

Cybertech House



CyberTech
Systems and Software Ltd.

12th
Annual Report
2006-2007



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BOARD OF DIRECTORS

Viswanath Tadimety

Chairman

Anant Rajwade

Director

Ashok Datar

Director

Arun Shah

Director

Prakash Kenjale

Director

from 28.09.2006

C.N. Rao

Executive Director

from 09.10.2006

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

UTI Bank Limited

ICICI Bank Limited

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,

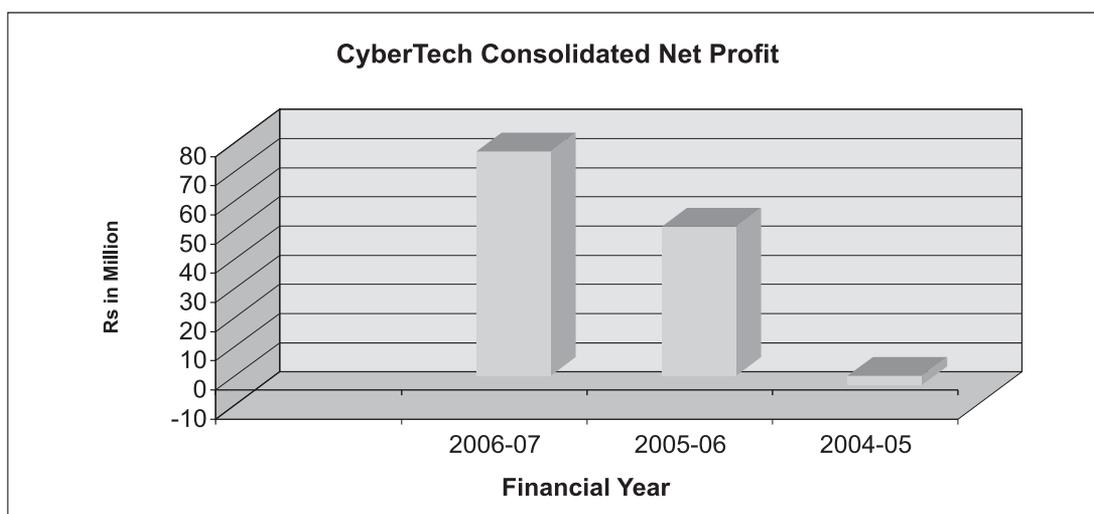
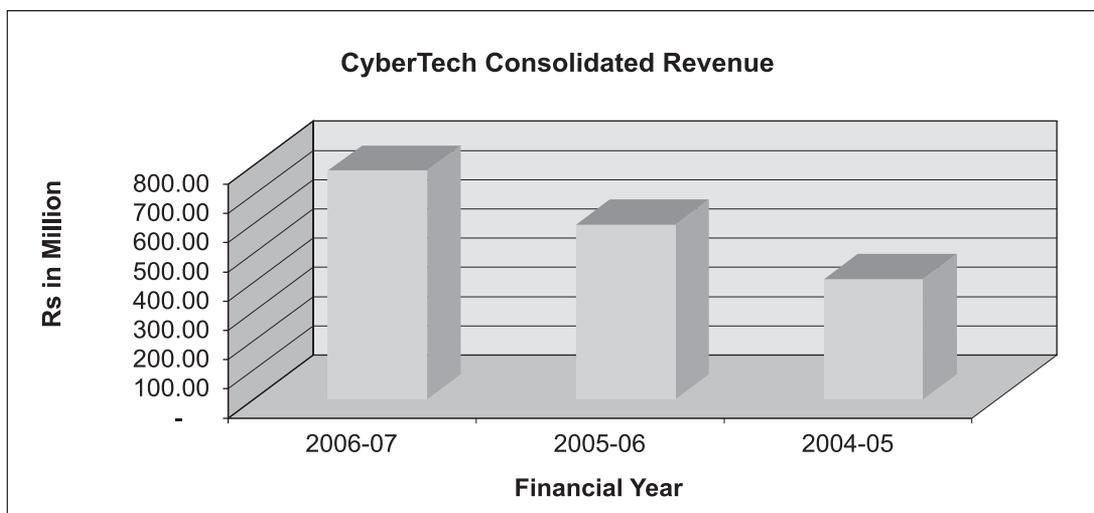
J. B. Sawant Marg, MIDC,

Wagle Estate, Thane (West) - 400 604

FINANCIAL HIGHLIGHTS

(Rs. In Million)

| | Consolidated | | | Standalone | | |
|-------------------|--------------|-------------|------------|-------------|-------------|------------|
| | 2006-07 | 2005-06 | 2004-05 | 2006-07 | 2005-06 | 2004-05 |
| | (12 Months) | (12 Months) | (9 Months) | (12 Months) | (12 Months) | (9 Months) |
| Total Revenue | 782.26 | 596.88 | 411.13 | 217.14 | 100.49 | 70.94 |
| Net Profit | 76.95 | 51.13 | (3.21) | 70.51 | 44.10 | (5.95) |
| Net Worth | 464.88 | 405.47 | 354.26 | 447.56 | 386.96 | 342.78 |
| Earning per Share | 3.10 | 2.20 | (0.14) | 2.84 | 1.90 | (0.26) |





Vish Tadmety

LETTER TO FELLOW SHAREHOLDERS

My Fellow Shareholders,

It gives me immense pleasure to report that our Company has achieved a revenue growth of 131% and net profit growth of 561% on a consolidated basis for the year ending March 31 2007. As several long term shareholders have observed, there has been a significant improvement of the Company's performance over the last three years. This strong performance is a result of several strategic initiatives under taken by the Company on multiple fronts. Protection and enhancement of shareholder value continues to be my utmost goal.

As I have stated in my past letters, our Company objectives continue to remain the same:

- 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 Tax challenges,
- d. Keep the Company debt free, unless financing productive assets,
- e. Restore the Company Dividend over time, and
- f. Grow our business.

I am extremely happy to report that substantial progress has been achieved on each of these priority areas:

- The Company continues to focus on the offshore model which is more cost effective and profitable. Except for the Public Sector business, all work continues to be offshore oriented.
- While our properties at Andheri and the excess capacity at Thane continue to generate revenue, our own use of the Thane property is also optimised.
- During the year the ITAT has recalled its earlier orders denying certain claims made by the Company for the assessment years 1997-2000. These matters will now be re-examined on merits at ITAT. While on one hand tax demands have reduced as a

result of this step, more importantly, the complex tax interpretations seem coming to be conclusively determined in our favour. Assessments for subsequent years have been completed without any additional liability.

- The Company continues to be debt free.
- The Directors have recommended a dividend of Re.1 per share (10% on the face value) after a gap of six years.

As you can see from these achievements and progress we have made, we are right on target to our objectives.

We continue to enjoy the confidence of our customers resulting in opportunities of significant size. The continued support of our customers is an indication of their confidence in our cost effective delivery capabilities. The focus on quality of services has ensured continuous customer loyalty, success ratio of renewal of contracts from existing customers being higher than 90%. We have created a strong base for sustainable growth with deeper customer relationships and focus on offshore services.

Business Outlook

The Indian IT Services market has witnessed strong growth over the last few years, on the back of increased offshoring and outsourced initiatives. More and more global corporations are trying to improve their cost efficiency and, thus, outsourcing their technology requirements to low cost countries like India. Offshoring has been accepted as a major strategic decision that can enhance the competitive advantages of global corporations.

The Company maintains its focus on services around SAP and GIS with emphasis on offshore development and support. The Company has been recently selected from a small group of partners to work on a product pioneered jointly by SAP and Microsoft. Strengthened relationships with SAP and ESRI will help win new customers. Focus on growth of offshore business would improve profitability.

High employee attrition continues to damage the performance of Indian software companies to a certain extent. We have an attrition rate of 27% which is comparable to the industry levels. While fresh and junior talent is abundant, finding good expertise at senior levels has become difficult. Wage inflation is high and this paired with strong Indian Rupee is putting pressure on the margins. Several measures to enhance employee satisfaction and retain their loyalties are being undertaken to maintain the attrition rate at a reasonable level.

Growth of Company's revenue and profits will be my top priority for the foreseeable future. While we are focused on organic growth to increase top line, we will be looking for synergistic business combinations that are offshore oriented. Our financial status is strong; we continue to remain a debt free business and will be leveraging our balance sheet strength and assets to fund any such activity.

The Management team of the Company is able and focused. I am grateful to the Sales, Delivery and Financial Leaders of the company for their unstinted support to our efforts to enhance shareholder value. We have always considered our employees to be our biggest asset and I wish to record my sincere appreciation to their dedicated efforts.



I thank Bansi S Mehta & Co, Chartered Accountants and Mr. Farook Irani 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 thank the Special Advisor to the Chairman for his substantial help. I also would like to thank all our clients for their continued support of your Company.

Mr. Ashok Datar, who has been associated with the Company as a Director since inception, retires at the forthcoming Annual General Meeting. Mr Datar has expressed his desire not to offer himself for re-appointment in view of his other commitments. I am grateful to Mr. Datar for the valuable contribution made by him during his tenure on the Board. I, on my own behalf and on behalf of the Board, wish to place on record my sincere appreciation for the valuable services rendered by Mr. Datar.

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



Viswanath Tadimety
Chairman



Steven Jeske
Chief Financial Officer
(Group)



C.N. Rao
Executive Director



Ravi Rengan
President (Global Sales)



Harsha K. U.
Chief Delivery Officer

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, 2007. 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.

FINANCIAL RESULTS:

(Rs. in millions)

| | Stand Alone | | Consolidated | |
|---|-------------|-----------|--------------|-----------|
| | 2006-2007 | 2005-2006 | 2006-2007 | 2005-2006 |
| Gross Revenue | 217.14 | 100.48 | 782.26 | 596.88 |
| Profit before Interest & Depreciation | 66.96 | 11.59 | 84.17 | 28.64 |
| Interest | 0.10 | 0.02 | 0.72 | 0.86 |
| Depreciation | 15.09 | 10.97 | 21.33 | 17.86 |
| Profit/(Loss) before tax | 51.76 | 0.59 | 62.12 | 11.07 |
| Exceptional Items | - | 13.00 | - | 13.01 |
| Provision for tax (includes fringe benefits) | (2.41) | (.72) | (6.32) | (5.69) |
| Income Tax adjustments for earlier year's -credit | 21.16 | 31.22 | 21.16 | 32.74 |
| Profit/(Loss) after tax | 70.51 | 44.10 | 76.95 | 51.13 |
| Accumulated losses b/f from previous year | (241.69) | (285.79) | (223.18) | (274.31) |
| Brought Forward losses adjusted against Share Premium Account | 241.69 | - | 241.69 | - |
| Provision for Dividend (includes dividend tax of Rs. 4.20 million) | (28.90) | - | (28.90) | - |
| Balance to be carried forward | 41.61 | (241.69) | 66.57 | (223.18) |

DIVIDEND:

Your Directors have the pleasure of recommending a dividend of Re.1 (10% on the nominal value of Rs.10) per share 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 2006-07 amounted to Rs 217.14 million as compared to Rs 100.48 million during the previous year. This represents an increase of 116.10%. Total revenue is comprised of revenue from operations and other income, as follows.
- Revenue from Operations for the year ended March 31, 2007 amounted to Rs. 163.32 million vs. Rs. 92.16 million for the previous year. Operating revenue includes both software support and development activities and revenue according to the

terms of the JVC. The revenue has shown a substantial growth as a result of expanded client focus on the benefits of offshore services.

- Other Income increased to Rs. 53.82 million from Rs. 8.32 million. Other income is higher as a result of receipt of full year's income from the Company's properties and facilities.
- Profit before interest, depreciation and tax increased to Rs. 66.96 million from Rs. 11.59 million in the previous year. This marks an increase of 577.74% over the previous year.
- The Company recorded the benefit of reversing the excess income tax provision made in the earlier years as a result of favorable findings in appeals.
- As a result of the above, Profit after tax for the year ended March 31, 2007 amounted to Rs. 70.51 million compared to Rs. 44.10 million in the previous year.

The Company's primary focus continues to be delivering offshore development and support projects in the Company's core technology areas. Careful resolution of outstanding disputes in its income tax matters and increased utilization of available assets and properties have yielded desired results.

REVIEW OF CONSOLIDATED PERFORMANCE:

On a Consolidated Basis, the Company reported total revenue during the year of Rs 782.26 million as compared to Rs 596.88 million during the previous year marking an increase of 31.06%.

Profit after tax for the year ended March 31, 2007 amounted to Rs. 76.95 million compared to Rs. 51.13 million in the previous year. This included the impact of 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.

PREFERENTIAL ISSUE OF SHARES AND WARRANTS

Pursuant to the resolution passed at the Annual General Meeting held on 18th September 2006, the Company allotted 15,00,000 equity shares and 17,50,000 share warrants to a promoter and a key management person. The shares were issued at a premium of Rs.2.60 per share. The warrants are convertible into shares at a premium of Rs. 3.25 per share any time after twelve months but not later than eighteen months from the date of allotment.

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 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 three 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 28.732 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 over the period of the agreement, which has been met during the year.

WHOLLY OWNED SUBSIDIARY IN USA

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

CyberTech Systems & Software, Inc. (USA) reported operating profit of Rs. 14.193 million before interest, depreciation and tax on revenue of Rs. 661.881 million. Net profit after tax aggregated Rs. 4.045 million. This subsidiary has been profitable since its inception and continues to contribute 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, France and Belgium have formally filed for liquidation. Now that the operating subsidiaries have ceased operating and been granted status in the courts, CyberTech Europe will file for liquidation and cease to exist.

SUBSIDIARY COMPANIES' ACCOUNTS

The statement required pursuant to section 212 of the Companies Act, 1956, containing details of the subsidiaries, CyberTech Systems & Software Inc, USA, and CyberTech Europe, S.A. is attached hereto.

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 recalling its earlier orders in respect of the Assessment Years 1997-98 to 1999-2000. For the remaining two years, the adjudicating authorities have accepted the company's views and cancelled the demands. For further details, refer to Note 9 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.

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 six directors of which four directors were considered to be independent directors. Mr. Prakash Kenjale joined the Board as a Director effective 28th September 2006 and Mr. C. N. Rao joined as whole time Executive

Director effective 9th October 2006. Mr. Prakash Kenjale and Mr. C. N. Rao retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Viswanath Tadimety and Mr. Ashok Datar, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Mr. Viswanath Tadimety being eligible, offers himself for re-appointment. Mr. Ashok Datar however, has expressed his inability to offer himself for re-appointment in view of his other commitments. The Directors wish to place on record their sincere appreciation for the valuable services rendered by Mr. Datar during his tenure on the Board.

Necessary resolutions for appointment / re-appointment of the aforesaid directors have been included in the Notice convening the ensuing Annual General Meeting.

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, 2007, 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 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 Company has not paid any remuneration attracting the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975. Hence, no information is required to be appended to this report in this regard.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure to this Report.



EMPLOYEES STOCK OPTION PLAN

The position of ESOPs granted and exercised during the year is as under.

No. of options granted:

| Date of Grant | No. of Options Granted | Rate |
|------------------|------------------------|-----------|
| April 26, 2006 | 400,000 | Rs. 11.38 |
| October 27, 2006 | 92,500 | Rs. 15.73 |

Pricing formula:

The share price to be paid on exercise of option was fixed after taking into consideration the closing prices of the Company's shares on BSE and NSE and the turnover on the day of allotment and the higher of such price was fixed.

Options vested:

A total of 339,320 options vested during the year.

Options exercised and number of shares arising out of such exercise:

Two grantees exercised their options during the year for a total of 8270 shares.

There was no variation in the terms of options.

Money realized on exercise of options: Rs. 93,884

Employee wise details of ESOPs granted to senior managerial personnel:

| | |
|------------------|---------|
| Mr. Steven Jeske | 200,000 |
| Mr. Ravi Rengan | 100,000 |
| Mr. K.U. Harsha | 50,000 |
| Mr. Rao Papineni | 25,000 |
| Mr. Rama Sharma | 25,000 |

The Company did not grant more than 1% of the issued capital of the Company to any one person as of 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 24, 2007

Viswanath Tadimety

Chairman

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, 2007.

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. 17,66,726 |
| | • Outgo (Travel Expenses) | : | Rs. 54,20,815 |
| | • Income | : | Rs. 16,33,18,279 |



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance 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 24, 2007

REPORT ON CORPORATE GOVERNANCE

We are pleased to submit hereunder a detailed report on Corporate Governance as prescribed by Securities and Exchange Board of India (SEBI) under Clause 49 of the Listing Agreement.

