

## CONTENTS

Sr. No.	Particulars	Page No.
1.	Board of Directors .....	2
2.	Financial Highlights .....	3
3.	Chairman's Letter .....	4
4.	Directors' Report .....	8
5.	Auditors' Certificate On Corporate Governance .....	16
6.	Report On Corporate Governance .....	17
7.	Auditors' Report .....	23
8.	Balance Sheet .....	26
9.	Profit and Loss Account .....	27
10.	Cash Flow Statement .....	28
11.	Schedules and Notes .....	30
12.	Management Discussion & Analysis .....	46
13.	Consolidated Accounts .....	50
14.	Statement Pursuant to Section 212 .....	68
15.	Accounts of Subsidiary Companies .....	69



**BOARD OF DIRECTORS**

**Viswanath Tadimety**

*Chairman*

**Anant Rajwade**

*Director*

**Ashok Datar**

*Director*

**Arun Shah**

*Director*

**Vijay Talele**

*Executive Director (up to 10th Nov. 2005)*

**COMPANY SECRETARY**

Suresh Thakur Desai

**AUDITORS**

Lodha & Co.,

Chartered Accountants, Mumbai

**SOLICITORS & ADVOCATES**

Amarchand Mangaldas

Peninsula Chambers, Peninsula Corporate Park,

Ganpatrao Kadam Marg, Lower Parel,

Mumbai - 400 013.

**BANKERS**

**State Bank of India**

**UTI Bank Ltd.**

**REGISTRAR & SHARE TRANSFER AGENT**

**(COMMON AGENCY)**

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (W), Mumbai- 400 078.

**REGISTERED OFFICE**

'CyberTech House',

Plot No.B - 63-65, Road No.21/34,

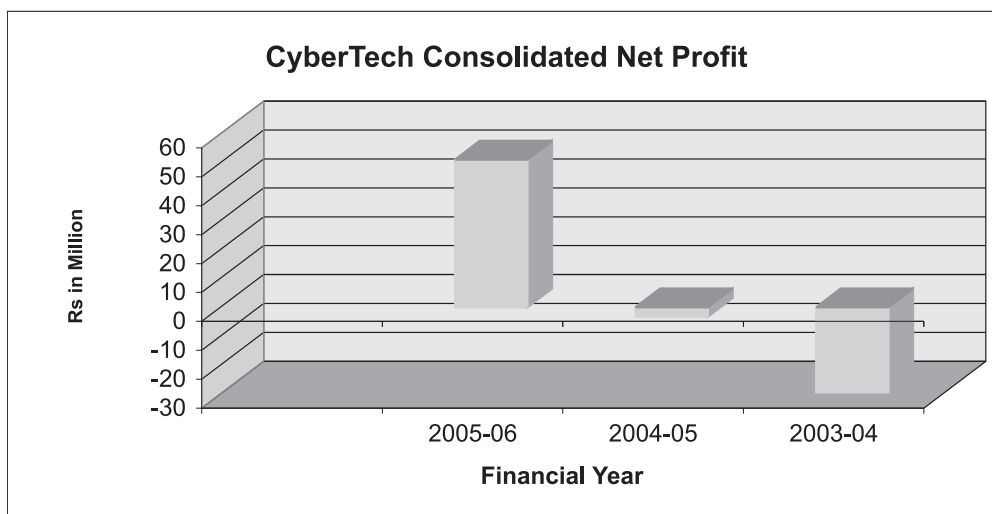
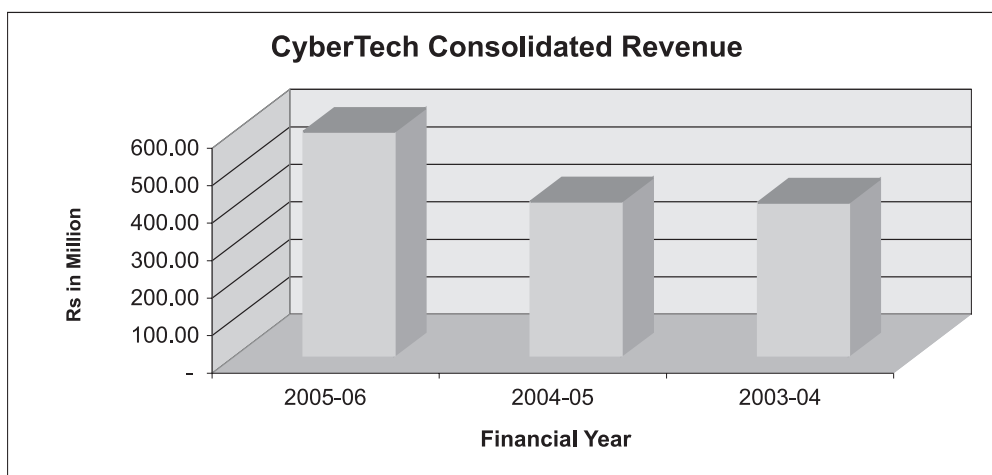
J. B. Sawant Marg, MIDC,

Wagle Estate , Thane (West) - 400 604

**FINANCIAL HIGHLIGHTS**

( Rs. In Million)

	Consolidated			Standalone		
	2005-06	2004-05	2003-04	2005-06	2004-05	2003-04
	( 12 Months)	( 9 Months)	( 12 Months)	( 12 Months)	( 9 Months)	( 12 Months)
Total Revenue	596.88	411.13	407.82	100.48	70.94	72.60
Net Profit	51.13	(3.21)	(29.48)	44.10	(5.95)	(45.40)
Net Worth	405.47	354.26	355.41	386.96	342.78	348.73
Earning per Share	2.20	(0.14)	(1.27)	1.90	(0.26)	(1.96)





Vish Tadimety

## LETTER TO FELLOW SHAREHOLDERS

My Dear Fellow Shareholders,

July 6, 2006

I am pleased to report the successful turnaround of CyberTech Systems and Software Limited (CSSL) as reported in this Annual Report for the fiscal year ending March 31, 2006. For the year, we reported Consolidated Profit after tax of Rs. 51.13 million [\*US\$ 1.15 million] on Revenue of Rs. 596.88 million [US\$ 13.42 million]. This favourably compares to a loss of (Rs. 7.22) million [(US\$0.16) million] on revenue of Rs.536.89 million [US\$ 12.07 million] for the previous twelve months.

When I took over as Chairman of your Company in December 2003, we were saddled with several problems that affected the value of the Company including a recession in the IT industry, previous years' unresolved tax problems, investments in unproductive real estate, and high employee costs. The Company had incurred aggregated net (losses) of (Rs. 391) million during 2001-2003 apart from an un-provided or unpaid potential tax liability of Rs. 173 million for earlier years. As a result, our cash reserve was almost entirely wiped out. My first priority was therefore to arrest the losses and prevent any further impairment of the assets of the Company. We therefore initiated a series of measures including the closure of European operations, which had entered a recession, reduced the number of associates whose services were not being fully utilized, cleaned up investments and instituted strict austerity measures in both the USA and India. We also reoriented our priorities without losing the confidence of our current clients. Thanks to the quality of services provided by the Company, customer loyalty never suffered.

After this series of measures, the net loss was brought down to (Rs. 29) million during 2003-04, further to (Rs.3) million during the nine months ended March 2005 and profit of Rs. 51 million was realized during the current year. I am also pleased to report that most of the long outstanding income tax issues relating to the Company (with the exception of penalties, if any) have been resolved. The Company is also now positioned to generate additional income from properties and facilities at Andheri and Thane. The shareholders will also be pleased to note that as a result of our initiatives, Government of Maharashtra has declared the entire Wagle Estate as an IT Zone; needless to say we are the first one to set up IT facility in the Thane area. At the bare minimum, this policy change adds to our potential asset in the form of doubling the FSI, a prized possession in and around land starved Mumbai.

The Company has also added service offerings to its customers in both SAP and GIS. As a result, revenue has started to increase and we have begun to employ more resources in the Company. We have added a number of new associates and our current world wide employee headcount is at 270, up from 204 in March 2005 (and 185 in 2004).

It is important to note that we manage CSSL's business on a consolidated basis. Our business operations combine both CSSL and its US subsidiary, CyberTech Systems and Software, Inc. (US). As a shareholder, you ultimately own an interest in both entities and we encourage our shareholders to review our consolidated results. While our US subsidiary has intangible assets resulting from its business relationships with customers and key alliance partners, CSSL maintains substantial tangible assets that we intend to protect and grow for the shareholders of the Company.

In 2004, based on my discussions with our Board of Directors and Observers, we set two key priorities for the Company:

**1. Restore the Company's Balance Sheet to its pristine status:**

- a. Streamline and restructure the Company to be India-Oriented,
- b. Utilize the Company's Real Estate Capacity to its fullest extent,
- c. Resolve our Complex Income Tax challenges,
- d. Keep it debt-free, unless financing productive assets, and
- e. Restore the Company dividend over time.

\*1 US\$=INR 44.486

**2. Align the Company's Sales and Delivery Structure to an India Model:**

- a. Promote Offshore Oriented Solutions,
- b. Grow the Business in all markets, and
- c. Hire the best people.

**Restoring the Company's Balance Sheet:**

I want my fellow shareholders to know that I see protecting the Balance Sheet as my most important and current priority. A solid Balance Sheet gives us safety, resources for growth and protects us against downturns. One of my responsibilities is to protect my fellow shareholders from undue risks. We have accomplished much in the past year as we now focus on driving Company growth.

*Streamline and Restructure the Company:*

As I have stated in the past, we achieved substantial success in this area. The following steps have been executed by the Company over the last 24 months helping to protect the assets of the Company:

1. We acquired the US business operations of CyberTech Systems, Inc. (our former parent company) in order to gain access to our own front end sales team and customers. CSSL is a complete end to end solutions company and is now in control of its own destiny. Our US subsidiary has been profitable since its acquisition. We now have a simple capital structure; all stake holders are shareholders in CSSL. Our main focus today is to deliver the bulk of our services from India.
2. We have cut the extraordinary losses and restored the Company to profitability. We look to continued improvement in margins as we deliver more of our services from our Advanced Technology Centers in India.
3. We have previously ceased the money losing European operations and continue liquidation of the subsidiaries.
4. We have liquidated the passive investment portfolio.

*Utilize the Real Estate Assets:*

The Company owns substantial assets in its Thane and Andheri facilities. All of the facilities are now productive, either through our own effective use or generating income for the company. Our properties in Andheri (East) and excess capacity in Thane are now generating income and considerable cash flow. I track these activities as a separate item on the income statement.

*Resolution of the Income Tax Matters:*

Our largest issue has been the Company's continuing income tax litigation. The Revenue Department previously assessed income tax against prior years by denying the Company claims for exemption under Revenue Code Section 10(B). This denial related to all tax years from 1997-98 through 2001-2002. Revenue Department has collected substantial taxes from the Company for these years, while the Company respectfully disagreed over this matter.

I am glad to report that the Company's position has been vindicated as it relates to the years 2000-01 and 2001-02 based on findings in appeal at the Income Tax Tribunal level. We continue to appeal prior years including penalties applied by the Department in connection therewith. I believe that we have now reached a stage where this complex issue will be resolved without greatly impacting our Balance Sheet.

*Other Matters:*

I continue to be fiscally conservative and the Company continues to be largely debt free. I wish to thank the Board of Directors of Corliant, Inc. (USA - our joint venture company) for guaranteeing a small revolving credit line for our subsidiary, CyberTech Systems and Software, Inc that is fully secured and used for working capital purposes. It is our intent to restore the payment of a dividend as soon as operations will support.

**Align the Company's Sales and Delivery Structure to an India Model:**

Our key focus has been to execute all of Company's operations from India with the exception of sales. A thin US approach keeps us committed to providing superior implementation, software development and support services for our customers in SAP, GIS and other technology areas from India. To this effect, all delivery and administrative functions are executed out of CSSL. The US organization is extremely thin and US operations remain profitable.



The combined Company, including CSSL and its consolidated US Subsidiary, remains focused on winning offshore engagements.

### **Business Review**

The Company segments its business into two groups: (a) Commercial Enterprise Sector and (b) Public Sector. Our Commercial Enterprise business lends itself to an offshore model with focus primarily in small and medium sized companies. This constitutes approximately 60% of the US subsidiary's business. Our Public Sector business lends itself primarily to a US centric model. We continue to do substantial work in several US State and Local Government Accounts which account for about 40% of the US Subsidiary's business.

We continue to focus on SAP technologies, including implementation, upgrade and support services. Most of these services will be delivered from our Indian ATC. Combined with our years of SAP experience, our offshore model allows us to work with our SAP clients to deliver cost effective and timely services, including work on their newer technologies. We have recently been selected from a small group of partners to work on a product pioneered jointly by SAP and Microsoft. CyberTech is an early implementation partner in this area.

We continue to grow our GIS and custom technologies business. Our strategic alliance with ESRI, including their partners and customers has registered significant growth over the prior year. This comes from building and operating ESRI applications. Additionally, we support ESRI technologies from our Indian ATC as well as jointly developing solutions for the commercial marketplace. Our custom solutions are based on Microsoft, IBM, Sun and Oracle platforms, focused on annuity based development and support contracts that are delivered primarily from the Indian ATC.

CyberTech has recently been awarded Development Partner Status working with both SAP and ESRI to build an integration package applicable for their worldwide customers.

The Management team of the Company is able and focused. I am grateful to the Sales, Delivery and Financial Leaders of the Company for doing the day-to-day heavy lifting. Outstanding Company talent is the only way to succeed and grow the business. This is one area in which we will continue to aggressively invest.

In the last 2 years, the value in our Company has been quietly building up. We have now reached a state where most of the complex challenges that faced the Company are behind us; the Company owns substantial Real Estate that generates positive cash flows. We expect maintain the growth and push for further heights in profitability in the coming years.

I thank Bansi S Mehta & Co, Chartered Accountants and Mr. Farook Irani Esq. for their valuable help with our long pending Income Tax matters.

I would like to thank my dedicated Board of Directors and our US investor representatives for their involvement, superior counsel and support. I also would like to thank our associates and management team for their efforts in the last year and all our clients for their continued support of your Company.

On behalf of the entire organization I thank you, my fellow shareholders, for your continued support.

With regards and wishing you the very best,

**Vish Tadimety**

Chairman

## MANAGEMENT TEAM



**Steven Jeske**  
Chief Financial Officer

Steven Jeske has over 25 years of management experience, including as Chief Financial Officer of several start-ups including PetCare, Inc., a \$100M retailer and WSMLP, a \$150M Blockbuster Video franchise that was acquired by Blockbuster. Previously, Steven was a senior manager with PricewaterhouseCoopers, an international accounting and consulting firm.

Steve is a CPA and holds an MBA degree from the University of Chicago.



**Ravi Rengan**  
Sr. Vice President  
(Global Sales)

Ravi Rengan has over 15 years global IT consulting and management experience.

As Sr. Vice President-Sales, Ravi is responsible for Global Sales at CyberTech Systems.

Ravi's previous roles included handling sales in the USA, starting and developing the Geographical Information Systems (GIS) practice and setting up GIS Advanced Technology Centers.

At Tata Consultancy Services (TCS) and Rolta, he has held similar responsibilities, identifying strategic partners, building relationships and working major accounts.

Ravi is an MBA in Marketing and a B.E. in Computer Engineering, from the University of Mumbai.



**Harsha K. U.**  
Chief Delivery Officer

Has over 23 years of experience in managing offshore software projects for global customers. In his current role, Harsha is responsible for global delivery management at CyberTech.

Harsha has nurtured and managed engagement for customers in the US, UK and Japan.

He has extensive experience in setting up the Offshore Delivery Centers. He has managed engagements in varied technologies like Microsoft, SUN, IBM, Oracle for diverse verticals like financials, equity trading, CRM etc.

He was earlier employed with Mastek and Silverline Technologies in delivery leadership roles with responsibilities towards client management.

Harsha is a Science graduate from Mysore University and has a Diploma in Information Technology.



## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Annual Report together with the audited Statements of Accounts for the year ended March 31, 2006. This report includes both stand alone results for the Company (CyberTech Systems and Software Ltd) as well as consolidated results for the Company, its USA subsidiary and the pro rata results of the joint venture company to the extent of the Company's holding. The figures for the accounting year under review are for the twelve months from April 1, 2005 to March 31, 2006 and are therefore to that extent not comparable with previous year's figures, which were for the nine month period from July 1, 2004 to March 31, 2005.

### FINANCIAL RESULTS:

(Rs. in millions)

	Stand Alone		Consolidated	
	2005-2006 (12 months)	2004-2005 (9 months)	2005-2006 (12 months)	2004-2005 (9 months)
Gross Revenue	100.48	70.94	596.88	411.13
Profit before Interest & Depreciation	11.58	4.52	28.64	22.62
Interest	0.02	-	0.86	0.01
Depreciation	10.97	10.47	17.86	16.15
Profit/(Loss) before tax	0.59	(5.95)	11.07	2.41
Exceptional Items	13.00	-	13.00	-
Provision for tax (includes fringe benefits )	(0.72)	-	(5.69)	(5.62)
Income Tax adjustments for earlier years' -credit	31.22	-	32.74	-
Profit/(Loss) after tax	44.10	(5.95)	51.13	(3.21)
Accumulated losses b/f from previous year	(285.79)	(279.84)	(274.31)	(271.10)
Balance to be carried forward	(241.69)	(285.79)	(223.18)	(274.31)

### DIVIDEND:

The Board of Directors regrets its inability to recommend a dividend for the year under review.

### REVIEW OF THE COMPANY'S STAND ALONE PERFORMANCE:

The Company has continued to register overall improvement in its performance for the year being reported on:

- Total revenue during the year 2005-06 amounted to Rs. 100.48 million as compared to Rs. 70.94 million during the prior nine month period. This represents an annualized increase of 6.3%. Total revenue during 2003-2004 was Rs. 72.6 million. Total revenue is comprised of revenue from operations and other income, as follows.
- Revenue from Operations for the 12 months ending March 31, 2006 amounted to Rs. 92.15 million vs. Rs. 66.62 million for the prior 9-month period. Operating revenue includes both software support and development activities and revenue according to the terms of the JVC and has grown as a result of expanded client focus on the benefits of offshore services.
- Other Income increased to Rs. 8.32 million from Rs. 4.31 million. Other income is expected to continue to increase in the upcoming year as a result of increasing income from the Company's properties and facilities.
- Profit before interest, depreciation and tax increased to Rs. 11.58 million from Rs. 4.52 million in the previous period. This marks an increase of 92.13% on an annualized basis.
- The Company recorded exceptional items in the amount of Rs. 13.01 million, primarily the result of restoring the value of impaired assets previously written down, consequent to the accrual of income from such assets leading to enhancement of value. This is expected to be a one-time action.
- Additionally, the Company recorded the benefit of reversing the excess income tax provision as a result of favourable findings in appeal at the ITAT.



- As a result of the above, profit after tax for the year ended March 31, 2006 amounted to Rs. 44.10 million compared to a loss of Rs. (5.95) million in the previous nine month period.

The Company continues its focus on delivering offshore development and support projects in the Company's core technology areas. Additionally, careful resolution of outstanding disputes in its income tax matters and increased utilization of available assets and properties remain at the top of the management agenda.

#### **REVIEW OF CONSOLIDATED PERFORMANCE:**

On a Consolidated Basis, the Company reported total revenue during the year of Rs. 596.87 million as compared to Rs. 411.13 million during the previous nine-month period. On an annualized basis this marks an increase of 8.8%.

Profit after tax for the year ended March 31, 2006 amounted to Rs. 51.13 million compared to a loss of Rs. (3.21) million in the previous nine month period. This included the impact of recording exceptional items and the reversal of excess income tax provision as explained above.

The consolidated group continues to focus on delivering services to its identified market segments in its core technology areas. It continues to align its sales and delivery organizations to an offshore centric model.

#### **COMPANY OPERATIONS:**

CyberTech is a global information technology firm providing professional consulting services in the following practice areas:

- *SAP (Implementation and Post Implementation Support)*
- *Geographical Information Systems (GIS)*
- *Custom Technologies (including Microsoft, Oracle and IBM)*
- *Networking Planning and Design*

The Company maintains an Advanced Technology Center ("ATC") for the training, development and support of SAP, ESRI, Microsoft, IBM, Sun and Cisco Technologies. The Company performs all delivery management, offshore development, finance and administrative functions for the consolidated group. CyberTech Systems and Software Inc. (USA) (also known as "Subsidiary") is a wholly-owned subsidiary of the Company. The Subsidiary focuses on customer facing and business development activities including pre-sales, marketing, sales and onsite project/program management activities. CSSI focus is to sell offshore services.

These two companies work in tandem to serve their customers needs. Activities are indivisible and seamless. Accordingly, business operations as discussed include activities of both the Company and its Subsidiary.

#### *Market Segments:*

The Company segments its consolidated customer base into two groups:

- *Commercial Enterprises sector:*

This group includes all commercial enterprises in the US and India. The Company targets the SMB (small and medium sized businesses up to \$2b) market sector as well as global corporations. We believe this sector holds significant potential for outstanding Company growth, largely driving offshore business for the Company. This sector represents approximately 60% of the Company's business.

- *Public sector:*

This includes governmental and other non-profit entities, primarily in the US. The Company has several large public sector clients that comprise a significant portion (approx. 40%) of the Company's business. Although these services typically are not delivered in an offshore format, there is a significant market due to our experience and depth of expertise in areas useful to Public Sector Clients.

#### *Practice Areas:*

The Company's technology focus is in the following practice areas:

- SAP
- GIS (primarily using ESRI, Inc. Technologies)



- Custom Technologies (including Microsoft, IBM, Sun, Oracle)
- Network Infrastructure (primarily using Cisco Systems, Inc. Technologies)

CyberTech differentiates itself with its proprietary state-of-the-art Advanced Technology Centres (ATCs) maintaining the latest software environment for each of our technology focus areas. Our ATCs are used for the following:

- To develop end-to-end solutions and proprietary tools.
- These tools become solutions showcasing our capabilities in the relevant technologies
- Training for our consultants for them to use these solutions and tools as part of our value added services by updating their individual skills.
- Development and support services that we provide from offshore.

*\* SAP Practice:*

The Company's SAP Practice is focused on software implementation, upgrade and post implementation support services. Post implementation services include SAP BASIS administration, Functional Help Desk, and ABAP Development and Integration.

Key differentiators in our SAP services include:

- Ability to provide end-to-end services covering the life cycle of SAP services.
- Delivering a fixed price / fixed time implementation schedule which is key to most implementations in our focus market segment (i.e. Small and Medium Businesses).
- Offshore centric implementation, upgrade and post-implementation support helping to reduce cost and increase productivity.

During the fiscal year, our SAP practice has shown considerable improvement in winning and delivering offshore implementation and support engagements. We have invested in practice management by hiring experienced talent from industry leaders in SAP. Their experience should help to raise the maturity level of our SAP practice.

The Company has been awarded **Development Partner Status with SAP** and works as part of a SAP Board initiative that is integrating SAP and GIS technologies. Additionally, CyberTech is a **Preview Partner in a joint SAP-Microsoft** initiative and maintains a **Consulting Partner Status with SAP** on customer implementations. **Our Customer Service Agreement Status** enables SAP to engage CyberTech in customer implementations and upgrades where SAP plays a lead role.

*\* GIS (Geographical Information Systems) Practice:*

The Company's GIS practice is focused on providing GIS assessment, application development, integration and maintenance services, primarily utilizing ESRI Technologies.

Our GIS differentiators include the following:

- Functioning as part of the development and support teams within ESRI. This helps us obtain additional insight into ESRI technologies, which in turn help us provide leading edge technology services to our customers.
- Maintaining a core custom technology focus (in Microsoft, IBM, Oracle, Sun) that translates to application development and integration work in a GIS environment.
- Maintaining a strong focus on SAP-ESRI integration, a strategic differentiator that supports us in our customer bases including SAP and ESRI users.

During the fiscal year, our GIS practice has also shown considerable advancement in offshore development, testing, and support contracts. Blending core GIS technology experience with our Custom Technology group experience brings a considerable maturity to our go-to market strategy for GIS.

