross-border commercial and financial transactions. As a group, emerging economies are expected to grow an average 4.7% annually between 2011 and 2025. Advanced economies, in contrast, are slated to score only 2.3% over the same period, but will retain their global dominance.

## GLOBAL ADVERTISEMENT MARKET APPROACHES US\$ 500 BILLION

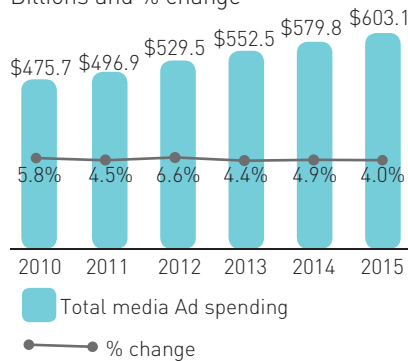
Advertising spending globally is projected to increase 3.9% in 2011 to over US\$ 494 billion. It is estimated that total advertisement spending worldwide will reach US\$ 525.3

billion by 2012. Total spending on directories, Internet, magazines, newspapers, out-of-home, radio and television advertising will continue to grow at a steady single-digit rate through 2015. By 2015, advertisers worldwide will be spending close to US\$ 600 billion on such media.

Global online advertisement spending will grow to US\$ 80.1 billion in 2011, up 17.2% from US\$ 68.4 billion in 2010. The Internet's share of total advertisement spending will grow to 16.2% in 2011 and by 2015, online advertising is forecast to make up 22.1% of all advertisement dollars worldwide.

**TOTAL MEDIA AD SPENDING WORLDWIDE, 2010-15**

Billions and % change



Note: includes directories, internet, magazines, newspapers, outdoor, radio and TV

Source: eMarketer, June 2011

**CHANGING DYNAMICS**

The Internet has had a profound effect on consumers' viewing habits. The proliferation of devices is altering their media and entertainment consumption patterns. While traditional media offered passive consumption, new media facilitates interactivity. A key aspect of new media is the shift in focus from functional innovation to the humanization of technology, enabling connectivity with consumers in more meaningful ways.

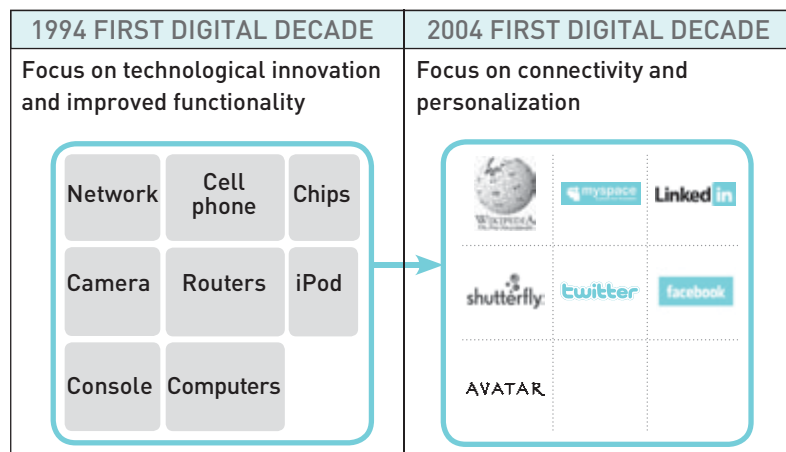
In the first digital decade, 'content is king' was believed to be the key to success. As telecom and cable operators aggressively entered the digital value chain, the debate shifted to whether

controlling distribution channels mattered more than owning content

In the second digital decade, the proliferation of devices created new channels of communication for personalised and localized content. The realization has sunk in that while content and distribution are important aspects of the digital business model, companies can provide value in many ways (by providing context, coverage or convenience to the target audience).

**DIGITIZATION AND CONTENT MANAGEMENT**

The illustration below shows that Internet advertising is about to register the highest CAGR of 16.82% between 2006-2013.



Source: KPMG International

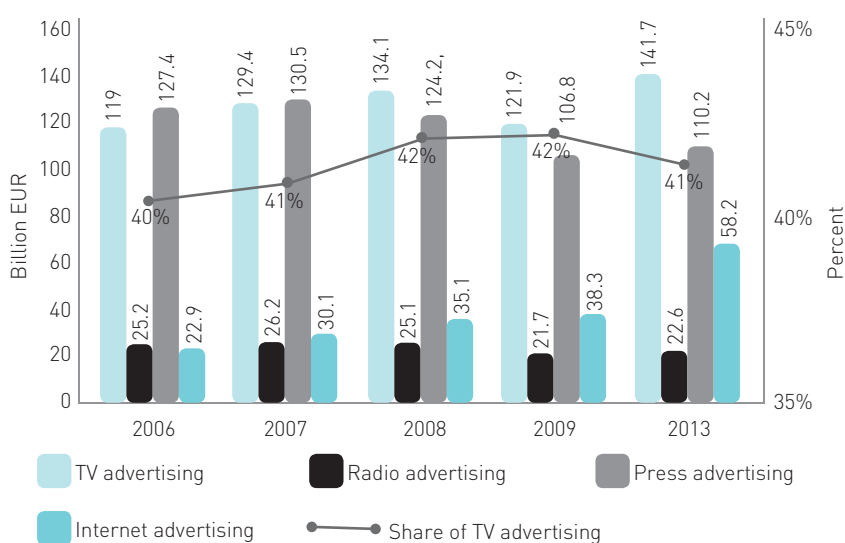
**ONLINE AD SPENDING WORLDWIDE, 2010-2015**

	2010	2011	2012	2013	2014	2015
Spending (in US\$ billions)	68.4	80.2	94.2	106.1	119.8	132.1
% change	16.2%	17.2%	17.5%	12.7%	12.9%	10.2%
% of total media ad spending	14.4%	16.1%	17.8%	19.2%	20.7%	21.9%

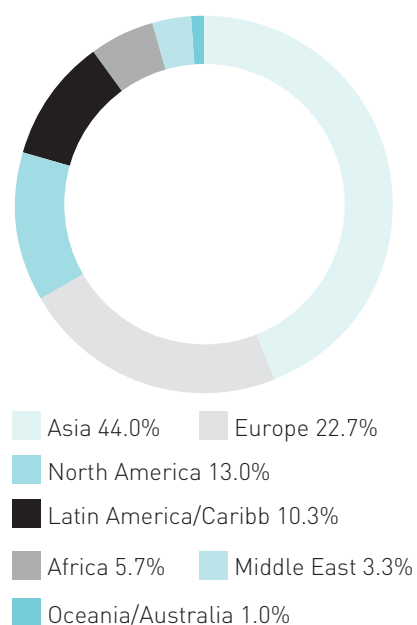
Note: includes banner ads, classifieds, email (embedded ads only), lead generation, rich media, search, sponsorships and video; includes mobile ads within the existing formats

Source: eMarketer, June 2011

**CHANGE IN WORLDWIDE ADVERTISING REVENUE BY MEDIA**



**INTERNET USERS IN THE WORLD (AS ON 31ST MARCH, 2011)**

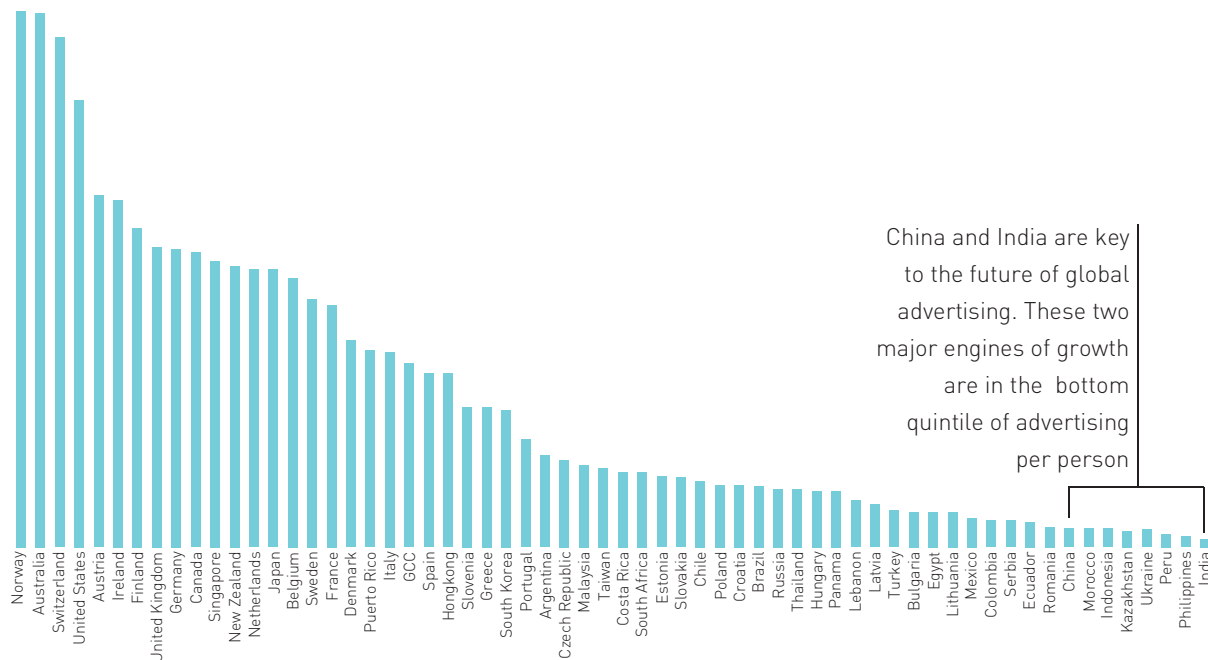


**WORLD INTERNET USAGE AND POPULATION STATISTICS, MARCH 31, 2011**

World Regions	Population (2011 Est.)	Internet Users Dec. 31, 2000	Internet Users Latest Data	Penetration (% population)	Growth 2000-2011	User % of Table
Africa	1,037,524,058	4,514,400	118,609,620	11.4	2,527.4	5.7
Asia	3,879,740,877	114,304,000	922,329,554	23.8	706.9	44.0
Europe	816,426,346	105,096,093	476,213,935	58.3	353.1	22.7
Middle East	216,258,843	3,284,800	68,553,666	31.7	1987.0	3.3
North America	347,394,870	108,096,800	272,066,000	78.3	151.7	13.0
Latin America/Carib.	597,283,165	18,068,919	215,939,400	36.2	1,037.4	10.3
Oceania/Australia	35,426,995	7,620,480	21,293,830	60.1	179.4	1.0
<b>World Total</b>	<b>6,930,055,154</b>	<b>360,985,492</b>	<b>2,095,006,005</b>	<b>30.2</b>	<b>480.4</b>	<b>100.0</b>

The above chart shows that Asia has the highest number of Internet users followed by Europe, North America and Latin America with the highest penetration in North America where Ybrant enjoys a predominant presence.

### ADVERTISING REVENUE PER PERSON (US\$), 2011

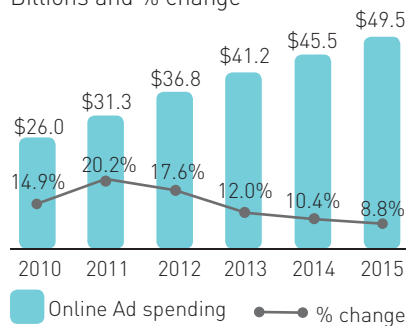


### US ONLINE ADVERTISING MARKET

The US online advertising market is poised for rapid growth in 2011 with spending expected to exceed US\$ 31 billion. The US advertising spending has grown by an estimated 20.2% to US\$ 31.3 billion in 2011, up from US\$ 26 billion in 2010, when the market grew 14.9%. The Internet has become as fundamental as television to

### US ONLINE AD SPENDING, 2010-2015

Billions and % change



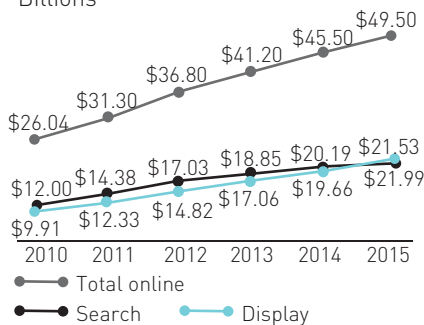
Note: 2010 data from IAB/PwC (the eMarketer benchmark); eMarketer forecasts for 2011-2015

Source: eMarketer, June 2011

advertisers. As consumers continue to increase their time spent online, revenues are bound to flow towards the Internet. More advertisement formats (such as video) and channels, especially social media and mobile,

### US ONLINE DISPLAY\* AND SEARCH\*\* AD SPENDING, 2010-2015

Billions



Note: eMarketer benchmarks its US online ad spending projections against the IAB/PwC data, for which the last full year measured was 2010; \*includes banner ads, rich media, sponsorships and video, \*\*includes contextual text links, paid inclusion, paid listings, (paid search) and SEO

Source: eMarketer, June 2011

are also key contributors to the spending gain.

It is estimated that Internet advertisement will account for almost 20% of all major media advertisement dollars spent in the US in 2011, up from a 17% share in 2010. By 2015, online advertising is expected to make up nearly 28% of total US media advertising spending, compared with television, whose share of total spending is expected to hover around 38% for the next five years. The increase is largely fuelled by a spending surge in display advertisements.

While search advertising still takes the greatest share of online advertisement dollars by far, display spending is posting solid gains as well. Total online display advertisement spending (including online video, banner advertisements, rich media and sponsorships) has already brought the category in

close range of search advertising. In 2011, US advertisers will spend about US\$14.38 billion on search advertisements and US\$ 12.33 billion on online display, up 19.8% and 24.5%, respectively, over 2010.

Display advertisements will continue to grow faster than search throughout eMarketer's forecast period; display spending is on track to surpass search advertisements by 2015.

Display advertisement's rise has been supported by marketers increasingly channeling dollars towards banner and video advertisements. Advertisers spent an estimated US\$ 6.23 billion on banner advertisements in 2010, a figure that will grow to an estimated US\$ 7.61 billion (or 24.3% of total online advertisement spending) by 2011. By 2015, banner advertisement spending is expected to touch US\$ 11.73 billion.

High inventory and lower pricing have made banner and video advertisements increasingly attractive

formats for brand marketers, many of which have seen their online advertisement budgets grow during the past year. The rise of Facebook has been another prime factor in display advertisement growth.

Video advertising is growing faster than other online advertisement formats and it is estimated that online video will surpass rich media in terms of advertisement spending in 2011. The US online video advertising spending will grow 52.1% to US\$ 2.16 billion, up from US\$ 1.42 billion in 2010, when the video advertisement market grew 39.6%.

Marketers increasingly see the internet as a place where brand advertising, especially in the form of video advertising, is effective. Combined with greater targeting and measurement abilities that marketers get vis-à-vis television advertisements, the growing consumption of online video has done more to attract brands than any other

online advertisement format

Despite its rapid growth, video's share of overall online advertisement spending will reach just 6.9% in 2011. By 2013, however, video is expected to surpass classifieds and directories in market share, putting video behind only search and banner advertisements in terms of overall online advertisement spending.

Search advertising is expected to post strong growth this year as well, though its share of the overall market will inch lower as marketers move dollars toward video and banner advertisements. It is estimated that US search advertising spending will make up 45.9% of overall US online advertisement dollars this year, down from a 46.1% share in 2010. However, more new dollars will go into search in 2011 and 2012 (over US\$ 5 billion) than into banners and video combined (less than US\$ 4.4 billion).