We have implemented 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 adopting best practices in the area of corporate governance as a means of effectively protecting and enhancing shareholder value. CyberTech continues to focus on delivering predictable revenues with consequential profits. It would be our endeavour to nurture sustained growth with increased profit margins and enhanced shareholder value. CyberTech believes that transparency in operations strengthens investors' confidence. Keeping this in view, the responsibility for upholding high standards of corporate governance lies with the Board and the various Committees of the Board. Details of corporate governance practices followed in CyberTech are detailed hereunder.

Model code of Conduct for Directors and Senior Management Team

In line with the requirements under revised Clause 49 of the Listing Agreement, your Company has formulated model code of conduct for the Directors and members of senior management team. Your Company has obtained written declaration from the Directors and members of the senior management team affirming compliance with the Code of Conduct under revised Clause 49 of the Listing Agreement.

Composition of the Board of Directors:

Composition of the six-member Board is as follows :

| | | |
|---|------------------------|---|
| 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. Prakash Kenjale | Inducted as Independent Director w.e.f. September 28, 2006 |
| 6 | Mr. C.N.Rao | Appointed as Executive Director of the Company w.e.f. October 9, 2006 |

During the period April 1, 2006 to March 2007, the Board met eight times. Dates of the Board Meetings and attendance thereat are furnished hereunder :

| Date of Board Meeting | April 26, 2006 | June 28, 2006 | July 06, 2006 | July 27, 2006 | August 16, 2006 | September 28, 2006 | October 27, 2006 | January 31, 2007 |
|--------------------------|----------------|---------------|---------------|---------------|-----------------|--------------------|------------------|------------------|
| Board Strength | 4 | 4 | 4 | 4 | 4 | 4 | 6 | 6 |
| No. of Directors Present | 4 | 4 | 4 | 3 | 3 | 2 | 4 | 5 |

Attendance of individual Director at the Board Meetings :

| Name of Director | No. of Board Meetings held during tenure | No. of Board Meetings attended | Attendance at last AGM |
|-----------------------|--|--------------------------------|------------------------|
| Mr.Viswanath Tadimety | 8 | 4 | Attended |
| Mr. Anant Rajwade | 8 | 8 | Attended |
| Mr. Ashok Datar | 8 | 6 | Not attended |
| Mr. Arun Shah | 8 | 8 | Attended |
| Mr.Prakash Kenjale | 2 | 1 | Inducted after AGM |
| Mr. C.N.Rao | 2 | 2 | Appointed after AGM |

Mr. Viswanath Tadimety joined deliberations on-line when not in station.



Data indicating number of other Directorships held by the Directors of the Company is given below :

| Name of Director | PD/* ID/ED | No. of other Directorship(s)** | Committee Membership | Committee Chairmanship |
|-----------------------|---------------|-----------------------------------|-------------------------|---------------------------|
| Mr.Viswanath Tadimety | PD | - | - | - |
| Mr. Anant Rajwade | ID | 6 | 3 | 2 |
| Mr. Ashok Datar | ID | 1 | - | - |
| Mr. Arun Shah | ID | 11 | 7 | 2 |
| Mr.Prakash Kenjale | ID \$ | 1 | 1 | - |
| Mr. C.N.Rao | ED @ | - | - | - |

* PD - Promoter Director, ID - Independent Director, ED - Executive Director

** Excludes directorships on Indian Private Limited Companies and foreign companies.

\$ Independent Director having 31 years of rich experience in Information Technology Industry, inducted into the Board on September 28, 2006.

@ A law graduate and a member of all three professional Institutes viz. Institute of Chartered Accountants of India, Institute of Costs and Works Accountant of India and Institute of Company Secretaries of India, with over 37 years of professional experience, was appointed as Executive Director with effect from October 9, 2006.

Audit Committee:

Composition of the Audit Committee

| | | |
|---|-------------------|----------|
| 1 | Mr. Anant Rajwade | Chairman |
| 2 | Mr. Ashok Datar | Member |
| 3 | Mr. Arun Shah | Member |

Members of the Audit Committee, who are also on the Board, possess adequate knowledge in areas of corporate finance, accounts and company law.

The terms of reference of the Audit Committee, inter-alia, include :

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

Five Audit Committee Meetings were held during the Financial Year on June 28, 2006, July 27, 2006, October 27, 2006, December 8, 2006 and January 31, 2007. Attendance thereat is as follows :

| Director | No. of committee meetings attended |
|-------------------|------------------------------------|
| Mr. A. V. Rajwade | 5 |
| Mr. A. R. Datar | 4 |
| Mr. Arun Shah | 5 |

Remuneration / Compensation Committee:

Composition of the Remuneration Committee

| | | |
|---|------------------------|----------|
| 1 | Mr. Anant Rajwade | Chairman |
| 2 | Mr. Ashok Datar | Member |
| 3 | Mr. Arun Shah | Member |
| 4 | Mr. Viswanath Tadimety | Member |

The functions of the Remuneration Committee 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; and
- to frame suitable regulations for ensuring 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 indicating details of eligible employees to whom options under ESOP would be granted.

Three Remuneration Committee Meetings were held during the Financial Year on April 26, 2006, September 28, 2006 and October 27, 2006. Attendance thereat is as follows :

| Director | No. of Committee Meetings attended |
|------------------------|------------------------------------|
| Mr. Anant Rajwade | 3 |
| Mr. Ashok Datar | 2 |
| Mr. Arun Shah | 3 |
| Mr. Viswanath Tadimety | 1 |

Details of remuneration paid to the Directors and the Executive Director for Financial Year 2006- 2007

| Name | Designation | Salary | Sitting fees | Total (Rs.) | Notice Period |
|--|--------------------|---------|--------------|-------------|---------------|
| Mr. Viswanath Tadimety | Chairman | Nil | 25,000 | 25,000 | Nil |
| Mr. Anant Rajwade | Director | Nil | 80,000 | 80,000 | Nil |
| Mr. Ashok Datar | Director | Nil | 60,000 | 60,000 | Nil |
| Mr. Arun Shah | Director | Nil | 80,000 | 80,000 | Nil |
| Mr. Prakash Kenjale (From September 28, 2006) | Director | Nil | 5,000 | 5,000 | Nil |
| Mr C.N.Rao (From October 9, 2006) | Executive Director | 573,699 | Nil | 573,699 | 3 months |

Shareholders'/Investors' Grievance Committee:

Composition of the Investors' Grievance Committee:

| | | |
|---|-----------------------|----------|
| 1 | Mr. Ashok Datar | Chairman |
| 2 | Mr.Viswanath Tadimety | Member |
| 3 | Mr. Arun Shah | Member |

The Board has authorized the Committee to approve the share transfers/ transmissions, issue of duplicate share certificates, 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 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, to the Shareholders'/ Investors' Grievance Committee.

The Company has one investor complaint outstanding as on date, which is sub-judice.

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

Exclusive e-mail id for Investor Grievances : Invcomp.thakur@Cybertech.com

General Body meetings:

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

| Particulars | FY 2003-2004 | FY 2004-2005 | FY 2005-2006 |
|------------------------|--|--|--|
| Date & Time | December 22, 2004 / 4.00 p.m. | August 23, 2005 / 4.00 p.m. | September 18, 2006 / 4.00 p.m. |
| Venue | '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 three AGMs

On December 22, 2004 the following two Special resolutions were passed :

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

On August 23, 2005 one special resolution was passed to authorise allotment of ESOPs to non-executive directors as required under revised Clause 49 of the Listing Agreement.

On September 18,2006 the following two special resolutions were passed :

- (1) Resolution pursuant to Section 81(1A) of the Companies Act, 1956 approving the offer of 15,00,000 shares on preferential basis to a promoter and a key management person in accordance with SEBI (Disclosure and Investor Protection) Guidelines For Preferential Issue, 2000.
- (2) Resolution according permission to make an application to the High Court of Judicature at Bombay to utilize a portion of Securities Premium Account (up to Rs. 24,16,95,323) to write off accumulated losses of the Company.

The above special resolutions were passed at the meetings and none of them required postal ballot.

Disclosures

- (1) There have been no materially significant related party transactions that may have potential conflict with the interests of company at large.
- (2) Details of non-compliance by the Company, penalties, and 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.
- (3) The Company has not announced Whistle Blower policy but no personnel has been denied access to the Audit Committee.
- (4) Details of compliance with mandatory requirements of this clause : The Company has complied with all mandatory requirements under Clause 49 of the Listing Agreement.

Means of Communication

- (1) Quarterly results are also put on the website of the Company and filed electronically with SEBI under EDIFAR.
- (2) Newspapers wherein results normally published : Free Press Journal and Navashakti.
- (3) Any website, where displayed : www.cybertech.com
- (4) Whether it also displays official news release : Yes
- (5) The presentation made to institutional investors or to the analysts : No.

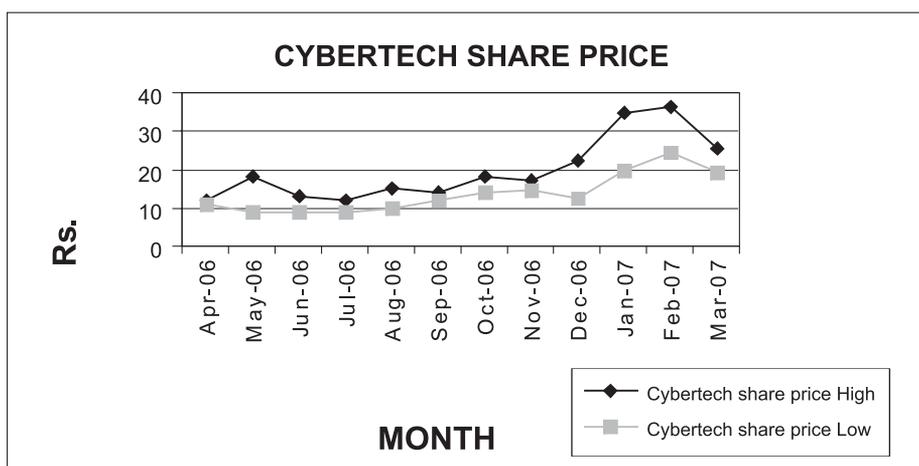
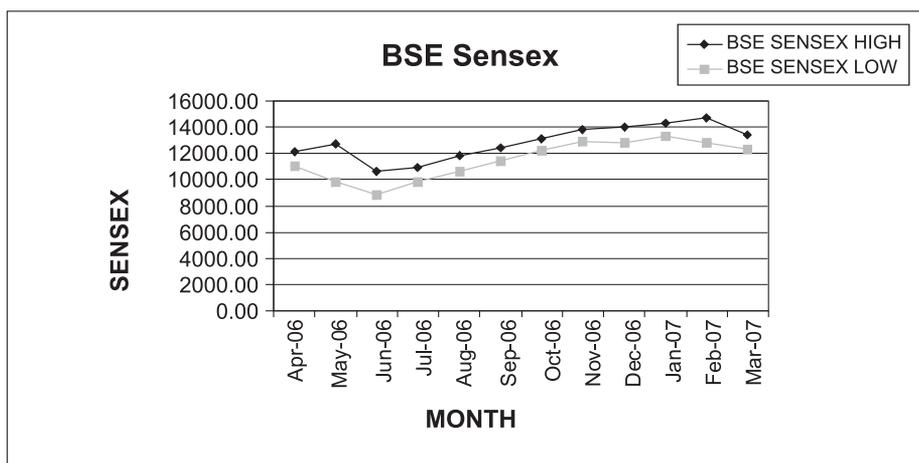
General Shareholder information:

- i. AGM : Date August 24, 2007
- ii. Time : 4.00 p.m.
- iii. Venue : CyberTech House, MIDC Wagle Industrial Estate, Thane
- iv. Financial year : 2006-07
- v. Date of book closure : August 20, 2007 to August 24, 2007
- vi. Dividend Payment : Dividend if approved in the AGM shall be paid/credited on or after August 25,2007.
- vii. Listing on Stock Exchanges and Code :
 - (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 2006 | 12.03 | 10.71 | 11.95 | 10.85 |
| May 2006 | 18.00 | 10.95 | 18.15 | 10.95 |
| June 2006 | 13.10 | 9.11 | 13.35 | 9.05 |
| July 2006 | 11.75 | 8.91 | 12.00 | 9.05 |
| August 2006 | 15.15 | 9.85 | 15.00 | 9.75 |
| September 2006 | 13.89 | 12.05 | 14.00 | 12.10 |
| October 2006 | 18.36 | 14.26 | 18.20 | 14.25 |
| November 2006 | 17.30 | 14.50 | 16.90 | 14.50 |
| December 2006 | 22.55 | 12.33 | 22.25 | 12.50 |
| January 2007 | 34.80 | 19.50 | 35.00 | 19.40 |
| February 2007 | 36.15 | 24.70 | 36.70 | 24.50 |
| March 2007 | 25.50 | 19.95 | 26.40 | 19.80 |

ix. Performance in comparison to Broad-based indices such as BSE Sensex, CRISIL index etc.





- x. Registrar and Transfer Agents : Intime Spectrum Registry Limited, C 12, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai 400078.
- 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 lodgement 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 March 31, 2007

| Category | No. of shares held | % |
|-----------------------------------|--------------------|-------|
| Promoters (Non resident) | 5956046 | 24.11 |
| Relatives of Promoters | 605572 | 2.45 |
| Directors and their relatives | 11250 | 0.05 |
| FII's/FFI's | 575 | 0 |
| Foreign Venture Capital Investors | 8458788 | 34.26 |
| Bodies Corporate(Domestic) | 927942 | 3.76 |
| Non-Resident Indians/OCBs | 1279622 | 5.18 |
| Public | 7405011 | 29.98 |
| Mutual Funds | 0 | 0 |
| Bank/Insurance Companies | 48151 | 0.19 |
| In Transit (Depositories) | 7286 | 0.03 |
| Total | 24700243 | 100 |

Distribution of Shareholding as on March 31, 2007

| No. of shares held | Shareholders | | Nominal value | |
|--------------------|--------------|---------|---------------|---------|
| | Nos. | % | Rs. | % |
| 1- 5000 | 10522 | 82.1260 | 16337690 | 6.6140 |
| 5001- 10000 | 1066 | 8.3200 | 8772380 | 3.5520 |
| 10001- 20000 | 585 | 4.5660 | 8919540 | 3.6110 |
| 20001 - 30000 | 199 | 1.5530 | 4988590 | 2.0200 |
| 30001 - 40000 | 73 | 0.5700 | 2623360 | 1.0620 |
| 40001 - 50000 | 78 | 0.6090 | 3721310 | 1.5070 |
| 50001 - 100000 | 125 | 0.9760 | 9274460 | 3.7550 |
| 100001 & above | 164 | 1.2800 | 192365100 | 77.8800 |
| Total | 12812 | 100 | 247002430 | 100 |

Dematerialization of shares and liquidity

At present 137,96,486 shares (55.8557% of total equity shares) of the Company are held by the Shareholders in dematerialized form.

- xiii. Outstanding GDRs /ADRs /Warrants or any Convertible instruments, Conversion date and likely impact on equity : The Company has not issued any GDRs /ADRs/ or convertible instruments.

The Company had allotted 1750000 warrants on September 28, 2006 at a price of Rs 13.25 per warrant. The Company has received 10% of the amount against the allotment. These warrants are convertible into shares of Rs 10 each at a premium of Rs 3.25 per share after 12 months and before 18 months from the date of allotment.