**CyberTech is an ESRI Authorized Consultant.** CyberTech is also invested jointly with ESRI in building solutions for various industries segments which leverage GIS Technologies.

*\* Custom Technologies Practice:*

Custom Technologies Practice offers services in Software Application Development, Maintenance, Support, Modernization and Migration using Microsoft, SUN, IBM, and Oracle technologies. These services are primarily annuity based development and

support contracts that are delivered offshore from the ATC. Our key focus areas include Enterprise Architecture Integration Services (EIA), Business Intelligence Services (BI) including data mining and data warehousing and Service Oriented Architecture.

CyberTech is a Microsoft and IBM partner and has largely leveraged the custom technology expertise to its advantage in the SAP and GIS practice areas.

*\* Networking Practice:*

The Company's Networking Practice is focused on providing networking resources to our Joint Venture Company as well as delivering remote managed IP services. This practice offers solutions and services in the areas of IP Infrastructure, IP convergence, IT Security, IP Telephony, Wireless and Remote Managed Services. We continue to providing our support services in Asia, Japan and India.

**CONSOLIDATED FINANCIAL STATEMENTS:**

The consolidated financial statements of the Company, its wholly owned US subsidiary and its JVC are prepared in accordance with Accounting Standard 21 (Consolidation of Accounts) and Accounting Standard 27(Financial Reporting of Interest in Joint Ventures) as prescribed by the Institute of Chartered Accountants of India and in terms of the listing agreement with the Stock Exchanges. Together, these form part of the Annual Report and Accounts. The summarized consolidated results are given alongside the financial results of your Company and are discussed in the accompanying Management's Discussion and Analysis of Consolidated Results. The financial statements of CyberTech Europe, a 100% owned subsidiary of the Company have not been included in the consolidated statements as the subsidiary is in the final stage of liquidating its affairs and has not had operations in the last two years.

**JOINT VENTURE COMPANY:**

The Company's investment in the Joint Venture Company (Corliant, Inc. USA) continues to contribute to your Company's consolidated results as well as contributing direct revenue from the offshore design, deployment and support of enterprise and service provider networks in territories outside of the U.S.A., including Japan, India and Asia. During the year under review, the Company earned revenue of Rs. 15.28 million directly from the JVC. The Company's investment aggregates 4.20% of the outstanding shares of the JVC. As a part of the Joint Venture Agreement, Corliant, Inc. USA committed to a turnover of US \$ 3.60 million, of which US \$ 2.88 million has been paid during the term of the agreement. After serious review, the JVC Agreement was extended effective October 31, 2005 for an additional two year period, which provides additional time for the commitment to be met, allows the companies to continue to work together on revenue opportunities in the region and permits the Company to maintain its ownership interest.

**WHOLLY OWNED SUBSIDIARY IN USA:**

The Company owns a 100% interest in CyberTech Systems & Software, Inc. incorporated on June 12, 2003 in the state of Delaware in the United States of America.

CyberTech Systems & Software, Inc. (USA) reported operating profit of Rs. 17.45 million before interest, depreciation and tax on revenue of Rs. 543.15 million. Net profit after tax aggregated Rs. 6.90 million. This subsidiary has been profitable since its inception and has continuously contributed to the positive consolidated results of the Company.

**WHOLLY OWNED SUBSIDIARY IN EUROPE:**

The Company owns a 100% interest in CyberTech Europe, S.A. organized in Luxembourg. This wholly owned subsidiary in turn maintained 100% ownership of operating subsidiaries in Belgium, France and the United Kingdom. CyberTech Europe has previously sold its European business operations to an unaffiliated third party and has been in the process of liquidating all of its wholly owned subsidiaries and ultimately terminating its own operation. Subsidiaries in the UK and France formally filed for liquidation during the current fiscal year and Belgium will file during the fiscal year 2007 at which time CyberTech Europe will file for liquidation and cease to exist.

**SUBSIDIARY COMPANIES' ACCOUNTS:**

The statements required pursuant to section 212 of the Companies Act, 1956, containing details of the following Company subsidiaries; CyberTech Systems & Software Inc, USA, CyberTech Europe, S.A. and CyberTech Information Systems Belgium, bvba. are attached hereto.



**FUTURE OUTLOOK:**

Overall, the Indian software and services industry continues to be a dominating factor in the growth of Indian industry. The industry is expected to continue to show robust growth (29% over the previous year) with exports estimated at Rs. 103,200 crores in 2006-07. With the continuing trend of outsourced services, the Company continues to focus its consolidated activities on offshore software and service development and support and onsite implementations. All delivery, finance and administration responsibilities have been transitioned to India with the US focused on sales activities and customer relationships. It is expected that this will continue to have a positive effect on consolidated margins and profitability.

The Company maintains its focus on SAP and GIS Technologies and Custom Technology applications. It is expected that its strengthened relationships and alliances with partners such as SAP, Microsoft and ESRI will continue to lead to business and revenue growth and increasing profitability with a continued focus on offshore revenue.

Future activities also include the continued attempt at resolution of outstanding income tax matters and increased profitability as a result of increased utilization of available properties.

**TAXATION:**

The Company has disputed certain demands of tax in respect of AY 1997-98 through AY 2001-02. However, as a precaution, full provision was made for tax and interest and substantial amounts were paid to the Department in earlier years. During the year and to the date of this report, the Company has received orders from the ITAT wherein the demand raised by the assessing officer has been partially adjudicated to be beyond the scope of the law. Relief granted by the ITAT has been written back to income to the extent no longer deemed necessary in light of such relief. For further details, refer to Note 8 of Schedule 15 'Notes to Accounts'.

**FIXED DEPOSITS:**

The Company did not accept any fixed deposits during the year within the meaning of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

**GENERAL:**

The Management Discussion and Analysis Report reviews the operations of the Company in more detail and forms a part of this Annual Report (pg 46).

**CORPORATE GOVERNANCE:**

As per the Listing Agreement with the stock exchange (s), the Company has complied with the requirements of the Corporate Governance provisions of the Agreement. A report on Corporate Governance is attached to this report.

**DIRECTORS:**

During the year under review the Company had five directors of which three directors were considered to be independent directors. Mr. Vijay Talele, resigned from his position as Executive Director, on November 10, 2005 and a replacement is currently being sought by the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Anant Rajwade and Mr. Arun Shah, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Necessary resolutions for re-appointment of the aforesaid directors have been included in the Notice convening the ensuing Annual General Meeting.

During the year Mr. Arun Shah was appointed as the Company's representative to the board of directors of the Company's US subsidiary and its JVC partner.

None of the directors of the Company is disqualified for being appointed as director as specified in Section 274(1) (g) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

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

- i) in the preparation of the annual accounts for the financial year ended March 31, 2006, the applicable accounting standards were followed and proper explanation relating to material departures given.
- ii) the Directors selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- iii) the Directors took 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 frauds and other irregularities.
- iv) the Directors have prepared the annual accounts on a going concern basis.

**AUDITORS:**

M/s. Lodha & Co., Chartered Accountants, Mumbai, the Statutory Auditors, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, will be within the limits as stipulated under Section 224(1B) of the Companies Act, 1956. The members are requested to consider appointment of M/s. Lodha & Co. as Statutory Auditors at the ensuing Annual General Meeting.

The comments made by the Auditors in their report are self-explanatory and do not call for further explanation.

**INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956:**

The particulars of employees required to be disclosed in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, form part of this Directors' Report.

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo, pursuant to Section 217(1) (e) of the Companies Act, 1956 is set out in the Annexure to this Report.

**EMPLOYEES' STOCK OPTION PLAN:**

**ESOP Position as on March 31, 2006**

Grant-wise Summary	21-Dec-00	30-Aug-01	30-Aug-02	21-Oct-02	27-Dec-02	2-May-03	4-Jan-05	23-Aug-05	Total
Options granted	420900	119360	157800	56000	242000	89960	569000	40000	1695020
Grant Price	58.55	11.2	12.2				11.2	22.9	
Options vested	61100	24720	32970	0	0	0	118500	0	237290
Options exercised	0	7620	0	0	0	0	1030	0	8650
Not Exercised(A)	61100	17100	32970	0	0	0	117670	0	228840
Options lapsed	359800	94640	113840	56000	242000	89960	95000	0	1051240
Variation of terms of options	0	0	0	0	0	0	0	0	0
Money realized by exercise of options								75,000	
total number of options in force	61100	17100	43960	0	0	0	472140	40000	634300
Balance options (not vested)(B)	0	0	10990	0	0	0	354470	40000	405460



**Detail of options granted to senior management executives upto March 2006 were as follows:**

1	Mr. K.U. Harsha	7500	9	Mr. Yuvraj Mathur	10000
2	Mr. Sanjay Lala	7500	10	Mr. Vikas Srivastava	10000
3	Mr. Kumuda Bandhu Patel	5000	11	Mr. Steve Faluvegi	5000
4	Mr. Mahesh Tilve	5000	12	Mr. Gar Krishnan	3800
5	Mr. Ravi Rengan	50000	13	Mr. Giridharan K	10700
6	Mr. Steven Jeske	225000	14	Mr. L Krishnan	18160
7	Mr. Rao Papineni	10000	15	Mr. Mandar Kulkarni	10420
8	Mr. Hanumantha Ravu	10000	16	Ms. Carol Meade	10000

The company did not grant more than 1% of the issued capital to any one person as on the date of grant.

**ACKNOWLEDGEMENT:**

Your Directors wish to place on record their appreciation and sincere gratitude to the various Departments of the Central and State Government, Company's Bankers, clients, media and business constituents for their valuable assistance and support. The Directors also acknowledge the continued support received from investors and shareholders and the confidence reposed by them. The Directors also record their appreciation for the sincere and dedicated services rendered by all the employees of the Company.

**For and on behalf of the Board of Directors**

Place: Mumbai

Date: July 6, 2006

**Viswanath Tadimety**

Chairman

Information under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the Year ended 31st March 2006.

Sr. No.	Name	Age (Yrs.)	Designation	Gross Remuneration	Qualification	Experience (Yrs)	Date of Joining	Last employment
A.	Employed throughout year: None	-	-	-	-	-	-	-
B.	Employed for part of year: Mr. Vijay Talele	44 -	Executive Director (upto Nov 10th, 2005 and thereafter Chief Technology Officer till Feb 15th, 2006)	2,188,382	M. Tech. (IIT Mumbai)	20	01/01/04	Equinox Consultancy Service Ltd.

**Note:**

1. Remuneration includes Salary, House Rent Allowance, Medical Reimbursement, Leave Travel reimbursement, Gratuity, Leave encashment and taxable perquisites.
2. None of the employee is a relative of any Director of the Company.
3. Nature of employment of Mr. Vijay Talele, Executive Director is contractual (till Nov 10th, 2005)

---



---

## ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors Report for the Year ended March 31, 2006.

### CONSERVATION OF ENERGY:

Since the Company is engaged in the manufacture of Computer Software Development and other related activities, furnishing of details pertaining to conservation of energy are not applicable.

- |    |   |   |  |
|----|---|---|--|
| a. | Energy conservation measures taken  | : | The Computer systems installed are designed for low power consumption. |
| b. | Additional investments and proposals, if any, being implemented for reduction of energy:                              | : | Nil  |
| c. | Impact of measure in (a) and (b) for Reduction of energy consumption and Consequent impact on the cost of production: | : | Not Applicable   |
| d. | Total energy consumption and energy Consumption per unit of production:   | : | Not Applicable   |

### TECHNOLOGY ABSORPTION:

- |    |                                       |   |                |
|----|---------------------------------------|---|----------------|
| e. | Efforts made in technology absorption | : | Not Applicable |
|----|---------------------------------------|---|----------------|

### FOREIGN EXCHANGE EARNINGS AND OUTGO:

- |    |  |   |                           |
|----|--|---|---------------------------|
| f. | Activities relating to exports initiative taken to increase exports, development of new exports, development of new export market for products, services and export plans: | : | As detailed in the Report |
| g. | Statement of expenditure/Earnings incurred in Foreign Currency:  |   |                           |
|    | • Outgo (Capital Goods)  | : | Rs. Nil                   |
|    | • Income   | : | Rs. 9,14,32,428           |



## **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

We have examined the compliance of conditions of Corporate Governance by CyberTech Systems and Software Limited, as stipulated in clause 49 of the Listing Agreement with Stock Exchanges of India.

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

In our opinion and to the best of our information and explanations given to us and based on the representations given by the Management of the Company, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

**For LODHA & COMPANY**  
**Chartered Accountants**

**R.P. Baradiya**

Partner

Membership No. 44101

Place : Mumbai

Dated : July 6, 2006



## REPORT ON CORPORATE GOVERNANCE

The detailed report on Corporate Governance as prescribed by SEBI and as per Clause 49 of the Listing Agreement is set out below. Your Company has implemented all the mandatory provisions on Corporate Governance stipulated under revised, Clause 49 of the Listing Agreement with the Stock Exchanges.

### Company's Philosophy on Code of Corporate Governance:

Since inception, CyberTech has been practising the principles of good corporate governance as a means of effective protection for and enhancement of shareholders' interests. CyberTech will measure its success by the long-term growth of its business, its profitability and subsequently its shareholder value. CyberTech believes that transparency in corporate operations strengthens investors' confidence.

### Model code of Conduct for members of the Board and Management Team

In line with the requirements of the revised clause 49 of the Listing Agreement the Company has formulated model code of conduct for the Directors and senior management team. The Company has obtained declaration in writing from all Directors as also senior management team that they have all complied with the code.

### Board of Directors:

As of 31st of March 2006, the Board of Directors comprised four members, consisting of one promoter director (who is a Non-Executive Chairman), and three non-executive directors (all of whom are independent). The Company's Executive director resigned on November 10, 2005 and a replacement is being sought by the Company.

### Composition of the Board of Directors:

1	Mr. Viswanath Tadimety	Non-Executive Chairman and Promoter Director
2	Mr. Anant Rajwade	Independent Director
3.	Mr. Ashok Datar	Independent Director
4	Mr. Arun Shah	Independent Director
5	Mr. Vijay Talele	Executive Director up to November 10, 2005

During the period April 1, 2005 to March 2006, the Board met six times on the dates as per details given below:

### Details of Board Meetings held during April 1, 2005 to March 31, 2006:

Date of Board Meeting	April 27, 2005	June 22, 2005	July 29, 2005	August 23, 2005	October 27, 2005	January 27, 2006
Board Strength	5	5	5	5	5	4
No. of Directors Present	4	5	5	5	4	3

### Attendance of each Director at the Board Meetings:

Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Last AGM attendance (Yes/No)
Mr. Viswanath Tadimety	6	3	Yes
Mr. A. V. Rajwade	6	6	Yes
Mr. A.R. Datar	6	6	Yes
Mr. Arun Shah	6	6	Yes
Mr. Vijay Talele	5	4	Yes

Mr. Viswanath Tadimety was present via telephone on-line for all meetings when he was not physically present.



The number of other directorships held by the Directors of the Company is given below:

Director	PD/* ID/ED	No. of other Directorship(s)**	Committee Membership	Committee Chairmanship
Mr. Viswanath Tadimety	PD	-	-	-
Mr. A. V. Rajwade	ID	4	2	1
Mr. A. R. Datar	ID	1	-	-
Mr. Arun Shah	ID	8	4	1
Mr. Vijay Talele	ED***	-	-	-

\* PD - Promoter Director, ID - Independent Director, NID - Non Independent Director, ED - Executive Director.

\*\* Excludes directorships of Indian Private Limited Companies and Foreign Companies.

\*\*\* Mr. Vijay Talele, resigned from the Executive Director's position on November 10, 2005

**Audit Committee:**

**Composition of the Audit Committee**

1	Mr. Anant Rajwade, Chairman	Independent Director
2	Mr. Ashok Datar, Member	Independent Director
3	Mr. Arun Shah, Member	Independent Director

All these members/directors possess knowledge of corporate finance, accounts and company law.

The terms of reference of the Audit Committee interalia includes:

- Reviewing with the Management the Annual/Half-yearly/quarterly financial statements;
- Reviewing with Statutory Auditors and Internal Auditors, adequacy of internal control systems;
- Reviewing the Reports of the Internal and Statutory Auditors along with the comments and action taken reports of the Management;
- Recommending the appointment and removal of Statutory Auditors, fixation of Audit Fees, etc.
- To examine accountancy, taxation and disclosure aspects of all significant transactions.

The Audit Committee met seven times during the financial Year, April 2005 to March 2006; on June 21, 2005, July 26, 2005, August 23, 2005, October 27, 2005, November 29, 2005, January 27, 2006 and March 9, 2006.

**The attendance at the Audit Committee meetings was as under:**

Director	No. of committee meetings held	No. of committee meetings attended
Mr. A. V. Rajwade	7	7
Mr. A. R. Datar	7	7
Mr. Arun Shah	7	7

**Remuneration / Compensation Committee:**

**Composition of the Remuneration Committee**

1	Mr. Anant Rajwade, Chairman	Independent Director
2	Mr. Ashok Datar, Member	Independent Director
3	Mr. Arun Shah, Member	Independent Director
4	Mr. Viswanath Tadimety, Member	Promoter Director / Non-Executive Chairman

**Its functions are:**

- to ensure that a proper system of compensation is in place,
- to devise and recommend to the Board a Scheme for granting options to the employees of the Company,

- to frame suitable regulations to ensure the proper administration and superintendence of the Employees Stock Option Plan (ESOP) Scheme. The Committee submits its recommendation to the Board of Directors from time to time with respect to the details of eligible employees for granting options under ESOP to them.

**Attendance at the Remuneration Committee Meetings was as under:**

Director	No. of committee meetings held	No. of committee meetings attended
Mr. A. V. Rajwade	1	1
Mr. A. R. Datar	1	1
Mr. Arun Shah	1	1
Mr. Viswanath Tadimety	1	1

**Details of remuneration to all the Directors, for financial year 2005- 2006:**

Name	Designation	Salary (Rs.)	Performance Incentive (Rs.)	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)	Notice Period	Severance Fee	Stock options (no.)
Mr. Viswanath Tadimety	Chairman	Nil	Nil	20000	Nil	20000	Nil	Nil	Nil
Mr. A. V. Rajwade	Director	Nil	Nil	70000	-	70000	Nil	Nil	Nil
Mr. A.R.Datar	Director	Nil	Nil	70000	-	70000	Nil	Nil	Nil
Mr. Arun B. Shah	Director	Nil	Nil	70000	Nil	70000	Nil	Nil	30000
Mr. Vijay Talele	Executive Director	1888382	3.00 Lac	Nil	Nil	2188382	1 month	Nil	Nil

\*The Stock Options are issued at the prevailing market prices as on the date of grant. The vesting Schedule will involve a vesting of 25% of the option grant on the first, second, third and fourth anniversaries of the date of grant.

**Shareholders'/Investors' Grievance Committee:**

**Composition of the Investors' Grievance Committee:**

1	Mr. Ashok Datar, Chairman	Independent Director
2	Mr. Viswanath Tadimety, Member	Non-Executive Chairman
3	Mr. Vijay Talele, Member	Executive Director (up to November 10, 2005)
4	Mr. Arun Shah (appointed in place of Mr Vijay Talele)	Independent Director

The Board has authorized the Committee to approve the share transfers/transmissions, issue of duplicate share certificates and review the status of investors' grievances and redressal mechanism and to recommend measures to improve the level of investor services. Details of share transfers/transmissions approved by the Committee are placed at the Board Meetings from time to time. The Board has delegated the authority, to the Shareholders'/Investors' Grievance Committee, to allot equity shares against the Stock Options exercised by the employees/directors, granted to them under the Employees Stock Option Plan (ESOP) of the Company. The Company has one investor complaint outstanding, which is sub judice.

Compliance Officer: Mr. Suresh Thakur Desai, General Manger and Company Secretary

**General Body meetings:**

**i. Location and time, where last three AGMs held.**

Particulars	FY 2002-2003	FY 2003-2004	FY 2004-2005
<b>Date &amp; Time</b>	December 29, 2003 / 4.00 p.m.	December 22, 2004 / 4.00 p.m.	August 23, 2005 / 4.00 p.m.
<b>Venue</b>	'CyberTech House', Pl. No. B-63/64/65, Road No.21/34, J.B.Sawant Marg, MIDC Wagle Estate, Thane (West) - 400604.	'CyberTech House', Pl. No. B-63/64/65, Road No.21/34, J.B.Sawant Marg, MIDC Wagle Estate, Thane (West) - 400604.	'CyberTech House', Pl. No. B-63/64/65, Road No.21/34, J.B.Sawant Marg, MIDC Wagle Estate, Thane (West) - 400604.



**ii. Brief details of special resolutions passed in the previous 3 AGMs.**

On 29th December 2003, in the Eighth Annual General Meeting, three special resolutions were passed.

- (1) Approving the applications for delisting from Stock Exchanges at Pune, Hyderabad and Ahmedabad.
- (2) Modification of the ESOP Scheme, 2000 to permit the allotment of shares to the employees of wholly owned subsidiary in U.S.
- (3) Keeping of Register of members and other documents at the office of the Company's Share Transfer Agents at Bhandup.

On 22nd December 2004, in the Ninth Annual General Meeting following two special resolutions were passed.

- (1) Approving the remuneration payable to Mr. Vijay Talele, Executive Director
- (2) To Amend the ESOP Scheme of the Company to provide that the options under the scheme will not be granted below nominal value of shares, i.e. Rs 10/-

On 23rd August, 2005, in the Tenth Annual General Meeting, one special resolution was passed:

The Authorization to allot ESOPs to non-executive directors as required by the revised clause 49 of the Listing Agreement

All the above special resolutions were passed at their respective meeting and none required a special postal ballot.

**Disclosures**

- i. There have been no materially significant related party transactions that may have potential conflict with the interests of company at the large.
- ii. 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: Nil.
- iii. The Company has not announced Whistle Blower policy but no personnel has been denied access to the audit committee.
- iv. Details of compliance with mandatory requirements of this clause.

The Company has complied with all mandatory requirements of clause 49.

**Means of Communication**

- i. Quarterly results are also put on the website of the Company and filed electronically with SEBI under EDIFAR
- ii. Newspapers where in results normally published Free Press Journal and Navashakti
- iii. Any website, where displayed : www.cybertech.com
- iv. Whether it also displays official news release; Yes
- v. The presentation made to institutional investors or to the analysts. No.