The rise of display advertising goes hand in hand with a rise in the usage of digital advertising for branding. Online advertising, long considered primarily for direct response marketing, still leans in that direction. But branding is increasing in importance as better advertisement vehicles develop and marketers' funds flow into these formats.

For 2011, eMarketer projects 39.4% of online advertisement dollars will be devoted to branding, including banner advertisements, rich media, sponsorships and video. All other advertisement formats, including classifieds, embedded email advertisements, lead generation and paid search, are classified as direct response.

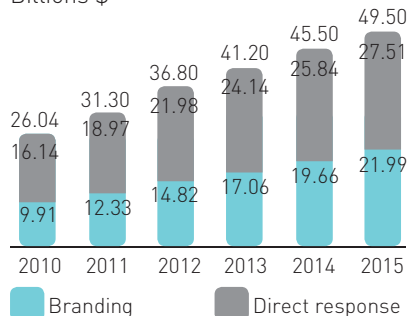
**US ONLINE AD SPENDING GROWTH, BY FORMAT, 2010-2015 (% CHANGE)**

	2010	2011	2012	2013	2014	2015
Video	39.6	52.1	43.1	35.9	34.3	26.0
Sponsorships	87.5	26.4	16	12.3	11.6	11
Banner ads	23.1	22.1	17.6	11.0	10.4	7.0
Search	12.2	19.8	18.4	10.7	7.1	6.6
Classifieds and directories	15.2	15.7	11.4	9.0	8.9	7.8
Rich media	2.2	7.9	4.3	0.8	-0.8	-2.7
Lead generation	-7.7	6.1	1.8	1.7	2.1	1.2
Email	-33.2	-16.5	-0.5	3.3	3.4	3.1
<b>Total</b>	<b>14.9</b>	<b>20.2</b>	<b>17.6</b>	<b>12.0</b>	<b>10.4</b>	<b>8.8</b>

Note: eMarketer benchmarks its US online ad spending projections against the IAB/PwC data; for which the last full year measured was 2010  
Source: eMarketer, June 2011

### US ONLINE AD SPENDING BY OBJECTIVE, 2010-2015

Billions \$



Note: numbers may not add up to total due to rounding

Source: eMarketer, June 2011

Spending on branding-oriented online advertisements will grow more quickly than direct-response spending throughout the forecast period and by 2015, 44.4% of online advertising spending will be devoted to branding.

### THE ASIA-PACIFIC ONLINE ADVERTISING MARKET

The Asia-Pacific is expected to increase its share of total advertisement spending worldwide over the next few years and overtake North America as the worldwide leader over the next five years. It

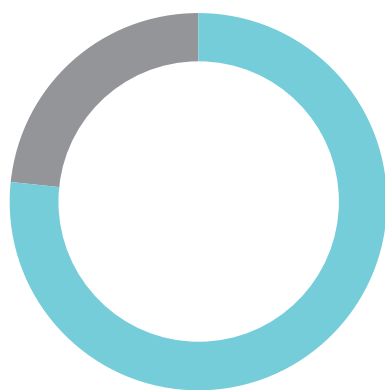
### TOTAL MEDIA AD SPENDING WORLDWIDE, BY REGION AND COUNTRY, 2010-2015 (BILLIONS \$)

	2010	2011	2012	2013	2014	2015
<b>North America</b>	<b>163.4</b>	<b>167.8</b>	<b>176.7</b>	<b>180.8</b>	<b>186.6</b>	<b>190.8</b>
US	153.3	157.4	165.7	169.4	174.8	178.6
Canada	10.1	10.4	11.0	11.4	11.8	12.2
<b>Asia-Pacific</b>	<b>137.4</b>	<b>146.3</b>	<b>158.8</b>	<b>169.9</b>	<b>180.6</b>	<b>191.4</b>
China	33.6	38.3	45.9	52.4	59.4	66.5
Japan	34.0	32.7	34.2	35.5	36.7	37.4
<b>Western Europe</b>	<b>112.4</b>	<b>114.8</b>	<b>120.8</b>	<b>123.6</b>	<b>127.7</b>	<b>130.2</b>
Germany	25.4	26.3	27.4	28.2	29.3	30.2
UK	21.7	22.3	23.4	24.3	25.6	26.2
France	15.3	15.8	16.5	16.8	17.5	18.0
Italy	13.0	13.4	14.0	14.4	14.9	15.3
Spain	7.7	7.9	8.3	8.5	8.9	9.0
<b>Latin America</b>	<b>28.7</b>	<b>31.3</b>	<b>34.5</b>	<b>37.6</b>	<b>42.1</b>	<b>45.9</b>
<b>Eastern Europe</b>	<b>19.8</b>	<b>20.3</b>	<b>21.5</b>	<b>22.3</b>	<b>23.1</b>	<b>23.8</b>
<b>Middle East and Africa</b>	<b>14.0</b>	<b>15.3</b>	<b>17.3</b>	<b>18.5</b>	<b>19.7</b>	<b>20.9</b>
<b>Worldwide</b>	<b>475.7</b>	<b>496.9</b>	<b>529.5</b>	<b>552.5</b>	<b>579.8</b>	<b>603.1</b>

Note: includes directories, internet, magazines, newspapers, outdoor, radio and TV; numbers may not add up to total due to rounding

Source: eMarketer, June 2011

### INTERNET USES IN AMERICA



Rest of the World 76.7%

The Americas 23.3%

### INTERNET USERS STATS IN 2011 Q1 FOR THE AMERICAS

The Americas	Population (2011 Est.)	% pop. Of the world	Internet Users Latest Data	Penetration (% population)	User growth 2000-2011	world % users
All the Americas	944,678,035	13.6	488,005,400	51.7	286.8	23.3
Rest of the world	5,985,377,119	86.4	1,607,000,605	26.8	584.4	76.7
<b>World Total</b>	<b>6,930,055,154</b>	<b>100.0</b>	<b>2,095,006,005</b>	<b>30.2</b>	<b>480.4</b>	<b>100.0</b>

is estimated that advertisement spending in Asia-Pacific will reach US\$ 146.3 billion in 2011, compared with US\$ 165 billion in North America. By 2015, however, advertisement spending in the Asia-Pacific will grow to US\$ 191.4 billion and a 32% share of global advertisement spending, while North America will reach just US\$ 185.8 billion and a 31.1% share that year.

However, Asia-Pacific still trails the West in terms of online advertising. Online advertisement spending in North America will reach US\$ 33.4 billion in 2011, trailed by Western Europe at US\$ 23.1 billion. Online advertisement spending in Asia-Pacific will cross US\$ 19.3 billion in 2011.

Total media advertisement spending in the US is expected to reach US\$ 165 billion in 2011, with online advertisement spending expected to top US\$ 30 billion. The US will lose some share of the global online advertisement market as other regions increase their spending, but eMarketer still expects nearly two in every five global online advertisement dollars to be spent in the US throughout the forecast period.

Between 2010 and 2015, Asia-Pacific, Eastern Europe, Latin America, the Middle East and Africa will gain a share of the online market, though Asia-Pacific is the only region with significant levels of spending during the forecast. Online advertisement spending in Asia-Pacific will more than double from US\$ 16.4 billion in 2010 to US\$ 34.6 billion in 2015, with spending in China alone nearly tripling during that period from US\$ 3.7 billion to US\$ 11.3 billion.

#### ONLINE AD SPENDING SHARE WORLDWIDE, BY REGION AND COUNTRY, 2010-2015 (% OF TOTAL)

	2010	2011	2012	2013	2014	2015
<b>North America</b>	40.8	41.7	41.8	41.5	40.7	40.2
US	38.1	39.1	39.1	38.8	38.0	37.5
Canada	2.7	2.7	2.7	2.7	2.7	2.7
<b>Western Europe</b>	30.0	28.8	28.0	27.3	27.0	26.5
UK	9.4	8.9	8.4	8.2	8.1	7.9
Germany	7.1	7.0	7.0	7.0	7.2	7.1
France	3.8	3.6	3.4	3.3	3.3	3.2
Italy	1.9	1.9	1.9	1.9	1.9	2.0
Spain	1.5	1.5	1.5	1.4	1.4	1.4
<b>Asia-Pacific</b>	23.9	24.1	24.6	25.1	25.8	26.2
Japan	9.8	9.0	8.6	8.4	8.0	7.7
China	5.4	5.7	6.6	7.2	7.9	8.6
<b>Eastern Europe</b>	2.7	2.7	2.7	2.7	2.8	2.8
<b>Latin America</b>	2.1	2.2	2.3	2.5	2.8	3.1
<b>Middle East &amp; Africa</b>	0.4	0.5	0.7	0.9	1.1	1.3

Note: includes banner ads, classifieds, email (embedded ads only), lead generation, rich media, search, sponsorships and video; includes mobile ads within the existing formats

Source: eMarketer, June 2011

#### EUROPEAN ONLINE ADVERTISING MARKET

The European online advertising market accelerated at a growth rate of 15.3% in 2010, outperforming the overall European advertising market which grew 5% in the same period. Total online advertisement spend was €17.7 bn in 2010, compared with €15.3 bn in 2009. Market growth ranged from 37% in Russia and 24% in the Czech Republic to 14% in Denmark and 7% in France. The markets with the highest online advertisement spend in the report comprise the UK, Germany, France, Netherlands, Italy and Spain. Together, they account for almost three quarters (74%) of the total

online advertising market. Central and Eastern Europe (CEE) markets now represent almost a tenth (9.8%) of the total pie.

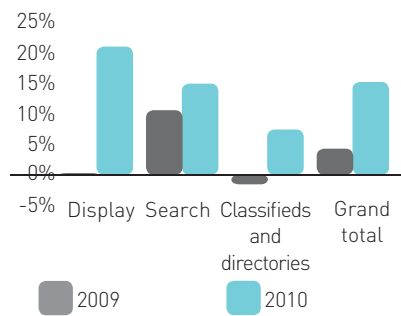
Display advertising enjoyed growth rates of 20% or more in many markets (both emerging and mature) during 2010. Above average growth rates were experienced in Ireland (31%), Spain (30%) and Russia (27%).

The continued growth of online television inventory and long-form video consumption, increased spending while simultaneously maintaining high CPM (cost per thousand). Online video advertisement spends has doubled in most markets. In Spain, online



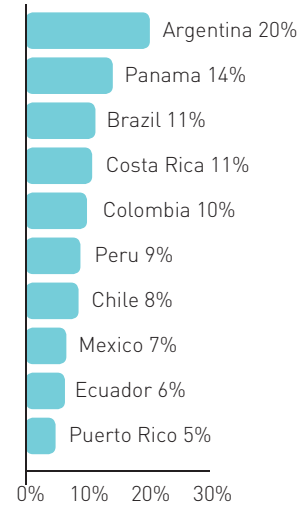
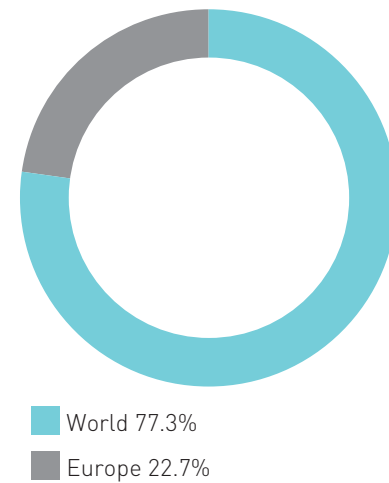
### DISPLAY ADVERTISING BOUNCES BACK

Year on year growth rates, ad spends in 25 markets



Source: IAB Europe AdEx 2010/HS Screen Digest

### EUROPEAN INTERNET USERS



video grew 125% to a value of €13mn; growth in the UK was 90% (market value of €63mn).

### SUPER SEARCH

Paid search continued to grow in double-digits at an average of 15.1%. It remains the biggest category in online advertising, with 45% of total advertising spend compared with 33% for display and 22% for classifieds and directories. While some of the more established markets experienced smaller increases (UK 8% and France 10%), many witnessed explosive growth (Hungary 44% and Poland 31%).

### LATIN AMERICAN ONLINE ADVERTISING MARKET

Despite changes at a macroeconomic

level, the media industry's structure has not changed much in Latin America. Government policies continue to favour the presence of a handful of dominant companies (Globo/Record in Brazil and Televisa/Azteca in Mexico), who set the direction of the industry in the region. Broadband and Pay TV access are generally low, as is Internet usage, and these factors restrain the degree to which fragmentation has meaningfully impacted traditional media venues. Under these conditions, media owners have fared well despite the economic crisis, continually investing in their products. In total, it is estimated that Latin American media owners' advertising revenues grew 11.3% during 2010

to total US\$ 19.6 billion, with Brazil representing almost half of the total. For 2011, an additional growth of 14% is expected and growth averaging 12.3% over the following five years. Although Latin America's scale is smaller than that of other regions, its growth pace exceeds all of the others.

Despite low penetration, many countries in Latin America have fast-growing internet sectors although they remain constrained by the dominance of television and by the absence of ecommerce markets which supports growth elsewhere. It is forecast that paid search grew by 20.6% in 2011 and expected to grow by 15.6% over the following five years.

### INTERNET AND FACEBOOK USAGE IN EUROPE

Europe	Population (2011 Est.)	% pop. of the world	Internet Users Latest Data	Penetration (% population)	User % world	Facebook Subscribers
Europe	816,426,346	11.8	476,278,755	58.3	22.6	208,907,040
Rest of the world	6,113,628,808	88.2	1,634,487,055	26.7	77.4	501,821,680
Total world	6,930,055,154	100.0	2,110,765,810	30.5	100.0	710,728,720

# NOTICE TO SHAREHOLDERS

Notice is hereby given that the Eleventh Annual General Meeting (AGM) of the Company will be held on Friday, the 30th Day of September, 2011 at 11.00 a.m. at the registered office of the Company at Plot # 7A, New MLA Colony, Road # 12, Banjara Hills, Hyderabad - 500 034, India to transact the following business:

## ORDINARY BUSINESS:

### Item No. 1

#### *Adoption of audited accounts:*

To receive, consider and adopt the Audited balance sheet as at March 31, 2011, the Profit and Loss account for the year ended on that date and the Report of the Directors and the Auditors thereon.

### Item No 2

#### *Re-appointment of Ms. Alicia Ann Eastman*

To appoint a Director in place of Ms. Alicia Ann Eastman, who retires by rotation and, being eligible, seeks re-appointment as per Article 113 and 114 of the Company.

### Item No 3

#### *Re-appointment of Mr. Roy Rodrigues*

To appoint a Director in place of Mr. Roy Rodrigues, who retires by rotation and, being eligible, seeks re-appointment as per Article 113 and 114 of the Company.

### Item No 4

#### *Appointment of Statutory Auditors:*

To appoint auditors and to fix the remuneration, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration and to pass the following resolution thereof:

“RESOLVED THAT M/s. P. Murali & Co., Chartered Accountants, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors in consultation with the Auditors.

On Behalf of Board of Directors  
for Ybrant Digital Limited

Sd/-  
Mr. Muthukuru Suresh Kumar Reddy  
Chairman and Managing Director

Place: Hyderabad

Date: 26th September, 2011

## Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies, in order to be effective must be lodged with the Company not less than 48 hours before the commencement of the Annual General Meeting

2. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed.

3. The Register of Members and Share Transfer Books of the Company shall remain closed from 24th September, 2011 to 30th September, 2011 (both days inclusive).

4. Members holding shares in physical form are requested to notify immediately any changes in their addresses to the Company. Members holding shares in electronic form may intimate any changes to their respective Depository participants (DPs).

