



Cranes Software International Limited

Annual Report 2003 - 2004

Cranes Software International Ltd is a global scientific and engineering products and solutions provider. Having initiated operations in 1991, Cranes Software today offers scientific and engineering software products to its global customers, as well as consulting and training around these products. Cranes Software has created *a unique business model* driven by multi-industry applications of mathematics, statistics, data visualization, presentation and related analytical techniques. Further it is one of the first to introduce usage of scientific and engineering tools in India, creating a market for *high performance technical products*. It was also the first Indian company to *compete successfully in global markets* with its proprietary range of scientific and numerical products.

To create a sustained proposition in its focus domain (*software for scientists and engineers*), Cranes Software has also established a strong position in consulting and training. These enabling businesses have contributed to an increased level of interface and engagement with its discerning customers while enhancing generic demand and usage trends for scientific software products. In addition, the Company has furthered *technological innovation* by making research investments in the fields of wireless networks and micro-electro mechanical systems.

Global Vision

- **Globally Recognised Products:** SYSTAT, SigmaPlot and SigmaStat ranked amongst the top five products of the year, by Scientific Computing & Instrumentation, USA.
- **Global Clientele:** Over two hundred thousand scientists and engineers use our software products globally.
- **Global Presence:** Present in 37 countries across the world with subsidiaries in the US, UK, Germany, Singapore and India.
- **Global Ownership:** Recent GDR offering received widespread demand from high quality international investors.
- **Global Recognition:** Cranes Software, recognized as the #1 Indian Technology Company by Deloitte Touche Tohmatsu Asia Pacific Fast 500 survey.



Board of Directors

Dr. Rudra Pratap	-	Chairman
Mr. Asif Khader	-	Managing Director
Mr. Mukkaram Jan	-	Director
Mr. Mueed Khader	-	Director
Mr. Richard Gall	-	Director
Mr. Ronald Brown	-	Director
Mr. Ajay Singh	-	Director
Mr. Mirza Yawar Baig	-	Director
Dr. Manju Bansal	-	Director

Company Secretary

Mr. B. Parasuram

Bankers

The Jammu & Kashmir Bank Ltd.
Infantry Road Branch, Bangalore

Auditors

S Janardhan & Associates.
Chartered Accountants
Apt. No. 104 & 203, Embassy Centre,
No. 11, Crescent Road, Bangalore - 560 001.

Registered Office

5th Floor, 'C' Towers, Golden Enclave,
Airport Road, Bangalore - 560 017. India.

Registrars

Alpha Systems Pvt. Ltd.
30, Ramana Residency ,
4th Cross, Sampige Road,
Malleswaram, Bangalore - 560 003

Website

www.cranessoftware.com

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All other company and product names are trademarks and/or registered trademarks of their respective owners.
(All references in this report to Cranes Software International Limited prior to 2001 -2002 refers to the erstwhile
Cranes Software International Limited before amalgamation.)

The beginning of a brighter tomorrow.



Mukkaram Jan

Asif Khader

Mukkaram Jan and Asif Khader conceptualized Cranes Software over a decade ago, foreseeing the tremendous business opportunity in selling software that supports initiatives of research and **technology** innovation. Since inception, Cranes Software has made steady progress and achieved much, each year crossing bigger milestones while staying firmly focused on the scientific and engineering domain.

In its journey to be a globally respected software solutions provider, Cranes Software has forged strong **relationships** with thought leaders in the scientific and engineering domain. Relationships that have helped create an unparalleled knowledge base. It is this knowledge that differentiates Cranes Software in the market.

Cranes Software has created an organization that lays emphasis on **speed**, both of decision-making and action. The company realizes that resources are scarce and precious. Their deployment is therefore based on creating **value for money** committed and optimization of returns.

Cranes Software believes in its ability to create and add consistent value in a highly technical business domain.

Its **vision remains unwavering**, its **focus unchanged**.

Management Team



Left to Right standing : Clifford Snell - Regional Manager -Asia Pacific, Rajiv Menon - Vice President -Development, Ashfaq Ibrahim - Vice President

Left to Right sitting : Pradeep Kumar - Sr. Vice President, Asif Khader - Managing Director, Mueed Khader - Director, Mukkaram Jan - Director.

Leveraging stake holder relationships for **business advantage** has remained a key growth strategy for Cranes Software, and is in many ways instrumental in the **ongoing successes** achieved by the business.

Most importantly, industry professionals previously associated with the Company either as clients or partners, recognized Cranes Software's **business vision** and **technical capabilities** and are now part of the key management resource. This team of **highly talented** and **experienced** individuals is devoted to turning ideas into commercial business propositions and thereby creating sustainable revenue streams.

Management Team



*Left to Right standing : Ashok K. Sharma - Chief Technology Officer, H. Shankar - Chief Financial Officer.
Left to Right sitting : Jude Coelho - Executive Vice President -HR, Dr. T. Krishnan - Chief Statistical Advisor.*

Cranes Software's consistent and ongoing initiatives to create business upsides through **innovations** that are at the forefront of technology have attracted several **leading experts** to associate with the Company. Cranes Software's management team today has considerable experience in **technology innovation**, governance policy, general management, consulting across diverse businesses. As a result, the quality of people at Cranes Software, both at the strategic and operational levels is among the best, and this is a key enabler in establishing an **internationally competitive** business.