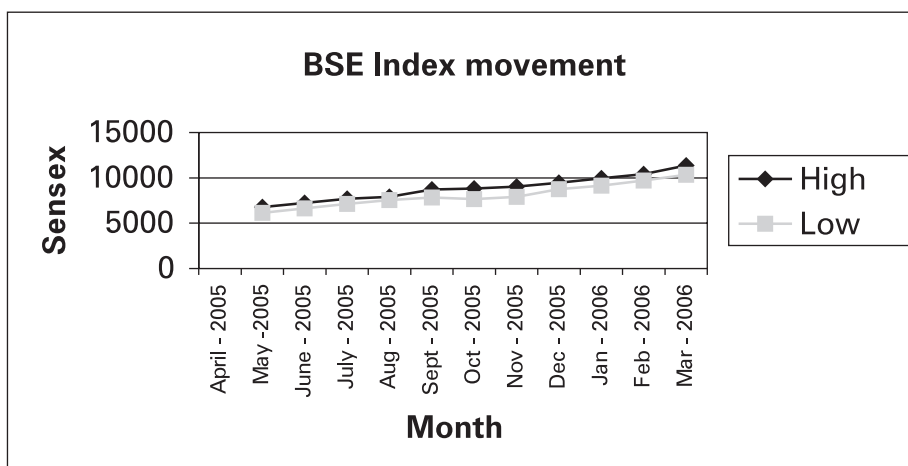
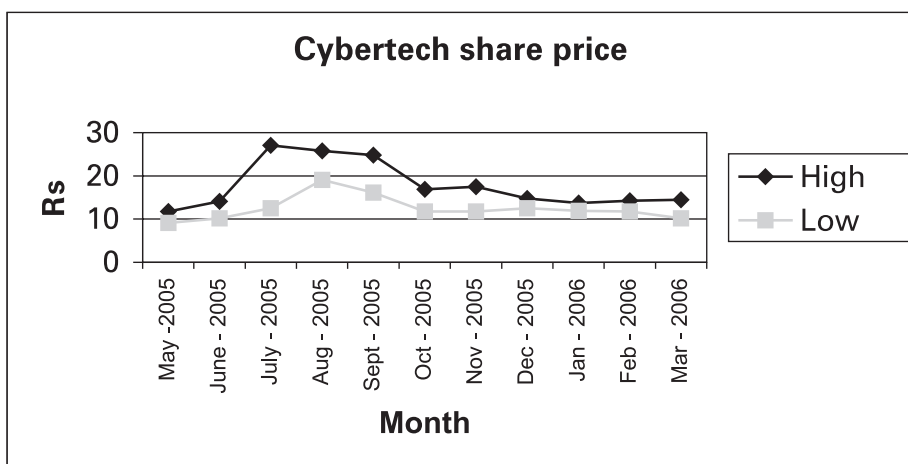
**General Shareholder information:**

- i. AGM : Date: September 18, 2006
- ii. Time: 4:00 p.m .
- iii. Venue: CyberTech House, MIDC Wagle Industrial Estate, Thane (W) - 400 604.
- iv. Financial Year: April 1, 2005 to March 31, 2006 (2005-2006)
- v. Date of book closure: August 28, 2006 to August 30, 2006
- vi. Dividend Payment: Nil
- vii. Listing on Stock Exchanges:
  - (i) The Bombay Stock Exchange Limited: 532173
  - (ii) National Stock Exchange of India Limited: CYBERTECH

viii. Market Price Data: High, Low during each month in last financial year:

Month	BSE		NSE	
	High	Low	High	Low
April 2005	12.21	9.00	12.00	9.00
May 2005	11.79	9.10	12.00	8.70
June 2005	14.10	10.20	14.25	10.00
July 2005	27.03	12.50	27.60	11.50
August 2005	25.80	19.10	24.75	18.30
September 2005	24.80	16.10	25.00	16.00
October 2005	16.90	11.75	16.70	11.75
November 2005	17.50	11.75	18.00	11.55
December 2005	14.80	12.55	15.00	13.00
January 2006	13.70	11.93	12.00	13.55
February 2006	14.22	11.77	14.15	11.60
March 2006	14.50	10.20	14.45	10.70

ix. Performance in comparison to broad-based indices such as BSE Sensex.





- x. Registrar and Transfer Agents : Intime Spectrum Registry Limited, C 12, Pannala Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai 400 078.
- xi. Share Transfer System: Shares sent for transfer in physical form are generally registered and returned within a period of 15 days from the date of lodgment and Demat requests are normally confirmed within an average period of 15 days, provided the documents are clear and complete in all respect.
- xii. Distribution of shareholding:

**Categories of Shareholders as on 31st March 2006**

Category	No. of shares held	%
Promoters (NRIs)	12,256,282	52.85
Relatives of Promoters	1,517,070	6.54
Directors and their relatives	11,250	0.05
Fills/FFIs	575	0.00
Bodies Corporate(Domestic)	630,029	2.72
Non-Resident Indians/OCBs	1,261,692	5.44
Public	7,438,583	32.07
Mutual Funds	-	-
Bank/Insurance Companies	48,601	0.21
In Transit (Depositories)	27,891	0.12
<b>Total</b>	<b>23,191,973</b>	<b>100.00</b>

**Distribution of Shareholding as on March 31, 2006**

No. of shares held	Shareholders		Nominal value	
	Nos.	%	Rs.	%
1 - 5000	11,348	81.85	17,642,140	7.60
5001 - 10000	1,236	8.91	10,247,510	4.42
10001 - 20000	644	4.64	9,601,910	4.14
20001 - 30000	216	1.56	5,395,980	2.33
30001 - 40000	75	0.54	2,634,580	1.14
40001 - 50000	91	0.66	4,296,310	1.85
50001 - 100000	120	0.87	8,780,160	3.79
100001 - above	135	0.97	173,321,140	74.73
<b>Total</b>	<b>13,865</b>	<b>100.00</b>	<b>231,919,730</b>	<b>100.00</b>

**Dematerialization of shares and liquidity:** At present, the Company's 22,443,308 (96.77% of total equity shares) are held by the Shareholders in dematerialized form.

Outstanding GDRs /ADRs /Warrants or any Convertible instruments, Conversion date and likely impact on equity

The Company has not issued any GDRs /ADRs/Warrants or convertible instruments.

Plant Locations : Not Applicable

Address for correspondence:

CyberTech House, B- 63-65, J.B. Sawant Marg, MIDC Wagale Industrial Estate, Thane (West)-400 604.

## AUDITORS' REPORT

To the members

### CYBERTECH SYSTEMS AND SOFTWARE LIMITED

1. We have audited the attached Balance Sheet of CYBERTECH SYSTEMS AND SOFTWARE LIMITED as at 31st March, 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that: -
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) *We are unable to express an opinion as to when and to what extent an overdue debt of Rs. 40.15 lacs would be realised/recovered. However, in the opinion of the management, the same is expected to be realised in due course and hence, no provision is considered necessary presently; (Refer Note no.7 in Schedule 15 to the accounts.)*
  - (c) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
  - (f) On the basis of written representations received from the directors as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, *subject to what is stated in paragraph 4(b) above* and read with Note no. 6 regarding investment of Rs 941.61 lacs in a joint venture company and Note no. 19 regarding non appointment of a managerial personnel (since 11/11/2005) in Schedule 15 of "Significant Accounting Policies and Notes to the Accounts" and other notes in the said Schedule and those appearing elsewhere in the accounts, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
    - ii) in the case of the Profit & Loss Account, of the profit for the year ended as on that date; and
    - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **LODHA & COMPANY**  
Chartered Accountants

**R.P. Baradiya**  
Partner

Membership No. 44101

Place : Mumbai

Dated : July 6, 2006



**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2006 OF CYBERTECH SYSTEMS AND SOFTWARE LIMITED**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) In our opinion, the fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed on such verification.
- c) During the year, no substantial part of fixed assets has been disposed off by the Company.
2. The Company being a service company, primarily rendering information technology services, it does not hold any physical inventories. Accordingly, the provisions of clause 4(ii) of the Order are not applicable to the Company.
3. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act except interest free loan of Rs. 129.62 lacs granted to a subsidiary in an earlier year which was overdue and had been fully provided for in the books.
4. In our opinion, having regard to the explanations that some of the items are of a special nature and suitable alternative source does not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in these internal control systems.
5. The contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act, have been so entered. In our opinion, having regard to our comment in para 4 above, the contracts for sale of services entered in the register maintained under Section 301 of the Act and aggregating during the year to Rs. 500,000 or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits within the meaning of Sections 58A, 58AA or any other relevant provisions of the Act and rules framed thereunder. No order has been issued by the Company Law Board on the company.
7. In our opinion, the company has an internal audit system commensurate with the size of the Company and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Act in respect of services carried out by the Company.
9. (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities. There are no undisputed statutory dues outstanding for more than six months as at 31st March, 2006 from the date they became payable.
- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess which have not been deposited on account of any dispute except the following:

Particulars	Forum where the dispute is pending	Amount (Rs in lacs)
Income Tax	Income Tax Appellate Tribunal	824.74
	CIT (Appeals)	75.03
Service Tax	Assistant Commissioner, Service Tax	66.07

10. The Company's accumulated loss does not exceed fifty percent of its net worth at the end of the financial year. The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to a bank or financial institution.



12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a dealer or trader in shares, securities, debentures and other investments.
14. 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.
15. According to the information and explanations given to us, the Company has not taken any term loans during the year.
16. According to the information and explanations given to us, the funds raised on short-term basis have not been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
18. The Company has not issued any debentures during the year.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing standards in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For LODHA & COMPANY**

Chartered Accountants

**R.P. Baradiya**

Partner

Membership No. 44101

Place : Mumbai

Dated : July 6, 2006

**BALANCE SHEET AS AT 31ST MARCH, 2006**

	Schedule	(Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SOURCES OF FUNDS</b>				
<b>Shareholder's funds</b>				
Share Capital	1	231,919,730		231,852,230
Reserves & Surplus	2	396,731,185		396,723,085
<b>Loan Funds</b>				
Unsecured Loan	3		628,650,915	628,575,315
			514,098	-
			629,165,013	628,575,315
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	4	337,473,861		319,955,434
Less: Depreciation		147,218,607		165,008,930
Net Block		190,255,254		154,946,504
Capital Work-in-Progress		10,682,582		-
			200,937,836	154,946,504
<b>Assets held for disposal</b>				
Investments	5		15,000,000	37,409,333
Current Assets, Loans And Advances			166,731,141	166,690,700
Sundry Debtors	6	25,419,064		30,616,452
Cash and Bank Balances	7	2,169,707		6,789,453
Loans and Advances	8	12,256,722		3,566,910
		39,845,493		40,972,815
<b>Less: Current Liabilities And Provisions</b>				
Current Liabilities	9	31,282,820		10,562,982
Provisions	10	4,018,386		47,198,457
		35,301,206		57,761,439
<b>Net Current Assets/ (Liabilities)</b>				
Miscellaneous Expenditure (To the extent not written off or adjusted)	11		4,544,287	(16,788,624)
Profit And Loss Account - Loss			256,426	521,826
			241,695,323	285,795,576
			629,165,013	628,575,315

Significant Accounting Policies and Notes to the Accounts. 15

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**For and on behalf of the Board of Directors**

**R.P. Baradiya**  
Partner

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006

Mumbai  
July 6, 2006

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2006**

	Schedule	For the year 1st April, 2005 to 31st March, 2006 (Rs.)	For the period 1st July, 2004 to 31st March, 2005 (Rs.)
<b>INCOME</b>			
Income from:			
Software Development and Services		<b>92,159,435</b>	66,625,351
Other Income	12	<b>8,326,416</b>	4,318,059
		<b>100,485,851</b>	70,943,410
<b>EXPENDITURE</b>			
Employee costs	13	<b>53,116,166</b>	39,164,347
Operating and Administrative expenses	14	<b>35,780,987</b>	27,255,008
Depreciation		<b>10,972,044</b>	10,477,081
Interest other than on Term Loan		<b>20,720</b>	-
		<b>99,889,917</b>	76,896,436
<b>Profit/(Loss) before Exceptional Items and Tax</b>		<b>595,934</b>	(5,953,026)
Exceptional Items (Refer Note No.10 in Schedule 15)		<b>13,007,288</b>	-
<b>Profit/(Loss) before Tax</b>		<b>13,603,222</b>	(5,953,026)
Provision for Fringe Benefit Tax		<b>723,000</b>	-
<b>Profit/(Loss) for the year</b>		<b>12,880,222</b>	(5,953,026)
Income Tax adjustments for earlier years		<b>31,220,031</b>	-
<b>Profit/(Loss) after Tax</b>		<b>44,100,253</b>	(5,953,026)
Balance of Loss Brought Forward		<b>285,795,576</b>	279,842,550
<b>Balance of Loss Carried Forward</b>		<b>241,695,323</b>	285,795,576
Earnings Per Share - Basic & Diluted (of the Face Value of Rs.10)		<b>1.90</b>	(0.26)

Significant Accounting Policies and Notes to the Accounts. 15

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

**For Lodha & Co.**

Chartered Accountants

**R.P. Baradiya**  
Partner

**Suresh Thakur Desai**  
Company Secretary

Place : Mumbai  
Date : July 6, 2006

Mumbai  
July 6, 2006

**For and on behalf of the Board of Directors**

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

(Rs.)	For the year 1st April,2005 to 31st March,2006 (Rs.)	(Rs.)	For the period 1st July,2004 to 31st March,2005 (Rs.)
<b>A. Cash flow from Operating activities</b>			
Net Profit/(Loss) before tax and exceptional items :	<b>595,934</b>		(5,953,026)
Adjustments for :			
Depreciation	<b>10,972,044</b>	10,477,081	
Miscellaneous expenses written off	<b>265,400</b>	235,746	
Unrealised foreign exchange	<b>(290,784)</b>	338,810	
Loss on assets sold / discarded (Net)	<b>422,096</b>	300,731	
Provision for Retirement Benefits	<b>(1,044,627)</b>	1,845,925	
Provision for Doubtful Debts	-	-	
Interest income	<b>(122,642)</b>	(1,553,791)	
Interest Paid	<b>20,720</b>		
Sundry Credit Balances written back	<b>(539,249)</b>		
Sundry Debit balances written off	<b>5,500</b>		
Loss on Sale of Investments	-	-	
Profit on Sale of Investments	<b>(17,206)</b>	(15,106)	
	<b>9,671,252</b>		11,629,396
<b>Operating profit before Working Capital changes</b>	<b>10,267,186</b>		5,676,370
Adjustments for :			
Decrease/(Increase) in Trade & other receivables	<b>5,785,845</b>	1,150,188	
Increase/(Decrease)Trade payables	<b>21,317,898</b>	136,772	
	<b>27,103,743</b>		1,286,960
<b>Cash generated from operations</b>	<b>37,370,929</b>		6,963,330
Direct taxes and tax deducted at source	<b>(25,617,562)</b>		(7,574,529)
<b>Net cash from / (used) in operating activities</b>	<b>11,753,367</b>		(611,199)
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets	<b>(17,022,688)</b>		(1,410,351)
Purchase of investments	<b>(2,050,000)</b>		(6,400,000)
Investment in Joint Venture	<b>(40,441)</b>		-
Sale of fixed assets	<b>40,000</b>		4,057,119
Secured loan obtained from bank	<b>514,098</b>		-
Sale of investments	<b>2,067,206</b>		7,215,606
Increase in Shares Capital -ESOP	<b>67,500</b>		-
Increase in Share Premium	<b>8,101</b>		-
Interest received	<b>122,642</b>		1,553,791
Interest paid	<b>(20,720)</b>		-
<b>Net cash from / (used) investing activities</b>	<b>(16,314,302)</b>		5,016,165

(Rs.)	For the year 1st April,2005 to 31st March,2006 (Rs.)	(Rs.)	For the period 1st July,2004 to 31st March,2005 (Rs.)
<b>C. Cash flow from financing activities :</b>			
Dividend paid and Transferred to EAG fund	(55,653)		-
<b>Net cash from / (used) in financing activities</b>	<b>(55,653)</b>		-
<b>Net increase/(decrease) in cash &amp; cash equivalents (A+B+C)</b>	<b>(4,616,588)</b>		4,404,966
Cash & cash equivalents (Opening)	4,868,791		463,825
Cash & cash equivalents (Closing)	252,203		4,868,791
	<b>(4,616,588)</b>		4,404,966

**Note**

- 1 Cash and Cash equivalents include :
  - a) Cash on Hand 115,974 19,458
  - b) Balance with Scheduled Banks in Current Accounts 107,721 4,816,187  
(Excludes unclaimed balance in Dividend Accounts)
  - c) Deposits with Scheduled Bank (Excludes deposits pledged with bank) 28,508 33,146
- 2 In view of previous period being 9 months, the figures for current period are not comparable with that of previous year.
- 3 The previous years' figures have been regrouped/rearranged wherever necessary.

As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**For and on behalf of the Board of Directors**

**R.P. Baradiya**  
Partner

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006

Mumbai  
July 6, 2006



**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SCHEDULE '1'</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
30,000,000 (Previous Period 30,000,000) Equity Shares of Rs.10 each	<b>300,000,000</b>	300,000,000
<b>Issued</b>		
23,196,932 (Previous period 23,190,182) Equity Shares of Rs.10 each	<b>231,969,320</b>	231,901,820
<b>Subscribed and paid-up</b>		
23,191,973 (Previous period 23,185,223) Equity Shares of Rs.10 each fully paid.	<b>231,919,730</b>	231,852,230
Of the above :		
i) 12,876,523 (Previous period 12,876,523) Equity Shares of Rs. 10 each were allotted as bonus shares by capitalisation of Securities Premium.		
ii) Allotment of 4959(Previous period 4959) bonus shares on 3967 (Previous period 3967) Equity shares is pending on account of non-establishment of beneficial ownership by NSDL.		
<b>SCHEDULE '2'</b>		
<b>RESERVES AND SURPLUS</b>		
Securities Premium Account		
Balance as per last Balance Sheet	<b>396,723,085</b>	396,723,085
Add: Addition during the year	<b>8,100</b>	-
	<b>396,731,185</b>	396,723,085
<b>SCHEDULE '3'</b>		
<b>UNSECURED LOAN</b>		
Vehicle Loan From a Bank (Secured by way of vehicle purchase thereagainst)	<b>514,098</b>	-
	<b>514,098</b>	-

## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006

### SCHEDULE '4'

#### FIXED ASSETS

DESCRIPTION	GROSS BLOCK (At Cost)				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01-04-05	Additions during the year	Deductions/ Adjustments	As at 31-03-06	Upto 01-04-05	For the year	On Deductions/ Adjustments	Upto 31-03-06	As at 31-03-06	As at 31-03-05
Goodwill	27,459,842	-	27,459,842	-	27,459,842	-	27,459,842	-	-	-
Leasehold Land	3,308,683	-	-	<b>3,308,683</b>	376,936	50,258	-	<b>427,194</b>	<b>2,881,489</b>	2,931,747
Office Building	71,585,256	42,264,211	214,605	<b>113,634,862</b>	7,556,894	1,199,917	24,994	<b>8,731,817</b>	<b>104,903,045</b>	64,028,362
Plant & Machinery and Office Equipment	50,138,234	116,589	-	<b>50,254,823</b>	15,702,452	2,372,465	-	<b>18,074,917</b>	<b>32,179,906</b>	34,435,782
Computers	89,290,791	4,583,238	305,392	<b>93,568,637</b>	81,050,666	2,405,016	262,940	<b>83,192,742</b>	<b>10,375,895</b>	8,240,125
Furniture & Fixtures	77,123,589	171,777	1,917,874	<b>75,377,492</b>	32,554,957	4,812,551	867,438	<b>36,500,070</b>	<b>38,877,422</b>	44,568,632
Motor Cars	1,049,039	847,120	566,795	<b>1,329,364</b>	307,183	131,837	147,153	<b>291,867</b>	<b>1,037,497</b>	741,856
<b>Current Year Total</b>	<b>319,955,434</b>	<b>47,982,935</b>	<b>30,464,508</b>	<b>337,473,861</b>	<b>165,008,930</b>	<b>10,972,044</b>	<b>28,762,367</b>	<b>147,218,607</b>	<b>190,255,254</b>	<b>154,946,504</b>
Previous period Total	335,275,586	1,410,351	16,730,503	319,955,434	170,201,347	10,477,081	15,669,498	165,008,930	154,946,504	
<b>Capital Work-in-Progress (including capital advances)</b>									<b>10,682,582</b>	-



**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006**

	Face Value per unit	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SCHEDULE ' 5 '</b>			
<b>INVESTMENTS</b>			
<b>(Unquoted, Traded; unless otherwise stated)</b>			
<b>I Long term Investments</b>			
<b>Trade:</b>			
<b>Shares in Joint Business Venture</b>			
Corliant Inc. USA*	US\$ 0.01	<b>94,161,141</b>	94,120,700
(Refer Note no. 6 in Schedule 15 to the accounts)			
Current year 996,447 ( Previous period 996,447)			
<b>Shares in Wholly Owned Subsidiaries</b>			
CyberTech Europe S.A.	Euro 1.2395	<b>84,313,700</b>	84,313,700
Current year 1,326,289 ( Previous period 1,326,289)			
Less: Provision for Diminution in value of investments			
		<b>(84,313,700)</b>	(84,313,700)
CyberTech Systems and Software Inc.,USA	US\$ 0.01	<b>72,564,500</b>	72,564,500
Current year 1,585,000 ( Previous period 1,585,000)			
<b>Shares in Co-operative Societies</b>			
Acme Plaza Premises Co-operative Society Ltd.	Rs.50	<b>5,500</b>	5,500
Current year 110 ( Previous period 110)			
<b>II Current Investments</b>			
<b>Non-Trade</b>			
<b>Units of Mutual funds</b>			
JM High Liquidity Fund-Growth Option	Rs.10	-	-
( During the year purchased 111,078.154 units and sold 111,078.154 units; closing balance Nil and opening balance Nil)			
		<b>166,731,141</b>	166,690,700
Aggregate book value of Investments:			
Unquoted			
		<b>166,731,141</b>	166,690,700



<b>SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006</b>		
(Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SCHEDULE ' 6 '</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Considered Good		
Exceeding six months	<b>4,015,800</b>	5,999,084
Others	<b>21,403,264</b>	24,617,368
	<b>25,419,064</b>	30,616,452
Considered Doubtful		
Exceeding six months	<b>37,565,834</b>	37,565,834
	<b>37,565,834</b>	37,565,834
Less: Provision for Doubtful Debts (Refer Note No. 7 in schedule 15 regarding dues from Subsidiaries/Associates)	<b>(37,565,834)</b>	(37,565,834)
	<b>25,419,064</b>	30,616,452
<b>SCHEDULE ' 7 '</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	<b>115,974</b>	19,458
Bank Balances		
With Scheduled Banks		
- in Current Accounts	<b>1,016,354</b>	5,723,388
- in Deposit Accounts *	<b>1,037,379</b>	1,042,017
(including interest accrued but not due Rs. 28,379; Previous period Rs. 33,017)		
* Refer Note no.4 in Schedule 15		
With Others	-	4,590
- in Current Accounts (ANZ Grindlays Bank Ltd, Australia- Maximum balance outstanding during the year Rs. 4,590; Previous period Rs.7,189 )		
	<b>2,169,707</b>	6,789,453



**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006**

(Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SCHEDULE ' 8 '</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered good unless otherwise stated)		
Loan to Subsidiary Company ( Considered doubtful) [Maximum balance outstanding during the year Rs.12,962,400; Previous period Rs.12,962,400]	<b>12,962,400</b>	12,962,400
Less: Provision for Doubtful Loans & Advances	<b>12,962,400</b>	12,962,400
	-	-
Loans to Employees	<b>8,000</b>	12,600
Advances recoverable in cash or in kind or for value to be received	<b>2,439,252</b>	2,849,660
Deposits	<b>816,485</b>	704,650
Advance Payment of Tax and Tax Deduction at Source (Net of Provisions Rs.144,914,012; Previous period Rs. NIL)	<b>8,992,985</b>	-
	<b>12,256,722</b>	3,566,910
<b>SCHEDULE ' 9 '</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
Small Scale Industrial Units (Refer Note no.21 in Schedule 15 to the accounts)	-	-
Others	<b>13,427,844</b>	7,136,028
	<b>13,427,844</b>	7,136,028
Deposits	<b>8,872,274</b>	682,824
Advance from Customers	<b>6,694,564</b>	1,039,680
Other Liabilities	<b>1,378,291</b>	738,950
Investors Education and Protection Fund shall be credited by the following amounts namely :		
Unpaid Dividend *	<b>909,847</b>	965,500
*There is no amount due to be credited to the fund and outstanding as at Balance Sheet date.		
	<b>31,282,820</b>	10,562,982

**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SCHEDULE ' 10 '</b>		
<b>PROVISIONS</b>		
for taxation (Net of Payment of Rs. NIL ; Previous period Rs.134,884,927)	-	42,185,209
for Fringe Benefits Tax (Net of Payment of Rs. 673,234;Previous period Rs.NIL)	<b>49,766</b>	-
for retirement benefits		
- Gratuity	<b>2,340,374</b>	3,349,075
- Leave encashment	<b>1,628,246</b>	1,664,173
	<b>4,018,386</b>	47,198,457
<b>SCHEDULE ' 11 '</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Public Issue Expenses	<b>256,426</b>	521,826
	<b>256,426</b>	521,826

**SCHEDULES TO PROFIT & LOSS ACCOUNT AS AT 31ST MARCH, 2006**

<b>SCHEDULE ' 12 '</b>		
<b>OTHER INCOME</b>		
Gross Interest		
On Deposit With banks (Tax Deducted at source Rs.10,196; Previous period Rs.8,777 )	<b>83,438</b>	38,328
On Others (Tax Deducted at Source Rs.7,810; Previous period Rs.4,833 )	<b>39,204</b>	1,515,463
	<b>122,642</b>	1,553,791
Profit on Sale of Current Investments	<b>17,206</b>	15,106
Miscellaneous Income	<b>2,800</b>	-
Income from Property (Tax Deducted at Source Rs. 28,13,313; Previous period Rs. 1,94,492 )	<b>6,075,934</b>	1,012,788
Exchange Gain (Net)	<b>1,568,585</b>	-
Sundry Credit balances written back	<b>539,249</b>	1,736,374
	<b>8,326,416</b>	4,318,059



**SCHEDULES TO PROFIT & LOSS ACCOUNT AS AT 31ST MARCH, 2006**

(Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
<b>SCHEDULE ' 13 '</b>		
<b>EMPLOYEE COSTS</b>		
Salaries	<b>49,869,876</b>	37,285,005
Contribution to Provident and other funds	<b>1,062,103</b>	620,252
Welfare (including Group Medical Insurance of Rs. 26,373 ; Previous period Rs. NIL)	<b>2,184,187</b>	1,259,090
	<b>53,116,166</b>	39,164,347
<b>SCHEDULE ' 14 '</b>		
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Travelling & Conveyance	<b>7,861,545</b>	5,768,878
Communication	<b>2,955,267</b>	1,910,285
Power	<b>5,306,744</b>	3,525,113
Insurance	<b>457,016</b>	346,037
Rent	<b>53,750</b>	68,000
Rates and Taxes	<b>1,898,057</b>	1,603,687
Professional Fees	<b>5,661,596</b>	4,156,984
Recruitment Expenses	<b>1,073,358</b>	376,366
Auditors' Remuneration		
Audit Fees	<b>350,000</b>	350,000
Tax Audit fees	<b>100,000</b>	100,000
Other Services	<b>48,500</b>	175,000
Reimbursement of Expenses ( Inclusive of service tax)	<b>69,586</b>	137,980
	<b>568,086</b>	762,980
Repairs and Maintenance		
Buildings	<b>1,358,722</b>	1,103,529
Plant & Machinery	<b>2,520,284</b>	2,121,120
Others	<b>613,403</b>	233,680
	<b>4,492,409</b>	3,458,329
Loss on assets sold/discarded (Net)	<b>422,095</b>	300,733
Preliminary and Share issue expenses written off	<b>265,400</b>	235,746
Exchange Loss (Net)	-	1,722,563
Miscellaneous Expenses	<b>4,765,664</b>	3,019,307
	<b>35,780,987</b>	27,255,008

## SCHEDULE ' 15 '

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

## 1. SIGNIFICANT ACCOUNTING POLICIES:

**Basis of Accounting**

The financial statements are prepared on the basis of the historical cost convention, in accordance with the applicable accounting standards and on the principles of a going concern. All expenses and income to the extent ascertainable with reasonable certainty are accounted for on accrual basis.