- xiv. Plant Locations : Not applicable
- xv. Address for correspondence: CyberTech House, Plot No.B-63/64/65, Road No. 21/34, J.B. Sawant Marg, MIDC, Wagle 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, 2007, 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) 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) 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;
 - (e) On the basis of written representations received from the directors as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Note no. 8 regarding investment of Rs. 941.61 lacs in a joint venture company and Note no. 18 regarding directors' remuneration, pending approval of the shareholders in the ensuing Annual General Meeting in "Significant Accounting Policies and Notes to the Accounts" in Schedule 15 and other notes 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, 2007;
 - 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 : May 30, 2007



ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007 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 fully provided for.
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, 2007 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) | Period to which it relates |
|-------------|-------------------------------------|---------------------|------------------------------|
| Income Tax | Income Tax Appellate Tribunal | 132.69 | A.Y. 1997-98 to 1999-2000 |
| Service Tax | Assistant Commissioner, Service Tax | 66.07 | A.Y. 1998-99 to 2003-2004 |

10. The Company's does not have accumulated losses at the end of the financial year and 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. In the opinion and according to the information and the explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund / society, Accordingly the provisions of clause 4(xiii) of the Order are not applicable to the company.
14. The Company is not a dealer or trader in shares, securities, debentures and other investments.
15. 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 insitutions.
16. According to the information and explanations given to us, the Company has not taken any term loans during the year.
17. According to the information and explanations given to us, the Company has not raised any funds on short term basis.
18. The Company has made preferential allotment of shares to a party covered in the register maintained under Section 301 of the Act and the price at which the shares are issued is not prejudicial to the interest of the Company.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing 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 : May 30, 2007



BALANCE SHEET AS AT 31ST MARCH, 2007

| Schedule | (Rs.) | As at 31st March, 2007 (Rs.) | As at 31st March, 2006 (Rs.) |
|---|-------|------------------------------------|------------------------------------|
| SOURCES OF FUNDS | | | |
| Shareholder's funds | | | |
| Share Capital | 1 | 247,002,430 | 231,919,730 |
| Reserves & Surplus | 2 | 200,553,510 | 396,731,185 |
| | | 447,555,940 | 628,650,915 |
| Share Warrant Money (Refer Note No. 5 in Schedule 15) | | | |
| | | 2,318,750 | - |
| Secured Loan | 3 | 1,232,411 | 514,098 |
| | | 451,107,101 | 629,165,013 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 4 | 360,211,888 | 337,473,861 |
| Less: Depreciation | | 154,697,453 | 147,218,607 |
| Net Block | | 205,514,435 | 190,255,254 |
| Capital Work-in-Progress | | 819,392 | 10,682,582 |
| | | 206,333,827 | 200,937,836 |
| Assets held for disposal | | | |
| | | - | 15,000,000 |
| Investments | 5 | 166,729,641 | 166,731,141 |
| Current Assets, Loans And Advances | | | |
| Sundry Debtors | 6 | 91,245,586 | 25,419,064 |
| Cash and Bank Balances | 7 | 17,412,623 | 2,169,707 |
| Loans and Advances | 8 | 51,353,597 | 12,256,722 |
| | | 160,011,806 | 39,845,493 |
| Less: Current Liabilities And Provisions | | | |
| Current Liabilities | 9 | 48,014,630 | 31,282,820 |
| Provisions | 10 | 33,953,543 | 4,018,386 |
| | | 81,968,173 | 35,301,206 |
| Net Current Assets | | | |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | 11 | 78,043,633 | 4,544,287 |
| | | - | 256,426 |
| Profit And Loss Account - (Loss) | | - | 241,695,323 |
| | | 451,107,101 | 629,165,013 |

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

C.N. Rao
Executive Director

A.V. Rajwade
Director

Place : Mumbai
Date : May 30, 2007

Mumbai
May 30, 2007

| PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2007 | | | |
|--|-----------------|---|---|
| | Schedule | For the year 1st April, 2006 to 31st March, 2007 (Rs.) | For the year 1st April, 2005 to 31st March, 2006 (Rs.) |
| INCOME | | | |
| Income from: | | | |
| Software Development and Services | | 163,318,279 | 92,159,435 |
| Other Income | 12 | 53,820,679 | 8,326,416 |
| | | 217,138,958 | 100,485,851 |
| EXPENDITURE | | | |
| Employee costs | 13 | 80,976,119 | 53,116,166 |
| Operating and Administrative expenses | 14 | 65,068,364 | 35,780,987 |
| Provision for Doubtful Debts | | 4,139,100 | - |
| Depreciation | | 15,091,998 | 10,972,044 |
| Interest | | 102,011 | 20,720 |
| | | 165,377,592 | 99,889,917 |
| Profit before Exceptional Items and Tax | | 51,761,366 | 595,934 |
| Exceptional Items (Refer Note No.10 in Schedule 15) | | - | 13,007,288 |
| Profit Before Tax | | 51,761,366 | 13,603,222 |
| Provision for Tax | | | |
| Minimum Alternate Tax (MAT) | | 1,160,000 | - |
| Fringe Benefit Tax (FBT) | | 1,252,000 | 723,000 |
| Profit for the year | | 49,349,366 | 12,880,222 |
| Income Tax adjustments for earlier years | | 21,155,647 | 31,220,031 |
| Profit After Tax | | 70,505,013 | 44,100,253 |
| Balance of Loss Brought Forward | | 241,695,323 | 285,795,576 |
| Less: Adjusted against Share Premium Account (Refer Note No.6 in Schedule 15) | | (241,695,323) | |
| Profit Available for Appropriation | | 70,505,013 | (241,695,323) |
| Appropriations | | | |
| Proposed Dividend | | 24,700,243 | - |
| Corporate Dividend Tax | | 4,197,806 | - |
| Balance Carried Forward | | 41,606,964 | - |
| Earnings Per Share of Rs.10 each - Basic/ Diluted | | 2.84 | 1.90 |

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 : May 30, 2007

Mumbai
May 30, 2007

For and on behalf of the Board of Directors

C.N. Rao
Executive Director

A.V. Rajwade
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

| (Rs.) | For the year 1st April, 2006 to 31st March, 2007 (Rs.) | (Rs.) | For the year 1st April, 2005 to 31st March, 2006 (Rs.) |
|--|---|------------|---|
| A. Cash flow from Operating activities | | | |
| Net Profit/(Loss) before tax and exceptional items : | 51,761,366 | | 595,934 |
| Adjustments for : | | | |
| Depreciation | 15,091,998 | 10,972,044 | |
| Miscellaneous expenses written off | 256,426 | 265,400 | |
| Unrealised foreign exchange | 1,526,652 | (290,784) | |
| Loss on assets sold / discarded (Net) | 422,500 | 422,096 | |
| Provision for Doubtful Debts | 4,139,100 | - | |
| Interest income | (5,510,302) | (122,642) | |
| Interest Paid | 102,011 | 20,720 | |
| Sundry Credit Balances written back | (63,045) | (539,249) | |
| Sundry Debit Balances written off | - | 5,500 | |
| Profit on Sale of Investments | (188,414) | (17,206) | |
| | 15,776,926 | | 10,715,879 |
| Operating profit before Working Capital changes | 67,538,292 | | 11,311,813 |
| Adjustments for : | | | |
| Decrease/(Increase) in Trade & other receivables | (76,601,502) | 5,785,845 | |
| Increase/(Decrease)Trade payables | 18,513,664 | 20,273,271 | |
| | (58,087,838) | | 26,059,116 |
| Cash generated from operations | 9,450,454 | | 37,370,929 |
| Taxes paid | (15,053,215) | | (25,617,562) |
| Net cash generated from operating activities | (5,602,761) | | 11,753,367 |
| B. Cash flow from investing activities | | | |
| Purchase of fixed assets | (6,100,239) | | (17,022,688) |
| Purchase of investments | (21,200,000) | | (2,050,000) |
| Investment in Joint Venture | - | | (40,441) |
| Sale of fixed assets | 191,250 | | 40,000 |
| Secured loan obtained from bank | 718,313 | | 514,098 |
| Sale of investments | 21,388,414 | | 2,067,206 |
| Proceeds from Equity issue | 21,312,135 | | 75,601 |
| Interest received | 5,510,302 | | 122,642 |
| Interest paid | (102,011) | | (20,720) |
| Net cash from / (used) investing activities | 21,718,164 | | (16,314,302) |

| (Rs.) | For the year 1st April, 2006 to 31st March, 2007 (Rs.) | (Rs.) | For the year 1st April, 2005 to 31st March, 2006 (Rs.) |
|--|---|-------|---|
| C. Cash flow from financing activities : | | | |
| Dividend paid and Transferred to EAG fund | (435,098) | | (55,653) |
| Net cash from / (used) in financing activities | (435,098) | | (55,653) |
| Net increase/(Decrease) in cash & cash equivalents (A+B+C) | 15,680,305 | | (4,616,588) |
| Cash & cash equivalents (Opening) | 252,202 | | 4,868,791 |
| Cash & cash equivalents (Closing) | 15,932,507 | | 252,203 |
| | 15,680,305 | | (4,616,588) |

Note

- 1 Cash and Cash equivalents include :
 - a) Cash on Hand 112,617 115,974
 - b) Balance with Scheduled Banks in Current Accounts 5,056,976 107,721
(Excludes unclaimed balance in Dividend Accounts)
 - c) Deposits with Scheduled Bank (Excludes deposits pledged with bank) 10,762,914 28,508
- 2 The above Cash flow statement has been prepared using the Indirect Method prescribed by the Accounting Standards (AS) 3 "Cash flow statements".
- 3 The previous year's 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

C.N. Rao
Executive Director

A.V. Rajwade
Director

Place : Mumbai
Date : May 30, 2007

Mumbai
May 30, 2007



SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007

| | As at 31st March, 2007 (Rs.) | As at 31st March, 2006 (Rs.) |
|--|------------------------------------|------------------------------------|
| SCHEDULE '1' | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 30,000,000 (Previous Year 30,000,000) Equity Shares of Rs.10 each | 300,000,000 | 300,000,000 |
| Issued | | |
| 24,705,202 (Previous year 23,196,932) Equity Shares of Rs.10 each | 247,052,020 | 231,969,320 |
| Subscribed and paid-up | | |
| 24,700,243 (Previous year 23,191,973) Equity Shares of Rs.10 each fully paid. | 247,002,430 | 231,919,730 |
| Of the above : | | |
| i) 12,876,523 (Previous year 12,876,523) Equity Shares of Rs. 10 each were allotted as bonus shares by capitalisation of Securities Premium Account. | | |
| ii) Allotment of 4959 (Previous year 4959) bonus shares on 3967 (Previous year 3967) Equity shares is pending on account of non-establishment of beneficial ownership by NSDL. | | |
| SCHEDULE '2' | | |
| RESERVES AND SURPLUS | | |
| Securities Premium Account | | |
| Balance as per last Balance Sheet | 396,731,185 | 396,723,085 |
| Add: Addition during the year | 3,910,684 | 8,100 |
| | 400,641,869 | 396,731,185 |
| Less: Accumulated Loss as on 31st March, 2006 | 241,695,323 | - |
| adjusted (Refer Note No.6 in Schedule 15) | 158,946,546 | 396,731,185 |
| | 158,946,546 | 396,731,185 |
| Profit & Loss Account | | |
| (Surplus as per annexed account) | 41,606,964 | - |
| | 200,553,510 | 396,731,185 |
| SCHEDULE '3' | | |
| SECURED LOAN | | |
| (Secured by way of hypothecation of vehicles purchased thereagainst) | 1,232,411 | Vehicle Loan From Banks 514,098 |
| | 1,232,411 | 514,098 |

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007

SCHEDULE '4'

FIXED ASSETS

(Amount in Rs.)

| DESCRIPTION | GROSS BLOCK (At Cost) | | | DEPRECIATION | | | | NET BLOCK | | |
|---|-----------------------|------------------------------|----------------------------|--------------------|--------------------|-------------------|----------------------------------|--------------------|--------------------|--------------------|
| | As at 01-04-06 | Additions during the year | Deductions/ Adjustments | As at 31-03-07 | Upto 01-04-06 | For the year | On Deductions/ Adjustments | Upto 31-03-07 | As at 31-03-07 | As at 31-03-06 |
| Leasehold Land | 3,308,683 | - | - | 3,308,683 | 427,194 | 50,258 | - | 477,452 | 2,831,231 | 2,881,489 |
| Office Building | 113,634,862 | 1,891,501 | 115,526,363 | 115,526,363 | 8,731,817 | 1,875,275 | - | 10,607,092 | 104,919,271 | 104,903,045 |
| Plant & Machinery and Office Equipment | 50,254,823 | 4,228,695 | - | 54,483,518 | 18,074,917 | 2,705,502 | - | 20,780,419 | 33,703,099 | 32,179,906 |
| Computers-Hardware | 81,274,481 | 12,059,118 | 7,743,159 | 85,590,440 | 72,818,008 | 3,551,023 | 7,356,003 | 69,013,028 | 16,577,412 | 8,456,473 |
| Computers-Software | 12,294,156 | 1,441,293 | - | 13,735,449 | 10,374,734 | 630,656 | - | 11,005,390 | 2,730,059 | 1,919,422 |
| Furniture & Fixtures | 75,377,492 | 9,807,017 | - | 85,184,509 | 36,500,070 | 6,041,986 | - | 42,542,056 | 42,642,453 | 38,877,422 |
| Motor Cars | 1,329,364 | 1,535,805 | 482,243 | 2,382,926 | 291,867 | 237,298 | 257,149 | 272,016 | 2,110,910 | 1,037,497 |
| Current Year Total | 337,473,861 | 30,963,429 | 8,225,402 | 360,211,888 | 147,218,607 | 15,091,998 | 7,613,152 | 154,697,453 | 205,514,435 | 190,255,254 |
| Previous Year Total | 319,955,434 | 47,982,935 | 30,464,508 | 337,473,861 | 165,008,930 | 10,972,044 | 28,762,367 | 147,218,607 | 190,255,254 | |

Capital Work In Progress (Including Capital Advances)

| | | |
|--|----------------|-------------------|
| Computers | 302,238 | 2,746,657 |
| Furniture & Fixtures | 517,154 | 5,279,328 |
| Plant & Machinery and Office Equipment | - | 1,534,243 |
| Office Building | - | 1,122,354 |
| | 819,392 | 10,682,582 |



SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007

| | Face Value per unit | As at 31st March, 2007 (Rs.) | As at 31st March, 2006 (Rs.) |
|--|------------------------|------------------------------------|------------------------------------|
| SCHEDULE ' 5 ' | | | |
| INVESTMENTS | | | |
| (Unquoted, Traded; unless otherwise stated) | | | |
| I Long term Investments | | | |
| Trade: | | | |
| Shares in Joint Business Venture | | | |
| Corliant Inc. USA | US\$ 0.01 | 94,161,141 | 94,161,141 |
| (Refer Note no. 8 in Schedule 15) | | | |
| Current year 996,447 (Previous year 996,447) | | | |
| Shares in Wholly Owned Subsidiaries | | | |
| CyberTech Europe S.A. | Euro 1.2395 | 84,313,700 | 84,313,700 |
| Current year 1,326,289 (Previous year 1,326,289) | | | |
| Less: Provision for Diminution in value of investments | | | |
| | | (84,313,700) | (84,313,700) |
| CyberTech Systems and Software Inc.,USA | US\$ 0.01 | 72,564,500 | 72,564,500 |
| Current year 1,585,000 (Previous year 1,585,000) | | | |
| Shares in Co-operative Societies | | | |
| Acme Plaza Premises Co-operative Society Ltd. | Rs.50 | 4,000 | 5,500 |
| Current year 80 (Previous year 110) | | | |
| II Current Investments | | | |
| Non-Trade | | | |
| Units of Mutual funds | | | |
| LIC Mutual Fund | Rs.10 | - | - |
| (During the year, purchased 1,947,686.606 units and sold 1,947,686.606 units; closing balance Nil and opening balance Nil) | | | |
| | | 166,729,641 | 166,731,141 |
| Aggregate book value of Investments: | | | |
| Unquoted | | | |
| | | 166,729,641 | 166,731,141 |

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007

| (Rs.) | As at 31st March, 2007 (Rs.) | As at 31st March, 2006 (Rs.) |
|---|------------------------------------|------------------------------------|
| SCHEDULE ' 6 ' | | |
| SUNDRY DEBTORS (Unsecured) | | |
| Considered Good | | |
| Exceeding six months | - | 4,015,800 |
| Others (includes unbilled revenue of Rs. 2,10,635 ; Previous year Rs. NIL) | 91,245,586 | 21,403,264 |
| | 91,245,586 | 25,419,064 |
| Considered Doubtful | | |
| Exceeding six months | 41,704,934 | 37,565,834 |
| Less: Provision for Doubtful Debts | (41,704,934) | (37,565,834) |
| | 91,245,586 | 25,419,064 |
| SCHEDULE ' 7 ' | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 112,617 | 115,974 |
| Bank Balances | | |
| With Scheduled Banks | | |
| - in Current Accounts | 5,528,221 | 1,016,354 |
| - in Deposit Accounts * | 11,771,785 | 1,037,379 |
| (including interest accrued but not due Rs.1,62,775; Previous year Rs. 28,379) | | |
| * Refer Note no.4 in Schedule 15 | | |
| | 17,412,623 | 2,169,707 |



SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007

| | As at 31st March, 2007 (Rs.) | As at 31st March, 2006 (Rs.) |
|--|---|---|
| SCHEDULE ' 8 ' | | |
| LOANS AND ADVANCES | | |
| (Unsecured, Considered good unless otherwise stated) | | |
| Loan to Subsidiary Company (Considered doubtful) | 12,962,400 | 12,962,400 |
| [Maximum balance outstanding during the year Rs.12,962,400; Previous year Rs.12,962,400] | | |
| Less: Provision for Doubtful Loans & Advances | 12,962,400 | 12,962,400 |
| Loans to Employees | - | 8,000 |
| Advances recoverable in cash or in kind or for value to be received | 3,804,661 | 2,047,386 |
| Sundry deposits | 1,151,485 | 816,485 |
| Others | 915,750 | 391,866 |
| Income Tax (Net of Provisions Rs.126,859,247; Previous year Rs. 144,914,012) | 45,481,701 | 8,992,985 |
| | 51,353,597 | 12,256,722 |
| SCHEDULE ' 9 ' | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors | | |
| Small Scale Industrial Units (Refer Note no.17 in Schedule 15) | - | - |
| Others | 23,937,107 | 13,425,622 |
| Deposits | 21,594,554 | 8,872,274 |
| Advance from Customers | 25,278 | 6,694,564 |
| Interest Accrued but not due | 6,488 | 2,222 |
| Other Liabilities | 1,976,454 | 1,378,291 |
| Investors' Education and Protection Fund shall be credited by the following amounts namely : Unpaid Dividend * | 474,749 | 909,847 |
| *There is no amount due to be credited to the fund and outstanding as at Balance Sheet date. | | |
| | 48,014,630 | 31,282,820 |