5. All documents referred to in the notice and the accompanying explanatory statement are open for inspection at the registered office of the Company on all working days except Saturday, Sunday and bank holidays between 11.00 A.M to 1.00 P.M up to the date of the annual general meeting.

6. Members/ proxies should bring the attendance slip duly filled in for attending the meeting



# DIRECTORS' REPORT

To  
The Members of  
M/s. YBRANT DIGITAL LIMITED  
Hyderabad

The Directors have pleasure in presenting the 11th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2011.

## Financial Results (Standalone)

[Amount ₹ in Lakhs]

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Turnover (including Other Income)	3,020.98	6,248.81
Profit before Tax (+) / (-)	446.26	3,757.52
Provision for Income Tax	88.94	305.46
Profit after Tax (+) / (-)	357.32	3,452.06
Provision for Deferred Tax	54.51	75.86
Prior Period Adjustment	1,532.34	1,038.13
Balance Brought Forward	7,138.41	2,724.08
Balance Carried Forward	5,057.88	7,138.41

## Company Performance

During the financial year, the Company has incorporated a new subsidiary in USA named as Dyomo Corporation. The Dyomo Corporation was incorporated on 12th July, 2010 in the State of Delaware, United States of America.

Ybrant Digital has incorporated a new subsidiary in Singapore with the name Ybrant Digital (Brasil) Limited on 7th September, 2010. The Company is incorporated in the

Republic of Singapore under the Companies Act, Chapter 50. Ybrant Digital (Brasil) Limited is wholly owned subsidiary of Ybrant Digital Limited, India.

Ybrant Digital has acquired 100% of share holding in Lycos Inc USA on 14th October, 2010, through its wholly owned subsidiary named Ybrant Media Acquisition Inc, USA. Ybrant Media Acquisitions Inc has acquired 100% of share holding in Lycos Inc USA for an amount of USD 36 million.

Ybrant Digital has incorporated a subsidiary in Brazil with the name Ybrant Digital Servicos De Publicidade Ltda., Sao Paulo, Brazil on 26th November, 2010. Ybrant is holding 99.99% and 0.01% is held by Dream Ad, Panama which is also a subsidiary of Ybrant Digital Limited.

Your Company has made a turnover (excluding other income) of ₹ 3,019.64 lakhs down by 29.47% Y-o-Y. This decline is due to shift of business from Ybrant Digital (India) to newly formed subsidiary (Dyomo Corporation) as a part of the business plan.

On consolidated basis your Company has made a turnover (excluding other income) of ₹ 44,504.08 lakhs up by 33.05%, from ₹ 33,450.36 lakhs Y-o-Y.

### Dividend

Your Directors have not recommended any dividend during the year under report for maintaining strong reserves and net worth.

### Business Review

■ LGS Global Limited (Listed with BSE) and Ybrant Digital Limited propose to amalgamate to become Digital Marketing Solutions powerhouse. The merger is subject to regulatory approvals from Indian stock exchanges and the High Court of Andhra Pradesh, India. The proposed combined entity will be named as Ybrant Digital Limited.

- Ybrant Digital Limited is proposed to be amalgamated with LGS Global Limited with effect from 1st April, 2011.
- On completion of the requisite formalities of amalgamation, LGS Global Limited shall allot to the shareholders of Ybrant Digital Limited on the date to be fixed by the Board of Directors of LGS Global Limited, shares in the following ratio :
- "6 Equity Shares of ₹ 10/- each in LGS Global Limited for every 1 Equity Share of ₹ 10/- held in Ybrant Digital Limited"
- The proposed Amalgamation of Ybrant Digital Limited with LGS Global Limited is in line with the global trends to achieve size, integration and greater financial strength with a view to enhancing customer relationships and thereby shareholders' wealth.
- The combination of the operations will create a unique level of integration and will enable substantial savings in cost and will enhance the value to customers.
- Further, the amalgamation will also result in improved shareholders' value for both companies by way of improved financial structure, cash flows, increased assets base, consolidated revenues and profitability.

- Ybrant Digital unveils new Facebook 'Quality Control Center' To Protect User Experience on Facebook Apps
- Ybrant Digital has acquired Minority stake in Israel based Web 3.0.
- YReach continues to grow on Alexa ranking and Facebook fans; Launched for Mumbai and Ahmedabad markets as well.
- Evaluating Russia along with our Ukranian partner

### Insurance

The Assets of your Company are adequately insured.

### ISO 9001:2000 Certification

Your Company continues to hold ISO 9001:2000 Certification by meeting all the requirements of Certification from time to time.

### Deposits

The Company has not accepted or invited any deposits and consequently no deposit has matured / become due for re-payment as on 31st March, 2011.

### Particulars of Employees

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that two employees are in receipt of remuneration of ₹ 24,00,000/- or more per annum or ₹ 2,00,000/- or more per month where employed for a part of the year.

### Additional information as required U/s217(1) (E) of the Companies Act, 1956

- a) Conservation of Energy: The Company is monitoring the consumption of energy and is identifying measures for conservation of energy.
- b) i) Technology Absorption, adaptation and innovation: No technology either indigenous or Foreign is involved.  
ii) Research and Development (R & D): No research and Development has been carried out.
- c) Foreign Exchange Inflows and Outflows

i) Foreign Currency Inflows:

(Amount in INR)

Particulars	Year ended 31st March	
	2011	2010
Sales & Services	5,07,53,546	20,24,83,155
Loans and Advances	Nil	Nil
Others	Nil	Nil
<b>Total</b>	<b>5,07,53,546</b>	<b>20,24,83,155</b>

## ii) Foreign Currency Outflows:

(Amount in INR)

Particulars	Year ended 31st March,	
	2011	2010
Capital Expenditure	Nil	Nil
Foreign Travelling	9,40,694	Nil
Investments in Subsidiaries	98,19,40,000	Nil
Others	60,46,131	Nil
<b>Total</b>	<b>98,89,26,825</b>	<b>Nil</b>

### Directors responsibility statement as per Section 217(2AA) of the Companies Act, 1956

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' responsibility statement, it is hereby confirmed:

- i) That in the preparation of the Annual Accounts for the financial year 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and/ of the profit or loss of the Company for that period;
- iii) That the Directors had taken proper and sufficient care 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;
- iv) That the Directors had prepared the annual accounts on a going concern basis.

### Consolidated Financial Statements

The Consolidated Financial Statements incorporating the operations of the Company and its subsidiaries are attached herewith in this Annual Report.

Statements pursuant to Section 212 of the Companies Act, 1956, related to subsidiary companies are annexed to this report.

### Directors

As per Section 256 of the Companies Act, 1956 and Articles of Association of the Company Ms. Alicia Eastman and Mr. Roy Rodrigues of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The brief particulars of the Directors seeking appointment / re-appointment at this Annual General Meeting is being given at the end of Annexure A

### Auditors

M/s. P. MURALI & CO., Chartered Accountants, the present Auditors of the Company hold office until the conclusion of this Annual General Meeting of the Company. They have indicated their availability for re-appointment pursuant to Section 224 (1B) of the Companies Act, 1956.

### Corporate Governance

The Company has voluntarily implemented the procedures and adopted practices in conformity with the Code of Corporate Governance enunciated in Clause 49. A separate report on Corporate Governance is annexed herewith, as a part of the Annual Report.

A detailed report annexed to this Annual Report as Annexure A.

### Appreciation

Your Directors wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry, despite increased competition from several existing and new players.

### Acknowledgements

The Board desires to place on record its sincere appreciation for the support and co-operation that the Company received from the suppliers, customers, strategic partners, Bankers, Auditors, Registrar and Transfer Agents and all others associated with the Company. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be the Company's endeavor to build and nurture strong links with trade based on mutuality, respect and co-operation with each other.

for and on behalf of the Board  
for Ybrant Digital Limited

Sd/-

Chairman & Managing Director

Place : Hyderabad.

Date : 26th September, 2011



ANNEXURE - A

# REPORT ON CORPORATE GOVERNANCE

## Company's Philosophy on Corporate Governance

Corporate Governance is more a way of business life than a mere legal compulsion. Your Company believes that, though its primary focus is on the core objective of earning profits, the corporate governance goes beyond being a regulatory requirement, actually it builds a long-term value to stakeholders, contemplates that corporate actions which balance the interests of all stakeholders and satisfy the tests of transparency, accountability, fairness and social responsibility and it must serve the underlying goal of enhancing the shareholder value over a sustained period of time.

## Board of Directors

The Board of Directors of your Company has an optimum

combination of Executive and Non Executive Directors in terms of Corporate Governance. Accordingly not less than fifty percent of the Board of Directors comprises of Independent directors.

- a) The Board of Directors of the Company as on 31st March, 2011 consists of:
  - 4 Independent Non-Executive Directors
  - 1 Chairman and Managing Director
  - 1 Whole-Time Director
  - 2 Nominee Directors
- b) None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 companies across all the Companies in which he is a Director. The Directors have made necessary disclosures

regarding Committee positions in other public companies as on 31st March, 2011.

- c) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Ten (10 Board Meetings were held during the year from 1st

April, 2010 to 31st March, 2011 on the dates mentioned as follows:

Sr. No	Date of Board Meeting
1	4th May, 2010
2	19th August, 2010
3	21st September, 2010
4	28th September, 2010
5	30th September, 2010
6	14th December, 2010
7	30th December, 2010
8	2nd January, 2011
9	2nd January, 2011
10	23rd March, 2011

The Last Annual General Meeting was held on 21st September, 2010.

The Attendance of each Director is as under:

Name of the Director	Category	No. of other Directorships	No. of Committees in which Member	No. of Board Meetings attended	Whether attended last AGM
Mr. M Suresh Kumar Reddy	Chairman and Managing Director	10	Nil	10	Yes
Mr. Vijay Kancharla	Whole-Time Director	5	Nil	Nil	No
Mr. Raghunath Allamsetty	Independent Non-Executive Director	2	3	5	Yes
Mr. Vijaya Bhasker Reddy	Independent Non-Executive Director	2	3	8	Yes
Mr. Sagireddy Pulla Reddy	Independent Non-Executive Director	4	2	6	Yes
Mr. Y Ramesh Reddy	Independent Non-Executive Director	1	1	6	No
Ms. Alicia Ann Eastman	Nominee Director	Nil	Nil	Nil	No
*Mr. Roy Rodrigues	Nominee Director	1	Nil	Nil	No

\*Mr. Roy Rodrigues was appointed w.e.f 2nd January, 2011

Details of Annual General Meetings: Location and time of the last Three AGMs:

AGM	Year	Venue	Date	Time
10th	2010	Plot No.7A, MLA Colony, Road No.12, Banjara Hills, Hyderabad – 500 034	21-09-2010	3.00 pm
9th	2009	Plot No.7A, MLA Colony, Road No.12, Banjara Hills, Hyderabad – 500 034	30-09-2009	11.00 am
8th	2008	Plot No.7A, MLA Colony, Road No.12, Banjara Hills, Hyderabad – 500 034	29-09-2008	11.00 am

#### Disclosures

- A. Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, the directors or the management's, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

None

- B. Details of non-compliance by the Company, penalties, Strictures imposed on the Company by stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

## Brief profile about the Directors seeking appointment/re-appointment

### Ms. Alicia Eastman

Ms. Eastman is Executive Director of Asia Pacific Capital and Asia Pacific Capital Fund II. Previously, she worked for the Head of Global Strategy and Alliances at Elan Pharmaceuticals, a US\$7B pharmaceutical company. Ms. Eastman focused on business development, outsourcing, and investment in Asia as well as general M&A, corporate finance, and restructuring. Ms. Eastman holds a BS in Economics from the Wharton School at the University of Pennsylvania and an MA from the Fletcher School of Law & Diplomacy at Tufts University. She is based in Hong Kong.

### Mr. Roy Rodrigues

Roy Rodrigues joined Oak as a Venture Partner in 2010. Prior to that, he spent two years as CEO, Investment Banking at Anand Rathi Securities, a financial services firm based in Mumbai, India. Before joining Anand Rathi, he spent over a decade at Bear Stearns in their New York office, where he was a Managing Director heading the IT Services Investment Banking practice as well as running their India franchise. Roy

received his MBA from the Stern School of Business at New York University, and is a qualified Chartered Accountant.

## General Shareholders Information

### Annual General Meeting

Date: 30th September, 2011, Friday

Time : 11.00 am

Venue : Plot No.7A, MLA Colony, Road No.12,  
Banjara Hills, Hyderabad – 500 034

### Financial Calendar

1st April to 31st March

### ISIN Number for CDSL

INE081I01015

### ISIN Number for NSDL

INE081I01015

### Registrars and Transfer Agents

Aarthi Consultants Private Limited

1-2-285, Domalguda, Hyderabad – 500 029

Ph.No.: 040-2763 8111 / 040-2763 4445

## Distribution of shareholding as on 31st March 2011

Shareholding of Nominal Value		Shareholders		Share Amount	
(1)		Numbers (2)	% of Total (3)	In Rupees (4)	% of Total (5)
Upto	5,000	2	1.89%	6,000	0.00%
5,001	10,000	2	1.89%	12,000	0.00%
10,001	20,000	4	3.77%	60,000	0.01%
20,001	30,000	1	0.94%	21,000	0.00%
30,001	40,000	7	6.60%	228,000	0.04%
40,001	50,000	3	2.83%	140,000	0.02%
50,001	100,000	9	8.49%	772,000	0.13%
100,001	and above	78	73.59%	586,113,600	99.80%
<b>Grand Total</b>		<b>106</b>	<b>100.00%</b>	<b>587,352,600</b>	<b>100.00%</b>

## Shareholding pattern on 31st March 2011

Category	No. of Shares Held	% of Shareholding
<b>A) Shareholding of Promoter and Promoter Group:</b>		
1) Indian		
a) Individuals/Hindu Undivided Family	693,600	1.18%
b) Central Government/State Government	Nil	Nil
c) Bodies Corporate	Nil	Nil
d) Financial Institutions / Banks	Nil	Nil
<b>Others</b>		
e) Mutual Funds	Nil	Nil
f) Trusts	Nil	Nil
<b>Sub-Total (A) (1)</b>	<b>693,600</b>	<b>1.18%</b>



## Shareholding pattern on 31st March 2011 (Contd...)

Category	No. of Shares Held	% of Shareholding
<b>2) Foreign</b>		
a) Individuals (Non-Residents Individuals / Foreign Individuals)	24,133,170	41.08%
b) Bodies Corporate	6,000,000	10.22%
c) Institutions	Nil	Nil
<b>Others</b>		
d) Overseas Corporate Bodies	Nil	Nil
<b>Sub-Total (A) (2)</b>	<b>30,133,170</b>	<b>51.30%</b>
<b>Total Shareholding of Promoter and Promoter Group A = (A)(1) + (A)(2)</b>	<b>30,826,770</b>	<b>52.48%</b>
<b>B) Public Shareholding</b>		
<b>1) Institutions</b>		
a) Mutual Funds/ UTI	Nil	Nil
b) Financial Institutions / Banks	Nil	Nil
c) Central Government / State Government	Nil	Nil
d) Venture Capital Funds	Nil	Nil
e) Insurance Companies	Nil	Nil
f) Foreign Institutional Investors	15,292,617	26.03%
g) Foreign Venture Capital Investors	Nil	Nil
<b>Others</b>		
h) Foreign Companies	Nil	Nil
<b>Sub-Total (B) (1)</b>	<b>15,292,617</b>	<b>26.03%</b>
<b>2) Non - Institutions</b>		
a) Bodies Corporate	7,287,173	12.41%
b) Individuals		
i) Individual Shareholders holding Nominal Share Capital upto ₹ 1 lakh	81,100	0.14%
ii) Individual Shareholders holding Nominal Share Capital in excess of ₹ 1 lakh	2,229,042	3.80%
<b>Others</b>		
c) Non-Residents Individuals	712,800	1.21%
d) Overseas Corporate Bodies	2,305,758	3.93%
e) Trusts	Nil	Nil
f) Employees	Nil	Nil
g) Clearing Members	Nil	Nil
<b>Sub-Total (B) (2)</b>	<b>12,615,873</b>	<b>21.49%</b>
<b>Total Shareholding of Promoter and Promoter Group B = (B)(1) + (B)(2)</b>	<b>27,908,490</b>	<b>47.52%</b>
<b>Total (A + B)</b>	<b>58,735,260</b>	<b>100.00%</b>
<b>C) Shares held by Custodians and against Depository Receipts have been issued</b>	<b>Nil</b>	<b>Nil</b>
<b>Grand Total (A + B + C)</b>	<b>58,735,260</b>	<b>100.00%</b>

## Dematerialization of Shares &amp; liquidity

In order to enable the shareholders to hold their shares in electronic form, the Company has enlisted its shares with NSDL and CDSL.