**Use of estimates**

The preparation of financial statements in conformity with Indian Generally Accepted Accounting Principles (GAAP) requires the management to make estimates and assumptions that affect the reported income and expenses during the reported period, the reported amounts of assets and liabilities and disclosure of contingent liabilities as of date of the financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates.

**Revenue Recognition**

Income from software development, consulting and customer support services are recognized in accordance with the terms of the contract.

Revenue from fixed price contracts with milestone billings and fixed time frame contracts are recognized as per the proportionate completion method.

**Fixed Assets and Depreciation / Amortisation**

Leasehold land is amortised over the balance period of lease since acquisition.

Fixed assets are stated at cost of acquisition less accumulated depreciation.

Depreciation is provided using the straight-line method. The rates and the manner of computation is as specified in Schedule XIV to the Companies Act, 1956, except in respect of Computers and other related assets which are depreciated over estimated useful life of four years.

The Company assesses at each balance sheet date whether there is any indication that any assets may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the amount of such impairment loss is charged to profit and loss account. If at the Balance Sheet date, there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and asset is restated to that effect.

**Goodwill**

Goodwill arising on purchase of business by the Company (representing the cost of business acquisition in excess of the fair value assigned to the net tangible assets acquired) is amortised over a period of five years from the date of acquisition.

Since, the company is no longer deriving any benefits out of the acquired business, the Goodwill which had already been amortised in full has been removed from the Gross Block of assets in its entirety.

**Investments**

Long-term investments are valued at cost. However, provision for diminution in the value of such investments other than temporary made to recognize a decline on individual investment basis. Current investments are stated at the lower of cost and fair value.



### **Foreign Currency Transactions**

Transactions in foreign currency are accounted at the exchange rates prevailing on the date of the transaction. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment / realisation. Gains / losses, if any, at the year end on account of restatement of the current assets and current liabilities, are dealt with in the profit and loss account.

### **Retirement Benefits**

Contributions to defined contribution schemes of Provident Fund and Family Pension Fund are made to appropriate authorities and are charged to profit and loss account as incurred. Provision for gratuity is made on the basis of actuarial valuation obtained at the end of the year. The Company also provides for unutilised leave benefits on retirement available to its employees on the basis of an actuarial valuation obtained at the year end.

### **Miscellaneous Expenditure**

Preliminary expenses and public issue expenses are amortised over a period of 10 years.

### **Taxation**

Provision for current income tax is made on the basis of the estimated taxable income for the current accounting year in accordance with the Income-Tax Act, 1961.

Minimum Alternate Tax (MAT) credit asset is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Provision for Fringe Benefit Tax (FBT) is made on the basis of expenses incurred on employees/ other expenses as prescribed under the Income Tax Act, 1961.

Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future. However where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain, as the case may be, to be realized.

### **Provisions, contingent liabilities and contingent assets**

A provision is made based on reliable estimate when it is possible that an outflow of resources embodying economic benefit will be required to settle an obligation. Contingent liabilities, unless the possibility of outflow of resources embodying economic benefit is remote, are disclosed by way of notes to accounts. Contingent assets are not recognized or disclosed in the financial statement.

### **Employees Stock Option Plan (ESOP)**

Any concessions granted to employees under the Employees Stock Option Plan by way of grants made at a discount to the fair value of the Company's shares on the date of the grant, is accounted for by way of a charge to the Profit and Loss account over the vesting period, in line with the guidelines issued by the Institute of Chartered Accountants of India or other regulatory authorities in this regard from time to time.

### **NOTES ON ACCOUNTS**

2. Contingent Liabilities not provided for in respect of:
  - a) Charges due to the Society towards Property Taxes at Andheri are Rs. 1,694,592.
  - b) Disputed Income Tax Matters: Rs.95,356,447; (Previous period Rs. 26,751,759).
  - c) Disputed Service Tax Matters Rs. 6,607,614; (Previous period Rs. Nil).
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 3,834,124 (Previous period Rs. Nil).

4. Guarantees provided by bank favouring Customs Authorities and Sales Tax Authorities against which fixed deposit receipts of the equivalent amount are pledged with the Bank : Rs.1,008,871 (Previous period Rs. 1,008,871) .

5. Employees' Stock Option Plan:

The Company's Employees' Stock Option Scheme- 2000, provides for issue of equity option in each financial year up to 5% (Previous year 5%) of the outstanding fully paid-up equity capital of the Company to eligible employees, and the carry forward of un-allotted options in each of the financial years to the subsequent financial years for grant, in aggregate not exceeding 4,634,950 shares (Previous year 4,634,950 shares). The scheme covers directors and the employees of the subsidiaries, apart from the employees and directors of the Company except directors/ employees belonging to promoter group. The options vest in a phased manner over four years with 25% of the grants vesting at the end of each year from the date of grant and the same can be exercised within seven years from the date of the grant at the market price as on the date of the grant. One option is equal to one equity share.

	As at March 31, 2006	As at March 31, 2005
Face value per grant (Rs.)	10.00	10.00
<b>Grants:</b>		
Outstanding as at beginning	704,920	207,920
Add: Granted during the year	40,000	569,000
Less: Exercised during the year	6,750	0
Less: Forfeited during the year	103,870	72,000
Outstanding as at end	634,300	704,920
<b>Vested:</b>		
Outstanding as at beginning	114,930	103,160
Add: Vested during the year	232,050	11,770
Less: Exercised during the year	6,750	-
Less: Forfeited during the year	102,940	-
Outstanding as at end	237,290	114,930
<b>Grants to Whole Time Director:</b>		
Outstanding as at beginning	75,000	-
Add: Granted during the year	0	75,000
Less: Exercised during the year	-	-
Less: Forfeited during the year	-	-
Outstanding as at end	75,000	75,000
<b>Vested to Whole time Director:</b>		
Outstanding as at beginning	75,000	-
Add: Vested during the year	0	75,000
Less: Exercised during the year	-	-
Less: Forfeited during the year	75,000	-
Outstanding as at end	-	75,000
<b>Grants to Non-Executive Directors</b>		
Outstanding as at beginning	142,280	84,080
Add: Granted during the year	30,000	74,000
Less: Exercised during the year	6,750	15,800
Less: Forfeited during the year	-	-



Outstanding as at end	165,530	142,280
<b>Vested to Non-Executive Director:</b>		
Outstanding as at beginning	57,000	42,980
Add: Vested during the year	27,820	14,020
Less: Exercised during the year	6,750	-
Less: Forfeited during the year	-	-
Outstanding as at end	78,070	57,000

6. The Company made a long-term strategic investment of Rs. 94,161,141 (Previous Period Rs. 94,120,700) in the shares of Corliant Inc. USA, a Joint Venture Company. The investment was made in connection with a joint business venture with the investee Company, the relevant agreement whereof states that Corliant Inc. would provide the Company a minimum committed revenue of USD 3.60 million over a period of 60 months which is now extended up to March 28, 2008 i.e. by 24 months.

In the event Corliant Inc. is unable to generate the above mentioned revenue before expiry of the extended period, the Company shall have the option to receive the shortfall between the commitment made by former as one time payment after deducting there from actual revenue generated during the term of the agreement.

Though the present value of the equity shares of the investee company is below its book value, Corliant Inc., USA has shown growth and has been making consistent profits. Hence, the management does not feel appropriate to make any provisions for diminution in the value of investment since April 2002 and no provision is considered necessary in the circumstances.

7. Sundry debtors considered good, include an amount of Rs.4,015,800 (Previous period Rs. 5,712,960), [net of provision of Rs.8,533,461 (Previous period Rs. 8,533,461)] which is due from an overseas customer. The Company received Rs.1,817,760 during the year. The Company is in touch with the said customer for the clearance of the entire outstanding amount. No provision is considered necessary for the present as the company is reasonably confident of recovering the balance amount due.

#### 8. Income Tax Matters

The matter relating to assessment years 1997-98 to 2000-01 have been adjudicated by the Income Tax Appellate Tribunal, whereby the Company's appeals have been rejected except for assessment year 2000-01 where the partial relief is given. The ITAT Order for assessment year 2001-02 is received in April 2006 and ITAT upheld the Company's contention in claiming Section 10 B exemption and accordingly full relief is granted but the order giving effect is yet to be received from the Income Tax Department. However as abundant precaution in the earlier years, full provision of tax was made and substantial amounts were paid to the department. During the year and till date of this report, the company has received orders from ITAT wherein the demands raised by the assessing officer have been partially adjudicated to be beyond the scope of the law. The Company has also filed the appeals with the High Court of Judicature at Bombay for getting full 10B exemption for the assessment years 1997-98 to 2000-01. For the relief granted by ITAT, the company has decided to write back provision of taxes made earlier to the extent no longer deemed necessary in the light of such relief. Such reversal of provision, amounting to Rs 31,220,031 is disclosed separately as "Income Tax adjustments for earlier years" in the profit & loss account of the year.

The company has received demands for penalties amounting to Rs 95,356,447 for Assessment Years 1997-98 to 2001-02 from the assessing officer. In view of the fact that the tax demands, if any, arose only due to interpretation of law and not due to concealment of any facts, the company is of the opinion that levy of such penalties is not supported by the Income Tax Act. The company has preferred appeals at appropriate appellate authorities against such demands. The company has obtained opinion from their counsels about the issue and is hopeful of a favorable verdict. Pending adjudication, the demand is shown as contingent liabilities in 2 ( b) above in the Notes to Accounts.

The Company has, in the past, not taken any credit for deferred tax assets, which may accrue in the event of profits in any future years as a measure of conservative accounting policy. However, during the year, the company has entered into short and medium term contracts giving assured income by utilizing its surplus premises. In view of the certainty of the income, the



Company may have certainty of such deferred tax asset amounting to Rs.14,594,228 in the near future. However, the company has continued its conservative accounting policy in the matter wherein such asset is not accounted for.

**9. Service Tax matters**

The Company received a letter from Service Tax Authorities for a demand of Rs. 6,607,614 towards interest on Service Tax for the period pertaining to July 1997 to Feb 2003. The Company is of the opinion that no such interest is payable in view of the revised quantification of Service Tax Liability communicated by the Service Tax Department in November 2005 had been paid in full within the stipulated time. The Company is pursuing the matter with the Service Tax Authorities.

**10. Exceptional items include:**

Particulars	Current Year (Rs.)	Previous Period (Rs.)
Income		
Reversal of Provision made for Assets held for disposal (Refer Note No.11 herein below)	19,233,497	Nil
Expenses		
1) Service Tax paid for earlier years (Refer Note No.9 herein above)	4,986,163	Nil
2) Loss on account of dismantling of Fixed Assets for renovation	1,240,046	Nil
Net Effect	13,007,288	Nil

11 During the year, assets held for disposal has been shown at Rs. 15,000,000 (Previous Period Rs.37,409,333). These properties were intended to be sold by the Company until last year. However, for the proper utilization of surplus properties, the Company reverted the decision to sell these properties and lease the same to get additional cash flow. However, part of the property for which the company had already entered into an agreement for sale is shown under the head Assets held for disposal. Remaining units are transferred to Gross Block of Assets under Office Building.

During the year, the Company has reversed the provision for impairment of the Assets held for disposal including the assets transferred to the Gross Block of Fixed Assets.

12. Unpaid Dividend accounts amounting to Rs. 909,847 (Previous period Rs. 965,500) are subject to reconciliation with Registrar and Transfer Agent of the Company.

13. As per the requirement of AS-27 on Financial Reporting of Interest in Joint Ventures (JV), the details of the Company's interest in its Joint Venture (Corliant Inc, USA), having Joint Control, is as under:

(Amount in Rupees)

	Particulars	Current Year	Previous Period
	% Share Held	4.20%	4.50%
a.	Assets	7,814,776	6,170,390
b.	Liabilities	10,063,152	8,594,142
c.	Income	23,728,556	20,185,459
d.	Expenses	22,218,076	19,038,377



The above figures are unaudited as Joint Venture follows a different financial year- end. During the year, Corliant Inc., has allotted shares under ESOP Scheme resulting in the reduction of the Company's holding from 4.50% from previous period to 4.20% and the same has been considered for the purpose of consolidation.

**14. Segment Reporting**

Pursuant to Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company has only one reportable segment viz. Software Services & Development.

- 15. The accounts of certain Sundry Debtors, Sundry Creditors, Advances and Lender are subject to confirmation/reconciliation and adjustments, if any, the Management does not expect any material difference affecting the current year's financial statements.
- 16. In the opinion of the Management, Current Assets, Loans and Advances (including Capital Advances) have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated. Provision for depreciation and all known liabilities is adequate and not in excess of the amount reasonably necessary.

**17. Earnings Per Share**

	<b>For the year April 1, 2005 to March 31, 2006 Rs.</b>	For the period July 1, 2004 to March 31, 2005 Rs.
Profit/(Loss) attributable to the Shareholders	44,100,253	(5,953,026)
Weighted average number of Equity Shares outstanding during the year (Nos.)	23,196,932	23,190,182
Nominal Value of Equity Shares (Rs.)	10	10
Basic and Diluted Earnings Per Share (Rs.) (Not annualized)	1.90	(0.26)

**18. Disclosure in respect of Related Party pursuant to Accounting Standard 18 are as under**

A. List of Related Parties:

i) Parties where control exists:

Wholly Owned Subsidiaries

- a) CyberTech Systems and Software Inc. USA (CSSI)
- b) CyberTech Europe S.A. (CTE) Subsidiaries of (b) above
  - (i) CyberTech Information Services BVBA
  - (ii) CyberTech Information Services UK Ltd (up to October 25, 2005 *date of liquidation*)
  - (iii) Cyber Information Services SARL (up to April 30, 2005)

ii) Other Parties with whom the Company has entered into transactions during the year:

**1. Joint Ventures:**

Corliant Inc., USA

**2. Associates :**

CyberTech Systems Inc. USA (CSI)  
Corliant Japan, K.K. (CJP)

**3. Key Management Personnel**

Vijay Talele-Executive Director (up to November 10, 2005)

B. Transactions entered with Related Parties in the ordinary course of business:

(Amount in Rupees)

Particulars	Related Party Transactions				
	CSSI	Corliant Inc.	CSI & Corliant Japan K.K.	Executive Director	Total
Sales	<b>69,842,586</b>	<b>11,731,087</b>	<b>3,545,074</b>	-	<b>85,118,747</b>
	(45,751,489)	(14,737,243)	(917,226)	(-)	(61,405,958)
Expenses	-	-	-	<b>#2,188,382</b>	<b>2,188,382</b>
	(-)	(-)	(-)	<b>#(2,181,000)</b>	(2,181,000)
Investments		<b>40,441</b>			<b>40,441</b>
		(-)			(-)
Guarantee given		<b>22,270,000</b>			
		(-)			
Outstanding as at the year end					
Receivable (Net of provisions)	<b>18,965,229</b>	<b>999,399</b>	<b>364,278</b>	-	<b>20,328,906</b>
	(18,079,441)	(4,203,239)	(776,616)	(-)	(2,30,59,296)
Investment (Net of provisions)	<b>72,564,500</b>	<b>94,161,141</b>	-	-	<b>166,725,641</b>
	(72,564,500)	(94,120,700)	(-)	(-)	(166,685,200)

# Remuneration

**Note:**

- i) Related party relationship is as identified by the Company and relied upon by the Auditors.
  - ii) No amounts have been written off /back and provided for in respect of the related party during the year.
  - iii) Figures in brackets represent previous period figures.
- 19 After the resignation of Mr. Vijay Talele as the Executive Director from November 10, 2005, the Company is in the process of selection of suitable managerial person as required under Section 269 of the Companies Act, 1956.
- 20 Income from properties & facilities
- With an objective to use Company's idle resources so as to strengthen the cash flows, the Company has decided to earn Income from its premises lying vacant at Acme Plaza, Andheri and 1st and 2nd Floor at Cybertech House, Thane.
- i) Income received from aforesaid office premises amounted to Rs. 5,736,817 (Previous period Rs. 785,988).
  - ii) Depreciation on the aforesaid premises amounted to Rs.271,828 (Previous period Rs. 71,433).
  - iii) Income from property receivable within a period of 1 year amounts to Rs.30,794,865 (Previous Period Rs. 1,082,414).
  - iv) Interest free deposit received Rs. 8,872,274 (Previous period Rs. 682,824).



21. The information regarding small-scale industrial undertakings has been determined to the extent that such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

22.

	<b>For the year April 1, 2005 to March 31, 2006 Rs.</b>	For the year July 1, 2004 to March 31, 2005 Rs.
(A) Directors' remuneration:		
(a) Executive Director		
Salary	<b>1,334,667</b>	1,440,000
Contribution to Provident Fund	<b>160,160</b>	172,800
Perquisites (Evaluated as per Income Tax Rules, where necessary)	<b>693,555</b>	* 568,200
(b) Other Directors		
Sitting fees	<b>230,000</b>	255,000
	<b>2,418,382</b>	2,436,000

\*Excludes provisions for gratuity and leave encashment, which are based on actuarial valuations done on an overall basis.

(B) In view of the carried forward losses, no commission is payable to Directors and hence, computation of net profit in accordance with Section 349 of the Companies Act, 1956 has not been given.

23. Additional Information under Part II of Schedule VI of the Companies Act, 1956 :

A. The services rendered by the Company cannot be expressed in any generic unit and hence it is not possible to give the quantitative details of sales.

	<b>For the year April 1, 2005 to March 31, 2006 Rs.</b>	For the year July 1, 2004 to March 31, 2005 Rs.
B. CIF value of imports:		
Capital goods	-	50,672
C. Expenditure in foreign currency:		
Travel expenses (Net)	<b>4,146,209</b>	3,992,393
Others	<b>4,590</b>	23,017
D. Earnings in foreign exchange:		
Income from Operations - Overseas	<b>91,432,428</b>	66,625,351

24. Interest free loans given to employees of the Company and outstanding as at the year-end Rs.8,000 (Previous period Rs. 12,600) have been given in the ordinary course of Company's business. Maximum balance due at any time during the year was Rs.25,600 (Previous period Rs 22,000). These employees do not hold any equity share of the Company.

25. The previous period's figures are for 9 months. Hence, those figures are not comparable with that of the current year comprising of 12 months.

26. Previous period's figures have been re-grouped/re-arranged, wherever necessary, to conform to the current year's classification/presentation.

**For and on behalf of the Board of Directors**

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006

**Additional Information pursuant to Part IV of schedule VI of the Companies Act,1956**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

**I. REGISTRATION DETAILS**

Registration No. : 

8	4	7	8	8
---	---	---	---	---

 State Code : 

1	1
---	---

Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	0	6
---	---	---	---

Date                      Month                      Year

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)**

Public Issue <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table> Bonus Issue <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	N	I	L	Rights Issue <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table> Private Placement <table border="1" style="width: 100%; text-align: center;"><tr><td>6</td><td>8</td><td>*</td></tr></table>	N	I	L	6	8	*
N	I	L											
N	I	L											
N	I	L											
6	8	*											

\* Note: Indicates shares issued under ESOP

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. thousand)**

<b>SOURCE OF FUNDS</b>  Total Liabilities <table border="1" style="width: 100%; text-align: center;"><tr><td>6</td><td>2</td><td>9</td><td>1</td><td>6</td><td>5</td></tr></table> Paid-up Capital <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>3</td><td>1</td><td>9</td><td>1</td><td>9</td></tr></table> Secured Loans <table border="1" style="width: 100%; text-align: center;"><tr><td>5</td><td>1</td><td>4</td></tr></table>	6	2	9	1	6	5	2	3	1	9	1	9	5	1	4	<b>APPLICATION OF FUNDS</b>  Total Assets <table border="1" style="width: 100%; text-align: center;"><tr><td>6</td><td>2</td><td>9</td><td>1</td><td>6</td><td>5</td></tr></table> Reserves & Surplus <table border="1" style="width: 100%; text-align: center;"><tr><td>3</td><td>9</td><td>6</td><td>7</td><td>3</td><td>1</td></tr></table> Unsecured Loans <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table> Investments <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>6</td><td>6</td><td>7</td><td>3</td><td>1</td></tr></table> Miscellaneous Expenditure <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>5</td><td>6</td></tr></table> Net Fixed Assets & Assets held for disposal <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>1</td><td>5</td><td>9</td><td>3</td><td>8</td></tr></table> Net Current Assets <table border="1" style="width: 100%; text-align: center;"><tr><td>4</td><td>5</td><td>4</td><td>4</td></tr></table> Accumulated Losses <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>4</td><td>1</td><td>6</td><td>9</td><td>5</td></tr></table>	6	2	9	1	6	5	3	9	6	7	3	1	N	I	L	1	6	6	7	3	1	2	5	6	2	1	5	9	3	8	4	5	4	4	2	4	1	6	9	5
6	2	9	1	6	5																																																			
2	3	1	9	1	9																																																			
5	1	4																																																						
6	2	9	1	6	5																																																			
3	9	6	7	3	1																																																			
N	I	L																																																						
1	6	6	7	3	1																																																			
2	5	6																																																						
2	1	5	9	3	8																																																			
4	5	4	4																																																					
2	4	1	6	9	5																																																			

**IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)**

Turnover (Income from operations & Other Income) <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>0</td><td>0</td><td>4</td><td>8</td><td>6</td></tr></table> Profit/Loss Before Tax + - <table border="1" style="width: 100%; text-align: center;"><tr><td>+</td><td></td><td>1</td><td>3</td><td>6</td><td>0</td><td>3</td></tr></table> Earning per Share <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>.</td><td>9</td><td>0</td></tr></table>	1	0	0	4	8	6	+		1	3	6	0	3	1	.	9	0	Total Expenditure <table border="1" style="width: 100%; text-align: center;"><tr><td>9</td><td>9</td><td>8</td><td>9</td><td>0</td></tr></table> Profit/Loss After Tax + - <table border="1" style="width: 100%; text-align: center;"><tr><td>+</td><td></td><td>4</td><td>4</td><td>1</td><td>0</td><td>0</td></tr></table> Dividend Rate % <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	9	9	8	9	0	+		4	4	1	0	0	N	I	L
1	0	0	4	8	6																												
+		1	3	6	0	3																											
1	.	9	0																														
9	9	8	9	0																													
+		4	4	1	0	0																											
N	I	L																															

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCT/SERVICE OF THE COMPANY (as per monetary terms)**

Item Code No. (ITC Code) 

8	4	7	1	2	0
---	---	---	---	---	---

Product Description 

S	O	F	T	W	A	R	E
---	---	---	---	---	---	---	---

**For and on behalf of the Board of Directors**

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### A. Overview:

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The management of CyberTech Systems and Software Limited (the "Company") accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgements used in preparing the financial statements.