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007

| | As at 31st March, 2007 (Rs.) | As at 31st March, 2006 (Rs.) |
|--|------------------------------------|------------------------------------|
| SCHEDULE ' 10 ' | | |
| PROVISIONS | | |
| Proposed Dividend | 24,700,243 | - |
| Provision for | | |
| Tax on Dividend | 4,197,806 | - |
| Fringe Benefit Tax | 180,130 | 49,766 |
| (Net of Payment of Rs.1,794,870 ; Previous year Rs. 673,234) for retirement benefits | | |
| Leave salary Payable | 2,083,212 | 2,340,374 |
| Gratuity Payable | 2,792,152 | 1,628,246 |
| | 33,953,543 | 4,018,386 |
| SCHEDULE ' 11 ' | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Public Issue Expenses | - | 256,426 |
| | - | 256,426 |

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

| | For the year 1st April, 2006 to 31st March, 2007 (Rs.) | For the year 1st April, 2005 to 31st March, 2006 (Rs.) |
|--|---|---|
| SCHEDULE ' 12 ' | | |
| OTHER INCOME | | |
| Interest | | |
| Deposit With banks | 593,545 | 83,438 |
| (Tax Deducted at source Rs.53,820 ; Previous year Rs.10,196) | | |
| Others | 4,916,757 | 39,204 |
| (Tax Deducted at Source Rs.7,810 ; Previous year Rs.7,810) | 5,510,302 | 122,642 |
| Dividend received on Current Investment | 188,414 | - |
| Profit on sale of Current Investments | - | 17,206 |
| Exchange Gain (Net) | - | 1,568,585 |
| Rent Received | 48,030,066 | 6,075,934 |
| (Tax Deducted at Source Rs.9,084,101 ; Previous Year Rs. 2,813,313) | | |
| Sundry Credit Balances written back | 63,045 | 539,249 |
| Others | 28,852 | 2,800 |
| | 53,820,679 | 8,326,416 |



SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

| (Rs.) | For the year 1st April, 2006 to 31st March, 2007 (Rs.) | For the year 1st April, 2005 to 31st March, 2006 (Rs.) |
|---|---|---|
| SCHEDULE ' 13 ' | | |
| EMPLOYEE COSTS | | |
| Salaries | 76,270,422 | 49,869,876 |
| Contribution to Provident and other funds | 910,912 | 1,062,103 |
| Welfare (including Group Medical Insurance of Rs. 517,142 Previous year Rs. 26,373) | 3,794,785 | 2,184,187 |
| | 80,976,119 | 53,116,166 |
| SCHEDULE ' 14 ' | | |
| OPERATING AND ADMINISTRATIVE EXPENSES | | |
| Travelling & Conveyance | 10,022,050 | 7,861,545 |
| Communication | 3,796,037 | 2,955,267 |
| Electricity Expenses | 4,379,762 | 5,306,744 |
| Insurance | 455,730 | 457,016 |
| Rent | 391,010 | 53,750 |
| Rates and Taxes | 3,546,427 | 1,898,057 |
| Professional fees | 4,693,916 | 4,136,271 |
| Software Development Charges | 14,485,238 | 1,525,325 |
| Recruitment Fees | 2,617,381 | 1,073,358 |
| Auditors' Remuneration | | |
| Audit Fees | 350,000 | 350,000 |
| Tax Audit fees | 125,000 | 100,000 |
| Other Services | 143,000 | 48,500 |
| Reimbursement of Expenses (Inclusive of service tax) | 82,897 | 69,586 |
| | 700,897 | 568,086 |
| Repairs and Maintenance | | |
| Buildings | 1,754,318 | 1,358,722 |
| Plant & Machinery | 3,157,128 | 2,520,284 |
| Others | 2,030,767 | 613,403 |
| | 6,942,213 | 4,492,409 |
| Loss on assets sold/discarded (Net) | 422,500 | 422,095 |
| Preliminary and Share issue expenses written off | 256,426 | 265,400 |
| Exchange Loss (Net) | 3,260,389 | - |
| Miscellaneous Expenses | 9,098,388 | 4,765,664 |
| | 65,068,364 | 35,780,987 |

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) and Accounting Standards (AS) require the management to make estimates and assumptions that affect the reported income and expenses during the reported period and the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the 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. Actual results may differ from these estimates. Any revision to the accounting estimates is recognized prospectively.

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 amortized 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 fair value assigned to the net tangible assets acquired) is amortized over a period of five years from the date of acquisition.

Investments

Long-term investments are valued at cost. However, provision for diminution in the value of such investments other than temporary is made to recognize a decline on individual investment basis. Current investments are stated at the lower of cost and fair value/net market 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 / realization. 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. In case of forward contracts, the exchange differences are dealt with in the Profit and Loss Account over the period of the contracts except in respect of liabilities incurred for acquiring fixed assets in which case, the differences are adjusted in the carrying cost of the same.

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 unutilized 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 amortized 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:

Disputed Income Tax Matters: Rs.50,657,976; (Previous year Rs. 95,356,447).

[Deposit with Income Tax Department Rs.37,388,584.(Previous year Rs.NIL)]

Disputed Service Tax Matters Rs.6,607,614 (Previous year Rs.6,607,614)

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs.68,000; Previous year Rs. 522,734): Rs. 182,106 (Previous year Rs.3,834,124).
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 year Rs.1,008,871).
5. Pursuant to the special resolution passed at the Annual General Meeting held on 18th September, 2006, the Company has allotted 1,750,000 warrants to a promoter and a key management person at a price of Rs 13.25 per warrant on 28th September, 2006. The Company has received 10% of the amount against the allotment. These warrants are convertible into shares Rs 10 each at a premium of Rs 3.25 per share after 12 months from the date of allotment but before 18 months from the date of allotment. These equity shares would be allotted to the warrant holders, in accordance with Securities and Exchange Board of India (SEBI) guidelines on preferential issue, and shall rank pari passu with the existing shares of the Company in all respects.
6. Pursuant to the approval of the Shareholders of the Company and the Honourable High Court of Bombay vide its order dated February 9, 2007, the Company has adjusted an amount of Rs.241,695,323 representing brought forward losses as on April 1, 2006 against Securities Premium Account.
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 year 5%) of the outstanding fully paid-up equity capital of the Company as on 31st March 2000 on 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, 2007 | As at March 31, 2006 |
|---------------------------------|----------------------|----------------------|
| Face value per grant (Rs) | 10.00 | 10.00 |
| Grants: | | |
| Outstanding as at beginning | 634,300 | 704,920 |
| Add: Granted during the year | 4,92,500 | 40,000 |
| Less: Exercised during the year | 8,270 | 6,750 |
| Less: Forfeited during the year | 49,610 | 103,870 |
| Outstanding as at end | 1,068,920 | 634,300 |
| Vested: | | |
| Outstanding as at beginning | 237,290 | 114,930 |
| Add: Vested during the year | 217,130 | 232,050 |
| Less: Exercised during the year | 8,270 | 6,750 |
| Less: Forfeited during the year | 106,830 | 102,940 |



| | | |
|--|---------|---------|
| Outstanding as at end | 339,320 | 237,290 |
| Out of the above: | | |
| Grants to Whole time Director: | | |
| Outstanding as at beginning | 75,000 | 75,000 |
| Add: Granted during the year | 0 | 0 |
| Less: Exercised during the year | | - |
| Less: Forfeited during the year | 75,000 | - |
| Outstanding as at end | 0 | 75,000 |
| Vested to Whole time Director: | | |
| Outstanding as at beginning | 75,000 | - |
| Add: Vested during the year | 0 | 75,000 |
| Less: Exercised during the year | 0 | 0 |
| Less: Forfeited during the year | 75,000 | - |
| Outstanding as at end | 0 | 75,000 |
| Grants to Non-Executive Directors | | |
| Outstanding as at beginning | 165,330 | 142,280 |
| Add: Granted during the year | 0 | 30,000 |
| Less: Exercised during the year | 6,750 | 6,750 |
| Less: Forfeited during the year | 0 | - |
| Outstanding as at end | 158,580 | 165,530 |
| Vested to Non Executive Director: | | |
| Outstanding as at beginning | 78,070 | 5,7,000 |
| Add: Vested during the year | 26,000 | 27,820 |
| Less: Exercised during the year | 6,750 | 6,750 |
| Less: Forfeited during the year | 0 | - |
| Outstanding as at end | 97,320 | 78,070 |

The amount arising out of difference between Fair value and Grant value is not material and hence it has not been recognized.

8. The Company made a long-term strategic investment of Rs. 94,161,141 (Previous year Rs. 94,161,141) in the shares of Corliant Inc. USA. 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. The commitment has since been met.

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 since April 2002. Hence, the management does not feel appropriate to make any provision for diminution in the value of investment.

9. Income Tax Matters

The Company had disputed at the various stages demands made by Income tax authorities for the assessment years 1997-98 to 2001-02. The grounds of disputes were of similar nature in all years. The adjudicating authorities had given their decision granting only a partial relief in the cases related to 3 of the 5 years under dispute taking into account part of the facts and hence, carried a few inconsistencies which were submitted for review by the Company. Consequently, the earlier orders have been recalled and the matter is slated to be reheard. For the remaining 2 years, the adjudicating authorities have accepted the Company's views and cancelled the demands.

Company has made full provision of the tax and has also paid substantial amounts against any such eventual claim. However, during the year, the Company has written back excess provision to the extent of Rs 21,155,647 (Previous year Rs 31,220,031) which is no longer payable in view of the findings of ITAT.

The Company has received demands for penalties amounting to Rs 50,657,976 (Previous year Rs 95,356,447) for Assessment Years 1997-98 to 1999-00 from the assessing officer. However, the Company has been advised that the circumstances leading to the demand of penalties do not merit sustainability of the authorities' claims and accordingly, no provision is considered necessary for the demand.

As a matter of prudence, the Company is not recognizing deferred tax assets of Rs.33,201,643 (Previous year Rs14,594,228).

10. Exceptional items include:

| Particulars | Current Year (Rs.) | Previous Year (Rs.) |
|--|--------------------|---------------------|
| Income | | |
| Reversal of Provision made for Assets held for disposal | Nil | 19,233,497 |
| Expenses | | |
| 1) Service Tax paid for earlier years | Nil | 4,986,163 |
| 2) Loss on account of dismantling of Fixed Assets for renovation | Nil | 1,240,046 |
| Net Effect | Nil | 13,007,288 |

11 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 Year |
|----|----------------------|--------------|---------------|
| | % Share Held | 4.20% | 4.20% |
| a. | Assets | 11,403,035 | 7,814,776 |
| b. | Liabilities | 11,669,002 | 10,063,152 |
| c. | Income | 30,541,694 | 23,728,556 |
| d. | Expenses | 28,500,176 | 22,218,076 |
| e. | Contingent Liability | NIL | NIL |

The above figures are unaudited as Joint Venture follows a different financial year- end.



12. 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.

13. (a) 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.

(b) The accounts of certain Sundry Debtors, Sundry Creditors, Advances and Banks are subject to confirmation/reconciliation and adjustments, if any. The management does not expect any material difference affecting the current year's Financial statements.

14. Earnings Per Share

| | For the year April 1, 2006 to March 31, 2007 Rs. | For the year April 1, 2005 to March 31, 2006 Rs. |
|---|---|---|
| Profit attributable to the Shareholders | 70,505,013 | 44,100,253 |
| Weighted average number of Equity Shares outstanding during the year (Nos.) | 24,823,310 | 23,196,932 |
| Nominal Value of Equity Shares (Rs.) | 10 | 10 |
| Basic and Diluted Earnings Per Share (Rs.) (Not annualized) | 2.84 | 1.90 |

15. Disclosure in respect of Related Parties pursuant to Accounting Standard 18 is 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)
- c) CyberTech Information Services BVBA

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

C.N. Rao–Executive Director (w.e.f. October 9, 2006)

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 | 126,097,095 | 28,731,757 | - | - | 154,828,852 |
| | (69,842,586) | (11,731,087) | (3,545,074) | (-) | (85,118,747) |
| Expenses | - | - | - | 573,699 | 573,699 |
| | (-) | (-) | (-) | (2,188,382) | (2,188,382) |
| Investments | | - | | | - |
| | | (40,441) | | | (40,441) |
| Guarantee given | | - | | | - |
| | | (22,270,000) | | | (22,270,000) |
| Outstanding as at the year end | | | | | |
| Receivable (Net of provisions) | 71,602,768 | 16,836,350 | - | - | 88,439,118 |
| | (18,965,229) | (999,399) | (364,278) | (-) | (20,328,906) |
| Investment (Net of provisions) | 72,564,500 | 94,161,141 | - | - | 166,725,641 |
| | (72,564,500) | (94,161,141) | (-) | (-) | (166,725,641) |

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 parties during the year.
- iii) Figures in brackets represent previous year figures.

16. Foreign Exchange currency exposures not covered by derivative instruments as at 31st March, 2007:

| Particulars | As at March 31st 2007 | | As at March 31st 2006 | |
|----------------|-----------------------|-------------------|-----------------------|------------|
| | USD | INR | USD | INR |
| Sundry Debtors | 2,105,014 | 91,034,951 | 1,403,879 | 62,445,952 |

17. (a) 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.
- (b) The Company has not received any intimation from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.



18.

| | For the year April 1, 2006 to March 31, 2007 Rs. | For the year April 1, 2005 to March 31, 2006 Rs. |
|--|---|---|
| (A) Directors' remuneration: | | |
| (a) Executive Director | | |
| Salary | #573,699 | 1,334,667 |
| Contribution to Provident Fund | NIL | 160,160 |
| Perquisites (Evaluated as per Income Tax Rules, where necessary) | NIL | 693,555 |
| (b) Other Directors | | |
| Sitting fees | 250,000 | 230,000 |
| | 823,699 | 2,418,382 |

Subject to approval of the shareholders in the ensuing Annual General Meeting.

Excludes the provision for gratuity and leave encashment, which are based on actuarial valuations done on an overall basis.

19. Additional Information under Part II of Schedule VI to 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.

| | For the year April 1, 2006 to March 31, 2007 Rs. | For the year April 1, 2005 to March 31, 2006 Rs. |
|---|---|---|
| B. CIF value of imports: | | |
| Capital goods | 17,66,726 | - |
| C. Expenditure in foreign currency: | | |
| Travel expenses (Net of reimbursements) | 5,420,815 | 4,146,209 |
| Others | - | 4,590 |
| D. Earnings in foreign exchange: | | |
| Income from Operations | 163,318,279 | 91,432,428 |

20. Interest free loans given to employees of the Company and outstanding as at the year- end Rs. NIL (Previous year Rs.8000) in the ordinary course of Company's business. Maximum balance due at any time during the year was Rs.8000 (Previous year Rs.25,600).These employees do not hold any equity shares of the Company.