## Address for Correspondence

S.No.	Shareholders Correspondence for	Addressed to
1	Transfer / Dematerialization / Consolidation / Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend / Bonus Shares etc., change of address of members and Beneficial Owners and any other query relating to the shares of the Company	<b>Aarthi Consultants Private Limited</b> 1-2-285, Domalguda, Hyderabad – 500 029 Ph.No.: 040-2763 8111 / 040-2763 4445 Fax No: 040-2763 2184
2	Investor Correspondence / Queries on Annual Report	<b>Ybrant Digital Limited</b> Plot No.7A, MLA Colony, Road No.12, Banjara Hills, Hyderabad – 500 034 Andhra Pradesh, India Phone No: 040 – 4567 8999 Email : ir@ybrantdigital.com Website : www.ybrantdigital.com

## Depository Services

<b>National Securities Depository Limited (NSDL)</b> 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, Maharashtra, India Phone : 091-22-2499 4200 Fax : 091-22-6650 8035 / 2497 6351 Email: info@nsdl.co.in	<b>Central Depository Services (India) Limited</b> Phiroze Jeejeebhoy Towers, 17th Floor, Dalal Street, Mumbai – 400 001 Maharashtra, India Phone : 091-22-2272 3333 / 3224 Fax : 091-22-2272 3199 / 2277 27072 Email: investors@cdslindia.com
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## Auditors' Report on Standalone Financial Statements

To  
The Members of  
Ybrant Digital Limited

1. We have audited the attached Balance Sheet of **Ybrant Digital Limited** (the 'Company') as at 31st March, 2011 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on the date annexed thereto (collectively referred as the 'financial statements'). 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 statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report) (Amendment) order 2004, issued by the Central Government of India in terms of the sub-section (4A) of section 227 of the Companies Act, 1956, we enclose 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 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 financial statements dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the financial statements dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956;
  - v) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed Director in terms of clause(g) of sub-section(l) of section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - b) In the case of the Profit & Loss Account, of the Profit for the period ended on that date; and
    - c) The Cash Flow Statement, of the cash flows for the year ended on that date.

For P. Murli & Co.  
Chartered Accountants  
FRN: 007257S

Sd/-  
P. Murali Mohana Rao  
Partner  
Membership No: 23412

Place: Hyderabad  
Date: 26th September, 2011

## Annexure to the Auditors' Report

Annexure to the Auditors' Report of even date to the members of Ybrant Digital Limited, on the financial statements for the year ended 31st March, 2011.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, We report that:

- I.
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
  - b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - c) In our opinion, the Company has not disposed off substantial part of the Fixed Assets during the year.
- II. The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order is not applicable.
- III.
  - a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b) to (d) of the Order are not applicable.
  - b) The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (f) and 4(iii) (g) of the Order are not applicable.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. There is no continuing failure by the Company to correct any major weaknesses in internal control.
- V.
  - a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
  - b) In our opinion, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act, during the year aggregating rupees five lakhs or more in respect of any party.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise.
- VII. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (I) of section 209 of the Companies Act, 1956.
- IX.
  - a) The Company is regular in depositing undisputed statutory dues including PF, Income Tax and Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
  - b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, Sales Tax, Income Tax, wealth tax, service tax, customs duty, excise duty and cess and

- any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years, and the Company has no accumulated losses at the end of the financial year and the Company has not incurred cash losses in this financial year and the immediately preceding financial year.
- XI. In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank or debenture holders during the year.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the Company does not arise.
- XVI. According to the information and explanations given to us, the term loans obtained by the Company were applied for purpose for which such loans were obtained by the Company.
- XVII. On the basis of our examination of the books and accounts and according to the information and explanations given to us, in our opinion the funds raised on short term basis have not been used for long term investment and vice versa.
- XVIII. According to the information and explanations given to us, the Company has made preferential allotment of Shares to the outside parties /Companies and it has not made any preferential allotment of shares to the parties covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the Company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the Company has not raised money by way of public issues during the year; hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For P. Murli & Co.  
Chartered Accountants  
FRN: 007257S

Sd/-  
P. Murali Mohana Rao  
Partner

Place: Hyderabad  
Date: 26th September, 2011

Membership No: 23412

## Balance Sheet As at 31st March, 2011

(Amount in ₹)

	Schedule No.	As at 31st March, 2011	As at 31st March, 2010
<b>I SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
a. Share Capital	1	708,120,700	218,465,120
b. Share Warrants	2	100,000	100,000
c. Reserves and Surplus	3	3,591,188,438	3,068,610,217
<b>2. Loan Funds</b>			
a. Secured Loans	4	300,000,000	-
b. Unsecured Loans	4	1,140,793,799	1,059,939,292
<b>3. Deferred Tax Liability</b>			
		6,607,838	154,390,870
<b>Total</b>		<b>5,746,810,775</b>	<b>4,501,505,499</b>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a. Gross Block	5	210,166,414	208,254,878
b. Less: Depreciation		121,020,462	97,845,094
c. Net Block		89,145,952	110,409,784
d. Capital Work-in-progress		245,852,364	245,852,364
e. Product Development		353,330,729	348,330,729
		688,329,045	704,592,877
<b>2. Investments</b>	6	4,306,990,685	3,155,750,971
<b>3. Current Assets, Loans &amp; Advances</b>			
a. Sundry Debtors	7	117,444,853	145,238,200
b. Cash and Bank Balance	8	21,521,903	342,289,275
c. Loans and Advances and Deposits	9	705,768,826	368,306,250
d. Foreign Currency Translation Reserve		(2,003,667)	-
		842,731,914	855,833,725
<b>Less: Current Liabilities and Provisions</b>	10		
a. Liabilities		82,648,855	180,477,210
b. Provisions		13,482,823	34,194,864
<b>Net Current Assets</b>		<b>746,600,236</b>	<b>641,161,651</b>
<b>4. Miscellaneous Expenses (Asset)</b>			
(to the extent not written off or adjusted)		4,890,808	-
<b>Total</b>		<b>5,746,810,775</b>	<b>4,501,505,499</b>
<b>Notes to Accounts</b>	13		

As per our report even date

For P. Murali & Co.

Chartered Accountants

For and on behalf of the Board

Ybrant Digital Limited

Sd/-

P. Murali Mohana Rao

Partner

Sd/-

Chairman & Managing Director

Sd/-

Non-Executive Director

Place: Hyderabad

Date: 26th September, 2011

## Profit and Loss Account For the year ended 31st March, 2011

[Amount in ₹]

	Schedule No.	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>1 REVENUE</b>			
A) Revenue			
Export Sales		295,790,474	427,663,241
Domestic Sales		6,173,937	503,081
B) Other Income	11	133,767	196,714,631
<b>Total</b>		<b>302,098,178</b>	<b>624,880,953</b>
<b>2 EXPENDITURE</b>			
Personnel Expenses		81,860,988	80,749,576
Administrative and Operating Expenses	12	103,525,232	144,974,095
Financial charges		47,687,934	381,844
Depreciation		23,175,368	23,023,448
Miscellaneous Expenses Written off		1,222,702	-
<b>Total</b>		<b>257,472,223</b>	<b>249,128,963</b>
<b>3 Profit / (Loss) Before Tax (1-2)</b>		<b>44,625,955</b>	<b>375,751,990</b>
4 Provision for Income Tax		8,894,176	30,545,865
5 Provision for Deferred Income Tax Liability		5,451,198	7,586,236
<b>6 Profit after Tax (3-4-5)</b>		<b>30,280,581</b>	<b>337,619,889</b>
7 Prior Period Adjustment		153,234,230	103,813,078
<b>8 Balance Carried Forward to Balance Sheet (6+7)</b>		<b>183,514,811</b>	<b>441,432,967</b>
11 Earnings per Equity Share (Equity shares, par value ₹ 10 each)			
Basic EPS		0.52	17.24
Diluted EPS		0.44	5.07
Notes to Accounts	13		

As per our report even date  
For P. Murali & Co.  
Chartered Accountants

For and on behalf of the Board  
Ybrant Digital Limited

Sd/-  
P. Murali Mohana Rao  
Partner

Sd/-  
Chairman & Managing Director

Sd/-  
Non-Executive Director

Place: Hyderabad  
Date: 26th September, 2011

## Schedules forming part of the accounts

(Amount in ₹)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 1 SHARE CAPITAL</b>		
<b>Authorized Capital</b>		
12,00,00,000 Equity Shares of ₹ 10/- each	1,200,000,000	
1,50,00,000 Preference Shares of ₹ 10/- each	150,000,000	
<b>Previous</b>		
2,30,00,000 Equity Shares of ₹ 10/- each	-	230,000,000
30,00,000 Preference Shares of ₹ 10/- each		30,000,000
	<b>1,350,000,000</b>	<b>260,000,000</b>
<b>Issued,Subscribed and Paid Up</b>		
5,87,35,260 Equity Shares of ₹ 10/- each	587,352,600	195,784,200
(Out of the total shares issued and paid up, 3,91,56,840 bonus shares were issued [2:1])		
1,20,76,810 Compulsory Convertible Preference Shares (CCPS) of ₹ 10/- each	120,768,100	22,680,920
	<b>708,120,700</b>	<b>218,465,120</b>

<b>Schedule 2 WARRANTS</b>		
10,00,000 Warrants - Share Application Money (Partly)	100,000	100,000
	<b>100,000</b>	<b>100,000</b>

<b>Schedule 3 RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Share Premium on Equity Shares	1,263,924,946	1,263,924,946
Share Premium on CCPS	1,821,475,894	1,090,844,084
<b>Total (A)</b>	<b>3,085,400,840</b>	<b>2,354,769,030</b>
<b>Profit and Loss Account</b>		
Balance Brought forward from Previous Year	713,841,187	272,408,220
Add: Surplus during the year	183,514,811	441,432,967
Less: Utilization of Reserves for issue of Bonus Shares	391,568,400	-
<b>Total (B)</b>	<b>505,787,598</b>	<b>713,841,187</b>
<b>Grand Total (A+B)</b>	<b>3,591,188,438</b>	<b>3,068,610,217</b>

<b>Schedule 4 LOAN FUNDS</b>		
<b>Secured Loans</b>		
Loan from ICICI Bank Limited	300,000,000	-
<i>(Rupee Term Loan of is Secured by giving charge on Current Assets, movable Fixed Assets and personal guarantee of Chairman cum Managing Director and Whole Time Director)</i>		
<b>Total (A)</b>	<b>300,000,000</b>	<b>-</b>
<b>Un Secured Loans</b>		
Loan from Subsidiaries	1,140,793,799	1,059,939,292
<b>Total (B)</b>	<b>1,140,793,799</b>	<b>1,059,939,292</b>
<b>Grand Total(A+B)</b>	<b>1,440,793,799</b>	<b>1,059,939,292</b>



## Schedules forming part of the accounts

[Amount in ₹]

Schedule 5 FIXED ASSETS								
	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2010	Additions	As at 31.03.2011	As at 31.03.2010	During the year	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	2,195,210	-	2,195,210	-	-	-	2,195,210	2,195,210
Leasehold Buildings	3,143,205	26,404	3,169,609	-	-	-	3,169,609	3,143,205
Computers	112,869,031	1,344,266	114,213,297	79,618,195	18,330,154	97,948,349	16,264,948	33,250,836
Office Equipments	43,195,779	236,356	43,432,135	7,728,862	2,058,898	9,787,760	33,644,375	35,466,917
Furniture and Fixtures	34,765,642	142,510	34,908,152	8,502,743	2,207,477	10,710,220	24,197,932	26,262,899
Electrical Fittings	12,086,011	101,000	12,187,011	1,995,295	578,283	2,573,578	9,613,433	10,090,716
Vehicles	-	61,000	61,000	-	556	556	60,444	-
	208,254,878	1,911,536	210,166,414	97,845,094	23,175,368	121,020,462	89,145,952	110,409,784

	As at 31st March, 2011	As at 31st March, 2010
Schedule 6 INVESTMENTS		
Long Term Investments (At Cost)		
Unquoted		
Investment in subsidiary Companies		
Frontier Data Management - Investments	191,081,699	191,081,699
International Expressions - Investments	263,928,938	95,362,500
Ybrant Digital U.S. (formerly Pennyweb Inc) - Investments	1,107,395,650	441,695,650
Online Media Solutions (Oridian) - Investments	517,881,121	517,881,121
Ybrant Media Acquisition - Investments	1,265,240,000	949,000,000
DreamAd Acquisition - Investments	543,240,000	543,240,000
Max Interactive Acquisition - Investments	417,490,000	417,490,000
Dyomo Corporation - Investments	467,300	-
Ybrant Digital Servicos De Publicidade Ltda, Brasil - Investments	265,932	-
Ybrant Digital (Brasil) Limited, Singapore - Investments	45	-
	4,306,990,685	3,155,750,971
Quoted	-	-
	-	-
Total	4,306,990,685	3,155,750,971

Schedule 7 SUNDRY DEBTORS (Unsecured and considered good)		
Debts exceeding a period of Six Months	-	-
Other Debts	117,444,853	145,238,200
	117,444,853	145,238,200

Schedule 8 CASH AND BANK BALANCES		
Cash on Hand	4,694	50,894
Bank Balances	21,517,209	342,238,381
	21,521,903	342,289,275

## Schedules forming part of the accounts

(Amount in ₹)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 9 LOANS, ADVANCES &amp; DEPOSITS</b>		
Deposits	989,256	3,000,256
Advances & other receivables	471,034,541	181,813,457
Advances for Acquisition	47,262,000	24,827,000
Acquisition Related Expenses (Asset)	169,649,241	141,831,750
Public Issue Related Expenses (Asset)	16,833,787	16,833,787
	<b>705,768,826</b>	<b>368,306,250</b>

<b>Schedule 10 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities</b>		
Creditors of Expenses	790,492	1,421,862
Demand Promisory notes	81,858,363	179,055,348
<b>Provisions</b>		
Provisions and Outstanding Expenses	4,588,647	3,648,999
Provisional for Income Tax	8,894,176	30,545,865
	<b>96,131,678</b>	<b>214,672,074</b>

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Schedule 11 OTHER INCOME</b>		
Foreign Exchange Gain	-	196,714,631
Interest Received	133,767	-
	<b>133,767</b>	<b>196,714,631</b>

<b>Schedule 12 ADMINISTRATIVE AND OPERATING EXPENSES</b>		
Rent, Rates and Taxes	6,137,555	8,409,352
Printing and Stationery	1,072,347	618,372
Postage, Telephones and Internet Charges	2,681,495	3,377,615
Traveling and Conveyance	4,601,636	2,336,081
Electricity charges	2,385,228	1,737,294
Office Maintenance	1,426,807	1,858,078
Directors Remuneration	7,200,000	7,200,000
Auditors Remuneration	220,600	220,600
Professional & Contract Charges	11,486,182	9,002,746
Computer Maintenance Charges	379,876	208,873
Sales and Marketing Expenses	58,350,301	105,027,753
Other Administrative Expenses	7,547,514	4,977,331
Foreign Exchange Loss	35,690	-
	<b>103,525,232</b>	<b>144,974,095</b>

## Notes forming part of the accounts

### Schedule 13 NOTES TO ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Company Overview

Ybrant Digital Limited, "the Company" offers digital marketing solutions to businesses, agencies and online publishers worldwide. Ybrant Digital connects Advertisers with their Audience across any form of Digital Media, using its massive local presence to deliver appropriate messages to the right audience, through the most relevant Digital channels. Ybrant Digital has a global presence, with offices in 16 countries. The Company was incorporated on 28th March, 2000, in Hyderabad, Andhra Pradesh, India.