The Company is an Information technology services provider. The Company delivers its services to customers primarily in the USA, Asia and Japan and focuses in several core technology areas including SAP, GIS and custom technology development. The Company continues its focus on delivering its development and support projects on an offshore basis, as well as the resolution of its outstanding income tax matters and increased utilization of available assets.

Results discussed herein include consolidated results for the Company, its wholly owned US subsidiary and its share of its joint venture company operations (all of which are referred to generically as CyberTech).

### B. Industry Structure & Developments:

The software and services industry continues to be the dominating factor in the overall growth of the Indian industry. In 2005-06 the Indian software and services industry exports witnessed a healthy growth, with total exports reaching Rs. 80,180 crore (US\$17.7 billion), an increase of 37% over the previous financial year. This segment is expected to continue to show a robust growth and the total value of software and services export is estimated at Rs. 103,200 crore (US\$23.4 billion) in 2006-07, an increase of 29% in Rupee terms and 32% in dollar terms. We believe the industry growth rate is driven in part by an increase in large outsourced contracts awarded to Indian companies, including Indian IT subsidiaries of US multinational companies.

With the increasing trend towards offshore outsourcing of IT services, India maintains its basic advantages due to abundant skilled resources, high quality delivery methodologies and significant cost benefits. Offshore delivery models are the key to the increased software exports from India and delivery of new emerging service areas including infrastructure management.

The Company provides the majority of its services, on a consolidated basis, in the United States. Its share of services delivered offshore has increased in each of the last three years and is expected to continue to increase due to the Company's focus on aligning its sales and delivery organizations to an offshore model.

### C. Opportunities & Threats:

#### Opportunities:

Information Technology support services remain an increasingly competitive business environment. With the change in emerging technology areas, companies have become dependent on technology not only for day-to-day operations, but also for the use of technology as a strategic tool to enable them to re-engineer business processes, restructure operations, ensure regulatory compliances, etc. As systems continually become more complex, companies increasingly turn to external IT services provider to develop & implement new technologies & integrate them with existing applications in which companies have made considerable prior investments. Additionally, many companies continue to explore methods to reduce their cost of IT operations. This provides an opportunity for providers to support and integrate company IT systems on an ongoing basis. The Indian IT Industry becomes a powerful tool used by companies to reduce their costs.

CyberTech has Alliance partnerships with several leading technology companies in its practice areas including SAP, ESRI, Microsoft and Cisco. Your company is well poised to take advantage of the new advanced technologies provided by these Alliance partners. These technology alliance partners expect to see a major technology opportunities for their customers in the United States. SAP for instance, expects its market will change substantially with the introduction of mySAP ERP. This will create the potential for customers to upgrade to the newer SAP version and integration of this upgrade with other applications.

CyberTech continues to focus as a priority on obtaining and providing offshore sourced services for its customers. Any increase in offshore related services should have the effect of increased company margins and profitability and increased longevity of business contracts. The company intends to continue to grow its share in existing clients. This has the supplemental effect of reducing the cost of overhead and delivery cost.

**Threats:**

Cybertech is subject to the threats of competing against much larger International IT players, the large global Indian IT players and more entrenched US and Global System Integrators, many of which also provide services on an offshore basis.

As with other Indian IT Services companies, other general threats to the business include the potential backlash in the US from the increasing loss of employment due to outsourced services overseas, the reduced US H-1 visas limit, and the potential for significant exchange rate fluctuations. Stiff competition among Information and Technology units in India has resulted in rising employee compensation packages and shrinking margins available to the IT Companies.

**D. Outlook, Risks & Concerns:****Outlook:**

Management has focused on restoring the Company's Balance Sheet to a better state and aligning its sales and delivery structure to an Indian Model. The acquisition of CyberTech Systems, Inc's US business operations, reorganization of CyberTech's business as an offshore solutions company and tighter controls on its costs have generated positive results. Additionally, the Company has carefully managed its outstanding tax issues and has had success at the ITAT in pursuing and presenting its position. The Company is now increasing its focus on SAP and its other practice areas and is positioning itself both in the post implementation and new implementations markets. This should help the company in procuring long-term business contracts and developing deeper relationships with its clients. The Company has already won several offshore deals in the SAP post implementation support space during the last few months.

The company will continue to maintain its focus on its ESRI alliance partnership, which has helped in gaining a presence in the Geographic Information Systems (GIS) practice. The Company is proud to be ESRI's only offshore partner & expects to continue to provide offshore support from India to ESRI in building applications. The Company's Custom Application Solutions practice is focused on offshore support and maintenance contracts. As a result of its continued business relationship with its joint venture partner, Corliant Inc., the future outlook for the networking practice appears to be good as stated earlier in the Directors' Report.

The Company intends to continue to grow its offshore business at an increasing growth rate; however this may lag the overall industry growth rate in the near term.

**Risks and Concerns:**

In addition to those general risk items identified as "Threats" to the company above, additional risks and concerns include, but are not limited to, the following:

- Lack of diversification:

The Company operates in one market segment, namely IT services, with a focus on several technology areas. Company management has purposely remained focused in the near term as opposed to spreading its manpower too thin to achieve its goals.

- Excessive dependence on the one geographic segment:

A large percentage of company's export revenue comes from US. A heavy dependence of this one geographic segment could lead to volatility because of the economic and political situation there. Your company is looking at other potential growth markets to reduce this dependency. The company is considering developing its business in India and neighbouring countries to reduce this dependency.

- Reliance on several customers for a significant amount of revenue:

A significant portion of company revenue is earned from several customers as discussed in the Notes to the financial statements. In these cases, revenue and the relationship with these customers continue to grow and provide the opportunity for significant future growth; however loss of one of these customers could have a significant impact on the company.



- **Legal and Statutory Risks:**

The company's international operations are subject to local legal and statutory risks including compliance with local laws and regulations, one of which is compliance with immigration laws and regulations which may change from time-to-time. Other risks include contractual risks when delivering complex technology solutions. As of the date of this report, the company is not aware of any noncompliance with local laws or regulations that would have a material impact on the financial statements.

- **Liquidity Risks:**

Company liquidity is dependent on timely collection of its accounts and continued growth in its business. Based on the utilization of available real estate assets and the growth in business operations coupled with cost controls, the company expects to have adequate liquidity in the near term. Adverse resolution of the Company's income tax matters could have a negative impact on the Company's liquidity. The Company believes it has adequate and dependable resources to meet its liquidity needs, including the ability to raise short term debt, and manage the ongoing mismatched cash flows inherent in the consulting business.

- **Attracting and retention of IT Professionals in a highly competitive environment:**

In the IT services area, People are the most valuable assets. Attrition of the key technical talent is one of the major risks. The company reviews its compensation policies regularly to determine that compensation is competitive with the market conditions. The company also determines that there is a defined career path for all employees and the work environment provided to all employees is of very high standard.

- **Pending disputed tax matters**

The Company has dealt with and is pursuing all options available in the pending disputes relating to the matters of income tax and service tax. The details are explained at length in the relevant notes nos 8 & 9 in schedule 15 to the consolidated accounts.

The Company may from time to time make additional forward looking statements, estimates and reports to its shareholders. Actual events and results may differ.

**E. Internal Control System & their Adequacy:**

The Company believes it has an adequate system of internal controls commensurate with the size of operations & the nature of business. The internal control systems lay down policies, authorization & approval procedures. Regular internal audits & checks ensure that the responsibilities are executed effectively. The Audit Committee checks the adequacies of control measures. Management suitably implements the suggestions & recommendations of Audit committee, the Internal Auditors & the Statutory Auditors and reviews progress thereon. The adequacy of the Internal Control systems has been confirmed by the auditors under the Manufacturing & Other Companies (Auditors' Report) Order, 1988.

**F. Financial Condition:**

The financial health of your company indicates adequate and sustainable financial resources to meet with all the needs of its business. The Company has no debt to service and is currently generating positive cash flow from operations.

Operationally, as indicated in detail elsewhere in this Directors Report to Shareholders, the company has, both on a stand alone and a consolidated basis, improved its performance relative to the previous year, has gained more productivity from its assets and properties and has successfully resolved certain of its income tax liabilities and disputes.

The investments made by the Company in its wholly owned subsidiary and joint venture company have been yielding the anticipated levels of business opportunities for the company and are expected in the near to long term to continue to generate profits for the consolidated group. Considering these business benefits, the Company elected to extend its JV Agreement during the fiscal year for an additional two year period.

There were no material changes to the share capital of the Company during the current fiscal year.



**G. Results of Operations:**

The Company's operations, both on a stand alone, and on a consolidated basis indicate a marked improvement for the last two years. Consolidated Profit (Loss) after tax has improved to Rs.51.13 million from a loss of Rs. (3.20) million for the nine months ended March 31, 2005 and a loss of Rs. (29.48) million for the year ended March 31, 2004. The company generated positive cash flow from operations in both years and has supplemented its cash flow with other income from assets and properties.

	<b>Year Ended 12 months 31-03-2006 (Audited)</b>	Period Ended 9 months 31-03-2005 (Audited)	Period Ended 12 months 31-03-2004 (Audited)
<b>Total income</b>	<b>596.88</b>	411.13	407.82
Total expenditure	<b>568.24</b>	388.51	398.36
<b>Profit / (Loss) before Interest, Depreciation and Tax</b>	<b>28.64</b>	22.62	9.46
Interest, Depreciation and Foreign Exchange	<b>17.57</b>	20.21	33.59
<b>Profit/(Loss) before Exceptional Items and Tax</b>	<b>11.07</b>	2.41	(24.13)
Exceptional Items	<b>13.01</b>	-	5.00
Excess Provision on Income-Tax Written Back	<b>32.74</b>	-	-
Provision for Income and Fringe Benefits Taxes	<b>(5.69)</b>	(5.62)	(10.35)
<b>Profit/(Loss) after Tax</b>	<b>51.13</b>	(3.21)	(29.48)
Earning per share (Rs) Basic/Diluted (non annualised)	<b>2.20</b>	(0.14)	(1.27)
Employee Headcount	<b>270</b>	204	185

Figures for the year 2004-2005 were for a nine month period.

**H. Human Resource Management:**

Headcount has increased from 185 in 2004 to 204 in 2005 and 270 at the end of the current fiscal year. This growth rate exceeds the current growth rate of the industry and reflects the current growth in company business opportunities. The Company places major emphasis on providing a safe & healthy working environment to all its employees. Company regularly reviews the performance of its employees & provides them job enrichment opportunities. For ensuring sense of ownership & commitment towards work, your company has Stock Options Plan to the eligible Employees / Directors. The Company is holding regular programs to develop team spirit and to motivate its employees to perform better. The Company gives awards to star performers when appreciation communications are received from the customers.

**I. Cautionary Statement:**

Statements in this Management Discussion & Analysis describing the Company's objectives, estimates, expectations or projections may be 'forward looking statements'. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic developments, particularly in the USA, & improvements in the state of Information Technology Services markets, changes in the Government regulations in India & USA, tax laws & other incidental factors.



## AUDITORS' REPORT

To the Board of Directors,

### CYBERTECH SYSTEMS AND SOFTWARE LIMITED

1. We have audited the attached Consolidated Balance Sheet of CYBERTECH SYSTEMS AND SOFTWARE LIMITED and its subsidiaries and joint venture as at 31st March, 2006, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Cybertech Systems and Software Limited'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 the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the joint venture, whose financial statements reflect total assets of Rs 7,814,776 and total revenue of Rs 23,728,556 for the year then ended. These financial statements are unaudited and have been furnished to us by the Management and our opinion, in so far as it relates to the amounts included in respect of joint venture is based solely on the certified financial statements.
4. The Company has not consolidated the accounts of Cybertech Europe S.A., the subsidiary Company, and Cybertech Information Services BVBA, subsidiary of Cybertech Europe S.A. (the subsidiary of the Company) in these accounts for the reason mentioned in note no 2 (e) in Schedule 16.
5. *We are unable to express an opinion as to when and to what extent an overdue debt of Rs 40.15 lacs would be realised/recovered. However, in the opinion of the management, the same is expected to be realised in due course and hence, no provision is considered necessary presently.*
6. We report that subject to what is stated in paragraph 4 above, the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standards (AS) 21 Consolidated Financial Statements and (AS) 27 Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
7. Based on our audit and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated financial statements, subject to what is stated in paragraph 5 above and read together with notes appearing in the "Significant Accounting Policies and Notes on Accounts" in Schedule 16 and those appearing elsewhere in the accounts, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Cybertech Systems and Software Limited and its Subsidiaries and the Joint Venture as at 31st March, 2006;
  - ii) in the case of the Consolidated Profit & Loss Account, of the consolidated results for the year ended as on that date; and
  - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**For LODHA & COMPANY**  
Chartered Accountants

**R.P. Baradiya**  
Partner

Membership No. 44101

Place : Mumbai

Dated : July 6, 2006

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006**

	Schedule	CSSL & Subsidiary	Joint Venture	Consolidated 31st March, 2006 Rs.	Consolidated 31st March, 2005 Rs.
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' funds</b>					
Share Capital	1	231,919,730	94,161,141	231,919,730	231,852,230
Reserves & Surplus	2	396,731,185	-	396,731,185	396,723,085
		<b>628,650,915</b>	<b>94,161,141</b>	<b>628,650,915</b>	<b>628,575,315</b>
<b>Loan funds</b>					
Unsecured Loans	3	514,098	-	514,098	10,831
Unsecured Loans	4	-	7,418,309	7,418,309	5,907,600
		<b>629,165,013</b>	<b>101,579,450</b>	<b>636,583,322</b>	<b>634,493,746</b>
<b>APPLICATION OF FUNDS</b>					
<b>Goodwill on consolidation</b>		-	95,907,893	95,907,893	95,907,893
<b>Fixed Assets</b>					
	5				
Gross Block		386,858,832	1,727,929	388,586,761	369,512,571
Less: Depreciation		164,865,627	1,501,496	166,367,123	177,341,505
Net Block		221,993,205	226,433	222,219,638	192,171,066
Capital W.I.P		10,682,582	-	10,682,582	-
		<b>232,675,787</b>	<b>226,433</b>	<b>232,902,220</b>	<b>192,171,066</b>
<b>Assets Held For Disposal</b>		15,000,000	-	15,000,000	37,409,333
<b>Investments</b>	6	94,166,641	-	5,500	5,500
<b>Deferred Tax Asset</b>		968,300	-	968,300	1,456,989
<b>Current Assets, Loans &amp; Advances</b>					
Sundry Debtors	7	135,101,122	4,003,019	139,046,867	122,408,450
Cash and Bank Balances	8	16,417,563	3,258,887	19,676,450	35,607,212
Loans and Advances	9	19,081,819	326,437	19,408,256	8,490,279
		<b>170,600,504</b>	<b>7,588,343</b>	<b>178,131,573</b>	<b>166,505,941</b>
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	10	103,163,736	2,561,588	105,668,050	86,597,324
Provisions	11	4,018,386	83,255	4,101,641	47,198,457
		<b>107,182,122</b>	<b>2,644,843</b>	<b>109,769,691</b>	<b>133,795,781</b>



Schedule	CSSL & Subsidiary	Joint Venture	Consolidated 31st March, 2006 Rs.	Consolidated 31st March, 2005 Rs.
<b>Net Current Assets / (Liabilities)</b>	<b>63,418,382</b>	<b>4,943,500</b>	<b>68,361,882</b>	32,710,160
<b>Miscellaneous Expenditure</b> 12 (To the extent not written off or adjusted)	<b>256,426</b>	-	<b>256,426</b>	521,826
<b>Profit And Loss Account-Loss</b>	<b>222,679,477</b>	<b>501,624</b>	<b>223,181,101</b>	274,310,979
	<b>629,165,013</b>	<b>101,579,450</b>	<b>636,583,322</b>	634,493,746

Significant Accounting Policies and Notes to the Accounts. 16

Schedules referred to above form an integral part of the financial statements  
As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**For and on behalf of the Board of Directors**

**R.P. Baradiya**  
Partner

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006

Mumbai  
July 6, 2006

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2006</b>					
	Schedule	CSSL & Subsidiary	Joint Venture	Consolidated	Consolidated
				31st March, 2006 (12 months) Rs.	31st March, 2005 (9 months) Rs.
<b>INCOME</b>					
Income from:					
Software Services and Development		563,774,923	23,681,786	586,815,110	406,180,111
Sale of Traded Goods		769,239	-	769,239	331,363
		564,544,162	23,681,786	587,584,349	406,511,474
Other Income	13	9,245,077	46,770	9,291,847	4,617,016
		573,789,239	23,728,556	596,876,196	411,128,490
<b>EXPENDITURE</b>					
Cost of Traded Goods		847,977	-	847,977	325,789
Employee costs	14	304,807,516	14,886,936	319,694,452	216,402,107
Operating and Administrative expenses	15	241,486,184	6,847,863	247,692,448	171,775,493
Interest		375,287	486,794	862,081	8,485
Depreciation		17,793,218	69,706	17,862,924	16,152,771
Unrealised Exchange Loss on Consolidation		(2,386,082)	1,229,099	(1,156,983)	4,055,454
		562,924,100	23,520,398	585,802,899	408,720,099
<b>Profit before tax and exceptional items</b>		10,865,139	208,158	11,073,297	2,408,391
Exceptional items - Credit (Refer Note No.11 of Schedule 16)		13,007,288	-	13,007,288	-
<b>Profit before Tax</b>		23,872,427	208,158	24,080,585	2,408,391
Provision for tax (Including interest on tax for earlier years)		4,386,697	73,223	4,459,920	7,107,419
Provision for Fringe Benefits Tax		723,000	-	723,000	-
Deferred Tax (Asset)/ Liabilities		511,424	-	511,424	(1,490,950)
<b>Profit /(Loss) for the year</b>		18,251,306	134,935	18,386,241	(3,208,078)



Schedule	CSSL & Subsidiary	Joint Venture	Consolidated	Consolidated
			31st March, 2006 (12 months) Rs.	31st March, 2005 (9 months) Rs.
Income Tax adjustments for earlier years	32,743,637	-	32,743,637	-
<b>Profit/(Loss) after Tax</b>	<b>50,994,943</b>	<b>134,935</b>	<b>51,129,878</b>	(3,208,078)
Balance of Loss Brought Forward	(273,674,420)	(636,559)	(274,310,979)	(271,102,901)
<b>Balance of Loss Carried Forward</b>	<b>(222,679,477)</b>	<b>(501,624)</b>	<b>(223,181,101)</b>	(274,310,979)
Earnings per share- Basic and Diluted			2.20	(0.14)

Significant Accounting Policies and Notes to the Accounts 16

Schedules referred to above form an integral part of the financial statements  
As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**For and on behalf of the Board of Directors**

**R.P. Baradiya**  
Partner

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006

Mumbai  
July 6, 2006

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

(Rs.)	For the year 1st April, 2005 to 31st March, 2006 (Rs.)	(Rs.)	For the period 1st July, 2004 to 31st March, 2005 (Rs.)
<b>A. Cash flow from Operating activities</b>			
Net Profit before tax and exceptional items :	11,073,297		2,408,391
Adjustments for :			
Depreciation	17,862,923	16,152,771	
Miscellaneous expenses written off	265,400	235,746	
Unrealised foreign exchange	(1,450,211)	4,859,948	
Loss on assets sold / discarded (Net)	422,096	300,731	
Provision for Retirement Benefits	(1,044,627)	1,845,925	
Interest income	(364,441)	(1,843,929)	
Interest Paid	862,081	-	
Sundry Credit Balances written back	(1,203,149)	-	
Sundry Debit Balances written off	5,500	-	
Profit on Sale of Investments	(17,206)	(15,106)	
	17,108,766		21,536,086
<b>Operating profit before Working Capital changes</b>	<b>28,182,063</b>		<b>23,944,477</b>
Adjustments for :			
Decrease/(Increase) in Trade & other receivables	(16,399,614)	209,925	
Increase/(Decrease) Trade payables	19,457,982	(10,902,391)	
	3,058,368		(10,692,466)
<b>Cash generated from operations</b>	<b>31,240,431</b>		<b>13,252,011</b>
Direct taxes and tax deducted at source	(30,103,554)		(21,140,987)
<b>Net cash from/( used) in operating activities</b>	<b>1,136,877</b>		<b>(7,888,976)</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets	(18,660,415)		(2,896,733)
Purchase of investments	(2,050,000)		(6,400,000)
Sale of fixed assets	40,000		4,057,116
Secured loan obtained from bank	503,267		-
Unsecured loan obtained from bank	1,510,709		-
Sale of investments	2,067,206		7,215,606
Increase in Shares Capital -ESOP	67,500		-



(Rs.)	For the year 1st April,2005 to 31st March,2006 (Rs.)	(Rs.)	For the period 1st July,2004 to 31st March,2005 (Rs.)
Increase in Share Premium	8,101		-
Interest received	364,441		1,843,929
Interest paid	(862,081)		-
<b>Net cash from/(used) in investing activities</b>	<b>(17,011,272)</b>		<b>3,819,918</b>
<b>C. Cash flow from financing activities :</b>			
Dividend paid and Transferred to EAG fund	(55,653)		-
Secured Loans repaid	-		(149,304)
Unsecured Loans repaid	-		(3,605,376)
<b>Net cash from/( used) in financing activities</b>	<b>(55,653)</b>		<b>(3,754,680)</b>
<b>Net increase/(Decrease) in cash &amp; cash equivalents (A+B+C)</b>	<b>(15,930,048)</b>		<b>(7,823,738)</b>
Cash & cash equivalents (Opening)	33,688,994		41,512,732
Cash & cash equivalents (Closing)	17,758,946		33,688,994
	<b>(15,930,048)</b>		<b>(7,823,738)</b>

**Note**

- 1 Cash and cash equivalents include
  - a) Cash on Hand 115,974 19,458
  - b) Balance with Scheduled Banks in Current Accounts 10,816,502 8,824,224  
(Excludes unclaimed balance in Dividend Accounts)
  - c) Deposits with Scheduled Bank (Excludes deposits pledged with bank) 6,826,470 24,845,312
2. In view of previous period being 9 months, the figures of current period are not comparable with that of previous year.
3. The previous years' figures have been regrouped/rearranged wherever necessary

As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**For and on behalf of the Board of Directors**