21. Previous year'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

C.N. Rao
Executive Director

A.V. Rajwade
Director

Place : Mumbai
Date : May 30, 2007

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 | 7 |
|---|---|---|---|

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>1</td><td>5</td><td>0</td><td>8</td><td>3</td></tr></table> | N | I | L | 1 | 5 | 0 | 8 | 3 |
| N | I | L | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | |
| 1 | 5 | 0 | 8 | 3 | | | | | | | | | | | |

* Note: Indicates shares issued under ESOP & Preferential Allotment

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| <p>SOURCE OF FUNDS</p> Total Liabilities <table border="1" style="width: 100%; text-align: center;"><tr><td>4</td><td>5</td><td>1</td><td>1</td><td>0</td><td>7</td></tr></table> Paid-up Capital <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>4</td><td>7</td><td>0</td><td>0</td><td>2</td></tr></table> Share Warrant Money <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>3</td><td>1</td><td>9</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> | 4 | 5 | 1 | 1 | 0 | 7 | 2 | 4 | 7 | 0 | 0 | 2 | 2 | 3 | 1 | 9 | N | I | L | <p>APPLICATION OF FUNDS</p> Total Assets <table border="1" style="width: 100%; text-align: center;"><tr><td>4</td><td>5</td><td>1</td><td>1</td><td>0</td><td>7</td></tr></table> Reserves & Surplus <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>0</td><td>0</td><td>5</td><td>5</td><td>4</td></tr></table> Secured Loans <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>2</td><td>3</td><td>2</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>0</td></tr></table> Miscellaneous Expenditure <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table> | 4 | 5 | 1 | 1 | 0 | 7 | 2 | 0 | 0 | 5 | 5 | 4 | 1 | 2 | 3 | 2 | 1 | 6 | 6 | 7 | 3 | 0 | N | I | L |
| 4 | 5 | 1 | 1 | 0 | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 4 | 7 | 0 | 0 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 3 | 1 | 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | 5 | 1 | 1 | 0 | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 0 | 0 | 5 | 5 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 2 | 3 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 6 | 6 | 7 | 3 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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>2</td><td>1</td><td>7</td><td>1</td><td>3</td><td>9</td></tr></table> Profit/Loss Before Tax + - <table border="1" style="width: 100%; text-align: center;"><tr><td>+</td><td></td><td>5</td><td>1</td><td>7</td><td>6</td><td>1</td></tr></table> Earning per Share in Rs. <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>.</td><td>8</td><td>4</td></tr></table> | 2 | 1 | 7 | 1 | 3 | 9 | + | | 5 | 1 | 7 | 6 | 1 | 2 | . | 8 | 4 | Total Expenditure <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>6</td><td>5</td><td>3</td><td>7</td><td>8</td></tr></table> Profit/Loss After Tax + - <table border="1" style="width: 100%; text-align: center;"><tr><td>+</td><td></td><td>7</td><td>0</td><td>5</td><td>0</td><td>5</td></tr></table> Dividend Rate % <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>0</td></tr></table> | 1 | 6 | 5 | 3 | 7 | 8 | + | | 7 | 0 | 5 | 0 | 5 | 1 | 0 |
| 2 | 1 | 7 | 1 | 3 | 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | | 5 | 1 | 7 | 6 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | . | 8 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 6 | 5 | 3 | 7 | 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | | 7 | 0 | 5 | 0 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

V. GENERIC NAMES OF PRINCIPAL PRODUCT/SERVICES 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

C.N. Rao
Executive Director

A.V. Rajwade
Director



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 judgments 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:

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

- **SAP** (Implementation, Upgrade and Post Implementation Support)
- **Geographical Information Systems - GIS** based on ESRI technologies (Application Development, Integration and Product Support)
- **Custom Technologies - including Microsoft, Oracle and IBM** (Application Development, Integration and Maintenance)

The Company maintains Advanced Technology Center's ("ATC") for the training, development and support of SAP, ESRI, Microsoft, IBM and SUN technologies. The Company performs all delivery management including offshore development and support, 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 in the practice areas mentioned above.

These two companies work in tandem to serve 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 Sector:**

This group includes all commercial organizations in the US and elsewhere. The Company targets the SMB (small and medium sized businesses up to \$1B) market sector as well as Enterprise (Global) corporations. We believe this market holds significant potential for outstanding Company growth, largely driving offshore business for the company. This marketplace represents approximately 60% of the company's business.

- **Public sector and Utility Companies**

This includes state and local government, non-profit entities, and Utility companies, primarily in the US. The Company has several large public sector and Utility customers 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 and Utility 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)**

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

- To develop end-to-end solutions and proprietary tools for our various practice areas.
- These tools become solutions showcasing our capabilities in the relevant technologies and aid our development efforts.
- 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 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

- **SAP Life Spectrum Services:** Ability to provide end to end services covering the life cycle of SAP services, including Implementation, Upgrades and Post Implementation services.
- **Fixed Price/ Fixed time Implementations and Upgrades:** Delivering to a fixed price / fixed time implementation schedule which is key to most implementations and upgrades, especially in our focus market segment Small and Medium Businesses.
- **Competitive Pricing:** 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, upgrade 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 **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 **Ramp-up Partner** in a joint SAP-Microsoft initiative called "Duet" 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 various development, professional services and support teams within ESRI. This helps us obtain additional and deeper 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 and middleware technologies) that translates to application development, integration and support work in a GIS environment.
- Maintaining a strong focus on SAP-ESRI integration, a strategic differentiator that supports us in our customer bases having both SAP and ESRI technologies.

During the fiscal year, our GIS practice has also shown considerable advancement in offshore development, testing, integration 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 Business Partner. CyberTech is also invested heavily on joint development work 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. The support services are primarily annuity based development and contracts that are delivered offshore from the ATC. CyberTech is focusing heavily on leading technologies including Enterprise Architecture Integration Services (EIA), Business Intelligence Services (BI) including data mining and data warehousing and Service Oriented Architecture (SOA)



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.

C. Industry Structure & Developments:

The Indian IT services market has witnessed strong growth over the past few years, on the back of increased offshore outsourcing initiatives from global corporations. More and more global corporations are trying to improve their cost efficiency and, thus outsourcing their technology requirements to low cost countries like India. In fact, it is the off shore component that has been seeing impressive growth, driven by increasing acceptance of the 'global delivery model'. The demand now seems to be shifting from low-end services to high-end ones, like IT consulting, package implementation and systems integration.

Offshoring has been truly accepted as a major strategic decision that can enhance the competitive advantages of global corporations. The value proposition of offshore development has been proved beyond doubt and as an industry, offshoring is still very much in the growth phase. Even among the global 1000 companies, the off shoring penetration levels are not that high. The global market share of Indian companies is also miniscule. These points are clear indications that there is plenty of room for the Indian software industry to grow given the immense and untapped potential.

Among other positive factors for the Indian software industry, the major ones are large availability of talented manpower, cost advantage and geographical advantages (time zone advantages). The companies involved in IT outsourcing in India provide high quality work, meeting international standards and complying with ISO & SEI-CMM standards.

The Company provides the majority of its services, on a consolidated basis, in the United States. Its share of services delivered offshore has increased during the last three or four 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.

D. Opportunities & Threats:

Opportunities:

According to a NASSCOM report the Indian Technology industry can achieve the targeted \$60 billion revenues by 2010 by maintaining an easy run rate of 24.1% and 19.3% in the exports and domestic markets respectively. On an average exports have grown at 34% and domestic growth rate at 23.3%. In fiscal 2006-07, the industry reported revenues of \$39.6 billion, a 30.7% growth exceeding NASSCOM's forecast of 27%. Software services exports grew 33% to rake in revenues of \$31.4 billion, against \$23.6 billion in the year before. Exports of IT services alone grew at 35.5%, bringing in \$18 billion.

On the outlook for 2007-08, NASSCOM predicted a 24-27% growth to take total revenues to \$49 to \$50 billion. Exports growth is projected at 26-29%, while IT services is expected to be in the range of \$28 to \$29 billion.

The survey also indicates the following:

- Over the next few years, growth rates in IT-related spends will outpace GDP growth across the world.
- Increased IT spends within corporates will encourage the expansion of services adapted to lower-cost, remote/virtual delivery models, thereby increasing the addressable market for global sourcing.
- An active use of technology by individuals and the increase in the number of end-user devices will add to the expanse of networks, which will, in turn require enterprise solutions that deploy and manage them.
- The off shore delivery model will mature and increase the overall market opportunity by allowing existing customers to expand the scope of their engagements and by allowing new customers to utilize services that were previously too expensive.

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 etc. 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.

E. Outlook, Risks & Concerns:

Outlook:

Management continues to focus on restoring the Company's Balance Sheet to a better state and aligning its sales and delivery structure to an Indian Model. 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 maintains its focus on SAP and GIS custom technology. It is expected that its strengthened relationships and alliances with partners such as SAP, Microsoft, IBM, ESRI will continue to lead to business and revenue growth and increasing profitability with a continued focus on offshore revenue.

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.

The Company intends to continue to grow its offshore business at an increasing growth rate.

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 revenue comes from US. A heavy dependence on 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.
- **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. 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 continues to pursue all options available in the pending disputes relating to the matters of income tax and service tax. As detailed in the Directors Report, the ITAT has recalled its earlier orders in respect of Assessment Years 1997-2000. The assessment for the two subsequent years has been completed without any adverse impact. The details are explained at length in the relevant note No.9 in schedule 15 to the 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.

F. 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 Companies (Auditors' Report) Order, 2003.

G. 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.

Pursuant to the resolution passed at the Annual General Meeting held on 18th September 2006, the Company allotted 15,00,000 equity shares and 17,50,000 warrants to a promoter and a key management person. While the shares were issued at a premium of Rs. 2.60 per share, the warrants are convertible into shares at a premium of Rs. 3.25 per share any time after twelve months but not later than eighteen months from the date of allotment.

H. Human Resource Management:

Headcount has increased, from 270 last year to 341 as at the end of the current financial year. This growth 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, projections, 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 Members,

CYBERTECH SYSTEMS AND SOFTWARE LIMITED

1. We have audited the attached Consolidated Balance Sheet of CYBERTECH SYTEMS AND SOFTWARE LIMITED and its subsidiaries and joint venture as at 31st March, 2007, 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 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 did not audit the financial statements of the joint venture, whose financial statements reflect total asset of Rs. 11,403,070 and total revenue of Rs, 30,541,694 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 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.
6. 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 read together with "Significant Accounting Policies and Notes to the Accounts" in Schedule 16 and other notes 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 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 2007;
 - ii) in the case of the Consolidated Profit and 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 : May 30, 2007



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

| | Schedule | CSSL & Subsidiary | Joint Venture | Consolidated 31st March, 2007 Rs. | Consolidated 31st March, 2006 Rs. |
|--|----------|-------------------|---------------|-----------------------------------|-----------------------------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' funds | | | | | |
| Share Capital | 1 | 247,002,430 | 94,161,141 | 247,002,430 | 231,919,730 |
| Reserves & Surplus | 2 | 216,399,733 | 1,480,821 | 217,880,554 | 396,731,185 |
| | | 463,402,163 | 95,641,962 | 464,882,984 | 628,650,915 |
| Share Warrant Money (Refer Note No. 7 in Schedule 16) | | 2,318,750 | - | 2,318,750 | - |
| Loan funds | | | | | |
| Secured Loans | 3 | 1,232,411 | - | 1,232,411 | 514,098 |
| Unsecured Loans | 4 | - | 7,463,578 | 7,463,578 | 7,418,309 |
| | | 466,953,324 | 103,105,540 | 475,897,723 | 636,583,322 |
| APPLICATION OF FUNDS | | | | | |
| GOODWILL ON CONSOLIDATION | | | | | |
| Fixed Assets | 5 | - | 95,907,893 | 95,907,893 | 95,907,893 |
| Gross Block | | 408,251,536 | 1,726,176 | 409,977,712 | 388,586,761 |
| Less: Depreciation | | 178,523,349 | 1,564,645 | 180,087,994 | 166,367,123 |
| Net Block | | 229,728,187 | 161,531 | 229,889,718 | 222,219,638 |
| Capital W.I.P. | | 819,392 | - | 819,392 | 10,682,582 |
| | | 230,547,579 | 161,531 | 230,709,110 | 232,902,220 |
| ASSETS HELD FOR DISPOSAL | | - | - | - | 15,000,000 |
| INVESTMENTS | 6 | 94,165,141 | 408,634 | 412,634 | 5,500 |
| DEFERRED TAX ASSET | | 588,315 | - | 588,315 | 968,300 |
| Current Assets, Loans & Advances | | | | | |
| Sundry Debtors | 7 | 171,259,093 | 6,016,276 | 176,464,872 | 139,046,867 |
| Cash and Bank Balances | 8 | 63,684,783 | 4,387,637 | 68,072,420 | 19,676,450 |
| Loans and Advances | 9 | 56,962,286 | 428,993 | 57,391,279 | 19,408,256 |
| | | 291,906,162 | 10,832,906 | 301,928,571 | 178,131,573 |
| Less: Current Liabilities & Provisions | | | | | |
| Current Liabilities | 10 | 116,300,330 | 3,954,056 | 119,443,889 | 105,668,050 |
| Provisions | 11 | 33,953,543 | 251,368 | 34,204,911 | 4,101,641 |
| | | 150,253,873 | 4,205,424 | 153,648,800 | 109,769,691 |
| | | | | | |

| Schedule | CSSL & Subsidiary | Joint Venture | Consolidated 31st March, 2007 Rs. | Consolidated 31st March, 2006 Rs. |
|---|--------------------|--------------------|-----------------------------------|-----------------------------------|
| NET CURRENT ASSETS / (LIABILITIES) | 141,652,289 | 6,627,482 | 148,279,771 | 68,361,882 |
| MISCELLANEOUS EXPENDITURE 12 (To the extent not written off or adjusted) | - | - | - | 256,426 |
| PROFIT AND LOSS ACCOUNT-LOSS | - | - | - | 223,181,101 |
| | 466,953,324 | 103,105,540 | 475,897,723 | 636,583,322 |

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

R.P. Baradiya
Partner

Suresh Thakur Desai
Company Secretary

For and on behalf of the Board of Directors

C. N. Rao
Executive Director

A.V. Rajwade
Director

Place : Mumbai

Date : May 30, 2007



| CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 | | | | | |
|---|-----------------|------------------------------|-------------------------------|--|--|
| | Schedule | CSSL & Subsidiary | Share in Joint Venture | Consolidated 31st March, 2007 Rs. CSSL & JV | Consolidated 31st March, 2006 Rs. CSSL & JV |
| INCOME | | | | | |
| Income from: | | | | | |
| Software Services and Development | | 698,837,454 | 30,402,274 | 728,032,994 | 586,815,110 |
| Sale of Traded Goods | | - | - | - | 769,239 |
| | | 698,837,454 | 30,402,274 | 728,032,994 | 537,584,349 |
| Other Income | 13 | 54,085,231 | 139,420 | 54,224,651 | 9,291,847 |
| | | 752,922,685 | 30,541,694 | 782,257,645 | 596,876,196 |
| EXPENDITURE | | | | | |
| Cost of Traded Goods | | - | - | - | 847,977 |
| Employee costs | 14 | 362,739,046 | 16,536,806 | 379,275,852 | 319,694,452 |
| Operating and Administrative expenses ¹⁵ | | 304,310,528 | 11,565,323 | 314,669,117 | 247,692,448 |
| Interest | | 322,155 | 398,047 | 720,202 | 862,081 |
| Provision for Doubtful Debts | | | 4,139,100 | 4,139,100 | - |
| Depreciation | | 21,270,874 | 63,149 | 21,334,023 | 17,862,924 |
| Unrealised Exchange Loss on Consolidation | | - | - | - | (1,156,983) |
| | | 692,781,703 | 28,563,325 | 720,138,294 | 585,802,899 |
| Profit before tax and exceptional items and Tax | | 60,140,982 | 1,978,369 | 62,119,351 | 11,073,297 |
| Exceptional items - Credit (Refer Note No.11 in schedule 16) | | - | - | - | 13,007,288 |
| Profit before Tax | | 60,140,982 | 1,978,369 | 62,119,351 | 24,080,585 |
| Provision for tax (Including interest on tax for earlier years) | | 4,544,750 | 160,729 | 4,705,479 | 4,459,920 |
| Provision for Fringe Benefits Tax | | 1,252,000 | | 1,252,000 | 723,000 |
| Deferred Tax (Asset)/ Liabilities | | 365,102 | - | 365,102 | 511,424 |
| Profit for the year | | 53,979,130 | 1,817,640 | 55,796,770 | 18,386,241 |
| Income Tax adjustments for earlier years | | 21,155,647 | | 21,155,647 | 32,743,637 |
| Profit after Tax | | 75,134,777 | 1,817,640 | 76,952,417 | 51,129,878 |
| Balance of Profit/ (Loss) Brought Forward | | (222,679,477) | (501,624) | (223,181,101) | (274,310,979) |
| Less: Cumulative Loss transferred to Share Premium Account (Refer Note No.8 in Schedule 16) | | (241,695,323) | | (241,695,323) | - |
| Profit available for appropriation | | 94,150,623 | 1,316,016 | 95,466,639 | (223,181,101) |

| Schedule | CSSL & Subsidiary | Share in Joint Venture | Consolidated 31st March, 2007 Rs. CSSL & JV | Consolidated 31st March, 2007 Rs. CSSL & JV |
|---------------------------------------|-------------------|------------------------|---|---|
| Appropriations | | | | |
| Proposed Dividend | 24,700,243 | | 24,700,243 | - |
| Corporate Dividend Tax | 4,197,806 | | 4,197,806 | - |
| Balance Carried Forward | 65,252,574 | 1,316,016 | 66,568,590 | - |
| Earnings per share- Basic and Diluted | | | 3.10 | 2.20 |