##### 2. Basis of Preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Indian Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

##### 3. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Actual results could differ from those estimates. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, and the useful lives of fixed assets and intangible assets. Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded.

When it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made, a disclosure is made as contingent liability. Actual results could differ from those estimates.

##### 4. Revenue Recognition

###### *Income from Software and Consultancy Revenue*

The Contracts between the Company and its customers are either time or material contracts or fixed price contracts. Revenue from fixed-price contracts is recognized according to the milestones achieved as specified in the contracts on the proportionate-completion method based on the work completed. Any anticipated losses expected upon the contract completion are recognized immediately. Changes in job performance, conditions and estimated profitability may result in revisions and corresponding revenues and costs are recognized in the period in which such changes are identified. Deferred revenue represents amounts billed in excess of revenue earned for which related services are expected to be performed in the next operating cycle.

In respect of time and material contract, revenue is recognized in the period in which the services are provided.

Revenue from product sale and licensing arrangements are recognized on delivery and installation.

###### *Other income*

Other Incomes are recognized on an accrual basis.

Interest is recognized using the time-proportion method, based on rates implicit in the transaction.

##### 5. Fixed Assets

###### *Tangible assets*

Tangible assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

###### *Intangible assets*

Intangible assets are recorded at consideration paid for acquisition and other direct costs that can be directly

## Notes forming part of the accounts

### Schedule 13 NOTES TO ACCOUNTS *(Contd...)*

attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

#### *Depreciation & Amortization*

Depreciation on the Tangible Fixed Assets of the Company is provided on Straight Line Method on pro-rata basis and at the rates and manner as per Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than ₹ 5,000 are entirely depreciated in the year of acquisition.

Preliminary Expenses are amortized over a period of 5 years.

#### 6. Investments

Investments are either classified as current or long term, based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the value of each investment.

#### 7. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

#### 8. Cash Flow Statement

Cash flows are reported using the Indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the group are segregated. This is in accordance with the Accounting Standard -3 issued by the ICAI.

#### 9. Foreign Exchange Transactions and Translation

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account. Non monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

#### 10. Taxes on Income

Tax expense for the year comprises of current tax and deferred tax. Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period in which the related revenue and expenses arise. Provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and asset can be measured reliably.

The difference that result between the profit considered for income taxes and the profits as per the financial statements are identified and thereafter a deferred tax assets or liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax asset is recognized only if there is virtual certainty that they will be realized and reviewed for the appropriateness of their respective carrying values at each balance sheet date.

## Notes forming part of the accounts

### Schedule 13 NOTES TO ACCOUNTS (Contd...)

#### 11. Earnings per Share

In determining Earning per share, the Company considers the net profit after tax and includes the post tax effect of any extra-ordinary/exceptional item is considered. The no. of shares used in computing Basic earnings per share is the weighted average no. of shares outstanding during the period. The no. of shares used in computing diluted earnings per share comprises the weighted average no. of shares considered for deriving basic earnings per share and also the weighted average no. of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at the fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

#### 12. Retirements Benefits to Employees

##### a) *Gratuity*

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan covering eligible employees of the Company. The Gratuity provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the group. The Company has a made a provision for gratuity to its employees on the basis of independent actuarial valuation, in accordance with AS-15. The actuarial liability is determined with reference to employees at the end of each financial year.

##### b) *Provident Fund*

Contributions to defined schemes such as provident fund are charged as incurred on accrual basis. Eligible employees receive benefit from a provident fund, which is a defined contribution plan. Aggregate contributions along with the interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make contributions to the Government administered authority.

#### 13. Lease Rentals

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. The Company charges Lease rentals in respect of assets taken under operating leases to profit and loss account on a straight line basis over the lease term.

#### 14. Borrowing Cost

Borrowing cost relating to acquisition/ construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/sale. Borrowing cost that is attributable to the projects is charged to the respective projects. All other borrowing costs, not eligible for inventorization/ capitalization, are charged to revenue.

#### 15. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) The Company has a present obligation as a result of a past event;
- b) A probable outflow of resources is expected to settle the obligation; and
- c) The amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of:

- a) A present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation;
- b) A possible obligation, unless the probability of outflow of resources is remote. Contingent Assets are neither recognized nor disclosed.

#### 16. Impairment of Assets

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sale price or present value as determined above.

## Notes forming part of the accounts

### Schedule 13 NOTES TO ACCOUNTS (Contd...)

#### 17. Related Party Disclosures

The Company as required by AS-18 furnishes the details of Related Party Disclosures in Schedule B.

#### 18. Claims

Claims made by the Company are recognized to the extent the Company deems them recoverable. Claims against the Company, including liquidated damages, are recognized only on acceptance basis. Claims which are contingent in nature are not recognized in the books but are disclosed separately in the Notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

### B. NOTES ON ACCOUNTS

#### 1. Increase in Authorized Share Capital

During the financial year, there was an increase in the Authorized Share capital. A special resolution was passed at the meeting of the members held on 21-09-2010 and the Authorized Share capital was increase from ₹ 26 crore to ₹ 125 crore and again it was increased from ₹ 125 crore to ₹ 135 crore by passing a special resolution at the members meeting held on 02-01-2011.

#### 2. Issue of Compulsory Convertible Preference Shares (CCPS)

During the financial year 2010-11, the Company has issued Compulsory Convertible Preference Shares to OAK India & Batterymarch Financial Management Inc. through its various funds

8,879,390 CCPS amounting to ₹ 364,054,990/- were issued to OAK India Limited @ ₹ 41/- each include premium of ₹ 31/- per share. Upon conversion, 1 equity share will be given for every 5 CCPS.

929,328 CCPS amounting to ₹ 464,664,000/- were issued to Batterymarch Financial Management Inc through its various funds @ ₹ 500 /-each include premium of ₹ 490/- per share. Conversion price is ₹ 205/- per equity share.

#### 3. Issue of Bonus Shares

Ybrant Digital had issued and allotted 3,91,56,840 Bonus shares to the existing shareholders on 28th September, 2010 out of the accumulated free reserves of the Company. For every one equity share held by the Shareholder, two fully paid equity shares were issued.

#### 4. Managerial Remuneration

The key management personnel comprise our directors. Particulars of Remuneration and other benefits provided to key management personnel is given below:

(Amount in ₹)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Remuneration	72,000,000	7,200,000
Perquisites & Allowances	Nil	Nil
Directors Sitting Fee	Nil	Nil
<b>Total</b>	<b>7,200,000</b>	<b>7,200,000</b>

#### 5. Auditor's Remuneration:

(Amount in ₹)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Statutory Audit Fees	165,450	165,450
Other Services	55,150	55,150
<b>Total</b>	<b>220,600</b>	<b>220,600</b>

#### 6. Quantitative Details

The Company is engaged in the development of Computer Software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

## Notes forming part of the accounts

## Schedule 13 NOTES TO ACCOUNTS (Contd..)

## 7. Related Parties

The following are the related parties for the Financial year 2010-11 as per AS - 18

S.No	Name of the Related Party	Nature of Relationship
1	M.Suresh Kumar Reddy	Chairman and Managing Director
2	Vijay Kancharla	Executive Director & CIO
3	Ybrant Digital U.S Inc (AdDynamix)	100% Wholly Owned Subsidiary
4	Online Media Solutions Limited, Israel	100% Wholly Owned Subsidiary
5	Ybrant Media Acquisition Inc, USA	100% Wholly Owned Subsidiary
6	Dyomo Corporation, USA	100% Wholly Owned Subsidiary
7	Frontier Data Management Inc, USA	100% Wholly Owned Subsidiary
8	International expressions Inc, USA	100% Wholly Owned Subsidiary
9	Dream ad S.A., Argentina	100% Wholly Owned Subsidiary
10	Dream ad S.A., Chile	100% Wholly Owned Subsidiary
11	Dream ad S.A., Panama	100% Wholly Owned Subsidiary
12	Dream ad S.A., Uruguay	100% Wholly Owned Subsidiary
13	Max Interactive Pty Ltd., Australia	100% Wholly Owned Subsidiary
14	Get Media Mexico S.A.DE CV, Mexico	100% Wholly Owned Subsidiary
15	Ybrant Digital (Brasil) Limited, Singapore	100% Wholly Owned Subsidiary
16	Ybrant Digital Servicos De Publicidade Ltda, Brasil	100% Wholly Owned Subsidiary

## 8. Related Party Transactions

During the financial year 2010 -11 the Company has entered into some transactions, which can be deemed as related party transactions. All these matters have been approved by the Board and the Govt. of India, wherever necessary.

(Amount in ₹)

Particulars	Nature of Relationship	Nature of Transaction	Year ended 31st March, 2011	Year ended 31st March, 2010
M.Suresh Kumar Reddy	Chairman and Managing Director	Remuneration	3,600,000	3,600,000
Vijay Kancharla	Executive Director & CIO	Remuneration	3,600,000	3,600,000
Ybrant Digital U.S Inc (Previously Pennyweb Inc, USA)	100% Wholly Owned Subsidiary	Investment	665,700,000	Nil
Online Media Solutions Limited, Israel	100% Wholly Owned Subsidiary	Investment	Nil	Nil
		Sales	14,102,121	Nil
		Unsecured Loans	26,836,000	Nil
Ybrant Media Acquisition Inc, USA	100% Wholly Owned Subsidiary	Investment	316,240,000	Nil
Dream Ad Companies located at Argentina, Chile, Mexico, Panama, Uruguay	90% Ybrant Digital Limited and 10% Online Media Solutions Limited, Israel	Investment	Nil	543,240,000
		Unsecured Loans - DreamAd, Chile	17,948,000	Nil
		Unsecured Loans - DreamAd, Panama	13,461,000	Nil
Max Interactive Pty Ltd., Australia	100% Wholly Owned Subsidiary	Investment	Nil	417,490,000
		Unsecured Loans	22,609,508	12,447,536
Dyomo Corporation, USA	100% Wholly Owned Subsidiary	Investment	467,300	Nil
		Sales	16,055,455	Nil
Ybrant Digital Servicos De Publicidade Ltda., Brazil	99.99% Ybrant Digital Limited and 0.01% DreamAd, Panama	Investment	265,932	Nil
Ybrant (Brasil) Digital Limited	100% Wholly Owned Subsidiary	Investment	45	Nil
International Expressions Inc, USA	100% Wholly Owned Subsidiary	Investment	168,566,437	Nil

## Notes forming part of the accounts

### Schedule 13 NOTES TO ACCOUNTS (Contd...)

#### 9. Operating Lease

The Company leases office premises under operating lease agreement that is renewable on a periodic basis at the option of the both the lessor and the lessee. Rental expenses under those leases were ₹ 5,913,750/- and for the previous year ₹ 6,688,952/-.

10. During the year the Company has incurred ₹ 6,113,510/- towards ROC expenses for the purpose of increase in the authorized share capital. Since it is in the nature of capital expenditure, these will be written off over a period of 5 years. During the year 1/5 of the amount was charged to profit & Loss account. i.e. ₹ 1,222,702/-.

#### 11. Acquisitions & Investments made during the year

a) During the financial year, the Company has incorporated a new subsidiary in USA named as Dyomo Corporation with a paid up capital of \$10,000. The Dyomo Corporation was incorporated on 12th July, 2010 in the State of Delaware, United States of America.

b) Ybrant Digital Limited has also acquired 100% of share holding in Lycos Inc USA on 14th October, 2010, through its wholly owned subsidiary named Ybrant Media Acquisition Inc, USA. Ybrant Media Acquisitions Inc has acquired 100% of share holding (No. of shares 8,759,817) in Lycos Inc USA for an amount of US\$ 38 million (including acquisition related expenses US\$ 2 Millions). Ybrant Digital Limited has paid ₹ 1,004,242,491/- (Approx. US\$ 22 Million) towards the above said acquisition. The Company has received share certificates for 56% of the Purchased Shares (4,905,498 shares), duly endorsed with appropriate transfer stamps and the remaining 44% of the Purchased Shares, duly endorsed (or accompanied by duly executed Stock powers) with appropriate transfer stamps, if any, affixed to be held in Escrow by the Escrow Agent as per the terms of Escrow Agreement (Wells Fargo Bank N.A). The actual second payment amount of the purchase consideration is under discussion with the party.

c) Ybrant Digital Limited has incorporated a subsidiary in Brazil with the name Ybrant Digital Servicos De Publicidade Ltda., Sao Paulo, Brazil on 26th November, 2010. Ybrant is holding 99.99% and 0.01% is held by Dream Ad, Panama which is also a subsidiary of Ybrant Digital Limited.

d) Ybrant Digital has incorporated a new subsidiary in Singapore with the name Ybrant Digital(Brasil) Limited on 7th September, 2010. The Company is incorporated in the Republic of Singapore under the Companies Act, Chapter 50. Ybrant Digital (Brasil) Limited is wholly owned subsidiary of Ybrant Digital Limited, India.

All Investments which were made in the earlier years and in current year are stated at cost and all the investments were made in unquoted Equity Shares.

#### 12. Foreign Currency Outflows

Foreign Exchange Outflow as reported by the Company to Government of India and as certified by Management.

(Amount in ₹)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Capital Expenditure	Nil	Nil
Foreign Traveling	940,694	Nil
Investments in Subsidiaries	981,940,000	Nil
Others	6,046,131	Nil
<b>Total</b>	<b>988,926,825</b>	<b>Nil</b>

#### 13. Foreign Currency Inflows

Foreign Exchange Inflow as reported by the Company to Government of India and as certified by Management.

(Amount in ₹)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Sales & Services	50,753,546	202,483,155
Loans and Advances	Nil	Nil
Others	Nil	Nil
<b>Total</b>	<b>50,753,546</b>	<b>202,483,155</b>



## Notes forming part of the accounts

## Schedule 13 NOTES TO ACCOUNTS (Contd...)

## 14. Employee Benefits

The details of the Company's post - retirement benefit plans for its employees are given below which are certified by the independent Actuary.