**R.P. Baradiya**  
Partner

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006

Mumbai  
July 6, 2006



**SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

	<b>CSSL &amp; Subsidiary</b>	<b>Joint Venture</b>	<b>Consolidated 31st March, 2006 Rs.</b>	<b>Consolidated 31st March, 2005 Rs.</b>
<b>SCHEDULE '1'</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
30,000,000 Equity shares of Rs. 10 each.	<b>300,000,000</b>	-	<b>300,000,000</b>	300,000,000
<b>Issued</b>				
23,196,932 Equity shares of Rs.10 each fully paid.	<b>231,969,320</b>	<b>94,161,141</b>	<b>231,969,320</b>	231,901,820
<b>Subscribed and Paid-up</b>				
23,191,973 Equity shares of Rs.10 each fully paid.	<b>231,919,730</b>	<b>94,161,141</b>	<b>231,919,730</b>	231,852,230
<b>SCHEDULE '2'</b>				
<b>RESERVES AND SURPLUS</b>				
Securities Premium Account Balance as per last Balance Sheet	<b>396,731,185</b>	-	<b>396,731,185</b>	396,723,085
	<b>396,731,185</b>	-	<b>396,731,185</b>	396,723,085
<b>SCHEDULE '3'</b>				
<b>UNSECURED LOANS</b>				
Auto Loan From HDFC Bank Secured against Receivable	<b>514,098</b>	-	<b>514,098</b>	10,831
	<b>514,098</b>	-	<b>514,098</b>	10,831
<b>SCHEDULE '4'</b>				
<b>UNSECURED LOANS</b>				
From Companies -	-	<b>7,418,309</b>	<b>7,418,309</b>	5,907,600
	-	<b>7,418,309</b>	<b>7,418,309</b>	5,907,600

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '5'

#### FIXED ASSETS

DESCRIPTION	GROSS BLOCK (At Cost)				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01-04-05	Additions during the year	Deductions/ Adjustments	As at 31-03-06	Upto 01-04-06	For the year	On Deductions/ Adjustments	Upto 31-03-06	As at 31-03-06	As at 31-03-05
Goodwill	63,179,592	-	27,459,842	<b>35,719,750</b>	32,741,661	3,430,150	27,459,842	<b>8,711,969</b>	<b>27,007,781</b>	30,437,931
Leasehold Land	3,308,683	-	-	<b>3,308,683</b>	376,936	50,258	-	<b>427,194</b>	<b>2,881,489</b>	2,931,747
Office Building	71,585,256	42,264,211	214,605	<b>113,634,862</b>	7,556,894	1,199,917	24,994	<b>8,731,817</b>	<b>104,903,045</b>	64,028,362
Plant & Machinery and Office Equipment	50,138,234	116,589	-	<b>50,254,823</b>	15,702,452	2,372,465	-	<b>18,074,917</b>	<b>32,179,906</b>	34,435,782
Computers	98,495,127	6,220,966	386,153	<b>104,329,940</b>	85,820,224	4,388,547	337,452	<b>89,871,319</b>	<b>14,458,621</b>	12,674,903
Furniture & Fixtures	81,756,639	171,777	1,919,077	<b>80,009,339</b>	34,836,155	6,289,750	867,865	<b>40,258,040</b>	<b>39,751,299</b>	46,920,484
Motor Cars	1,049,039	847,120	566,795	<b>1,329,364</b>	307,183	131,837	147,153	<b>291,867</b>	<b>1,037,497</b>	741,856
<b>Current Year Total</b>	<b>369,512,570</b>	<b>49,620,663</b>	<b>30,546,472</b>	<b>388,586,761</b>	<b>177,341,505</b>	<b>17,862,924</b>	<b>28,837,306</b>	<b>166,367,123</b>	<b>222,219,638</b>	<b>192,171,065</b>
Previous Year Total	384,295,097	2,896,733	17,679,259	369,512,570	177,676,602	16,152,771	16,487,868	177,341,505	192,171,065	206,618,495







**SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

	<b>CSSL &amp; Subsidiary</b>	<b>Joint Venture</b>	<b>Consolidated 31st March, 2006 Rs.</b>	<b>Consolidated 31st March, 2005 Rs.</b>
<b>SCHEDULE '8'</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on hand	<b>115,974</b>	-	<b>115,974</b>	19,458
Bank Balances				
With Scheduled Banks :				
- in Current Accounts	<b>8,466,248</b>	<b>3,258,887</b>	<b>11,725,135</b>	9,728,981
- in Deposits Account* (including interest accrued but not due Rs.28,379 Previous year Rs. 33,017) * Refer note no. 6 in Schedule 16	<b>7,835,341</b>	-	<b>7,835,341</b>	25,854,183
With Others				
- in Current Accounts (ANZ Grindlays Bank Ltd, Australia- Maximum balance outstanding during the year Rs.4,590; previous period Rs.7,189)	-	-	-	4,590
	<b>16,417,563</b>	<b>3,258,887</b>	<b>19,676,450</b>	35,607,212
<b>SCHEDULE '9'</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured ,Considered good unless otherwise stated) Advances recoverable in cash or in kind or for value to be received	<b>5,939,116</b>	<b>307,038</b>	<b>6,246,154</b>	6,089,898
Loans to Employees	<b>97,080</b>	<b>7,240</b>	<b>104,320</b>	79,696
Sundry deposits	<b>1,572,730</b>	<b>12,159</b>	<b>1,584,889</b>	1,473,710
Advance payment of Tax and Tax deduction at source	<b>11,472,893</b>		<b>11,472,893</b>	846,975
	<b>7,608,926</b>	<b>326,437</b>	<b>19,408,256</b>	8,490,279
<b>SCHEDULE '10'</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors	<b>73,402,015</b>	<b>2,361,930</b>	<b>75,706,671</b>	70,092,113
Deposits	<b>8,872,274</b>	-	<b>8,872,274</b>	682,824
Advance from Customers	<b>7,084,289</b>	-	<b>7,084,289</b>	1,039,680
Other Liabilities	<b>12,895,311</b>	<b>199,658</b>	<b>13,094,969</b>	13,817,207
Investors Education and Protection fund shall be credited by the following amounts namely : Unpaid Dividend * *(There is no amount due and outstanding as at Balance Sheet date)	<b>909,847</b>	-	<b>909,847</b>	965,500
	<b>103,163,736</b>	<b>2,561,588</b>	<b>105,668,050</b>	86,597,324

**SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

	<b>CSSL &amp; Subsidiary</b>	<b>Joint Venture</b>	<b>Consolidated 31st March, 2006 Rs.</b>	<b>Consolidated 31st March, 2005 Rs.</b>
<b>SCHEDULE '11'</b>				
<b>PROVISIONS</b>				
for taxation	-	<b>83,255</b>	<b>83,255</b>	42,185,209
for Fringe Benefits Tax	<b>49,766</b>	-	<b>49,766</b>	-
for retirement benefits				
- Gratuity	<b>2,340,374</b>	-	<b>2,340,374</b>	3,349,075
- Leave encashment	<b>1,628,246</b>	-	<b>1,628,246</b>	1,664,173
	<b>4,018,386</b>	<b>83,255</b>	<b>4,101,641</b>	47,198,457
<b>SCHEDULE '12'</b>				
<b>MISCELLANEOUS EXPENDITURE</b>				
(To the extent not written off or adjusted)				
Public Issue Expenses	<b>256,426</b>	-	<b>256,426</b>	521,826
	<b>256,426</b>	-	<b>256,426</b>	521,826
<b>SCHEDULE '13'</b>				
<b>OTHER INCOME</b>				
Gross Interest				
On Deposit with Banks	<b>325,237</b>	<b>46,770</b>	<b>372,007</b>	328,466
(Tax Deducted at Source Rs.10,196; previous year Rs. 8,777 )				
On Others	<b>39,204</b>	-	<b>39,204</b>	1,515,463
(Tax Deducted at Source Rs.7,810; previous year Rs. 4,833 )	<b>364,441</b>	<b>46,770</b>	<b>411,211</b>	1,843,929
Profit on sale of Current Investments	<b>17,206</b>	-	<b>17,206</b>	15,106
Income from Property	<b>6,075,934</b>	-	<b>6,075,934</b>	1,021,607
(Tax Deducted at Source Rs. 2,813,313; previous year Rs. 194,492)				
Miscellaneous Income	<b>1,584,347</b>	-	<b>1,584,347</b>	
Excess provision written back	<b>1,203,149</b>	-	<b>1,203,149</b>	1,736,374
	<b>9,245,077</b>	<b>46,770</b>	<b>9,291,847</b>	4,617,016



**SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

	<b>CSSL &amp; Subsidiary</b>	<b>Joint Venture</b>	<b>Consolidated 31st March, 2006 Rs.</b>	<b>Consolidated 31st March, 2005 Rs.</b>
<b>SCHEDULE '14'</b>				
<b>EMPLOYEE COSTS</b>				
Salaries	<b>290,869,559</b>	<b>14,848,886</b>	<b>305,718,445</b>	212,288,084
Contribution to Provident and other Funds	<b>1,062,103</b>	-	<b>1,062,103</b>	620,252
Welfare	<b>12,875,854</b>	<b>38,050</b>	<b>12,913,904</b>	3,493,771
	<b>304,807,516</b>	<b>14,886,936</b>	<b>319,694,452</b>	216,402,107
<b>SCHEDULE '15'</b>				
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>				
Travelling & conveyance	<b>21,414,311</b>	<b>1,340,653</b>	<b>22,754,964</b>	18,241,597
Communication	<b>5,623,481</b>	<b>171,629</b>	<b>5,795,110</b>	4,205,918
Power	<b>5,622,229</b>	<b>35,876</b>	<b>5,658,105</b>	3,797,810
Insurance	<b>2,831,609</b>	<b>120,207</b>	<b>2,951,816</b>	2,192,067
Rent	<b>4,900,884</b>	<b>257,677</b>	<b>5,158,561</b>	3,955,867
Rates and Taxes	<b>1,898,057</b>	-	<b>1,898,057</b>	1,603,687
Professional Fees	<b>176,305,288</b>	<b>3,710,230</b>	<b>179,373,919</b>	120,506,489
Commission	<b>1,369,360</b>	<b>776,766</b>	<b>2,146,126</b>	2,094,717
Auditors' Remuneration				
Audit Fees	<b>704,080</b>	-	<b>704,080</b>	573,900
Tax Audit fees	<b>100,000</b>	-	<b>100,000</b>	100,000
Other Services	<b>49,006</b>	-	<b>49,006</b>	175,000
Reimbursement of Expenses	<b>135,027</b>	-	<b>135,027</b>	137,980
Repairs and Maintenance				
Buildings	<b>1,358,722</b>	-	<b>1,358,722</b>	1,103,529
Plant & Machinery	<b>5,600,426</b>	<b>36,771</b>	<b>5,637,197</b>	5,051,829
Others	<b>1,052,816</b>	<b>98,397</b>	<b>1,151,213</b>	2,175,099
Loss on assets sold/discarded (Net)	<b>422,095</b>	-	<b>422,095</b>	300,733
Preliminary and Share issue expenses written off	<b>265,400</b>	-	<b>265,400</b>	235,746
Bad debts written off	<b>413,787</b>	-	<b>413,787</b>	60,454
Provision for doubtful debts	<b>1,770,400</b>	-	<b>1,770,400</b>	-
Miscellaneous expenses	<b>9,649,206</b>	<b>299,657</b>	<b>9,948,863</b>	5,263,071
	<b>241,486,184</b>	<b>6,847,863</b>	<b>247,692,448</b>	171,775,493

**SCHEDULE ' 16 '****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Basis of preparation:**

The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 "Consolidated Financial Statements" and Accounting Standard 27 "Financial Reporting of interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

**2. Principles of Consolidation:**

(a) The Consolidated Financial Statements (CFS) comprise the financial statements of the holding Company, CyberTech Systems & Software Limited and its subsidiary, CyberTech Systems & Software Inc., USA and its interest in its Joint Venture, Corliant Inc., as on 31.03.2006, which are as under:

(I) Subsidiaries:		
Name of the Company	Country of Incorporation	Proportion of ownership interest
CyberTech Systems & Software Inc. (CSSI)	U.S.A.	100.00 %

(II) Joint Ventures:		
Name of the Company	Country of Incorporation	Proportion of ownership interest
Corliant, Inc.	U.S.A.	4.20%

During the year, Corliant, Inc., has allotted shares under ESOP Scheme resulting in the reduction of the Company's holding from 4.50% from previous period to 4.20% and the same has been considered for the purpose of consolidation.

- (b) The Consolidated Financial Statements have been prepared using uniform accounting policies, in accordance with the generally accepted accounting policies except for amortization of Goodwill in the books of its wholly owned subsidiary where the Goodwill has been amortised over a period of 10 years as against the policy adopted by Holding company to amortise Goodwill over a period of 5 years.
- (c) The effects of intra group transactions between CyberTech Systems & Software Limited and its subsidiaries are eliminated in consolidation.
- (d) The unaudited financial statements of the joint venture for the year ended 31st March, 2006 compiled by the management of that company have been considered for consolidated financial statement. Management of Joint Venture company does not expect any material difference affecting the current year's consolidated financial statement.
- (e) The accounts of the subsidiary company namely Cybertech Europe S.A., in which the company has 100% shareholding and incorporated in Europe, and in turn its subsidiaries Cybertech Information Services BVBA, CyberTech Information Services UK Ltd and Cyber Information Services SARL, have not been consolidated as the control is intended to be temporary because the subsidiary is held exclusively with a view to its subsequent disposal in near future.
- (f) For significant accounting policies followed refer Schedule 15 of the Holding Company's audited financial statement.

**3. Foreign Subsidiary and Joint Venture:**

In case of CyberTech Systems & Software Inc., USA and Corliant Inc., revenue items have been considered at the average rate prevailing during the year. Assets and liabilities have been converted at the rates prevailing at the end of the year. Exchange Gain / (Loss) are recognized in the Profit and Loss Account.



4. Contingent Liabilities not provided for in respect of:
  - a) Charges due to the Society towards Property Taxes at Andheri are Rs. 1,694,592.
  - b) Disputed Income Tax Matters: Rs.95,356,447; (Previous period Rs. 26,751,759) .
  - c) Disputed Service Tax Matters Rs 6,607,614 (Previous period Rs. Nil)
5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 3,834,124 (Previous period Rs. Nil)
6. Guarantees provided by bank favouring Customs Authorities and Sales Tax Authorities against which fixed deposit receipts of the equivalent amount are pledged with the Bank : Rs.1,008,871 (Previous period Rs. 1,008,871) .
7. Employees' Stock Option Plan :

The Company's Employees' Stock Option Scheme- 2000, provides for issue of equity option in each financial year up to 5% (Previous period 5%) of the outstanding fully paid-up equity capital of the Company to eligible employees, and the carry forward of un-allotted options in each of the financial years to the subsequent financial years for grant, in aggregate not exceeding 4,634,950 shares (Previous period 4,634,950 shares). The scheme covers directors and the employees of the subsidiaries, apart from the employees and directors of the Company except directors/ employees belonging to promoter group. The options vest in a phased manner over four years with 25% of the grants vesting at the end of each year from the date of grant and the same can be exercised within seven years from the date of the grant at the market price as on the date of the grant. One option is equal to one equity share.

	<b>As at 31st March, 2006</b>	As at 31st March, 2005
Face value per grant (Rs.)	<b>10.00</b>	10.00
<b>Grants:</b>		
Outstanding as at beginning	<b>704,920</b>	207,920
Add: Granted during the year	<b>40,000</b>	569,000
Less: Exercised during the year	<b>6,750</b>	0
Less: Forfeited during the year	<b>103,870</b>	72,000
Outstanding as at end	<b>634,300</b>	704,920
<b>Vested:</b>		
Outstanding as at beginning	<b>114,930</b>	103,160
Add: Vested during the year	<b>232,050</b>	11,770
Less: Exercised during the year	<b>6,750</b>	-
Less: Forfeited during the year	<b>102,940</b>	-
Outstanding as at end	<b>237,290</b>	114,930
<b>Grants to Whole time Director:</b>		
Outstanding as at beginning	<b>75,000</b>	-
Add: Granted during the year	<b>0</b>	75,000
Less: Exercised during the year	-	-
Less: Forfeited during the year	-	-
Outstanding as at end	<b>75,000</b>	75,000
<b>Vested to Whole time Director:</b>		
Outstanding as at beginning	<b>75,000</b>	-
Add: Vested during the year	<b>0</b>	75,000
Less: Exercised during the year	-	-



Less: Forfeited during the year	75,000	-
Outstanding as at end	-	75,000
<b>Grants to Non-Executive Directors:</b>		
Outstanding as at beginning	142,280	84,080
Add: Granted during the year	30,000	74,000
Less: Exercised during the year	6,750	15,800
Less: Forfeited during the year	-	-
Outstanding as at end	165,530	142,280
<b>Vested to Non-Executive Director:</b>		
Outstanding as at beginning	57,000	42,980
Add: Vested during the year	27,820	14,020
Less: Exercised during the year	6,750	-
Less: Forfeited during the year	-	-
Outstanding as at end	78,070	57,000

8. Sundry debtors considered good, include an amount of Rs.4,015,800 (Previous period Rs. 5,712,960), [net of provision of Rs.8,533,461 (Previous period Rs. 8,533,461)] which is due from an overseas customer. The Company received Rs.1,817,760 during the year. The Company is in touch with the said customer for the clearance of the entire outstanding amount. No provision is considered necessary for the present as the Company is reasonably confident of recovering the balance amount due.

#### 9. Income Tax Matters

The matter relating to assessment years 1997-98 to 2000-01 have been adjudicated by the Income Tax Appellate Tribunal, whereby the Company's appeals have been rejected except for assessment year 2000-01 where the partial relief is given. The ITAT Order for assessment year 2001-02 is received in April 2006 and ITAT upheld the Company's contention in claiming Section 10 B exemption and accordingly full relief is granted but the order giving effect is yet to be received from the Income Tax Department. However as abundant precaution in the earlier years, full provision of tax was made and substantial amounts were paid to the department. During the year and till date of this report, the company has received orders from ITAT wherein the demands raised by the assessing officer have been partially adjudicated to be beyond the scope of the law. The Company has also filed the appeals with the High Court of Judicature at Bombay for getting full 10B exemption for the assessment years 1997-98 to 2000-01. For the relief granted by ITAT, the company has decided to write back provision of taxes made earlier to the extent no longer deemed necessary in the light of such relief. Such reversal of provision, amounting to Rs. 31,220,031 is disclosed separately as "Income Tax adjustments for earlier years" in the profit & loss account of the year.

The Company has received demands for penalties amounting to Rs 95,356,447 for Assessment Years 1997-98 to 2001-02 from the assessing officer. In view of the fact that the tax demands, if any, arose only due to interpretation of law and not due to concealment of any facts, the company is of the opinion that levy of such penalties is not supported by the Income Tax Act. The Company has preferred appeals at appropriate appellate authorities against such demands. The company has obtained opinion from their counsels about the issue and is hopeful of a favourable verdict. Pending adjudication, the demand is shown as contingent liabilities in 4 (b) above in the Notes to Accounts.

The Company has, in the past, not taken any credit for deferred tax assets, which may accrue in the event of profits in any future years as a measure of conservative accounting policy. However, during the year, the company has entered into short and medium term contracts giving assured income by utilizing its surplus premises. In view of the certainty of the income, the Company may have certainty of such deferred tax asset amounting to Rs.14,594,228 in the near future. However, the Company has continued its conservative accounting policy in the matter wherein such asset is not accounted for.

#### 10. Service Tax matters

The Company received a letter from Service Tax Authorities for a demand of Rs. 6,607,614 towards interest on Service Tax for



the period pertaining to July 1997 to Feb 2003. The Company is of the opinion that no such interest is payable in view of the revised quantification of Service Tax Liability communicated by the Service Tax Department in November 2005 had been paid in full within the stipulated time. The Company is pursuing the matter with the Service Tax Authorities.

**11. Exceptional items include:**

Particulars	Current Year (Rs.)	Previous Period
Income		
Reversal of Provision made for Assets held for disposal	<b>19,233,497</b>	Nil
Expenses		
1) Service Tax paid for earlier years (Refer Note No.10 herein above)	<b>4,986,163</b>	Nil
2) Loss on account of dismantling of Fixed Assets for renovation	<b>1,240,046</b>	Nil
Net Effect	<b>13,007,288</b>	Nil

12. During the year, assets held for disposal has been shown at Rs. 15,000,000 (Previous Period Rs.37,409,333). These properties were intended to be sold by the Company until last year. However, for the proper utilization of surplus properties, the Company reverted the decision to sell these properties and use the same to get additional cash flow. However, part of the property for which the company had already entered into an agreement for sale is shown under the head Assets held for disposal. Remaining units are transferred to Gross Block of Assets under Office Building.

During the year, the Company has reversed the provision for impairment of the Assets held for disposal including the assets transferred to the Gross Block of Fixed Assets.

**13. Segment Reporting**

Pursuant to Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company has only one reportable segment viz. Software Services & Development .

14. The accounts of certain Sundry Debtors, Sundry Creditors, Advances and Lender are subject to confirmation/reconciliation and adjustments, if any, The Management does not expect any material difference affecting the current year's financial statements.

15. In the opinion of the Management, Current Assets, Loans and Advances (including Capital Advances) have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated. Provision for depreciation and all known liabilities is adequate and not in excess of the amount reasonably necessary.

**16. Earnings Per Share**

	<b>For the year April 1, 2005 to March 31, 2006 Rs.</b>	For the period July 1, 2004 to March 31, 2005 Rs.
Profit/(Loss) attributable to the Shareholders	<b>51,129,878</b>	(3,208,078)
Weighted average number of Equity Shares outstanding during the year (Nos.)	<b>23,196,932</b>	23,190,822
Nominal Value of Equity Shares (Rs.)	<b>10.00</b>	10.00
Basic and Diluted Earnings Per Share (Rs.) (Not annualized)	<b>2.20</b>	(0.14)

17. Disclosure in respect of Related Party pursuant to Accounting Standard 18 are as under

A. List of Related Parties:

i) Parties where control exists: NIL

ii) Other Parties with whom the Company has entered into transactions during the year:

**1. Associates :**

CyberTech Systems Inc. USA

Corliant Japan, K.K. (CJP)

**2. Key Management Personnel**

Vijay Talele Executive Director (up to November 10, 2005)

Viswanath Tadimety CEO-Corliant Inc.& Director - CSSI & CSSL  
 CyberTech Systems & Software Inc.(CSSI)  
 CyberTech Systems & Software Limited (CSSL)

**B. Transactions entered with Related Parties in the ordinary course of business:**

(Amount in Rupees)

Particulars	Related Party Transactions		
	Associates	Key Management Personnel	Total
Sales	3,545,074	-	3,545,074
	(917,226)	(-)	(917,226)
Expenses	-	#8,010,785	8,010,785
	(-)	#(17,835,819)	(17,835,819)
Outstanding as at the year end			
Payable		-	
	(18,056,908)	(-)	(18,056,908)
Receivable	364,278	-	364,278
	(776,616)	-	(776,616)

# Remuneration

**Note:**

- Related party relationship is as identified by the Company and relied upon by the Auditors.
- No amounts have been written off /back and provided for in respect of the related party during the year.
- Figures in brackets represent Previous period figures.

**18 Income from properties & facilities**

With an objective to use Company's idle resources so as to strengthen the cash flows, the Company has decided to earn Income from its premises lying vacant at Acme Plaza, Andheri and 1st and 2nd Floor at Cybertech House, Thane.

- Income received from aforesaid office premises amounted to Rs. 5,736,817 (Previous period Rs. 785,988).
  - Depreciation on the aforesaid premises amounted to Rs.271,828 (Previous period Rs. 71,433).
  - Income from property receivable within a period of 1 year amounts to Rs.30,794,865 (Previous Period Rs. 1,082,414).
  - Interest free deposit received Rs. 8,872,274 (Previous period Rs. 682,824).
19. The previous period's figures are for 9 months. Hence, those figures are not comparable with that of the current year comprising of 12 months.
20. Previous period's figures have been re-grouped/re-arranged, wherever necessary, to conform to the current year's classification/presentation.