Significant Accounting Policies and **16**

Notes to the Accounts

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

C. N. Rao
Executive Director

A.V. Rajwade
Director

Place : Mumbai
Date : May 30, 2007



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

| (Rs.) | For the year 1st April, 2006 to 31st March, 2007 (Rs.) | (Rs.) | For the year 1st April, 2005 to 31st March, 2006 (Rs.) |
|--|---|--------------|---|
| A. Cash flow from Operating activities | | | |
| Net Profit before tax and exceptional items : | 62,119,350 | | 11,073,297 |
| Adjustments for : | | | |
| Depreciation | 21,334,023 | 17,862,923 | |
| Miscellaneous expenses written off | 256,426 | 265,400 | |
| Unrealised foreign exchange | 1,526,652 | (1,450,211) | |
| Loss on assets sold / discarded (Net) | 422,500 | 422,096 | |
| Provision for Doubtful Debts | 4,139,100 | 1,770,400 | |
| Interest income | (5,914,274) | (364,441) | |
| Interest Paid | 720,202 | 862,081 | |
| Sundry Credit Balances written back | (63,045) | (1,203,149) | |
| Sundry Debit Balances written off | - | 5,500 | |
| Profit on Sale of Investments | (188,414) | (17,206) | |
| | 22,233,170 | | 18,153,393 |
| Operating profit before Working Capital changes | 84,352,520 | | 29,226,690 |
| Adjustments for : | | | |
| Decrease/(Increase) in Trade & other receivables | (48,032,292) | (16,399,614) | |
| Increase/(Decrease)Trade payables | 16,152,663 | 18,413,355 | |
| | (31,879,629) | | 2,013,741 |
| Cash generated from operations | 52,472,891 | | 31,240,431 |
| Taxes paid | (20,235,523) | | (30,103,554) |
| Net cash from/(used) in operating activities | 32,237,368 | | 1,136,877 |
| B. Cash flow from investing activities | | | |
| Purchase of fixed assets | (7,895,223) | | (18,660,415) |
| Purchase of investments | (21,608,634) | | (2,050,000) |
| Sale of fixed assets | 191,250 | | 40,000 |
| Secured loan obtained from bank | 718,313 | | 503,267 |
| Unsecured loan obtained from bank | 45,269 | | 1,510,709 |
| Sale of investments | 21,386,914 | | 2,067,206 |
| Proceeds from Equity issue | 21,312,134 | | 75,601 |
| Interest received | 3,601,267 | | 364,441 |
| Interest paid | (720,202) | | (862,081) |
| Net cash from in investing activities | 17,031,088 | | (17,011,272) |

| (Rs.) | For the year 1st April, 2006 to 31st March, 2007 (Rs.) | (Rs.) | For the year 1st April, 2005 to 31st March, 2006 (Rs.) |
|---|---|-------|---|
| C. Cash flow from financing activities : | | | |
| Dividend paid and Transferred to EAG fund | (435,098) | | (55,653) |
| Secured Loans repaid | - | | - |
| Unsecured Loans repaid | - | | - |
| Net cash in financing activities | (435,098) | | (55,653) |
| Net increase/(Decrease) in cash & cash equivalents (A+B+C) | 48,833,358 | | (15,930,048) |
| Cash & cash equivalents (Opening) | 17,758,946 | | 33,688,994 |
| Cash & cash equivalents (Closing) | 66,592,304 | | 17,758,946 |
| | 48,833,358 | | (15,930,048) |
| | | | |

Notes

- 1 Cash and cash equivalents includes:
 - a) Cash on Hand 112,617 115,974
 - b) Balance with Scheduled Banks in Current Accounts 32,603,665 10,816,502
(Excludes unclaimed balance in Dividend Accounts)
 - c) Deposits with Scheduled Bank (Excludes deposits pledged with bank) 33,876,022 6,826,470
2. The above Cash Flow Statement has been prepared using the Indirect Method prescribed by the Accounting Standards (AS) 3 "Cash Flow Statements".
3. The previous year's 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

C. N. Rao
Executive Director

A.V.Rajwade
Director

Place : Mumbai
Date : May 30, 2007



SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

| | CSSL & Subsidiary | Joint Venture | Consolidated 31st March, 2007 Rs. | Consolidated 31st March, 2006 Rs. |
|--|------------------------------|----------------------|--|--|
| SCHEDULE '1' | | | | |
| SHARE CAPITAL | | | | |
| Authorised | | | | |
| 30,000,000 Equity shares of Rs. 10 each. | 300,000,000 | - | 300,000,000 | 300,000,000 |
| Issued | | | | |
| 24,705,202 Equity shares of Rs.10 each fully paid. | 247,052,020 | 94,161,141 | 247,052,020 | 23,969,320 |
| Subscribed and Paid-up | | | | |
| 24,700,243 Equity shares of Rs.10 each fully paid. | 247,002,430 | 94,161,141 | 247,002,430 | 231,919,730 |
| SCHEDULE '2' | | | | |
| RESERVES AND SURPLUS | | | | |
| Securities Premium Account | | | | |
| Balance as per last Balance Sheet | 396,731,185 | - | 396,731,185 | 396,731,185 |
| Add: Addition during the year | 3,910,684 | - | 3,910,684 | |
| Less: Accumulated Loss as on 31st March, 2006 | 241,695,323 | | 241,695,323 | - |
| (Refer Note No.8 in Schedule 16) | 158,946,546 | - | 158,946,546 | 396,731,185 |
| Profit & Loss Account | | | | |
| Balance as per last Balance Sheet | | | | |
| Add: Addition during the year | 65,252,575 | 1,316,016 | 66,568,591 | |
| Foreign Exchange Translation Reserve | (7,799,388) | 164,805 | (7,634,583) | |
| | 216,399,733 | 1,480,821 | 217,880,554 | 396,731,185 |
| SCHEDULE '3' | | | | |
| UNSECURED LOANS | | | | |
| Vehicle Loan from Banks | 1,232,411 | | 1,232,411 | 514,098 |
| (Secured by way of hypothecation of vehicles purchased thereagainst) | - | - | - | |
| | 1,232,411 | - | 1,232,411 | 514,098 |
| SCHEDULE '4' | | | | |
| UNSECURED LOANS | | | | |
| From Companies | - | 7,463,578 | 7,463,578 | 7,418,309 |
| | - | 7,463,578 | 7,463,578 | 7,418,309 |

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE '5'
FIXED ASSETS

(Amount in Rs.)

| DESCRIPTION | GROSS BLOCK (At Cost) | | | DEPRECIATION | | | | NET BLOCK | | |
|---|-----------------------|------------------------------|----------------------------|--------------------|--------------------|-------------------|----------------------------------|--------------------|--------------------|--------------------|
| | As at 01-04-06 | Additions during the year | Deductions/ Adjustments | As at 31-03-07 | Upto 01-04-06 | For the year | On Deductions/ Adjustments | Upto 31-03-07 | As at 31-03-07 | As at 31-03-06 |
| Goodwill | 33,402,500 | - | - | 33,402,500 | 8,711,969 | 2,978,906 | - | 11,690,875 | 21,711,625 | 24,690,531 |
| Leasehold Land | 3,308,683 | - | - | 3,308,683 | 427,194 | 50,258 | - | 477,452 | 2,831,231 | 2,881,489 |
| Office Building | 113,634,862 | 1,891,501 | - | 115,526,363 | 8,731,817 | 1,875,275 | - | 10,607,092 | 104,919,271 | 104,903,045 |
| Plant & Machinery and Office Equipment | 50,254,823 | 4,228,695 | - | 54,483,518 | 18,074,917 | 2,705,502 | - | 20,780,419 | 33,703,099 | 32,179,906 |
| Computers | 104,329,940 | 15,295,396 | 8,268,233 | 111,357,103 | 89,871,319 | 6,880,240 | 7,356,003 | 89,395,556 | 21,961,547 | 14,458,621 |
| Furniture & Fixtures | 80,009,339 | 9,807,017 | 299,737 | 89,516,619 | 40,258,040 | 6,606,544 | - | 46,864,584 | 42,652,035 | 39,751,299 |
| Motor Cars | 1,329,364 | 1,535,805 | 482,243 | 2,382,926 | 291,867 | 237,298 | 257,149 | 272,016 | 2,110,910 | 1,037,497 |
| Current Year Total | 386,269,511 | 32,758,414 | 9,050,213 | 409,977,712 | 166,367,123 | 21,334,023 | 7,613,152 | 180,087,994 | 229,889,718 | 219,902,388 |
| Previous Year Total | 369,512,570 | 49,620,663 | 30,546,472 | 386,269,511 | 177,341,505 | 17,862,924 | 28,837,306 | 166,367,123 | 219,902,388 | |



SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

| (Unquoted, unless otherwise stated) | As at 31st March, 2007 | | | As at 31st March, 2006 | | |
|---|------------------------|---------------|------------------|------------------------|---------------|------------------|
| | CSSL & Subsidiary | Joint Venture | Consolidated Rs. | CSSL & Subsidiary | Joint Venture | Consolidated Rs. |
| SCHEDULE '6' | | | | | | |
| Mutual funds | - | - | - | | | |
| Shares in Co-operative Society | 4,000 | - | 4,000 | 5,500 | - | 5,500 |
| Investment in Subsidiary | 72,564,500 | - | 72,564,500 | 72,564,500 | - | 72,564,500 |
| Less: Consolidation Elimination | 72,564,500 | - | 72,564,500 | 72,564,500 | - | 72,564,500 |
| | 4,000 | - | 4,000 | 5,500 | - | 5,500 |
| Shares in Joint Business Venture | | | | | | |
| Corliant Inc. USA | 94,161,141 | 94,161,141 | | 94,161,141 | 94,161,141 | |
| Less: Consolidation elimination | | 94,161,141 | 94,161,141 | | 94,161,141 | 94,161,141 |
| | | - | - | | - | - |
| Investments by Joint Venture in their Subsidiary | | | | | | |
| Corliant Japan/Singapore | | 408,634 | 408,634 | | - | - |
| | 4,000 | 408,634 | 412,634 | 5,500 | - | 5,500 |

| | CSSL & Subsidiary | Joint Venture | Consolidated 31st March, 2007 Rs. | Consolidated 31st March, 2006 Rs. |
|------------------------------------|-------------------|---------------|-----------------------------------|-----------------------------------|
| SCHEDULE '7' | | | | |
| SUNDRY DEBTORS (Unsecured) | | | | |
| Considered Good | | | | |
| Exceeding six months | 9,192,023 | - | 9,192,023 | 4,632,594 |
| Others | 162,067,070 | 6,016,276 | 167,272,849 | 134,414,273 |
| | 171,259,093 | 6,016,276 | 176,464,872 | 139,046,867 |
| Considered Doubtful | | | | |
| Exceeding six months | 43,428,934 | 3,713 | 43,432,647 | 39,449,612 |
| Others | - | - | - | 75,670 |
| | 43,428,934 | 3,713 | 43,432,647 | 39,525,282 |
| Less: Provision for Doubtful Debts | 43,428,934 | 3,713 | 43,432,647 | 39,525,282 |
| | 171,259,093 | 6,016,276 | 176,464,872 | 139,046,867 |

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

| | CSSL & Subsidiary | Joint Venture | Consolidated 31st March, 2007 Rs. | Consolidated 31st March, 2006 Rs. |
|---|----------------------------------|--------------------------|--|--|
| SCHEDULE '8' | | | | |
| CASH AND BANK BALANCES | | | | |
| Cash on hand | 112,617 | - | 112,617 | 115,974 |
| Bank Balances | | | | |
| With Scheduled Banks : | | | | |
| - in Current Accounts | 28,687,273 | 4,387,637 | 33,074,910 | 11,725,135 |
| - in Deposits Account * | 34,884,893 | - | 34,884,893 | 7,835,341 |
| (including interest accrued but not due Rs.162,775; Previous year Rs. 33,017) Refer note no. 6 in Schedule 16 | | | | |
| | 63,684,783 | 4,387,637 | 68,072,420 | 19,676,450 |
| SCHEDULE '9' | | | | |
| LOANS AND ADVANCES | | | | |
| (Unsecured, Considered good unless otherwise stated) | | | | |
| Advances recoverable in cash or in kind or for value to be received | 6,959,710 | 403,786 | 7,363,496 | 6,246,154 |
| Loans to Employees | - | - | - | 104,320 |
| Sundry deposits | 1,883,280 | 24,865 | 1,908,145 | 1,584,889 |
| Others | 915,750 | 342 | 916,092 | |
| Tax Receivable | 47,203,546 | | 47,203,546 | 11,472,893 |
| | 56,962,286 | 428,993 | 57,391,279 | 19,408,256 |
| SCHEDULE '10' | | | | |
| CURRENT LIABILITIES | | | | |
| Sundry Creditors | 86,690,405 | 3,954,056 | 89,833,964 | 75,706,671 |
| Deposits | 21,594,554 | - | 21,594,554 | 8,872,274 |
| Advance from Customers | 3,006,850 | - | 3,006,850 | 7,084,289 |
| Other Liabilities | 4,533,772 | - | 4,533,772 | 13,094,969 |
| Investors' Education and Protection fund shall be credited by the following amounts namely : | | | | |
| Unpaid Dividend * | 474,749 | - | 474,749 | 909,847 |
| *(There is no amount due and outstanding as at Balance Sheet date) | | | | |
| | 116,300,330 | 3,954,056 | 119,443,889 | 105,668,050 |



SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

| | CSSL & Subsidiary | Joint Venture | Consolidated 31st March, 2007 Rs. | Consolidated 31st March, 2006 Rs. |
|---|----------------------------------|--------------------------|--|--|
| SCHEDULE '11' | | | | |
| PROVISIONS | | | | |
| Proposed Dividend | 24,700,243 | | 24,700,243 | - |
| Provision for | | | | |
| Tax on dividend | 4,197,806 | | 4,197,806 | - |
| Income Taxes | - | 251,368 | 251,368 | 83,255 |
| Fringe Benefits Tax | 180,130 | - | 180,130 | 49,766 |
| Retirement benefits | | | | |
| - Gratuity | 2,792,152 | | 2,792,152 | 2,340,374 |
| - Leave encashment | 2,083,212 | | 2,083,212 | 1,628,246 |
| | 33,953,543 | 251,368 | 34,204,911 | 4,101,641 |
| SCHEDULE '12' | | | | |
| MISCELLANEOUS EXPENDITURE | | | | |
| (To the extent not written off or adjusted) | | | | |
| Preliminary Expenses | - | - | - | - |
| Public Issue Expenses | - | - | - | 256,426 |
| | - | - | - | 256,426 |
| SCHEDULE '13' | | | | |
| OTHER INCOME | | | | |
| Gross Interest | | | | |
| On Deposit with Banks | 858,097 | 139,420 | 997,517 | 372,007 |
| (Tax Deducted at Source Rs.53,820; Previous year Rs. 10,196) | | | | |
| On Others | 4,916,757 | - | 4,916,757 | 39,204 |
| (Tax Deducted at Source Rs.7,810; Previous year Rs. 7,810) | | | | |
| | 5,774,854 | 139,420 | 5,914,274 | 411,211 |
| Profit on sale of Current Investments | 188,414 | - | 188,414 | 17,206 |
| Income from Property | 48,030,066 | - | 48,030,066 | 6,075,934 |
| (Tax Deducted at Source Rs. 9,084,101; Previous year Rs. 2,813,313) | | | | |
| Miscellaneous Income | 28,852 | - | 28,852 | 1,584,347 |
| Excess provision written back | 63,045 | - | 63,045 | 1,203,149 |
| | 54,085,231 | 139,420 | 54,224,651 | 9,291,847 |

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

| | CSSL & Subsidiary | Joint Venture | Consolidated 31st March, 2007 Rs. | Consolidated 31st March, 2006 Rs. |
|--|----------------------------------|--------------------------|--|--|
| SCHEDULE '14' | | | | |
| EMPLOYEE COSTS | | | | |
| Salaries | 346,356,232 | 16,521,894 | 362,878,126 | 305,718,445 |
| Contribution to Provident and other funds | 910,912 | - | 910,912 | 1,062,103 |
| Welfare | 15,471,902 | 14,912 | 15,486,814 | 12,913,904 |
| | 362,739,046 | 16,536,806 | 379,275,852 | 319,694,452 |
| SCHEDULE '15' | | | | |
| OPERATING AND ADMINISTRATIVE EXPENSES | | | | |
| Travelling & conveyance | 26,556,057 | 1,033,603 | 27,589,660 | 22,754,964 |
| Communication | 7,372,815 | 265,237 | 7,638,052 | 5,795,110 |
| Power | 4,693,100 | 38,166 | 4,731,266 | 5,658,105 |
| Insurance | 4,220,926 | 76,224 | 4,297,150 | 2,951,816 |
| Rent | 6,800,869 | 266,293 | 7,067,162 | 5,158,561 |
| Rates and Taxes | 3,546,427 | - | 3,546,427 | 1,898,057 |
| Professional fees | 15,725,132 | 441,054 | 16,166,186 | 14,256,974 |
| Software Development Charges | 201,766,119 | 7,996,670 | 208,556,055 | 165,116,945 |
| Recruitment Fees | 4,412,603 | 348,688 | 4,761,291 | 1,911,996 |
| Auditors' Remuneration | | | | |
| Audit Fees | 711,040 | - | 711,040 | 704,080 |
| Tax Audit fees | 125,000 | - | 125,000 | 100,000 |
| Other Services | 143,000 | - | 143,000 | 49,006 |
| Reimbursement of Expenses | 128,027 | - | 128,027 | 135,027 |
| | 1,107,067 | - | 1,107,067 | 988,113 |
| Repairs and Maintenance | | | | |
| Buildings | 1,754,318 | - | 1,754,318 | 1,358,722 |
| Plant & Machinery | 7,009,696 | 95,907 | 7,105,603 | 5,637,197 |
| Others | 2,345,143 | 87,967 | 2,433,110 | 1,151,213 |
| | 11,109,156 | 183,874 | 11,293,030 | 8,147,132 |
| Loss on assets sold/discarded (Net) | 422,500 | - | 422,500 | 422,095 |
| Preliminary and Share issue expenses written off | 256,426 | - | 256,426 | 265,400 |
| Bad debts written off | - | 222,413 | 222,413 | 413,787 |
| Exchange Loss / (Gain) | 3,260,389 | - | 3,260,389 | - |
| Miscellaneous expenses | 13,060,942 | 693,101 | 13,754,043 | 10,182,993 |
| | 304,310,528 | 11,565,323 | 314,669,117 | 78,893,107 |



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 31.03.2007, 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% |

- (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, 2007 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 subsidiary Cybertech Information Services BVBA, has 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 Translation Reserve.