(Amount in ₹)

	2010-11	2009-10
<b>Part A - Assets / Liabilities</b>		
<i>Net Assets/(Liabilities) recognized in balance sheet as at 31st March</i>		
Present value of Obligation	3,496,860	2,769,199
Fair Value of Plan Assets	-	-
Net Asset / (Liability) recognized in Balance sheet	(3,496,860)	(2,769,199)
<b>Part B - Employer Expense</b>		
Current service Cost	803,638	618,456
Total Employer Expense	727,661	2,769,199

## Key Assumptions

The financial assumptions employed for the calculations at 31-03-2011 are as follows:

## a) Discount Rate:

The discount rate of 8% per annum that has been used as at 31-03-2011 for the purpose of AS-15( Revised 2005 ) calculations has been chosen by reference to market yields on Government bonds as at the same date.

## b) Expected rate of Return:

The expected rate of return does not arise since there are no assets.

## c) Salary Increase:

Salary increase rate of 6% per annum has been assumed keeping in view the inflation rate on long term basis.

## 15. Earnings per Share

(Amount in ₹)

Particulars	Current year	Previous year
Profits Attributable to Equity Share Holders	30,280,581	337,619,889
Weighted Average No. of Shares Outstanding for the Year ended		
- Basic	58,735,260	19,578,420
- Diluted	68,172,449	66,595,440
- Earnings per Share - Basic	0.52	17.24
- Earnings per Share - Diluted	0.44	5.07

## 16. Unsecured loans

(Amount in ₹)

Particulars	Opening Balance	During the year	Closing Balance
Frontier Data Management Inc	58,708,407	-	58,708,407
International Expressions Inc	47,474,460	-	47,474,460
Online Media Solutions Ltd., Israel	38,549,560	22,836,000	65,385,560
Ybrant Media Acquisition Inc, USA	902,759,329	-	902,759,329
MaxInteractive Pte Ltd., Australia	12,447,536	22,609,507	35,057,043
Dream Ad, Chile	-	17,948,000	17,948,000
Dream Ad, Panama	-	1,346,000	13,461,000
<b>Total</b>	<b>1,059,939,292</b>	<b>80,854,507</b>	<b>1,140,793,799</b>

**Note:** The above unsecured loans were taken from the subsidiaries for the purpose of its regular business operations. All the unsecured loans shown above are due for more than 6 months except for an amount of ₹ 2,828,36,000 of Online Media Solutions Limited, Israel.

## Notes forming part of the accounts

### Schedule 13 NOTES TO ACCOUNTS (Contd...)

#### 17. Advances for Proposed Acquisitions (Amount in ₹)

Particulars	Opening Balance	During the year	Closing Balance
Zone Media	90,28,000	-	90,28,000
Media Breakaway LLC	1,57,99,000	-	1,57,99,000
Gamesastra	-	2,24,35,000	2,24,35,000
<b>Total</b>	<b>2,48,27,000</b>	<b>2,24,35,000</b>	<b>4,72,62,000</b>

Note: The above advances were made for the purpose of business acquisitions. These advances are outstanding for more than 6 months.

#### 18. Investments in Subsidiaries (Amount in ₹)

Particulars	Opening Balance	During the year	Closing Balance
Frontier Data Management Inc	19,10,81,699	-	19,10,81,699
International Expressions Inc	9,53,62,500	16,85,66,437	26,39,28,938
Ybrant Digital U.S. (formerly Pennyweb Inc, USA)	44,16,95,650	66,57,00,000	110,73,95,650
Online Media Solutions Ltd., Israel	51,78,81,121	-	51,78,81,121
Ybrant Media Acquisition Inc, USA	94,90,00,000	31,62,40,000	126,52,40,000
Dream Ad Companies	54,32,40,000	-	54,32,40,000
MaxInteractive Pte Ltd., Australia	41,74,90,000	-	41,74,90,000
Dyomo Corporation, USA	-	4,67,300	4,67,300
Ybrant Digital Servicos De Publicidade Ltda, Brasil	-	2,65,932	2,65,932
Ybrant Digital (Brasil) Limited, Singapore	-	45	45
<b>Total</b>	<b>315,57,50,971</b>	<b>115,12,39,714</b>	<b>430,69,90,685</b>

#### 19. Foreign Exchange Gain/Loss

In case of Foreign exchange fluctuation profit / loss as per AS 11 the Branch and head office is having integral transactions and hence profit / loss debited to P & L a/c. The receivables have been considered at the actual rate at which the amount is realized and accordingly Loss from Foreign Exchange fluctuation and Integral transactions of ₹ 35,690/- (net) has been reflected in Profit and Loss Account for the Year.

An amount of ₹ 20,03,667/- is recognized as Foreign Exchange Translation Reserve as per AS-11.

#### 20. Segment Reporting

The Company is mainly engaged in the area of technology platforms and related services.

The Company publishes standalone financial statements along with the consolidated financial statements in the annual report. In accordance with the AS-17, Segment Reporting, the Company has disclosed the Segment information in the consolidated financial statements.

#### 21. Deferred Tax Liability / Assets

In accordance with AS 22 issued by the ICAI, the Company has accounted for deferred income tax during the year.

(Amount in ₹)

Particulars	Year ended 31st March,	
Deferred Tax Liability on account of Timing Differences in		
- Depreciation	52,15,108	75,86,236
- Gratuity	236090	-
<b>Total</b>	<b>54,51,198</b>	<b>75,86,236</b>

#### 22. Product Development Expenses

During the year the Company has incurred an amount of ₹ 50 lakhs towards Product Development expenses and it has not capitalized the existing Product Development Expenses as the products are not yet completed.

#### 23. Capital Work In Progress

During the year the Company has not incurred any expenditure towards Capital Work In Progress and it has not capitalized the existing Capital W-in-P.

## Notes forming part of the accounts

### Schedule 13 NOTES TO ACCOUNTS (Contd...)

24. **Intra branch Transactions**  
The Intra Branch transactions have been eliminated while preparing the financial statements.
25. **Payables to Micro & Small Enterprises**  
There are no overdue principle amounts and interest thereon payable to Micro Enterprises and Small Enterprises, as at 31-03-2011.
26. **Confirmation of Closing Balances**  
Closing Balances of Debtors, Creditor, Loans and Advances are subject to confirmations.
27. **Secured Loan from ICICI Bank**  
During the year a Term Loan for an amount of ₹ 30 crore was obtained by the Company from ICICI Bank Limited having its regional office at ICICI Bank Towers, Plot No.12, Gachibowli, Hyderabad - 500 032, Andhra Pradesh, India, for the purpose of Part-finance of acquisition of shares of eDebitpay LLC and Lycos Inc and expenses related to the above said acquisitions. This term loan was obtained by the Company by giving Charge on its current assets, movable fixed assets and personal guarantee of Chairman cum Managing Director and Whole time Director.
28. **Prior Period Items**  
The management has reviewed the future economic benefits which will accrue to the Company and by considering the accumulated timing difference, it has made a prior period adjustment for the excess deferred tax liability which is amounting to ₹15,32,34,230/-.
29. Previous year's figures have been regrouped wherever necessary.
30. The figures have been rounded off to the nearest rupee.

#### Signatures to schedules 1 to 13

As per our report even date  
For P. Murali & Co.  
*Chartered Accountants*

For and on behalf of the Board  
Ybrant Digital Limited

Sd/-  
P. Murali Mohana Rao  
*Partner*

Sd/-  
*Chairman & Managing Director*

Sd/-  
*Non-Executive Director*

Place: Hyderabad  
Date: 26th September, 2011

## Cash Flow Statement For the year ended 31st March, 2011

(Amount in ₹)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit/(Loss)before taxation, and extraordinary Items	446.26	3757.52
<i>Adjustments for :</i>		
Depreciation	231.75	230.23
Interest expenses	476.88	3.82
<b>Operating Profit before working capital changes</b>	<b>1,154.89</b>	<b>3,991.57</b>
Trade and other receivables	229.03	800.13
Loans and advances	(3,374.63)	4,197.52
Product development	(50.00)	(962.16)
Capital Work in Progress	0.00	(2,458.52)
Trade payables	(1,274.35)	1,330.99
<b>Net Cash Flow Operating Activities (A)</b>	<b>(3,315.05)</b>	<b>6,899.53</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(19.12)	(12.76)
Investments	(11,512.40)	(9,607.30)
<b>Net Cash Used in Investing Activities (B)</b>	<b>(11,531.51)</b>	<b>(9,620.06)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from share capital - Equity	0.00	0.00
Proceeds from share capital - CCPS	980.87	0.00
Secured Loan	3,000.00	(1,223.76)
Unsecured Loan	808.55	0.00
Interest Paid	(476.88)	(3.82)
Share Premium and General reserve	7,326.35	0.00
<b>Net Cash Used in Financing Activities (C)</b>	<b>11,638.89</b>	<b>(1,227.58)</b>
<b>Net Increase in Cash and Cash Equivalents (A + B + C)</b>	<b>(3,207.67)</b>	<b>(3,948.11)</b>
Cash and Cash equivalents as at (Opening Balance)	3,422.90	7,371.01
Cash and Cash equivalents as at (Closing Balance)	215.23	3,422.90

As per our report even date

For P. Murali & Co.

Chartered Accountants

For and on behalf of the Board

Ybrant Digital Limited

Sd/-

P. Murali Mohana Rao

Partner

Place: Hyderabad

Date: 26th September, 2011

Sd/-

Chairman & Managing Director

Sd/-

Non-Executive Director

## PART IV

## Balance Sheet Abstracts and Company's General Business Profile

## I. Registration Details

Registration No.	<input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="5"/>	State code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="0"/> <input type="text" value="1"/>
Balance Sheet Date	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/>		
	Date      Month      Year		

## II. Capital raised during the year (Amount in ₹ Thousand)

Public issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private placement	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

## III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousand)

Total liabilities	<input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="1"/>	Total assets	<input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="1"/>
<b>Sources of funds</b>			
Capital fund	<input type="text"/> <input type="text"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="1"/>	Reserves and surplus	<input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="8"/>
Secured loans	<input type="text"/> <input type="text"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured loans	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="4"/>
Deferred tax liability	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="8"/>		
<b>Application of funds</b>			
Net fixed assets	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/>	Investments	<input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="1"/>
Net current assets	<input type="text"/> <input type="text"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/>	Misc. expenditure	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="1"/>
Product development	<input type="text"/> <input type="text"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="1"/>	Capital work in progress	<input type="text"/> <input type="text"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="2"/>

## IV. Performance of Company (Amount in ₹ Thousand)

Turnover	<input type="text"/> <input type="text"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="8"/>	Total expenditure	<input type="text"/> <input type="text"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/>
Profit/(loss) before tax	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="6"/>	Profit/(loss) after tax	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="1"/>
<i>(Please tick appropriate box + for profit, - for loss)</i>			
Earning per share in ₹	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="2"/>	Dividend rate %	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/>

## V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Product description	TECHNOLOGY PLATFORMS

As per our report even date

For P. Murali &amp; Co.

Chartered Accountants

For and on behalf of the Board

Ybrant Digital Limited

Sd/-

P. Murali Mohana Rao

Partner

Sd/-

Chairman &amp; Managing Director

Sd/-

Non-Executive Director

Place: Hyderabad

Date: 26th September, 2011

## Section 212

Statement pursuant to Section 212 of the Companies Act, 1956, related to subsidiary companies

S. No.	Particulars	Frontier Data Management Inc, USA	International Expressions Inc, USA	Ybrant Digital U.S. (formerly Pennyweb Inc.) USA	Online Media Solutions Limited Israel	Ybrant Media Acquisition Inc, USA	DreamAd Companies	Max Interactive Australia	Dyomo Corp USA	Ybrant Digital Servicos De Publicidade Ltda, Brasil	Ybrant Digital (Brasil) Limited Singapore
1	Financial Year	April to March	April to March	April to March	April to March	April to March	April to March	April to March	April to March	April to March	April to March
2	Shares of the Subsidiary held by the Company on the above date:										
	a) Number and face value	1,500 shares at no par value	1,500 shares at no par value	6,525,100 shares at no par value	14,624,541 shares	1,500 shares at no par value	12,000 shares at no par value	100 Shares at no par value	1,500 shares at no par value	9,999 Shares at R\$ 1,00 each	1 share at no par value
	b) Extent of Holding	100%	100%	100%	100%	100%	90%	100%	100%	99.99%	100%
3	The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is not dealt with in the accounts of the Company:										
	a) For the financial year ended 31st March, 2011	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	b) For the previous financial year of the subsidiaries since it became a subsidiary	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
4	The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is dealt with in the accounts of the Company:										
	a) For the financial year ended 31st March 2011 (₹ in Lakhs)	2,294.79	1,098.43	577.13	321.95	2,694.36	821.36	227.00	1,404.35	53.46	Nil
	b) For the previous financial year of the subsidiaries since it became a subsidiary (₹ in Lakhs)	2,001.04	1,085.43	542.44	506.84	Nil	590.66	375.99	Nil	Nil	Nil
5	Change in the holding company's interest in the subsidiaries between the end of the financial year of the subsidiary and the end of the holding Company's financial year.	No Change	No Change	No Change	No Change	No Change	No Change	No Change	No Change	No Change	No Change
6	Material changes which have occurred between the end of the aforesaid financial year of the subsidiaries and the end of the holding company's financial year in respect:										
	a) the subsidiaries fixed assets	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	b) its investments	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	c) money lent by the subsidiary company the money borrowed by it for any purpose other than that of meeting current liabilities	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

## Auditors' Report on Consolidated Financials

To  
The Board of Directors of  
Ybrant Digital Limited

1. We have audited the attached Consolidated Balance Sheet of YBRANT DIGITAL LIMITED ('the Company') and its wholly owned subsidiaries as at 31st March, 2011 and the Consolidated Profit & Loss Account for the year ended on the date annexed thereto and Consolidated Cash flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of all its subsidiaries as at 31st March, 2011. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 for

Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries 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 the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Consolidated Balance Sheet, of the consolidated state of \* affairs of the Company and its subsidiaries as at 31st March, 2011.
- b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
- c) In the case of the consolidated cash flows statement, of the Consolidated Cash flows of the Company and its subsidiaries for the year then ended.