**For and on behalf of the Board of Directors**

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006



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

Name of the Subsidiary Company:	CyberTech Systems and Software Inc	CyberTech Europe
The Financial Year of the Subsidiary ended on	31st March 2006	31st March 2006
Number of shares in the Subsidiary Company held by CyberTech Systems & Software Ltd.	15,85,000	13,26,289
Equity	USD15,850	Euro 16,43,891
Extent of holding	100%	100%
The net aggregate of Profits/(losses) of the Subsidiary Company for its financial Year so far as they concern the members of the CyberTech Systems & Software Limited:		
1. Dealt with the Accounts of CyberTech Systems & Software Ltd.	Nil	Nil
2. Not dealt with in the Accounts of CyberTech Systems & Software Ltd. The net aggregate of profits/(losses) of the Subsidiary Company for its previous financial year so far as they concern the members of CyberTech Systems & Software Ltd.	Profit: Rs.6,894,690	Profit: Rs. 422,557
1. Dealt with in the Accounts of CyberTech Systems & Software Ltd.	NA	Nil
2. Not dealt with in the Accounts of CyberTech Systems & Software Ltd.	Profit: Rs. 12,121,156	Loss: Rs.98,453,045

For and on behalf of the Board of Directors

**Suresh Thakur Desai**  
Company Secretary

**Viswanath Tadimety**  
Chairman

**A.V.Rajwade**  
Director

Place : Mumbai  
Date : July 6, 2006

## DIRECTORS' REPORT

To the Shareholders of

CyberTech Systems and Software, Inc. (USA)

Your Directors have pleasure in presenting this Third Annual Report on the business and operations of CyberTech Systems and Software, Inc. together with the Audited Accounts of the Company for the twelve months ended March 31, 2006.

CyberTech Systems and Software, Inc. (the "Company") was organized on June 12, 2003 in the state of Delaware and is 100% owned by CyberTech Systems and Software Ltd. - India. The Company provides IT services to its customer base.

### FINANCIAL RESULTS:

U.S. Dollars (\$)

	<b>2005-2006 April 1, 2005 to March 31, 2006</b>	<b>2004-2005 July 1, 2004 to March 31, 2005</b>
Gross Revenue	<b>12,271,712</b>	8,183,465
Profit before Interest & Depreciation	<b>340,237</b>	333,523
Interest	<b>8,011</b>	-
Depreciation	<b>154,117</b>	122,807
Profit before Tax	<b>178,109</b>	210,716
Provision for Tax:		
Current Tax	<b>99,112</b>	156,233
Deferred Tax	<b>11,555</b>	(33,295)
Income tax adjustments for earlier years	<b>34,424</b>	-
Profit after tax	<b>101,866</b>	87,778
Profit brought forward from previous year	<b>305,507</b>	217,729
Amount available for appropriations	<b>407,373</b>	305,507

### REVIEW OF COMPANY'S OPERATIONS, PERFORMANCE AND OUTLOOK:

Operations of the Company are completely integrated with its parent company, CyberTech Systems & Software Limited. The Company operates as CyberTech System and Software Ltd.'s sales front end, servicing the combined company's customers in the United States and promoting offshore support and development services. The Company focuses on customer facing and business development activities including pre-sales, marketing, sales and onsite project/program management activities.

During the year under review CyberTech Systems and Software, Inc. reported a profit after tax of \$101,866 on revenue of \$12,271,712. This is an improvement over the previous year. Operating profit before Interest of Depreciation was \$340,237 for the year. Results are disclosed in the attached financial statements.

The Company maintains its focus on SAP and GIS Technologies and Custom Technology applications. It is expected that its strengthened relationships and alliances with partners such as SAP, Microsoft and ESRI will continue to lead to business and revenue growth and increasing profitability with a continued focus on offshore revenue.

### DIVIDEND:

Your directors feel that it is advisable to retain the profits earned to meet the needs of the expanding business and therefore no dividend is recommended



**DIRECTORS:**

The Company is governed by its Board of Directors. During the year, directors were as follows:

Mr. Christopher Gaffney

Mr. Harry Gruner

Mr. Viswanath Tadimety.

**Registered Office:**

1210 Northbrook Drive, Suite 100

Trevose, Pennsylvania 19053

With offices in the Chicago, IL, Philadelphia, PA, Los Angeles, CA and San Jose, CA metropolitan areas.

**For and on behalf of the Board of Directors**

**Vishwanath Tadimety**  
Chairman

Place : Naperville, USA

Date : June 28, 2006

---

---

## AUDITORS' REPORT

To the shareholders,

### **CYBERTECH SYSTEMS AND SOFTWARE, INC. (USA)**

1. We have audited the attached Balance Sheet of CYBERTECH SYSTEMS AND SOFTWARE INC.,(USA) as at 31st March, 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:-
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India, to the extent applicable;
  - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes on Accounts in Schedule 12 and those appearing elsewhere in the accounts, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
    - ii) in the case of the Profit & Loss Account, of the profit for the year ended as on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For LODHA & COMPANY**  
Chartered Accountants

**R.P. Baradiya**  
Partner

Membership No. 44101

Place : Mumbai

Dated : June 28, 2006



**BALANCE SHEET AS AT 31ST MARCH, 2006**

	Schedule	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
		US DOLLARS	INDIAN RUPEES	US DOLLARS	INDIAN RUPEES
<b>I. SOURCES OF FUNDS</b>					
<b>Shareholders' funds</b>					
Share Capital	1	15,850	725,645	15,850	725,645
Reserves & Surplus	2	1,976,523	90,854,701	1,874,657	83,960,011
		<b>1,992,373</b>	<b>91,580,346</b>	<b>1,890,507</b>	<b>84,685,656</b>
<b>II. APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	3	1,074,217	49,384,971	1,041,300	47,918,848
Less: Depreciation		392,492	17,647,020	238,375	10,825,846
Net Block		681,725	31,737,951	802,925	37,093,002
<b>Deferred Tax Asset</b>		<b>21,740</b>	<b>968,300</b>	<b>33,295</b>	<b>1,456,989</b>
<b>Current Assets, Loans and Advances</b>					
<b>Sundry Debtors</b>	4	<b>2,892,354</b>	<b>128,647,287</b>	2,419,992	105,898,864
<b>Cash and Bank Balances</b>	5	<b>319,889</b>	<b>14,247,856</b>	623,645	27,290,696
<b>Loans and Advances</b>	6	<b>120,318</b>	<b>6,825,097</b>	105,307	4,608,270
		<b>3,332,561</b>	<b>149,720,240</b>	<b>3,148,944</b>	<b>137,797,830</b>
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	7	2,043,653	90,846,145	2,094,657	91,662,165
Provisions	8	-	-	-	-
		<b>2,043,653</b>	<b>90,846,145</b>	<b>2,094,657</b>	<b>91,662,165</b>
<b>Net Current Assets</b>		<b>1,288,908</b>	<b>58,874,095</b>	<b>1,054,287</b>	<b>46,135,665</b>
		<b>1,992,373</b>	<b>91,580,346</b>	<b>1,890,507</b>	<b>84,685,656</b>

Significant Accounting Policies and Notes to the Accounts. 12

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**For and on behalf of the Board of Directors**

**R.P. Baradiya**  
Partner

**Viswanath Tadimety**  
Director

Place : Mumbai  
Date : June 28, 2006

Place : Naperville, USA  
June 27, 2006



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006**

Schedule		For the year 1st April, 2005 to 31st March, 2006	For the year 1st April, 2005 to 31st March, 2006	For the period 1st July, 2004 to 31st March, 2005	For the period 1st July, 2004 to 31st March, 2005
	<b>US DOLLARS</b>	<b>US DOLLARS</b>	<b>INDIAN RUPEES</b>	<b>US DOLLARS</b>	<b>INDIAN RUPEES</b>
<b>INCOME</b>					
Income from Software Development and Services	12,233,576		541,458,074	8,176,986	366,165,423
Traded Goods	17,380		769,239	-	-
		12,250,956	542,227,313	8,176,986	366,165,423
Other Income	9	20,756	918,661	6,479	290,138
		12,271,712	543,145,974	8,183,465	366,455,561
<b>EXPENDITURE</b>					
Cost of Traded Goods		19,159	847,977	-	-
Employee costs	10	5,686,655	251,691,350	3,680,460	164,811,017
Operating and Administrative expenses	11	6,225,661	275,547,783	4,169,482	186,709,323
Depreciation/Amortisation		154,117	6,821,174	122,807	5,499,300
Interest other than on Term Loan		8,011	354,567	-	-
Unrealised Exchange Loss on Consolidation			(2,386,082)	-	2,332,891
		12,093,603	532,876,769	7,972,749	359,352,531
<b>Profit before tax</b>		178,109	10,269,205	210,716	7,103,030
<b>Provision for Tax</b>					
Current Tax		99,112	4,386,697	156,233	6,996,114
Deferred Tax (Asset)/Liabilities		11,555	511,424	(33,295)	(1,490,950)
<b>Profit for the Year</b>		67,442	5,371,084	87,778	1,597,866
Income Tax adjustments for earlier years		34,424	1,523,606	-	-
<b>Profit after Tax</b>		101,866	6,894,690	87,778	1,597,866
Add:Balance of Profit brought forward		305,507	12,121,156	217,729	10,523,290
<b>BALANCE CARRIED FORWARD</b>		407,373	19,015,846	305,507	12,121,156
Earnings per share-Basic and Diluted		0.06	4.35	0.06	1.01

Significant Accounting Policies and Notes to the Accounts. **12**

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**R.P. Baradiya**  
Partner

Place : Mumbai  
Date : June 28, 2006

**For and on behalf of the Board of Directors**

**Viswanath Tadimety**  
Director

Place : Naperville, USA  
June 27, 2006



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

	For the year		For the period	
	1st April, 2005 to 31st March, 2006		1st July, 2004 to 31st March, 2005	
	US DOLLARS	INDIAN RUPEES	US DOLLARS	INDIAN RUPEES
<b>A. Cash flow from Operating activities</b>				
Net profit before tax and exceptional items :	178,109	10,269,205	210,716	7,103,030
Adjustments for :				
Depreciation	154,116	6,821,174	122,807	5,499,300
Interest income	(5,463)	(241,799)	(6,479)	(290,122)
Interest expense	8,011	354,567	-	-
Provision for Doubtful Debts	40,000	1,770,400	-	-
Bad Debts written off	9,349	413,787	-	-
Effect of exchange rate change	-	244,401	-	(83)
Sundry Credit Balances written Back	(15,000)	(663,900)	-	-
	191,013	8,698,631	116,328	5,209,095
<b>Operating profit before Working Capital changes</b>	369,122	18,967,836	327,044	12,312,125
Adjustments for :				
Decrease/(Increase) in Trade & other receivables	(518,315)	(24,785,552)	(294,471)	(7,733,322)
Increase/(Decrease) Trade payables	(51,004)	(2,271,718)	46,153	(2,753,356)
	(569,319)	(27,057,270)	(248,318)	(10,486,678)
<b>Cash used in operations</b>	(200,197)	(8,089,434)	78,726	1,825,447
Direct taxes and tax deducted at source	(68,094)	(3,374,515)	(298,088)	(13,455,153)
<b>Net cash from/( used) in operating activities</b>	(268,291)	(11,463,949)	(219,362)	(11,629,706)
<b>B. Cash flow from investing activities</b>				
Purchase of fixed assets	(32,917)	(1,466,123)	(32,054)	(1,402,683)
Interest paid	(8,011)	(354,567)	-	-
Interest received	5,463	241,799	6,479	290,130
Net cash from/(used) in investing activities	(35,465)	(1,578,891)	(25,575)	(1,112,553)
<b>C. Cash flow from financing activities :</b>	-	-	-	-
<b>Net cash from/( used) in financing activities</b>	-	-	-	-
<b>Net increase/(Decrease) in cash &amp; cash equivalents (A+B+C)</b>	(303,756)	(13,042,840)	(244,937)	(12,742,259)
Cash & cash equivalents (Opening)	623,645	27,290,696	868,582	40,032,955
Cash & cash equivalents (Closing)	319,889	14,247,856	623,645	27,290,696
	(303,756)	(13,042,840)	(244,937)	(12,742,259)
Note				
Cash and Cash equivalents include :				
a) Balance with Scheduled Banks in Current Accounts	167,263	7,449,894	56,639	2,478,521
b) In call accounts	152,626	6,797,962	567,006	24,812,175

As per our attached report of even date

**For Lodha & Co.**  
Chartered Accountants

**R.P. Baradiya**  
Partner

Place : Mumbai  
Date : June 28, 2006

**For and on behalf of the Board of Directors**

**Viswanath Tadimety**  
Director

Place : Naperville, USA  
June 27, 2006

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006**

	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
	US DOLLARS	INDIAN RUPEES	US DOLLARS	INDIAN RUPEES
<b>SCHEDULE '1'</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
10,000,000 Common Stock of USD 0.01 each.	<b>100,000</b>	<b>4,454,000</b>	100,000	4,454,000
<b>Issued, Subscribed And Paid-up</b>				
1,585,000 Common Stock of USD.0.01 each; fully paid.  (All the shares are held by CyberTech Systems and Software Limited,India)	<b>15,850</b>	<b>725,645</b>	15,850	725,645
<b>SCHEDULE '2'</b>				
<b>RESERVES AND SURPLUS</b>				
Securities Premium Account				
As per Last Balance Sheet	<b>1,569,150</b>	<b>71,838,855</b>	1,569,150	71,838,855
Profit and Loss Account	<b>407,373</b>	<b>19,015,846</b>	305,507	12,121,156
(As per Annexed Accounts)				
	<b>1,976,523</b>	<b>90,854,701</b>	1,874,657	83,960,011

## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006



### SCHEDULE 3 '

#### FIXED ASSETS

Amount in US Dollars

DESCRIPTION	GROSS BLOCK (At Cost)				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01-04-05	Additions during the year	Deductions/ during the period	As at 31-03-06	Upto 31-03-05	For the year	On Deductions/ Adjustments	Up to 31-03-06	As at 31-03-06	As at 31-03-05
Goodwill	775,000	-	-	775,000	116,250	77,500	-	193,750	581,250	658,750
Computers	166,300	32,917	-	199,217	72,123	43,287	-	115,410	83,807	94,177
Furniture & Fixtures	100,000	-	-	100,000	50,002	33,330	-	83,332	16,668	49,998
<b>Current Year Total</b>	<b>1,041,300</b>	<b>32,917</b>	<b>-</b>	<b>1,074,217</b>	<b>238,375</b>	<b>154,117</b>	<b>-</b>	<b>392,492</b>	<b>681,725</b>	<b>802,925</b>
Previous Year Total	1,009,246	32,054	-	1,041,300	115,568	122,807	-	238,375	802,925	-

#### FIXED ASSETS

Amount in Indian Rupees

DESCRIPTION	GROSS BLOCK (At Cost)				DEPRECIATION/AMORTISATION				NET BLOCK	
	Balance 01-04-05	Additions during the year	Deductions/ adjust during the year	As at 31-03-06	Balance 01-04-05	For the year	On Deductions/ Adjustments	Up to 31-03-06	As at 31-03-06	As at 31-03-05
Goodwill	35,719,750	-	-	35,719,750	5,281,819	3,430,150	-	8,711,969	27,007,781	30,437,931
Computers	7,590,098	1,466,123	-	9,056,221	3,272,185	1,915,838	-	5,188,023	3,868,198	4,317,913
Furniture & Fixtures	4,609,000	-	-	4,609,000	2,271,842	1,475,186	-	3,747,028	861,972	2,337,158
<b>Current Year Total</b>	<b>47,918,848</b>	<b>1,466,123</b>	<b>-</b>	<b>49,384,971</b>	<b>10,825,846</b>	<b>6,821,174</b>	<b>-</b>	<b>17,647,020</b>	<b>31,737,951</b>	<b>37,093,002</b>
Previous Year Total	46,516,165	1,402,686	-	47,918,851	5,326,546	5,499,300	-	10,825,846	37,093,005	-

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006**

		As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
	<b>US DOLLARS</b>	<b>US DOLLARS</b>	<b>INDIAN RUPEES</b>	<b>US DOLLARS</b>	<b>INDIAN RUPEES</b>
<b>SCHEDULE '4'</b>					
<b>SUNDRY DEBTORS (Unsecured)</b>					
Considered Good					
Exceeding six months	<b>15,134</b>		<b>674,068</b>	115,070	5,035,481
Others (includes unbilled revenue of USD 4,000; previous period USD 156,827)	<b>2,877,220</b>		<b>127,973,219</b>	2,304,922	100,863,383
		<b>2,892,354</b>	<b>128,647,287</b>	2,419,992	105,898,864
Considered Doubtful					
Exceeding six months	<b>40,000</b>		<b>1,781,600</b>	-	-
Less: Provision for Doubtful Debts	<b>40,000</b>		<b>1,781,600</b>	-	-
		-	-	-	-
		<b>2,892,354</b>	<b>128,647,287</b>	2,419,992	105,898,864
<b>SCHEDULE '5'</b>					
<b>CASH AND BANK BALANCES</b>					
Bank Balances					
With Banks :					
- in Current Accounts		<b>167,263</b>	<b>7,449,894</b>	56,639	2,478,530
- in Call Accounts		<b>152,626</b>	<b>6,797,962</b>	567,006	24,812,166
		<b>319,889</b>	<b>14,247,856</b>	623,645	27,290,696



**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2006**

	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
	US DOLLARS	INDIAN RUPEES	US DOLLARS	INDIAN RUPEES
<b>SCHEDULE '6'</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured ,Considered good)				
Advances recoverable in cash or in kind or for value to be received	<b>78,578</b>	<b>3,499,864</b>	69,923	3,059,851
Loans to Employees	<b>2,000</b>	<b>89,080</b>	-	-
Sundry deposits	<b>16,979</b>	<b>756,245</b>	16,029	701,444
Advance Tax	<b>22,761</b>	<b>2,479,908</b>	19,355	846,975
	<b>120,318</b>	<b>6,825,097</b>	105,307	4,608,270
<b>SCHEDULE '7'</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors*				
Small Scale Industrial Units	-		-	
Others	<b>1,776,326</b>	<b>78,939,400</b>	1,795,150	78,550,283
Advance received from customers	<b>8,750</b>	<b>389,725</b>	7,000	311,780
Other Liabilities	<b>258,577</b>	<b>11,517,020</b>	292,507	12,800,102
	<b>2,043,653</b>	<b>90,846,145</b>	2,094,657	91,662,165
*including dues to holding company- USD 425,040;Previous period USD 417,732				
<b>SCHEDULE '8'</b>				
<b>PROVISIONS</b>				
for taxation	-	-	-	-
(Net of Payment of USD Nil, Previous period USD NIL)	-	-	-	-

<b>SCHEDULES TO PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006</b>					
		<b>For the year 1st April, 2005 to 31st March, 2006</b>	<b>For the year 1st April, 2005 to 31st March, 2006</b>	For the period 1st July, 2004 to 31st March, 2005	For the period 1st July, 2004 to 31st March, 2005
	<b>US DOLLARS</b>	<b>US DOLLARS</b>	<b>INDIAN RUPEES</b>	<b>US DOLLARS</b>	<b>INDIAN RUPEES</b>
<b>SCHEDULE '9' OTHER INCOME</b>					
Interest Received		<b>5,463</b>	<b>241,799</b>	6,479	290,138
Miscellaneous income		<b>293</b>	<b>12,962</b>	-	-
Sundry Credit Balances Written Back		<b>15,000</b>	<b>663,900</b>	-	-
		<b>20,756</b>	<b>918,661</b>	6,479	290,138
<b>SCHEDULE '10' EMPLOYEE COSTS</b>					
Salaries		<b>5,445,090</b>	<b>240,999,683</b>	3,631,467	162,617,107
Welfare		<b>241,565</b>	<b>10,691,667</b>	48,993	2,193,910
		<b>5,686,655</b>	<b>251,691,350</b>	3,680,460	164,811,017
<b>SCHEDULE '11' OPERATING AND ADMINISTRATIVE EXPENSES</b>					
Travelling & Conveyance		<b>306,208</b>	<b>13,552,766</b>	255,157	11,425,924
Communication		<b>60,285</b>	<b>2,668,214</b>	47,960	2,147,677
Power		<b>7,128</b>	<b>315,485</b>	5,521	247,221
Insurance		<b>53,651</b>	<b>2,374,593</b>	39,688	1,777,229
Rent		<b>109,515</b>	<b>4,847,134</b>	79,951	3,580,181
Professional Fees		<b>5,433,490</b>	<b>240,486,278</b>	3,556,962	159,280,727
Commission		<b>30,939</b>	<b>1,369,360</b>	34,341	1,537,783
Auditors' Remuneration					
Audit Fees	<b>8,000</b>		<b>354,080</b>	5,000	223,900
Service Tax (including for previous year)	<b>1,490</b>		<b>65,947</b>	-	-
		<b>9,490</b>	<b>420,027</b>	5,000	223,900
Repairs and Maintenance:					
Plant & Machinery	<b>69,592</b>		<b>3,080,142</b>	58,518	2,913,184
Others	<b>9,928</b>		<b>439,413</b>	43,022	1,926,522
		<b>79,520</b>	<b>3,519,555</b>	101,540	4,839,706
Bad Debts		<b>9,349</b>	<b>413,787</b>	-	-
Provision for Doubtful Debts		<b>40,000</b>	<b>1,770,400</b>	-	-
Miscellaneous Expenses		<b>86,086</b>	<b>3,810,184</b>	43,362	1,648,975
		<b>6,225,661</b>	<b>275,547,783</b>	4,169,482	186,709,323



**SCHEDULE ' 12 '**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH, 2006**

**1. SIGNIFICANT ACCOUNTING POLICIES:**

**General:**

The financial statements are prepared on the basis of the historical cost convention, in accordance with the applicable accounting standards and on the principles of a going concern. All expenses and income to the extent ascertainable with reasonable certainty are accounted for on accrual basis.

**Use of estimates**

The preparation of financial statements in conformity with Indian Generally Accepted Accounting Principles (GAAP) requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities as of date of the financial statements and the reported income and expenses and disclosure of contingent liabilities. The recognition, measurement, classification or disclosure of an item or information in the financial statements have been made relying on these estimates.

**Revenue Recognition:**

Income from software development, customer support services and Consulting are recognised in accordance with the terms of the contract.

Revenue from fixed price contracts with milestone billings and fixed time frame contracts are recognized as per the proportionate completion method.

**Fixed Assets and Depreciation / Amortisation:**

Fixed assets are stated at cost of acquisition less accumulated depreciation/amortisation.

Depreciation/amortisation is provided using the straight-line method over the estimated useful life as under :

Description of Assets	Estimated useful life
Computers	3 years
Furniture & Fixtures	3 years
Goodwill *	10 years

\* Note :

Goodwill arising on purchase of business by the Company (representing the cost of business acquisition in excess of the fair value assigned to the net tangible assets acquired).

The Company assesses at each Balance Sheet date whether there is any indication that any assets may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the amount of such impairment loss is charged to Profit and Loss Account. If at the Balance Sheet date, there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and asset is restated to that effect.

**Taxation:**

Provision for tax is made on the basis of the estimated taxable income for the current accounting year in accordance with the relevant Income Tax laws of United States of America. The deferred tax for timing difference is accounted for, based on the tax rules and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets arising out from the timing differences are recognized to the extent there is virtual/reasonable certainty that these would be realized in future.



**Provisions, contingent liabilities and contingent assets:**

A provision is made based on reliable estimate when it is possible that an outflow of resources embodying economic benefit will be required to settle an obligation. Contingent liabilities, unless the possibility of outflow of resources embodying economic benefit is remote, are disclosed by way of notes to accounts. Contingent assets are not recognized or disclosed in the financial statement.

**NOTES ON ACCOUNTS:****2. Segment Reporting :**

Pursuant to Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company has only one reportable segment viz. Software Services & Development.

**3. Earnings Per Share:**

	<b>For the year April 1, 2005 to March 31, 2006</b>	For the period July 1, 2004 to March 31, 2005
Profit/(Loss) attributable to the Shareholders (USD)	101866	87,778
Weighted average number of Equity Shares outstanding during the year (Nos.)	1,585,000	1,585,000
Nominal Value of Equity Shares (USD)	0.01	0.01
Basic and Diluted Earnings Per Share (USD) (Not annualised)	0.06	0.06

**4. Disclosure in respect of Related Party pursuant to Accounting Standard 18 are as under:****A. List of Related Parties:****(1) Parties where control exists:**Holding Company

CyberTech Systems and Software Ltd., India

Fellow Subsidiary

CyberTech Europe SA (CTE)

## Subsidiaries of CTE

(i) CyberTech Information Services BVBA

(ii) Cybertech Information Services UK Ltd. (up to October 25, 2005 the Date of Liquidation)

(iii) Cyber Information Services SARL (up to April 30, 2005)

**(2) Other Parties with whom the company has entered into transactions during the year****(i) Associates :**

(a) CyberTech Systems Inc., USA

(b) Corliant Inc., U.S.A.