4. Contingent Liabilities not provided for in respect of:

- a) Disputed Income Tax Matters: Rs. 50,657,976 ; (Previous year Rs. 95,356,447)
 [Deposit with Income Tax Department Rs.37,388,584. (Previous year Rs.NIL)
- b) Disputed Service Tax Matters Rs 6,607,614 (Previous year Rs. 6,607,614)
5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs.68,000; Previous Year Rs.522,734) Rs. 182,106 (Previous year Rs. 3,834,124)
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 year Rs. 1,008,871).
7. Pursuant to the special resolution passed at the Annual General Meeting held on 18th September, 2006, the Company has allotted 1,750,000 warrants to a promoter and a key management person at a price of Rs 13.25 per warrant on 28th September, 2006. The Company has received 10% of the amount against the allotment. These warrants are convertible into shares Rs 10 each at a premium of Rs 3.25 per share after 12 months from the date of allotment but before 18 months from the date of allotment. These equity shares would be allotted to the warrant holders, in accordance with Securities and Exchange Board of India (SEBI) guidelines on preferential issue, and shall rank pari passu with the existing shares of the Company in all respects.
8. Pursuant to the approval of the Shareholders of the Company and the Honourable High Court of Bombay vide its order dated February 9, 2007, the Company has adjusted an amount of Rs.241,695,323 representing brought forward losses as on April 1, 2006 against Securities Premium Account.
9. 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 as on 31st March 2000 on 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, 2007 | As at March 31, 2006 |
|---------------------------------|----------------------|----------------------|
| Face value per grant (Rs) | 10.00 | 10.00 |
| Grants: | | |
| Outstanding as at beginning | 634,300 | 704,920 |
| Add: Granted during the year | 4,92,500 | 40,000 |
| Less: Exercised during the year | 8,270 | 6,750 |
| Less: Forfeited during the year | 49,610 | 103,870 |
| Outstanding as at end | 1,068,920 | 634,300 |
| Vested: | | |
| Outstanding as at beginning | 237,290 | 114,930 |
| Add: Vested during the year | 217,130 | 232,050 |
| Less: Exercised during the year | 8,270 | 6,750 |
| Less: Forfeited during the year | 106,830 | 102,940 |
| Outstanding as at end | 339,320 | 237,290 |
| Out of the above: | | |



| | | |
|---|----------------|---------|
| Grants to Whole time Director: | | |
| Outstanding as at beginning | 75,000 | 75,000 |
| Add: Granted during the year | - | - |
| Less: Exercised during the year | | - |
| Less: Forfeited during the year | 75,000 | - |
| Outstanding as at end | - | 75,000 |
| Vested to Whole time Director: | | |
| Outstanding as at beginning | 75,000 | - |
| Add: Vested during the year | - | 75,000 |
| Less: Exercised during the year | - | - |
| Less: Forfeited during the year | 75,000 | - |
| Outstanding as at end | - | 75,000 |
| Grants to Non-Executive Directors: | | |
| Outstanding as at beginning | 165,330 | 142,280 |
| Add: Granted during the year | - | 30,000 |
| Less: Exercised during the year | 6,750 | 6,750 |
| Less: Forfeited during the year | - | - |
| Outstanding as at end | 158580 | 165,530 |
| Vested to Non Executive Director: | | |
| Outstanding as at beginning | 78,070 | 57,000 |
| Add: Vested during the year | 26,000 | 27,820 |
| Less: Exercised during the year | 6,750 | 6,750 |
| Less: Forfeited during the year | - | - |
| Outstanding as at end | 97320 | 78,070 |

The amount arising out of difference between Fair Vale and Grant Value is not material and hence it has not been recognized.

10. Income Tax Matters

The Company had disputed at the various stages demands made by Income tax authorities for the assessment years 1997-98 to 2001-02. The grounds of disputes were of similar nature in all years. The adjudicating authorities had given their decision granting only a partial relief in the cases related to 3 of the 5 years under dispute taking into account part of the facts and hence, carried a few inconsistencies which were submitted for review by the Company. Consequently, the earlier orders have been recalled and the matter is slated to be reheard. For the remaining 2 years, the adjudicating authorities have accepted the Company's views and cancelled the demands.

Company has made full provision of the tax and has also paid substantial amounts against any such eventual claim. However, during the year, the Company has written back excess provision to the extent of Rs 21,155,647 (Previous year Rs31,220,031) which is no longer payable in view of the findings of ITAT.

The Company has received demands for penalties amounting to Rs 50,657,976 (Previous year Rs 95,356,447) for Assessment Years 1997-98 to 1999-00 from the assessing officer. However, the Company has been advised that the circumstances leading to the demand of penalties do not merit sustainability of the authorities' claims and accordingly, no provision is considered necessary for the demand.

As a matter of prudence, the Company is not recognizing deferred tax assets of Rs.33,201,643 (Previous year Rs14,594,228).

11. Exceptional items include:

| Particulars | Current Year (Rs.) | Previous Year (Rs.) |
|--|--------------------|---------------------|
| Income | | |
| Reversal of Provision made for Assets held for disposal | NIL | 19,233,497 |
| Expenses | | |
| 1) Service Tax paid for earlier years | NIL | 4,986,163 |
| 2) Loss on account of dismantling of Fixed Assets for renovation | NIL | 1,240,046 |
| Net Effect | NIL | 13,007,288 |

12. 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.

13. 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.

14. The accounts of certain Sundry Debtors, Sundry Creditors, Advances and Banks 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. Earnings Per Share

| | For the year April 1, 2006 to March 31, 2007 Rs. | For the year April 1, 2005 to March 31, 2006 Rs. |
|---|---|---|
| Profit attributable to the Shareholders | 76,952,417 | 51,129,878 |
| Weighted average number of Equity Shares outstanding during the year (Nos.) | 24,823,310 | 23,196,932 |
| Nominal Value of Equity Shares (Rs.) | 10 | 10 |
| Basic and Diluted Earnings Per Share (Rs.) | 3.10 | 2.20 |

16. 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

C.N. Rao Executive Director (w.e.f. October 9, 2006)

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) |
| Expenses | - | # 6,700,096 | |
| | (-) | (8,010,785) | (8,010,785) |
| Outstanding as at the year end | | | |
| Payable | - | - | - |
| | (-) | (-) | (-) |
| Receivable | - | - | - |
| | (364,278) | - | (364,278) |

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 year figures.
17. Previous year'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

C.N. Rao
Executive Director

A.V. Rajwade
Director

Place : Mumbai

Date : May 30, 2007

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 2007 | 31st March 2007 |
| 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 years so far as they concern the members of CyberTech Systems & Software Ltd. | Profit: Rs.40,44,604 | Loss: Rs.29,673 |
| 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. 1,90,15,846 | Loss: Rs.9,82,38,806 |

For and on behalf of the Board of Directors

Suresh Thakur Desai
Company Secretary

C.N. Rao
Executive Director

A.V. Rajwade
Director

Place : Thane
Date : July 24, 2007



DIRECTORS' REPORT

To the Shareholders of

CyberTech Systems and Software, Inc. (USA)

Your Directors have pleasure in presenting this Fourth Annual Report on the business and operations of your Company together with the Audited Accounts of the Company for the year ended March 31st March, 2007.

COMPANY FINANCIAL RESULTS:

U.S. Dollars (\$)

| | 2006-2007 | 2005-2006 |
|--|------------|------------|
| Gross Revenue | 14,666,094 | 12,271,712 |
| Profit/(Loss) before Interest & Depreciation | 314,507 | 340,237 |
| Interest | 4,878 | 8,011 |
| Depreciation | 160,318 | 154,117 |
| Profit/(Loss) before Tax | 149,311 | 178,109 |
| Provision for Tax: | | |
| Current Tax | 75,000 | 99,112 |
| Deferred Tax (Asset) Liabilities | 8,090 | 11,555 |
| Profit after tax | 66,221 | 101,866 |
| Profit b/f from previous year | 407,373 | 305,507 |
| Amount available for appropriations | 473,594 | 407,373 |
| Appropriations | | |
| Balance to be carried forward | 473,594 | 407,373 |

REVIEW OF COMPANY'S OPERATIONS AND PERFORMANCE:

Operations of the Company are completely integrated with its parent company viz., CyberTech Systems & Software Limited. The Company operates as CyberTech Systems 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. has made a profit after tax of \$66,221 on the revenue of \$14,666,094. The operating profit before interest and depreciation was \$314,507. Results are disclosed in the attached financial statements.

The Company maintains its focus on SAP and GIS Technologies and Custom Technology applications. It maintains strong relationships and alliances with partners such as SAP, Microsoft and ESRI. These strong bonds will help the company to attain business revenue growth and increasing profitability with a continued focus on offshore revenue.

DIVIDEND:

Your Directors would like to conserve the resources for enhanced business operations and hence no dividend is recommended.

DIRECTORS:

The Company is governed by its Board of Directors. Currently directors are

Mr. Christopher Gaffney

Mr. Harry Gruner

Mr. Viswanath Tadimety

Mr. Steven Jeske

Mr. Arun Shah

Mr. Ravi Rengan.

Registered Office:

1210, Northbrook Drive, Suite 100, Trevose, Pennsylvania 19053

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

For and on behalf of the Board of Directors

Viswanath Tadimety
Chairman

AUDITORS' REPORT

To the shareholders,

CYBERTECH SYSTEMS AND SOFTWARE, INC. (USA)

1. We have audited the attached Balance Sheet of CYBERTECH SYSTEM AND SOFTWARE INC. (USA) as at 31st March, 2007, 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 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 "Significant Accounting Policies and Notes to the Accounts" in Schedule 15 and other notes 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, 2007;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended as soon as 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 : May 30, 2007



BALANCE SHEET AS AT 31ST MARCH, 2007

| | Schedule | As at 31st March, 2007 | As at 31st March, 2007 | As at 31st March, 2006 | As at 31st March, 2006 |
|---|----------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | US DOLLARS | INDIAN RUPEES | US DOLLARS | INDIAN RUPEES |
| I. SOURCES OF FUNDS | | | | | |
| Shareholders' funds | | | | | |
| Share Capital | 1 | 15,850 | 683,135 | 15,850 | 725,645 |
| Reserves & Surplus | 2 | 2,042,744 | 88,042,266 | 1,976,523 | 90,854,701 |
| | | 2,058,594 | 88,725,401 | 1,992,373 | 91,580,346 |
| II. APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | 3 | 1,114,609 | 48,039,648 | 1,074,217 | 49,384,971 |
| Less: Depreciation | | 552,805 | 23,825,896 | 392,492 | 17,647,020 |
| Net Block | | 561,804 | 24,213,752 | 681,725 | 31,737,951 |
| Deferred Tax Asset | | 13,650 | 588,315 | 21,740 | 968,300 |
| Current Assets, Loans and Advances | | | | | |
| Sundry Debtors | 4 | 3,517,779 | 151,616,275 | 2,892,354 | 128,647,287 |
| Cash and Bank Balances | 5 | 1,073,600 | 46,272,160 | 319,889 | 14,247,856 |
| Loans and Advances | 6 | 130,132 | 5,608,689 | 120,318 | 6,825,097 |
| | | 4,721,511 | 203,497,124 | 3,332,561 | 149,720,240 |
| Less: Current Liabilities and Provisions | | | | | |
| Current Liabilities | 7 | 3,238,371 | 139,573,790 | 2,043,653 | 90,846,145 |
| | | 3,238,371 | 139,573,790 | 2,043,653 | 90,846,145 |
| Net Current Assets | | 1,483,140 | 63,923,334 | 1,288,908 | 58,874,095 |
| | | 2,058,594 | 88,725,401 | 1,992,373 | 91,580,346 |

Significant Accounting Policies and Notes to the Accounts. **11**

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
Dated : May 30, 2007

Place : Naperville, USA
Dated : May 30, 2007

| PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 | | | | | |
|--|-------------------|---|---|---|---|
| Schedule | | For the year 1st April, 2006 to 31st March, 2007 | For the year 1st April, 2006 to 31st March, 2007 | For the year 1st April, 2005 to 31st March, 2006 | For the year 1st April, 2005 to 31st March, 2006 |
| | US DOLLARS | US DOLLARS | INDIAN RUPEES | US DOLLARS | INDIAN RUPEES |
| INCOME | | | | | |
| Income from Software Development and Services | 14,660,232 | | 661,616,270 | 12,233,576 | 541,458,074 |
| Traded Goods | - | | - | 17,380 | 769,239 |
| Other Income | 8 | 14,660,232 | 661,616,270 | 12,250,956 | 542,227,313 |
| | | 5,862 | 264,552 | 20,756 | 918,661 |
| | | 14,666,094 | 661,880,822 | 12,271,712 | 543,145,974 |
| EXPENDITURE | | | | | |
| Cost of Traded Goods | | - | - | 19,159 | 847,977 |
| Employee costs | 9 | 6,243,362 | 281,762,927 | 5,686,655 | 251,691,350 |
| Operating and Administrative expenses | 10 | 8,108,230 | 365,924,420 | 6,225,661 | 275,547,783 |
| Depreciation/Amortisation | | 160,313 | 6,178,876 | 154,117 | 6,821,174 |
| Interest other than on Term Loan | | 4,878 | 220,144 | 8,011 | 354,567 |
| Unrealised Exchange Loss/(Gain) | | | - | - | (2,386,082) |
| | | 14,516,783 | 654,086,367 | 12,093,603 | 532,876,769 |
| Profit before tax | | 149,311 | 7,794,455 | 178,109 | 10,269,205 |
| Provision for Tax | | | | | |
| Current Tax | | 75,000 | 3,384,750 | 99,112 | 4,386,697 |
| Deferred Tax (Asset)/Liabilities | | 8,090 | 365,102 | 11,555 | 511,424 |
| Profit for the Year | | 66,221 | 4,044,604 | 67,442 | 5,371,084 |
| Income Tax adjustments for earlier years | | - | - | 34,424 | 1,523,606 |
| | | 66,221 | 4,044,604 | 101,866 | 6,894,690 |
| Add: Balance of Profit brought forward | | 407,373 | 19,015,846 | 305,507 | 12,121,156 |
| BALANCE CARRIED FORWARD | | 473,594 | 23,060,450 | 407,373 | 19,015,846 |
| Earnings per share-Basic and Diluted | | 0.04 | 2.55 | 0.04 | 3.39 |

Significant Accounting Policies and Notes to the Accounts. **11**

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
Dated : May 30, 2007

For and on behalf of the Board of Directors

Viswanath Tadimety
Director

Place : Naperville, USA
Dated : May 30, 2007



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

| | For the year 1st April, 2006 to 31st March, 2007 | | For the year 1st April, 2005 to 31st March, 2006 | |
|---|---|---------------|---|---------------|
| | US DOLLARS | INDIAN RUPEES | US DOLLARS | INDIAN RUPEES |
| A. Cash flow from Operating activities | | | | |
| Net profit before tax and exceptional items : | 149,308 | 7,794,319 | 178,109 | 10,269,205 |
| Adjustments for : | | | | |
| Depreciation | 160,313 | 6,178,876 | 154,116 | 6,821,174 |
| Interest income | (5,863) | (264,597) | (5,463) | (241,799) |
| Interest expense | 4,878 | 220,144 | 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 | - | (3,813,280) | - | 244,402 |
| Sundry Credit Balances written Back | - | - | (15,000) | (663,900) |
| | 159,328 | 2,321,143 | 191,013 | 8,698,631 |
| Operating profit before Working Capital changes | 308,636 | 10,115,462 | 369,122 | 18,967,836 |
| Adjustments for : | | | | |
| Decrease/(Increase) in Trade & other receivables | (617,381) | (20,001,988) | (518,315) | (24,785,552) |
| Increase/(Decrease)Trade payables | 1,194,052 | 48,698,941 | (51,004) | (2,271,718) |
| | 576,671 | 28,696,953 | (569,319) | (27,057,270) |
| Cash generated from/used in operations | 885,307 | 38,812,415 | (200,197) | (8,089,434) |
| Taxes paid | (92,189) | (5,091,669) | (68,094) | (3,374,515) |
| Net cash generated from/used in operating activities | 793,118 | 33,720,746 | (268,291) | (11,463,949) |
| B. Cash flow from investing activities | | | | |
| Purchase of fixed assets | (40,392) | (1,740,895) | (32,917) | (1,466,123) |
| Interest paid | (4,878) | (220,144) | (8,011) | (354,567) |
| Interest received | 5,863 | 264,597 | 5,463 | 241,799 |
| Net cash from investing activities | (39,407) | (1,696,442) | (35,465) | (1,578,891) |
| C. Cash flow from financing activities : | | | | |
| Net cash used in financing activities | - | - | - | - |
| Net increase/(Decrease) in cash & cash equivalents (A+B+C) | 753,711 | 32,024,304 | (303,756) | (13,042,840) |
| Cash & cash equivalents (Opening) | 319,889 | 14,247,856 | 623,645 | 27,290,696 |
| Cash & cash equivalents (Closing) | 1,073,600 | 46,272,160 | 319,889 | 14,247,856 |
| | 753,711 | 32,024,304 | (303,756) | (13,042,840) |
| Notes: | | | | |
| 1. Cash and Cash equivalents includes : | | | | |
| a) Balance with Scheduled Banks in Current Accounts | 537,333 | 23,159,052 | 167,263 | 7,449,894 |
| b) In call accounts | 536,267 | 23,113,108 | 152,626 | 6,797,962 |

2 The above Cash flow statement has been prepared using the Indirect Method prescribed by the Accounting Standards (AS) 3 "Cash flow statements".