For P. Murli & Co.  
Chartered Accountants  
FRN: 007257S

Sd/-

P. Murali Mohana Rao  
Partner

Place: Hyderabad  
Date: 26th September, 2011

Membership No: 23412

## Consolidated Balance Sheet As at 31st March, 2011

(Amount in ₹)

	Schedule No.	As at 31st March, 2011	As at 31st March, 2010
<b>I SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
a. Share Capital	1	708,220,700	218,565,120
b. Share Premium		3,085,400,840	2,354,769,030
c. Reserves and Surplus	2	2,797,996,228	2,056,766,800
2. Loan Funds			
a. Secured Loans	3	746,500,000	-
3. Current Liabilities and Provisions	9	1,840,840,385	718,264,024
4. Deferred Tax Liability		6,607,838	154,390,870
<b>Total</b>		<b>9,185,565,991</b>	<b>5,502,755,844</b>
<b>II APPLICATION OF FUNDS</b>			
1. Fixed Assets	4		
a. Gross Block		625,719,354	531,656,954
b. Less: Depreciation		243,112,413	169,804,925
c. Net Block		382,606,941	361,852,029
2. Product Development		690,150,874	685,150,874
3. Capital Work in Progress		277,387,665	277,387,665
4. Goodwill		3,092,678,189	1,879,362,849
5. Current Assets, Loans & Advances			
a. Cash and Bank Balances	5	999,107,861	654,827,273
b. Accounts Receivables	6	1,706,215,582	995,334,271
c. Loans and Advances and Deposits	7	1,172,375,609	276,299,154
d. Other Assets	8	753,020,668	326,398,961
e. Foreign Currency Translation Reserve		107,131,794	46,142,768
6. Miscellaneous Expenses (Asset) (to the extent not written off or adjusted)		4,890,808	-
<b>Total</b>		<b>9,185,565,991</b>	<b>5,502,755,844</b>
Notes to Accounts	11		

As per our report even date  
For P. Murali & Co.  
Chartered Accountants

For and on behalf of the Board  
Ybrant Digital Limited

Sd/-  
P. Murali Mohana Rao  
Partner

Sd/-  
Chairman & Managing Director

Sd/-  
Non-Executive Director

Place: Hyderabad  
Date: 26th September, 2011



## Consolidated Profit and Loss Account For the year ended 31st March, 2011

[Amount in ₹]

	Schedule No.	Year ended 31st March, 2011	Year ended 31st March, 2010
Revenues		4,450,408,259	3,345,036,483
Other Income		24,478,592	-
Other Income - Foreign Exchange Gain		-	196,714,631
<b>Total Revenue</b>		<b>4,474,886,851</b>	<b>3,541,751,114</b>
Less : Cost of Sales		2,174,331,294	1,581,021,116
<b>Gross Profit</b>		<b>2,300,555,557</b>	<b>1,960,729,998</b>
Personnel Expenses		81,860,988	80,749,576
Sales and General Administration Expenses	10	1,153,873,531	897,452,046
Miscellaneous Expenses Written off		1,222,702	-
<b>EBIDTA</b>		<b>1,063,598,336</b>	<b>982,528,376</b>
Depreciation		73,307,488	41,060,805
Amortization		3,145,020	-
Financial charges		52,491,610	9,865,844
<b>Profit Before Tax (PBT)</b>		<b>934,654,217</b>	<b>931,601,727</b>
Provision for Income Tax		81,777,844	76,157,126
Provision for Deferred Tax / (Deffered Tax Asset)		(130,775,952)	7,586,236
<b>Profit After Tax (PAT)</b>		<b>983,652,325</b>	<b>847,858,365</b>
<b>P &amp; L Appropriations</b>			
Prior Period Adjustment		153,234,230	103,813,078
Other Comprehensive Income		510,223	-
Dividend Paid		-	(1,727,605)
Equity Losses in Affiliates		(4,598,950)	-
<b>P &amp; L Appropriations</b>		<b>149,145,503</b>	<b>102,085,473</b>
<b>Balance carry forward to Balance Sheet</b>		<b>1,132,797,828</b>	<b>949,943,838</b>
Notes to Accounts	11		

As per our report even date  
For P. Murali & Co.  
Chartered Accountants

For and on behalf of the Board  
Ybrant Digital Limited

Sd/-  
P. Murali Mohana Rao  
Partner

Sd/-  
Chairman & Managing Director

Sd/-  
Non-Executive Director

Place: Hyderabad  
Date: 26th September, 2011

## Schedules forming part of the consolidated accounts

(Amount in ₹)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 1 SHARE CAPITAL</b>		
<b>Authorized Capital</b>		
12,00,00,000 Equity Shares & 1,50,00,000 Preference Shares	1,350,000,000	260,000,000
<b>Issued, Subscribed and Paid Up Capital</b>		
5,87,35,260 Equity Shares of ₹ 10/- each (Out of the total shares issued and paid up, 3,91,56,840 bonus shares were issued)	587,352,600	195,784,200
1,20,76,810 Compulsory Convertible Preference Shares of ₹ 10/- each	120,768,100	22,680,920
Share Warrants	100,000	100,000
	<b>708,220,700</b>	<b>218,565,120</b>

<b>Schedule 2 RESERVES AND SURPLUS</b>		
Balance Brought forward from Previous Year	2,056,766,800	1,106,822,962
Add: Surplus during the year	1,132,797,828	949,943,838
Less: Utilization of Reserves for issue of Bonus Shares	391,568,400	-
	<b>2,797,996,228</b>	<b>2,056,766,800</b>

<b>Schedule 3 LOAN FUNDS</b>		
<b>Secured Loans</b>		
Loan from ICICI Bank <i>(Rupee Term Loan of is Secured by giving charge on Current Assets, movable Fixed Assets and personal guarantee of Chairman cum Managing Director and Whole Time Director)</i> <i>(Foreign Currency Term Loan is secured by creating first charge on all assets of Ybrant Media Acquisition Inc, USA both present and future, pledge of shares of companies acquired and pledge of 6.0 million shares by Promoter Group)</i>	746,500,000	-
	<b>746,500,000</b>	<b>-</b>

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2010	Additions	As at 31.03.2011	As at 31.03.2010	During the year	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Computer Equipment	367,686,013	50,340,943	418,026,955	141,410,413	52,187,434	193,597,847	224,429,108
Computer Software	23,932,770	5,942,493	29,875,263	-	1,887,650	1,887,650	27,987,612	23,932,770
Office Equipments	54,557,326	7,720,592	62,277,918	11,841,643	4,642,281	16,483,924	45,793,994	42,715,683
Furniture and Fixtures	34,765,642	142,510	34,908,152	8,502,743	2,207,477	10,710,220	24,197,932	26,262,899
Electrical Fittings	12,086,011	101,000	12,187,011	1,995,295	578,283	2,573,578	9,613,433	10,090,716
Leasehold Buildings	3,143,205	17,906,344	21,049,549	-	2,391,674	2,391,674	18,657,875	3,143,205
Automobiles	7,900,460	61,000	7,961,460	6,054,831	1,369,369	7,424,200	537,260	1,845,629
Property and Equipment	25,390,318	11,847,518	37,237,836	-	8,043,320	8,043,320	29,194,516	25,390,318
Land	2,195,210	-	2,195,210	-	-	-	2,195,210	2,195,210
	<b>531,656,954</b>	<b>94,062,400</b>	<b>625,719,354</b>	<b>169,804,925</b>	<b>73,307,488</b>	<b>243,112,413</b>	<b>382,606,941</b>	<b>361,852,029</b>

<b>Schedule 5 CASH AND BANK BALANCES</b>		
Cash & Cash Equivalents	4,694	50,894
Bank Balances	999,103,167	654,776,379
	<b>999,107,861</b>	<b>654,827,273</b>

## Schedules forming part of the consolidated accounts

(Amount in ₹)

	As at 31st March, 2011	As at 31st March, 2010
<b>Schedule 6 ACCOUNTS RECEIVABLES</b>		
Receivables within 6 months (considered good)	1,639,035,684	990,392,208
Other Receivables	67,179,899	4,942,063
	<b>1,706,215,582</b>	<b>995,334,271</b>
<b>Schedule 7 LOANS, ADVANCES AND DEPOSITS</b>		
Deposits	989,256	3,000,256
Advances	1,075,231,931	268,301,381
Security Deposit	4,943,268	4,997,517
Advance - Others	91,211,154	-
	<b>1,172,375,609</b>	<b>276,299,154</b>
<b>Schedule 8 OTHER ASSETS</b>		
Other Current Assets	27,772,300	-
Other Assets	330,944,218	326,398,961
Deferred Tax Asset	136,227,150	-
Investment	2,455,750	-
Intangible Assets, Net	255,621,250	-
	<b>753,020,668</b>	<b>326,398,961</b>
<b>Schedule 9 CURRENT LIABILITIES AND PROVISIONS</b>		
Creditors of Expenses	790,492	1,421,862
Provisions	34,185,856	55,888,860
Accounts Payable	638,341,538	366,022,159
Payable to PW Network	6,781,487	-
Other Current Liabilities	146,099,499	115,875,795
Accrued Expenses	189,807,150	-
Deferred Revenues	24,468,200	-
Due to Parent	4,107,800	-
	<b>1,044,582,022</b>	<b>539,208,676</b>
Demand Promisory Notes / Acquisition Payables	796,258,363	179,055,348
<b>Current Liabilities and Provisions</b>	<b>1,840,840,385</b>	<b>718,264,024</b>
	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>Schedule 10 SALES AND GENERAL ADMINISTRATION EXPENSES</b>		
Rent, Rates and Taxes	6,137,555	8,409,352
Printing and Stationery	1,072,347	618,372
Postage, Telephones and Internet Charges	2,681,495	3,377,615
Traveling and Conveyance	4,601,636	2,336,081
Electricity charges	2,385,228	1,737,294
Office Maintenance	1,426,807	1,858,078
Directors Remuneration	7,200,000	7,200,000
Auditors Remuneration	220,600	220,600
Professional & Contract Charges	11,486,182	9,002,746
Computer Maintenance Charges	379,876	208,873
Sales and Marketing Expenses	58,350,301	105,027,753
Other Administrative Expenses	7,547,514	4,977,331
Foreign Exchange Loss	35,690	-
<b>Sales and General Administrative Expenses</b>	<b>1,050,348,300</b>	<b>752,477,951</b>
	<b>1,153,873,531</b>	<b>897,452,046</b>

## Notes forming part of the consolidated accounts

### Schedule 11 NOTES TO ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Company Overview

Ybrant Digital Limited, "the Company" offers digital marketing solutions to businesses, agencies and online publishers worldwide. Ybrant Digital connects Advertisers with their Audience across any form of Digital Media, using its massive local presence to deliver appropriate messages to the right audience, through the most relevant Digital channels. Ybrant Digital has a global presence, with offices in 18 countries. The Company was incorporated on 28th March, 2000, in Hyderabad, Andhra Pradesh, India.

##### 2. Basis of Preparation of Consolidated Financial Statements

The Consolidated financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Indian Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

##### 3. Principles of consolidation of financial Statements

The consolidated financial statements include the financial statements of Ybrant Digital Ltd and all its subsidiaries, which are more than 50% owned or controlled. The financial statements of the parent company and its majority owned/controlled subsidiaries have been combined on a line by line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating all inter-company balances / transactions and resulting unrealized gain / loss. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

##### 4. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Actual results could differ from those estimates. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, and the useful lives of fixed assets and intangible assets. Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made, a disclosure is made as contingent liability. Actual results could differ from those estimates.

##### 5. Revenue Recognition

###### *Income from Software and Consultancy Revenue*

The Contracts between the Company and its customers are either time or material contracts or fixed price contracts. Revenue from fixed-price contracts is recognized according to the milestones achieved as specified in the contracts on the proportionate-completion method based on the work completed. Any anticipated losses expected upon the contract completion are recognized immediately. Changes in job performance, conditions and estimated profitability may result in revisions and corresponding revenues and costs are recognized in the period in which such changes are identified. Deferred revenue represents amounts billed in excess of revenue earned for which related services are expected to be performed in the next operating cycle.

In respect of time and material contract, revenue is recognized in the period in which the services are provided.

Revenue from product sale and licensing arrangements are recognized on delivery and installation.

###### *Other income*

Other incomes are recognized on accrual basis. Interest is recognized on the basis of time proportion and based on the rates implicit in the transactions.

##### 6. Fixed Assets

###### *Tangible Assets*

Tangible assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material

## Notes forming part of the consolidated accounts

### Schedule 11 NOTES TO ACCOUNTS (Contd..)

cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

#### *Intangible assets*

Intangible assets are recorded at consideration paid for acquisition and other direct costs that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

#### *Depreciation & Amortization*

Depreciation on the Tangible Fixed Assets of the Company is provided on Straight Line Method on pro-rata basis and at the rates and manner as per Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than ₹ 5,000 are entirely depreciated in the year of acquisition.

Preliminary Expenses are amortized over a period of 5 years.

#### 7. Investments

Investments are either classified as current or long term, based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the value of each investment.

#### 8. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Group considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

#### 9. Cash Flow Statement

Cash flows are reported using the Indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the group are segregated. This is in accordance with the Accounting Standard -3 issued by the ICAI.

#### 10. Foreign Exchange Transactions and Translation

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account. Non monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

#### 11. Taxes on Income

Tax expense for the year comprises of current tax and deferred tax. Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period in which the related revenue and expenses arise. Provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and asset can be measured reliably.

The difference that result between the profit considered for income taxes and the profits as per the financial statements are identified and thereafter a deferred tax assets or liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax asset is recognized

## Notes forming part of the consolidated accounts

### Schedule 11 NOTES TO ACCOUNTS (Contd...)

only if there is virtual certainty that they will be realized and reviewed for the appropriateness of their respective carrying values at each balance sheet date.

#### 12. Retirements Benefits to Employees

##### a) *Gratuity:*

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan covering eligible employees of the Company. The Gratuity provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the group. The Company has made a provision for gratuity to its employees on the basis of independent actuarial valuation, in accordance with AS-15. The actuarial liability is determined with reference to employees at the end of each financial year.

##### b) *Provident Fund:*

Contributions to defined schemes such as provident fund are charged as incurred on accrual basis. Eligible employees receive benefit from a provident fund, which is a defined contribution plan. Aggregate contributions along with the interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make contributions to the Government administered authority.

#### 13. Lease Rentals

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. The Group charges Lease rentals in respect of assets taken under operating leases to profit and loss account on a straight line basis over the lease term.

#### 14. Borrowing Cost

Borrowing cost relating to acquisition/ construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/sale. Borrowing cost that is attributable to the projects is charged to the respective projects. All other borrowing costs, not eligible for inventorization/ capitalization, are charged to revenue.

#### 15. Provisions, Contingent Liabilities and Contingent Assets

*Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if*

- a) The Company has a present obligation as a result of a past event;
- b) A probable outflow of resources is expected to settle the obligation; and
- c) The amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

*Contingent Liability is disclosed in the case of:*

- a) A present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation;
- b) A possible obligation, unless the probability of outflow of resources is remote. Contingent Assets are neither recognized nor disclosed.

#### 16. Impairment of Assets

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sale price or present value as determined above.

#### 17. Related Party Disclosures

The Company as required by AS-18 furnishes the details of Related Party Disclosures in Schedule B.

#### 18. Claims

Claims made by the Group are recognized to the extent the Group deems them recoverable. Claims against the Group, including liquidated damages, are recognized only on acceptance basis. Claims which are contingent in nature are not recognized in the books but are disclosed separately in the Notes to accounts. Contingent assets are neither

## Notes forming part of the consolidated accounts

### Schedule 11 NOTES TO ACCOUNTS (Contd..)

recognized nor disclosed in the financial statements.

#### B. NOTES ON ACCOUNTS

##### 1. Increase in Authorized Share Capital

During the financial year, there was an increase in the Authorized Share capital of the Company. A special resolution was passed at the meeting of the members held on 21-09-2010 and the Authorized Share capital was increase from ₹ 26 crore to ₹ 125 crore and again it was increased from ₹ 125 crore to ₹ 135 crore by passing a special resolution at the members meeting held on 02-01-2011.

##### 2. Issue of Compulsory Convertible Preference Shares (CCPS)

During the financial year 2010-11, the Company has issued Compulsory Convertible Preference Shares to OAK India & Batterymarch Financial Management Inc. through its various funds

8,879,390 CCPS amounting to ₹ 364,054,990/- were issued to OAK India Limited @ ₹ 41/- each including premium of ₹ 31/- per share. Upon conversion, 1 equity share will be given for every 5 CCPS.