**(ii) Key Management Personnel**

Viswanath Tadimety - Director



B. Transactions entered with Related Parties in the ordinary course of business:

Amount in US Dollars

Particulars	Referred in (A)(1) above	Referred in (A)(2)(i) (a) above	Referred in (A)(2)(i) (b) above	Referred in (A)(2)(ii) above
1) Expenses	<b>1,589,793</b>	-	<b>515,315</b>	<b>120,000</b>
	(1,030,805)	-	(428,165)	(150,000)
2) Advances paid	-	-	-	-
	(2,727)	-	-	-
3) Advances Recovered	<b>4,620</b>	-	-	-
	(81,432)	-	-	-
4) Guarantee Taken	-	-	<b>500,000</b>	-
	(-)	(-)	(-)	(-)
5) Outstanding as at the year end				
a) Payable	<b>445,940</b>	<b>142,243</b>	<b>158,337</b>	-
	(434,012)	(412,635)	(191,747)	(-)
b) Advances	-	-	-	<b>4,500</b>
	(-)	(-)	(-)	(-)

**Note:**

- i) Related party relationship is as identified by the Company and relied upon by the Auditors.
  - ii) No amounts have been written off/ back and provided for in respect of the related party during the year.
  - iii) Figures in bracket represent previous period figures.
5. In the opinion of the Management, Current Assets, Loans and Advances (including Capital Advances) have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated. Provision for depreciation and all known liabilities is adequate and not in excess of the amount reasonably necessary.
  6. The accounts of certain Sundry Debtors, Sundry Creditors and Advances are subject to confirmation/reconciliation and adjustments, if any. The Management does not expect any material difference affecting the current year's financial statements.
  7. Operating Lease:
 

The Company has, during the year 2003, acquired office premises under lease and licence agreement for a period of 51 months and it is non cancellable.

    - i) Rent paid for office premises, which is equally amortised over the period of the lease, on operating lease amounted to **USD 119,786** (Previous period USD 76,242)
    - ii) Future lease rentals payable within a period of 1 year amounted to **USD 137,111** (Previous period USD 101,657) and for the further period till end of the contract **USD 68,375** (Previous period USD 288,027).
    - iii) Interest free deposit paid against lease rentals **USD 16,979** (Previous period USD 16,029).

8. **Deferred Tax Assets :-**

Amount in US Dollars

<b>Deferred Tax Assets</b>	<b>As at 31st March, 2006</b>	<b>As at 31st March, 2005</b>
Expenses allowable in subsequent years	21,740	33,295
	<b>21,740</b>	33,295

9. Additional information under Part II of schedule VI of the Companies Act, 1956. The services rendered by the Company cannot be expressed in any generic unit and hence, it is not possible to give the quantitative details of sales.
10. The previous period's figures are for 9 months. Hence, those figures are not comparable with that of the current year comprising of 12 months.
11. Previous year's figures have been re-grouped/re-arranged, wherever necessary, to conform to the current periods classification/presentation.

**For and on behalf of the Board of Directors**

**Viswanath Tadimety**  
Director

Place : Naperville, USA  
Date : June 27, 2006



## DIRECTORS' REPORT

The Directors present herewith the Annual Report of the Company together with the Audited Annual Accounts for the year ended 31st March, 2006.

**Financial Highlights:**

(Amount in Euros)

	2005 - 06	2004 - 05
Gross Revenue	0	25
Profit/ (Loss) before Interest & Depreciation	(4,718)	(13,499)
Interest	0	0
Depreciation	0	0
Provision for tax	3,724	1,173
Profit/ (Loss) after tax	(8,442)	(14,672)
Free Reserves brought forward from previous year	(1,893,906)	(1,879,234)
Amount available for appropriations	(1,902,348)	(1,893,906)
<b>Appropriations:</b>		
Balance to be carried forward	(1,902,348)	(1,893,906)
Total Appropriations	(1,902,348)	(1,893,906)

*\* Figures for the previous year have been regrouped/ rearranged wherever necessary, hence may not be comparable*

**Dividend:**

In view of the accumulated losses, the directors do not recommend any dividend.

**Operations:**

The Company has not engaged in operations during the two years under review. Its wholly owned subsidiaries have previously sold their operations and are being summarily liquidated. Therefore the Annual Accounts have not been prepared on a 'going concern' basis. Management does not intend to initiate any new activities. See also Note 2 under the heading "Notes to Accounts" providing current status of efforts in this respect

**Acknowledgement:**

Your Directors place on record their appreciation for the support from Shareholders, Bankers & Others.

**For and on behalf of the Board of Directors**

**Viswanath Tadimety**  
Director

**Gaston Vandenplas**  
Director

Place : Trevose, Pennsylvania  
Date : June 27, 2006

Brussels, Belgium  
June 27, 2006

---

---

## AUDITORS' REPORT

To,

**THE SHAREHOLDERS OF CYBERTECH EUROPE S.A.**

We have audited the attached Balance Sheet of CYBERTECH EUROPE S.A. as at 31st March 2006 and the related Profit & Loss Account for the period ended on that date, both of which have been signed by us under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We further report that :-

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books.
- c. The Balance Sheet and the Profit and Loss Account are in agreement with the books of account.
- d. In our opinion, these accounts have been prepared in compliance with the applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanation given to us, the accounts read together with the notes thereon, particularly note 1 under the head "Accounting Policies" and note 2 under the head "Notes to Accounts" in Schedule 9, give the information required by the Companies Act of India, 1956 ('the Act'), in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2006; and
- ii) In the case of Profit and Loss Account, of the loss for the period ended on that date.

For **S.S. Rathi & Co.**  
Chartered Accountants

**Sandeep Shridhar**  
Partner  
Membership No. 102944

Place : Mumbai

Dated : June 28, 2006



**BALANCE SHEET AS AT 31ST MARCH, 2006**

	Schedule	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
		EURO	INDIAN RUPEES	EURO	INDIAN RUPEES
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,643,891	84,313,700	1,643,891	84,313,700
Reserves & Surplus	2	139	6,595	139	6,595
		1,644,030	84,320,295	1,644,030	84,320,295
<b>Unsecured Loans</b>	3	253,000	13,632,020	250,000	14,139,800
		1,897,030	97,952,315	1,894,030	98,460,095
<b>APPLICATION OF FUNDS</b>					
<b>Current Assets, Loans &amp; Advances</b>					
Cash and Bank Balances	4	533	28,696	1,237	69,983
		533	28,696	1,237	69,983
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	5	5,851	315,187	1,113	62,933
		5,851	315,187	1,113	62,933
<b>Net Current Assets/ (Liabilities)</b>		(5,318)	(286,491)	124	7,050
<b>Profit And Loss Account - Loss</b>		1,902,348	98,238,806	1,893,906	98,453,045
		1,897,030	97,952,315	1,894,030	98,460,095

Significant Accounting Policies and Notes to the Accounts **8**

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

For **S.S. Rathi & Co.**  
Chartered Accountants

**Sandeep Shridhar**  
Partner  
Membership no. 102944

Place : Mumbai  
Date : June 28, 2006

**For and on behalf of the Board of Directors**

**Viswanath Tadimety**      **Gaston Vandenplas**  
Director                              Director

Trevose, USA  
June 27, 2006

Belgium  
June 27, 2006

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2006**

	Schedule	For the year	For the period	For the year	For the period
		1st April, 2005 to 31st March, 2006	1st April, 2005 to 31st March, 2006	1st July, 2004 to 31st March, 2005	1st July, 2004 to 31st March, 2005
		EURO	INDIAN RUPEES	EURO	INDIAN RUPEES
<b>INCOME</b>					
Other Income	6	-	-	25	1,456
		-	-	25	1,456
<b>EXPENDITURE</b>					
Operating and Administrative expenses	7	4,718	254,485	3,930	225,537
Loans & Advances written off		-	-	9,594	550,611
Exchange (Gain)/ Loss		-	(669,571)	-	(7,039,117)
		4,718	(415,086)	13,524	(6,262,969)
<b>Profit/ (Loss) for the year</b>		(4,718)	415,086	(13,499)	6,264,425
Provision for tax/ (written back)		3,724	200,847	1,173	67,290
Balance of Profit/(Loss) Brought Forward		(1,893,906)	(98,453,045)	(1,879,234)	(104,650,180)
Balance Carried Forward to the Balance Sheet		(1,902,348)	(98,238,806)	(1,893,906)	(98,453,045)

Significant Accounting Policies and  
Notes to the Accounts

8

Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date

For **S.S. Rathi & Co.**  
Chartered Accountants

**Sandeep Shridhar**  
Partner  
Membership no. 102944

Place : Mumbai  
Date : June 28, 2006

**For and on behalf of the Board of Directors**

**Viswanath Tadimety**      **Gaston Vandenplas**  
Director                              Director

Trevose, USA                      Belgium  
June 27, 2006                      June 27, 2006



**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
	EURO	INDIAN RUPEES	EURO	INDIAN RUPEES
<b>SCHEDULE '1'</b>				
<b>SHARE CAPITAL</b>				
<b>Issued, Subscribed and Paid-up</b>				
13,26,289 (Previous year 13,26,289) Equity shares of Luxembourg Franc 50 equivalent to Euro 1.239467 each fully paid.	<b>1,643,891</b>	<b>84,313,700</b>	1,643,891	84,313,700
<b>SCHEDULE '2'</b>				
<b>RESERVES AND SURPLUS</b>				
General Reserve				
Balance as per last Balance Sheet	<b>139</b>	<b>6,595</b>	139	6,595
Less: Transferred to Profit and Loss A/c	-	-	-	-
	<b>139</b>	<b>6,595</b>	139	6,595
<b>SCHEDULE '3'</b>				
<b>UNSECURED LOANS</b>				
From Companies	<b>253,000</b>	<b>13,632,020</b>	250,000	14,139,800
	<b>253,000</b>	<b>13,632,020</b>	250,000	14,139,800
<b>SCHEDULE '4'</b>				
<b>CASH AND BANK BALANCES</b>				
With Other Banks in Current Accounts	<b>533</b>	<b>28,696</b>	1,237	69,983
	<b>533</b>	<b>28,696</b>	1,237	69,983
<b>SCHEDULE '5'</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors	<b>3,942</b>	<b>212,427</b>	1,113	62,933
Other Liabilities	<b>1,909</b>	<b>102,760</b>	-	-
	<b>5,851</b>	<b>315,187</b>	1,113	62,933



**SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006**

	For the year 1st April, 2005 to 31st March, 2006	For the period 1st April, 2005 to 31st March, 2006	For the year 1st July, 2004 to 31st March, 2005	For the period 1st July, 2004 to 31st March, 2005
	EURO	INDIAN RUPEES	EURO	INDIAN RUPEES
<b>SCHEDULE '6'</b> <b>OTHER INCOME</b>				
Gross Interest - On Bank Balance	-	-	25	1,456
<b>SCHEDULE '7'</b> <b>OPERATING AND ADMINISTRATIVE EXPENSES</b>				
Professional fees	4,647	250,662	3,400	195,128
Office Expenses	-	-	225	12,913
Exchange Loss	-	-	219	12,591
Miscellaneous expenses	71	3,823	86	4,905
	<b>4,718</b>	<b>254,485</b>	<b>3,930</b>	<b>225,537</b>

**SCHEDULE ' 8 '****ACCOUNTING POLICIES**

1. The Accounts of the company are not prepared on the historical cost convention & going concern basis since the businesses of the operating subsidiaries have been sold/ wound up and the management does not intend to initiate any new activities.
2. Foreign currency transactions, if any, are accounted at exchange rates prevailing on the date the transaction takes place. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment/ realization. Gains/ losses, if any at period end on account of restatement of the current assets and current liabilities, are dealt with in the profit & loss account.
3. Provision for current year tax is made on the basis of the minimum taxes payable each year by the Company in accordance with the laws of Luxembourg. The deferred tax for timing difference is accounted for, based on the tax rules and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising out from the timing differences are recognized only to the extent there is reasonable certainty that these would be realized in future.

**NOTES ON ACCOUNTS:**

1. No deferred tax asset is recognized on account of unabsorbed losses for the year as also earlier years, since the management is in the process of winding up the Company.
2. The management had initiated the winding up of the company as well as its subsidiaries in 2005 and has been completing the procedures in filing the relevant documents for winding up/ liquidating the subsidiaries. The Company's UK subsidiary, CyberTech Information Systems U.K. Limited has been wound up and has ceased to exist with effect from October 25, 2005 as per the intimation from the Companies House. The Company's subsidiary in France, Cyber Information Services, S.P.R.L. has been transferred to the Official Liquidator during October 2005. The Company does not expect to realize any gains or further (losses) on the liquidation of the said subsidiary. Since the affairs of the said subsidiary are no longer in the management's control and the management does not expect to realize any sums of money nor does it expect to pay any claims, the statement of affairs of the said subsidiary have not been prepared. The Company's subsidiary in Belgium has received intimation from the Social Security Department for the payment of dues to the tune of Euro 25,215 equivalent to Rupees 13,60,066. These dues represent the fresh and unexpected claims raised by the Social Security Department towards liabilities for two employees whose employments were severed in the year 2003 at the time of sale of the said subsidiary's business. The said subsidiary expects to complete its liquidation in the financial year 2006-2007.
3. Previous Year figures have been rearranged/ regrouped wherever necessary.



## DIRECTORS' REPORT

The Directors present herewith the Annual Report of the Company together with the Audited Annual Accounts for the year ended 31st March, 2006.

### Financial Highlights:

(Amount in Euros)

	2005 - 06	2004 - 05
Gross Revenue	4,168	537,476
Profit/ (Loss) before Interest & Depreciation	(22,900)	528,097
Interest	0	13,363
Provision for tax	179	414
Profit/ (Loss) after tax	(23,079)	514,320
Free Reserves brought forward from previous year	(68,936)	(583,256)
Amount available for appropriations	(92,015)	(68,936)
<b>Appropriations:</b>		
Balance to be carried forward	(92,015)	(68,936)
Total Appropriations	(92,015)	(68,936)

*\* Figures for the previous year have been regrouped/ rearranged wherever necessary, hence may not be comparable*

### Dividend:

In view of the accumulated losses, the directors do not recommend any dividend.

### Operations:

The Company had sold its operations including various assets, during the financial year 2003-2004. During the two years under review, the Company has not carried out any further activities other than collection of receivables and clearance of dues to various creditors. Management initiated winding up and liquidating the company during the year 2004-2005. Therefore, the Annual Accounts have not been prepared on a 'going concern' basis. Management does not intend to initiate any new activities. Subsequent to year ended March 31, 2006, the Company received intimation from the Social Security Department for the payment of additional dues in the amount of Euro 25,215. The Company expects to complete its liquidation in the year 2007.

### Acknowledgement:

Your Directors place on record their appreciation for the support from Shareholders, Bankers & Others.

**For and on behalf of the Board of Directors**

**Gaston Vandenplas**  
Managing Director

Place : Belgium  
Date : June 27, 2006

---

---

## AUDITORS' REPORT

To,

**THE SHAREHOLDERS OF CYBERTECH INFORMATION SERVICES B.V.B.A.**

We have audited the attached Balance Sheet of CYBERTECH INFORMATION SERVICES B.V.B.A. as at 31st March 2006 and the related Profit & Loss Account for the period ended on that date, both of which have been signed by us under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We further report that :-

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books.
- c. The Balance Sheet and the Profit and Loss Account are in agreement with the books of accounts.
- d. In our opinion, these accounts have been prepared in compliance with the applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanation given to us, the account read together with the notes thereon, particularly note 1 under the head "Accounting Policies" and note 3 under the head "Notes to Accounts" in Schedule 11, give the information required by The Companies Act of India, 1956 ('the Act'), in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006; and
- ii) In the case of Profit and Loss Account, of the loss for the period ended on that date.

**For S.S. Rathi & Co.**  
Chartered Accountants

**Sandeep Shridhar**  
Partner  
Membership No. 102944

Place : Mumbai

Dated : June 28, 2006



**BALANCE SHEET AS AT 31ST MARCH, 2006**

Schedule	As at	As at	As at	As a	
	31st March, 2006	31st March, 2006	31st March, 2005	31st March, 2005	
	EURO	INDIAN RUPEES	EURO	INDIAN RUPEES	
<b>SOURCE OF FUNDS</b>					
<b>Share Holders' Funds</b>					
Share Capital	1	60,332	2,869,389	60,332	2,869,389
Reserves & Surplus	2	6,033	286,939	6,033	286,939
		66,365	3,156,328	66,365	3,156,328
<b>APPLICATION OF FUNDS</b>					
<b>Current Assets, Loans &amp; Advances</b>					
Cash and Bank Balances	3	553	29,785	12,931	731,373
Loans and Advances	4	1,298	69,918	1,298	73,392
		1,851	99,703	14,229	804,765
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	5	27,501	1,481,792	16,800	950,221
<b>Net Current Assets/ (Liabilities)</b>		(25,650)	(1,382,089)	(2,571)	(145,456)
<b>Profit And Loss Account - Loss</b>		92,015	4,538,417	68,936	3,301,784
		66,365	3,156,328	66,365	3,156,328

Significant Accounting Policies and Notes to the Accounts **9**

As per our attached report of even date  
For **S.S. Rathi & Co.**  
Chartered Accountants

**Sandeep Shridhar**  
Partner  
Membership no. 102944

Place : Mumbai  
Date : June 28, 2006

**For and on behalf of the Board of Directors**

**Gaston Vandenplas**  
Director

Belgium  
June 27, 2006

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2006**

Schedule	For the year 1st April,2005 to 31st March, 2006	For the period 1st April, 2005 to 31st March, 2006	For the year 1st July, 2004 to 31st March, 2005	For the period 1st July, 2004 to 31st March, 2005
	EURO	INDIAN RUPEES	EURO	INDIAN RUPEES
<b>INCOME</b>				
Other Income	4,168	224,823	537,476	30,846,033
	<b>4,168</b>	<b>224,823</b>	<b>537,476</b>	<b>30,846,033</b>
<b>EXPENDITURE</b>				
Employee costs	26,139	1,409,894	420	24,121
Operating and Administrative expenses	929	50,099	8,959	514,133
Interest	-	-	13,363	766,935
Exchange (Gain)/ Loss	-	(8,197)	-	338,645
	<b>27,068</b>	<b>1,451,796</b>	<b>22,742</b>	<b>1,643,834</b>
Profit/ (Loss) for the year	<b>(22,900)</b>	<b>(1,226,973)</b>	514,734	29,202,199
Provision for tax	179	9,660	414	23,787
Balance of Profit/(Loss) Brought Forward	<b>(68,936)</b>	<b>(3,301,784)</b>	(583,256)	(32,480,196)
Balance Carried Forward to the Balance Sheet	<b>(92,015)</b>	<b>(4,538,417)</b>	(68,936)	(3,301,784)

Significant Accounting Policies and  
Notes to the Accounts

**9**

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

For **S.S. Rathi & Co.**  
Chartered Accountants

**Sandeep Shridhar**  
Partner  
Membership no. 102944

Place : Mumbai  
Date : June 28, 2006

For and on behalf of the Board of Directors

**Gaston Vandenplas**  
Director

Belgium  
June 27, 2006



**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
	EURO	INDIAN RUPEES	EURO	INDIAN RUPEES
<b>SCHEDULE '1'</b> <b>SHARE CAPITAL</b> <b>ISSUED, SUBSCRIBED AND PAID-UP</b> 38,000 (Previous year 38,000) Equity shares of Belgian Franc 50 equivalent to Euro 1.5877 each fully paid.	<b>60,332</b>	<b>2,869,389</b>	60,332	2,869,389
<b>SCHEDULE '2'</b> <b>RESERVES AND SURPLUS</b>				
a) General Reserve				
Balance as per last Balance Sheet	<b>6,033</b>	<b>286,939</b>	6,033	286,939
Less: Transferred to Profit and Loss A/c	<b>0</b>	<b>0</b>	0	0
	<b>6,033</b>	<b>286,939</b>	6,033	286,939
<b>SCHEDULE '3'</b> <b>CASH AND BANK BALANCES</b>				
Bank Balances				
With Other Banks				
- in Current Accounts	<b>553</b>	<b>29,785</b>	12,931	731,373
	<b>553</b>	<b>29,785</b>	12,931	731,373
<b>SCHEDULE '4'</b> <b>LOANS AND ADVANCES</b>				
Unsecured, Considered good)				
Advances recoverable in cash or in kind or for value to be received	<b>1,298</b>	<b>69,918</b>	1,298	73,392
	<b>1,298</b>	<b>69,918</b>	1,298	73,392

**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2006**

	For the year 1st April,2005 to 31st March, 2006	For the period 1st April, 2005 to 31st March, 2006	For the year 1st July, 2004 to 31st March, 2005	For the period 1st July, 2004 to 31st March, 2005
	EURO	INDIAN RUPEES	EURO	INDIAN RUPEES
<b>SCHEDULE '5'</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors	1,404	75,644	7,870	445,143
Other Liabilities	26,097	1,406,148	8,930	505,078
	<b>27,501</b>	<b>1,481,792</b>	16,800	950,221

**SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2006**

<b>SCHEDULE '6'</b>				
<b>OTHER INCOME</b>				
Bad Debts recovered	3,914	211,130	-	-
Balances written back	-	-	445,194	25,549,941
Exchange Gain	-	-	92,271	5,295,459
Miscellaneous income	254	13,693	11	633
	<b>4,168</b>	<b>224,823</b>	537,476	30,846,033
<b>SCHEDULE '7'</b>				
<b>EMPLOYEE COSTS</b>				
Salaries	-	-	420	24,121
Contribution to Provident and other funds	26,139	1,409,894	-	-
	<b>26,139</b>	<b>1,409,894</b>	420	24,121
<b>SCHEDULE '8'</b>				
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>				
Bank Charges	115	6,228	-	-
Communication	30	1,618	-	-
Insurance	-	-	335	19,231
Rent	163	8,811	1,245	71,451
Rates and Taxes	600	32,363	-	-
Professional fees	-	-	5,000	286,953
Miscellaneous expenses	21	1,079	2,379	136,498
	<b>929</b>	<b>50,099</b>	8,959	514,133



## **SCHEDULE ' 9 '**

### **ACCOUNTING POLICIES**

1. The Accounts of the company are not prepared on the historical cost convention & going concern basis since the management does not intend to carry out any new activities and has initiated the winding up proceedings.
2. Foreign currency transactions, if any, are accounted at exchange rates prevailing on the date the transaction takes place. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment/ realization. Gains/ losses, if any at period end on account of restatement of the current assets and current liabilities, are dealt with in the profit & loss account.
3. Provision for current year tax is made in accordance with the laws of the Belgium. The deferred tax for timing difference is accounted for, based on the tax rules and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising out from the timing differences are recognized only to the extent there is reasonable certainty that these would be realized in future.

### **NOTES ON ACCOUNTS:**

1. Remuneration given to the Directors for the year = Euro NIL (Previous year Euro Nil)
2. No deferred tax asset is recognized on account of unabsorbed losses for the year, as also earlier years, since the management is in the process of winding up the Company.
3. The management had initiated winding up and liquidating the company during the year 2005. During the year 2006 the Company received intimation from the Social Security Department for the payment of dues to the tune of Euro 25,215 equivalent to Rs. 1,360,066. These dues represent the fresh and unexpected claims raised by the Social Security Department towards liabilities for two employees whose employments were severed in the year 2003 at the time of sale of the said subsidiary's business. The management expects to complete the liquidation of the Company in the financial year 2006-2007.
4. Previous Year figures have been rearranged/ regrouped wherever necessary.