3 The previous year's figures have been regrouped/rearranged wherever necessary.

As per our attached report of even date

For Lodha & Co.
Chartered Accountants

R.P. Baradiya
Partner

Place : Mumbai
Dated : May 30, 2007

For and on behalf of the Board of Directors

Viswanath Tadimety
Director

Place : Naperville, USA
Dated : May 30, 2007

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

| | As at 31st March, 2007 | As at 31st March, 2007 | As at 31st March, 2006 | As at 31st March, 2006 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | US DOLLARS | INDIAN RUPEES | US DOLLARS | INDIAN RUPEES |
| SCHEDULE '1' | | | | |
| SHARE CAPITAL | | | | |
| Authorised | | | | |
| 10,000,000 Common Stock of USD 0.01 each. | 100,000 | 4,310,000 | 100,000 | 4,454,000 |
| Issued, Subscribed And Paid-up | | | | |
| 1,585,000 Common Stock of USD.0.01 each; fully paid. | 15,850 | 683,135 | 15,850 | 725,645 |
| (All the shares are held by CyberTech Systems and Software Limited,India) | | | | |
| SCHEDULE '2' | | | | |
| RESERVES AND SURPLUS | | | | |
| Securities Premium Account | | | | |
| As per Last Balance Sheet | 1,569,150 | 67,630,365 | 1,569,150 | 71,838,855 |
| Profit and Loss Account | 473,594 | 23,060,450 | 407,373 | 19,015,846 |
| (As per Annexed Accounts) | | | | |
| Foreign Currency Translation Reserve | | (2,648,549) | | |
| | 2,042,744 | 88,042,266 | 1,976,523 | 90,854,701 |



SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2007

SCHEDULE 3 'A'

FIXED ASSETS

| DESCRIPTION | GROSS BLOCK (At Cost) | | | DEPRECIATION/AMORTISATION | | | NET BLOCK | | | |
|---------------------------|-----------------------|---------------------------|-----------------------------------|---------------------------|----------------|----------------|---------------------------|----------------|----------------|----------------|
| | As at 01-04-06 | Additions during the year | Deductions/adjust during the year | As at 31-03-07 | Up to 31-03-06 | For the year | On Deductions/Adjustments | Up to 31-03-07 | As at 31-03-07 | As at 31-03-06 |
| Goodwill | 775,000 | - | - | 775,000 | 193,750 | 77,500 | - | 271,250 | 503,750 | 581,250 |
| Computers | 199,217 | 40,392 | - | 239,609 | 115,410 | 66,145 | - | 181,555 | 58,054 | 83,807 |
| Furniture & Fixtures | 100,000 | - | - | 100,000 | 83,332 | 16,668 | - | 100,000 | - | 16,668 |
| Current Year Total | 1,074,217 | 40,392 | - | 1,114,609 | 392,492 | 160,313 | - | 552,805 | 561,804 | 681,725 |
| Previous Year Total | 1,041,300 | 32,917 | - | 1,074,217 | 238,375 | 154,117 | - | 392,492 | 681,725 | - |

FIXED ASSETS

| DESCRIPTION | GROSS BLOCK (At Cost) | | | DEPRECIATION/AMORTISATION | | | NET BLOCK | | | |
|---------------------------|-----------------------|---------------------------|-----------------------------------|---------------------------|-------------------|------------------|---------------------------|-------------------|-------------------|-------------------|
| | Balance 01-04-06 | Additions during the year | Deductions/adjust during the year | As at 31-03-07 | Balance 01-04-06 | For the year | On Deductions/Adjustments | Up to 31-03-07 | As at 31-03-07 | As at 31-03-06 |
| Goodwill | 35,719,750 | - | 2,317,250 | 33,402,500 | 8,711,969 | 2,978,906 | - | 11,690,875 | 21,711,625 | 27,007,781 |
| Computers | 9,056,221 | 1,740,895 | 469,968 | 10,327,148 | 5,188,023 | 2,636,998 | - | 7,825,021 | 2,502,127 | 3,868,198 |
| Furniture & Fixtures | 4,609,000 | - | 299,000 | 4,310,000 | 3,747,028 | 562,972 | - | 4,310,000 | - | 861,972 |
| Current Year Total | 49,384,971 | 1,740,895 | 3,086,218 | 48,039,648 | 17,647,020 | 6,178,876 | - | 23,825,896 | 24,213,752 | 31,737,951 |
| Previous Year Total | 47,918,848 | 1,466,123 | - | 49,384,971 | 10,825,846 | 6,821,174 | - | 17,647,020 | 31,737,951 | - |

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

| | As at 31st March, 2007 | As at 31st March, 2007 | As at 31st March, 2006 | As at 31st March, 2006 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | US DOLLARS | INDIAN RUPEES | US DOLLARS | INDIAN RUPEES |
| SCHEDULE '4' | | | | |
| SUNDRY DEBTORS (Unsecured) | | | | |
| Considered Good | | | | |
| Exceeding six months | 213,272 | 9,192,023 | 15,134 | 674,068 |
| Others | 3,090,895 | 133,217,575 | 2,873,220 | 127,795,307 |
| Unbilled Revenue | 213,612 | 9,206,677 | 4,000 | 177,912 |
| | 3,517,779 | 151,616,275 | 2,892,354 | 128,647,287 |
| Considered Doubtful | | | | |
| Exceeding six months | 40,000 | 1,724,000 | 40,000 | 1,781,600.00 |
| Less: Provision for Doubtful Debs | 40,000 | 1,724,000 | 40,000 | 1,781,600.00 |
| | 3,517,779 | 151,616,275 | 2,892,354 | 128,647,287 |
| SCHEDULE '5' | | | | |
| CASH AND BANK BALANCES | | | | |
| Bank Balances | | | | |
| With non-scheduled Banks : | | | | |
| - in Current Accounts | 537,333 | 23,159,052 | 167,263 | 7,449,894 |
| - in Call Accounts | 536,267 | 23,113,108 | 152,626 | 6,797,962 |
| (Maximum balance at any time during the year \$ 1,395,232; Previous year \$ 709,808) | 1,073,600 | 46,272,160 | 319,889 | 14,247,856 |



SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

| | As at 31st March, 2007 | As at 31st March, 2007 | As at 31st March, 2006 | As at 31st March, 2006 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | US DOLLARS | INDIAN RUPEES | US DOLLARS | INDIAN RUPEES |
| SCHEDULE '6' | | | | |
| LOANS AND ADVANCES | | | | |
| (Unsecured, Considered good) | | | | |
| Advances recoverable in cash or in kind or for value to be received | 73,203 | 3,155,049 | 78,578 | 3,499,864 |
| Loans to Employees | - | - | 2,000 | 89,080 |
| Sundry deposits | 16,979 | 731,795 | 16,979 | 756,245 |
| Income Tax | 39,950 | 1,721,845 | 22,761 | 2,479,908 |
| (net of Provision of \$ 75,000; Previous year \$ 99,112) | 130,132 | 5,608,689 | 120,318 | 6,825,097 |
| SCHEDULE '7' | | | | |
| CURRENT LIABILITIES | | | | |
| Sundry Creditors* | | | | |
| Small Scale Industrial Units | - | - | - | - |
| Others | 3,110,009 | 134,041,388 | 1,776,326 | 78,939,400 |
| Advance received from customers | 69,178 | 2,981,572 | 8,750 | 389,725 |
| Other Liabilities | 59,184 | 2,550,830 | 258,577 | 11,517,020 |
| | 3,238,371 | 139,573,790 | 2,043,653 | 90,846,145 |
| *including dues to holding company- \$ 1,654,016; Previous year \$ 425,040) | | | | |

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

| | | For the year 1st April, 2006 to 31st March, 2007 | For the year 1st April, 2006 to 31st March, 2007 | For the year 1st April, 2005 to 31st March, 2006 | For the year 1st April, 2005 to 31st March, 2006 |
|--|------------|--|--|--|--|
| | US DOLLARS | US DOLLARS | INDIAN RUPEES | US DOLLARS | INDIAN RUPEES |
| SCHEDULE '8' | | | | | |
| OTHER INCOME | | | | | |
| Interest Received | | 5,862 | 264,552 | 5,463 | 241,799 |
| Miscellaneous income | | - | - | 293 | 12,962 |
| Sundry Credit Balances Written Back | | - | - | 15,000 | 663,900 |
| | | 5,862 | 264,552 | 20,756 | 918,661 |
| SCHEDULE '9' | | | | | |
| EMPLOYEE COSTS | | | | | |
| Salaries | | 5,984,618 | 270,085,810 | 5,445,090 | 240,999,683 |
| Welfare | | 258,744 | 11,677,117 | 241,565 | 10,691,667 |
| | | 6,243,362 | 281,762,927 | 5,686,655 | 251,691,350 |
| SCHEDULE '10' | | | | | |
| OPERATING AND ADMINISTRATIVE EXPENSES | | | | | |
| Travelling & Conveyance | | 366,364 | 16,534,007 | 306,208 | 13,552,766 |
| Communication | | 79,255 | 3,576,778 | 60,285 | 2,668,214 |
| Power | | 6,943 | 313,338 | 7,128 | 315,485 |
| Insurance | | 83,430 | 3,765,196 | 53,651 | 2,374,593 |
| Rent | | 142,031 | 6,409,859 | 109,515 | 4,847,134 |
| Professional Fees | | 244,432 | 11,031,216 | 225,222 | 9,968,336 |
| Software Development | | | | | |
| Programming Charges | | 6,956,861 | 313,963,137 | 5,208,268 | 230,517,942 |
| Auditors' Remuneration | | | | | |
| Audit Fees | 8,000 | | 361,040 | 8,000 | 354,080 |
| Service Tax | 1,000 | | 45,130 | 1,490 | 65,947 |
| | | 9,000 | 406,170 | 9,490 | 420,027 |
| Repairs and Maintenance: | | | | | |
| Plant & Machinery | 85,366 | | 3,852,568 | 69,592 | 3,080,142 |
| Others | 6,966 | | 314,376 | 9,928 | 439,413 |
| | | 92,332 | 4,166,943 | 79,520 | 3,519,555 |
| Bad Debts | | | | 9,349 | 413,787 |
| Provision for Doubtful Debts | | | | 40,000.00 | 1,770,400 |
| Miscellaneous Expenses | | 127,582 | 5,757,776 | 117,025 | 5,179,544 |
| | | 8,108,230 | 365,924,420 | 6,225,661 | 275,547,783 |



SCHEDULE "11"

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2007

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. Actual results may differ from these estimates. Any revision to the accounting estimates is recognized prospectively.

Revenue Recognition:

Income from software development, customer support services and Consultings 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:

| | For the year 1st April, 2006 to 31st March, 2007 | For the year 1st April, 2006 to 31st March, 2007 | For the year 1st April, 2005 to 31st March, 2006 | For the year 1st April, 2005 to 31st March, 2006 |
|---|---|---|--|--|
| Profit attributable to the Shareholders (USD)/(INR) | 66,221 | 4,044,604 | 101,866 | 6,894,690 |
| Weighted average number of Equity Shares outstanding during the year (Nos.) | 1,585,000 | 1,585,000 | 1,585,000 | 1,585,000 |
| Nominal Value of Equity Shares (USD)/(INR) | 0.01 | 0.43 | 0.01 | 0.45 |
| Basic and Diluted Earnings Per Share (USD)/(INR) (Not annualised) | 0.04 | 2.55 | 0.06 | 4.35 |

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

(a) CyberTech Europe SA (CTE)

(b) CyberTech Information Services BVBA

(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)(1) above | Referred in (A)(2)(i) (a) above | Referred in (A)(2)(i) (a) above | Referred in (A)(2)(i) (b) above | Referred in (A)(2)(i) (b) above | Referred in (A)(2)(ii) above | Referred in (A)(2)(ii) above |
|-----------------------------------|--------------------------|--------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| | USD | INR | USD | INR | USD | INR | USD | INR |
| 1) Expenses | 2,807,052 | 126,682,256 | - | - | 473,464 | 21,367,430 | 120,000 | 5,415,600 |
| | (1,589,793) | (69,842,586) | (-) | (-) | (515,315) | (22,807,842) | (120,000) | (5,311,200) |
| 2) Advances paid | - | - | - | - | - | - | - | - |
| | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| 3) Advances Recovered | 4,620 | 199,122 | - | - | - | - | - | - |
| | (4,620) | (205,775) | (-) | (-) | (-) | (-) | (-) | (-) |
| 4) Guarantee Taken | - | - | - | - | - | - | - | - |
| | (-) | (-) | (-) | (-) | (500,000) | (22,270,000) | (-) | (-) |
| 5) Outstanding as at the year end | | | | | | | | |
| a) Payable | 1,654,016 | 71,288,090 | 21,483 | 9,25,917 | 114,555 | 4,937,321 | - | - |
| | (445,940) | (18,965,229) | (142,243) | (6,335,503) | (158,337) | (7,052,330) | (-) | (-) |
| b) Advances | - | - | - | - | - | - | - | - |
| | (-) | (-) | (-) | (-) | (-) | (-) | (4,500) | (200,430) |

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 year figures.

5. In the opinion of the management, Current Assets, Loans and 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 142,961; INR 6,451,830** (Previous year USD 119,786; INR 5,301,728)

ii) Future lease rentals payable within a period of 1 year amounted to **USD 148,055; INR 6,381,171** (Previous year USD 137,111; INR 6,106,924) and for the further period till end of the contract **USD NIL; INR NIL** (Previous year USD 68,375; INR 3,045,423).

iii) Interest free deposit paid against lease rentals **USD 18,929; INR 815,840** (Previous year USD 16,979; INR 756,245).

8. Deferred Tax Assets :-

Amount in US Dollars

| Deferred Tax Assets | As at 31st March, 2007 | As at 31st March, 2007 | As at 31st March, 2006 | As at 31st March, 2006 |
|--|------------------------|------------------------|------------------------|------------------------|
| | USD | INR | USD | INR |
| Expenses allowable in subsequent years | 13,650 | 588,315 | 21,740 | 968,300 |

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. Previous year'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

Viswanath Tadimety
Director

Place : Naperville, USA
Date : May 30, 2007

Book-Post



If Undelivered, Please return to :

'CyberTech House'

Plot No.B - 63-65, Road No.21/34, J. B. Sawant Marg, MIDC, Wagle Estate, Thane (West) - 400 604.

Website: www.cybertech.com