929,328 CCPS amounting to ₹ 464,664,000/- were issued to Batterymarch Financial Management Inc through its various funds @ ₹ 500 /-each including premium of ₹ 490/- per share. Conversion price is ₹ 205/- per equity share.

##### 3. Issue of Bonus Shares

Ybrant Digital had issued and allotted 3,91,56,840 Bonus shares to the existing shareholders on 28th September, 2010 out of the accumulated free reserves of the Company. For every one equity share held by the Shareholder, two fully paid equity shares were issued.

##### 4. Quantitative Details

The Company is engaged in the development of Computer Software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

##### 5. Related Parties

The following are the related parties for the Financial year 2010-11 as per AS - 18

S.No	Name of the Related Party	Nature of Relationship	Step Down Subsidiaries
1	M.Suresh Kumar Reddy	Chairman and Managing Director	-
2	Vijay Kancharla	Executive Director & CIO	-
3	Ybrant Digital U.S Inc (AdDynamix) (formerly Pennyweb Inc, USA)	100% Wholly Owned Subsidiary	-
4	Online Media Solutions Limited, Israel	100% Wholly Owned Subsidiary	Oridian Inc, USA Ybrant Digital GmbH (formerly Oridian GmbH), Ybrant Digital UK Ltd. (formerly Oridian UK Ltd.,) Ybrant Digital France (formerly Oridian France)
5	Ybrant Media Acquisition Inc, USA	100% Wholly Owned Subsidiary	Lycos Inc, USA
6	Dyomo Corporation, USA	100% Wholly Owned Subsidiary	-
7	Frontier Data Management Inc, USA	100% Wholly Owned Subsidiary	-
8	International expressions Ins, USA	100% Wholly Owned Subsidiary	-
9	Dream ad S.A., Argentina	100% Wholly Owned Subsidiary	-
10	Dream ad S.A., Chile	100% Wholly Owned Subsidiary	-
11	Dream ad S.A., Panama	100% Wholly Owned Subsidiary	-
12	Dream ad S.A., Uruguay	100% Wholly Owned Subsidiary	-
13	Max Interactive Pty Ltd., Australia	100% Wholly Owned Subsidiary	-
14	Get Media Mexico S.A.DE CV, Mexico	100% Wholly Owned Subsidiary	-
15	Ybrant Digital (Brasil) Limited, Singapore	100% Wholly Owned Subsidiary	-
16	Ybrant Digital Servicos De Publicidade Ltda, Brasil	100% Wholly Owned Subsidiary	-

## Notes forming part of the consolidated accounts

### Schedule 11 NOTES TO ACCOUNTS (Contd...)

#### 6. Transactions with Key Managerial Personnel (Amount in ₹)

Particulars	Nature of Relationship	Nature of Transaction	Year ended 31st March, 2011	Year ended 31st March, 2010
M.Suresh Kumar Reddy	Chairman and Managing Director	Remuneration	3,600,000	3,600,000
Vijay Kancharla	Executive Director & CIO	Remuneration	3,600,000	3,600,000

#### 7. Operating Lease

The Company leases office premises under operating lease agreement that is renewable on a periodic basis at the option of the both the lessor and the lessee. Rental expenses under those leases were ₹ 5,913,750/- and for the previous year ₹ 6,688,952/-.

#### 8. During the year the Company has incurred ₹ 6,113,510/- towards ROC expenses for the purpose of increase in the authorized share capital. Since it is in the nature of capital expenditure, these will be written off over a period of 5 years. During the year 1/5 of the amount was charged to profit & Loss account. i.e. ₹ 1,222,702/-.

#### 9. Acquisitions & Investments made during the year

- During the financial year, the Company has incorporated a new subsidiary in USA named as Dyomo Corporation with a paid up capital of \$10,000. The Dyomo Corporation was incorporated on 12th July, 2010 in the State of Delaware, United States of America.
- Ybrant Digital Limited has also acquired 100% of share holding in Lycos Inc USA on 14th October, 2010, through its wholly owned subsidiary named Ybrant Media Acquisition Inc, USA. Ybrant Media Acquisitions Inc has acquired 100% of share holding (No. of shares 87,59,817) in Lycos Inc USA for an amount of USD 38 million (including acquisition related expenses USD 2 Millions). Ybrant Digital Limited has paid ₹ 1,004,242,491/- (Approx. USD 22 Million) towards the above said acquisition. The Company has received share certificates for 56% of the Purchased Shares (4,905,498 shares), duly endorsed with appropriate transfer stamps and the remaining 44% of the Purchased Shares, duly endorsed (or accompanied by duly executed Stock powers) with appropriate transfer stamps, if any, affixed to be held in Escrow by the Escrow Agent as per the terms of Escrow Agreement. The actual second payment amount of the purchase consideration is under discussion with the party.
- Ybrant Digital Limited has incorporated a subsidiary in Brazil with the name Ybrant Digital Servicos De Publicidade Ltda., Sao Paulo, Brazil on 26th November 2010. Ybrant is holding 99.99% and 0.01% is held by Dream Ad, Panama which is also a subsidiary of Ybrant Digital Limited.
- Ybrant Digital has incorporated a new subsidiary in Singapore with the name Ybrant Digital (Brasil) Limited on 7th September, 2010. The Company is incorporated in the Republic of Singapore under the Companies Act, Chapter 50. Ybrant Digital (Brasil) Limited is wholly owned subsidiary of Ybrant Digital Limited, India.

All Investments which were made in the earlier years and in current year are stated at cost and all the investments were made in unquoted Equity Shares.

#### 10. Foreign Currency Outflows

Foreign Exchange Outflow as reported by the Company to Government of India and as certified by Management.

(Amount in ₹)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Capital Expenditure	Nil	Nil
Foreign Traveling	9,40,694	Nil
Investments in Subsidiaries	98,19,40,000	Nil
Others	60,46,131	Nil
<b>Total</b>	<b>98,89,26,825</b>	<b>Nil</b>



## Notes forming part of the consolidated accounts

### Schedule 11 NOTES TO ACCOUNTS (Contd...)

#### 11. Foreign Currency Inflows

Foreign Exchange Inflow as reported by the Company to Government of India and as certified by Management.

(Amount in ₹)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Sales & Services	5,07,53,546	20,24,83,155
Loans and Advances	Nil	Nil
Others	Nil	Nil
<b>Total</b>	<b>5,07,53,546</b>	<b>20,24,83,155</b>

#### 12. Foreign Exchange Gain/Loss

In case of Foreign exchange fluctuation profit / loss as per AS 11 the Branch and head office is having integral transactions and hence profit / loss debited to P & L a/c. The receivables have been considered at the actual rate at which the amount is realized and accordingly Loss from Foreign Exchange fluctuation and Integral transactions of ₹ 35,690/- (net) has been reflected in Profit and Loss Account for the Year.

An amount of ₹ 10,71,31,794/- is recognized as Foreign Currency Translation Reserve as per AS-11.

#### 13. Segment Reporting

The segment report of Ybrant Digital Ltd and its consolidated subsidiaries and associates has been prepared in accordance with the AS 17 "Segment Reporting" issued pursuant to the Companies (Accounting Standard) Rules, 2006 and by The Institute of Chartered Accountants of India.

The group has geographic segments: India, USA, UK, Europe, Asia Pacific, Australia, Latin America and Rest of the World. Significant portion of the segment assets are in India.

Revenue from geographic segments based on domicile of the customers is outlined below:

(Amount in ₹ Lakhs)

Particulars	FY 2011		FY 2010	
	Amount	%	Amount	%
USA	23,098.25	51.90	14,679.25	43.88
UK	1,330.30	2.99	1,285.36	3.84
Europe	8,248.16	18.53	8,216.01	24.56
India	359.48	0.81	290.88	0.87
Asia Pacific	308.27	0.69	294.93	0.88
Australia	2,611.11	5.87	2,527.10	7.55
Latin America	7,199.40	16.18	5,043.55	15.08
Rest of the World	1,349.12	3.03	1,113.28	3.33
<b>Total</b>	<b>44,504.08</b>	<b>100.00</b>	<b>33,450.36</b>	<b>100.00</b>

#### 14. Inter Company Transactions

The Inter Company transactions have been eliminated while preparing the consolidated financial statements as per AS-21.

#### 15. Payables to Micro & Small Enterprises

There are no overdue principle amounts and interest thereon payable to Micro Enterprises and Small Enterprises, as at 31-03-2011.

#### 16. Confirmation of Closing Balances

Closing Balances of Debtors, Creditor, Loans and Advances are subject to confirmations.

#### 17. Product Development Expenses

During the year the Company has incurred an amount of ₹ 50 lakhs towards Product Development expenses and it has not capitalized the existing Product Development Expenses as the products are not yet completed.

#### 18. Capital Work In Progress

During the year the Company has not incurred any expenditure towards Capital Work In Progress and it has not capitalized the existing Capital W-in-P.

## Notes forming part of the consolidated accounts

### Schedule 11 NOTES TO ACCOUNTS (Contd...)

#### 19. Advances for Proposed Acquisitions

(Amount in ₹)

Particulars	Opening Balance	During the year	Closing Balance
Zone Media	90,28,000	-	90,28,000
Media Breakaway LLC	1,57,99,000	-	1,57,99,000
Gamesastra	-	2,24,35,000	2,24,35,000
<b>Total</b>	<b>2,48,27,000</b>	<b>2,24,35,000</b>	<b>4,72,62,000</b>

Note: The above advances were made for the purpose of business acquisitions. These advances are outstanding for more than 6 months.

#### 20. Secured Loan from ICICI Bank

##### Term Loan for ₹ 30 Crore in India

During the year a Term Loan for an amount of ₹ 30 crore was obtained by the Company from ICICI Bank Limited having its regional office at ICICI Bank Towers, Plot No.12, Gachibowli, Hyderabad - 500 032, Andhra Pradesh, India, for the purpose of Part-finance of acquisition of shares of eDebitpay LLC and Lycos Inc and expenses related to the above said acquisitions. This term loan was obtained by the Company by giving Charge on its current assets, movable fixed assets and personal guarantee of Chairman cum Managing Director and Whole time Director.

Foreign Currency Term Loan (FCTL) for USD 10 Million by Ybrant Media Acquisition Inc, USA.

During the current financial year, Ybrant Media Acquisition Inc, USA, a wholly owned subsidiary of Ybrant Digital Limited, has obtained Foreign Currency Term Loan (FCTL) for an amount of USD 10 Million from ICICI Bank Limited, New York, United States of America as per the Credit Facility Agreement dated: 25th March, 2011 for the purpose of Part-finance of acquisition of shares of eDebitpay LLC and Lycos Inc and expenses related to the above said acquisitions. This term loan is secured by creation of first charge on all assets of the borrower i.e., Ybrant Media Acquisition Inc, USA, both present and future, pledge of shares of the companies acquired and pledge of shares of 6.0 million by Promoter Group.

#### 21. Prior Period Items

In Ybrant Digital Limited Standalone financials, the management has reviewed the future economic benefits which will accrue to the Company and by considering the accumulated timing difference, it has made a prior period adjustment for the excess deferred tax liability which is amounting to ₹ 153,234,230/-.

#### 22. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. The Company tests goodwill for impairment on an annual basis or more frequently if events or changes in circumstances indicate that this asset may be impaired.

23. Previous year's figures have been regrouped wherever necessary.

24. The figures have been rounded off to the nearest rupee.

### Signatures to schedules 1 to 11

As per our report even date

For P. Murali & Co.

Chartered Accountants

For and on behalf of the Board

Ybrant Digital Limited

Sd/-

P. Murali Mohana Rao

Partner

Sd/-

Chairman & Managing Director

Sd/-

Non-Executive Director

Place: Hyderabad

Date: 26th September, 2011

## Consolidated Cash Flow Statement

For the year ended 31st March, 2011

(Amount in ₹)

	Year ended 31st March, 2011	Year ended 31st March, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit/(Loss)before taxation, and extraordinary Items	9,346.54	9,316.02
<i>Adjustments for :</i>		
Depreciation	733.07	(627.52)
Amortization	31.45	-
Interest expenses	524.92	98.66
Miscellaneous Expenses Written off	12.23	
<b>Operating Profit before working capital changes</b>	<b>10,648.21</b>	<b>8,787.15</b>
Trade and other receivables	(7,108.81)	(1,423.53)
Other assets	(4,315.13)	(396.82)
Loans and advances	(8,960.76)	4,588.06
Product development	(50.00)	(942.11)
Trade payables	5,543.71	3,294.55
<b>Net Cash Flow Operating Activities</b>	<b>(4,242.78)</b>	<b>13,907.31</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(940.62)	(1,002.52)
Capital work in process, Preoperative	0.00	(2,773.88)
Investments	-	(9,959.40)
Acquisition Payables	6,172.03	-
Increase in Goodwill	(12,133.15)	-
<b>Net Cash Used In Investing Activities</b>	<b>(6,901.75)</b>	<b>(13,735.79)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from share capital	-	(0.00)
Secured loan Taken	7,465.00	-
Preference Capital	980.87	-
Foreign Exchange reserve	(639.94)	(2,960.83)
Share Premium and General reserve	7,306.32	-
Interest paid	(524.92)	(98.66)
<b>Net Cash Used in Financing Activities</b>	<b>14,587.33</b>	<b>(3,059.48)</b>
Net Increase in Cash And Cash Equivalents	3,442.81	(2,887.97)
Cash and Cash equivalents as at (Opening Balance)	6,548.27	9,436.24
<b>Cash and Cash equivalents as at (Closing Balance)</b>	<b>9,991.08</b>	<b>6,548.27</b>

As per our report even date

For P. Murali &amp; Co.

Chartered Accountants

For and on behalf of the Board

Ybrant Digital Limited

Sd/-

P. Murali Mohana Rao

Partner

Place: Hyderabad

Date: 26th September, 2011

Sd/-

Chairman &amp; Managing Director

Sd/-

Non-Executive Director

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## Ybrant Digital Limited

Plot No.7A, MLA Colony, Road No.12, Banjara Hills, Hyderabad – 500 034

### PROXY FORM

Regd. Folio no.: .....

No. of shares .....

DP ID no. ....

Client ID no. ....

I/We \_\_\_\_\_ of \_\_\_\_\_ being Member /Members of **Ybrant Digital Limited** hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us on my/our behalf at the 11th Annual General Meeting of the Company to be held on Friday, 30th September 2011 at 11.00 a.m. at Plot No.7A, Road No.12, MLA Colony, Banjara Hills, Hyderabad – 500 034 and at any adjournment thereof.

As witness my/our hand (s) this \_\_\_\_\_ day of \_\_\_\_\_ of 2011

Signed by the said \_\_\_\_\_

Affix ₹1/-  
Revenue Stamp

## Ybrant Digital Limited

Plot No.7A, MLA Colony, Road No.12, Banjara Hills, Hyderabad – 500 034

### Admission Slip

**Date:** 30th September, 2011

**Venue:** Plot No.7A, MLA Colony,  
Road No.12, Banjara Hills, Hyderabad – 500 034

**Time:** 11.00 AM

Name of the shareholder	Folio no. / DPID and Client ID no.	No of shares

I certify that I am a registered shareholder of the Company and hold above-mentioned shares in the Company and hereby record my present at the 11th Annual General Meeting of the Company.

**Member's/Proxy signature**

**Note:** Shareholder/Proxy holder wishing to attend the meeting must bring the Admission Slip and hand over at the entrance duly signed.







Marketing Digital  
Media Worldwide

[www.ybrantdigital.com](http://www.ybrantdigital.com)

Annual Report  
Financial Year 2010-2011