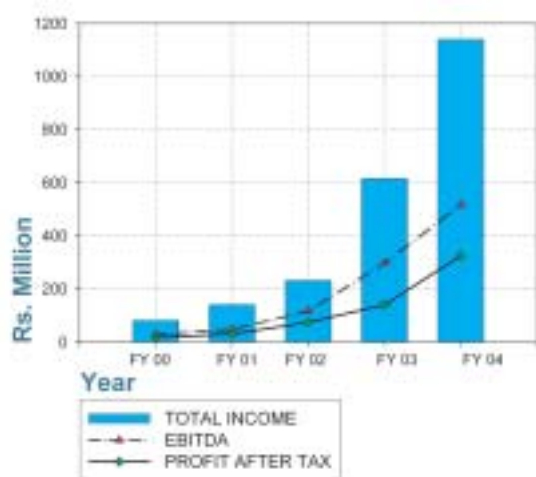


Financial Performance

Particulars	FY00	FY01	FY02*	FY03	FY04	FY04**	CAGR
Total Income	80.7	140.3	231.9	615.5	1140.6	1140.6	94.00%
EBITDA	29.0	47.8	116.9	297.6	516.7	516.7	105.00%
Profit after Tax	17.0	30.7	74.7	140.5	325.6	325.6	109.00%
Shareholders Equity / Net Worth	161.3	197.3	269.6	395.5	1187.0	683.7	
Capital Employed	176.1	272.5	461.0	608.8	2166.8	1663.5	

Income & Profits

Resource Employment



Strong revenue upside... profit expansion achieved by moving up the value chain.



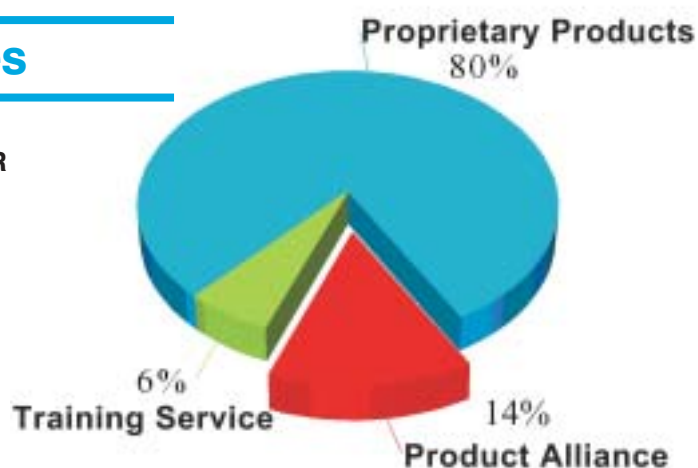
The size of the business continues to increase each year.



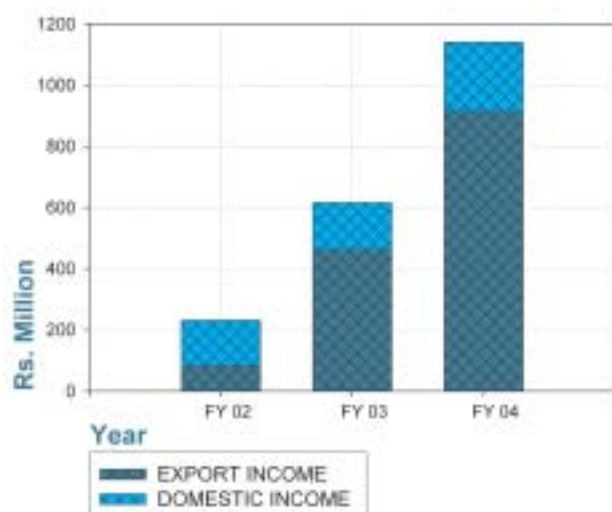
Business wise analysis	FY03	FY04
Proprietary Products	76%	80%
Product Alliances	20%	14%
Training Services	4%	6%

Business wise revenues

Growth driven by proprietary products business - owning and enhancing the IPR repository through internal R&D efforts.



Particulars	FY02*	FY03	FY04*	CAGR
Total Income	231.9	615.5	1140.6	122%
Exports Revenue	86.8	464.3	916.2	225%
Earnings per Share	9.5	16.3	38.3	139%
Cash EPS	15.5	28.9	46.6	118%
ROCE	23%	33%	36%	
RONW	32%	42%	60%	
Exports Revenue/Revenue	37%	76%	81%	



Exports

The business is gaining momentum in the global market, and there are far greater opportunities ahead...

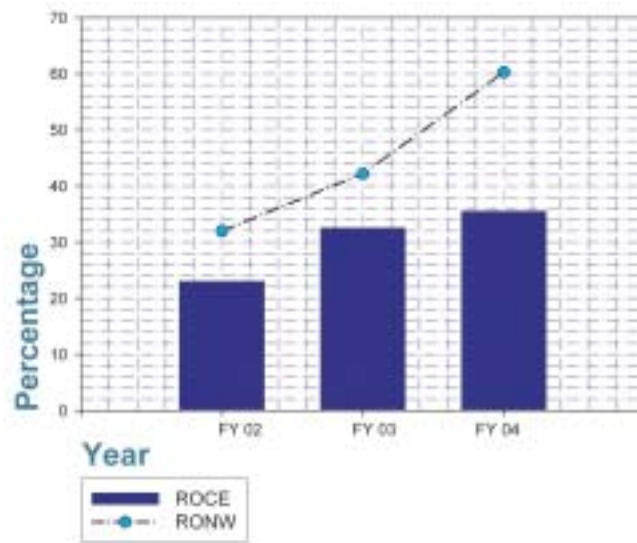


Earnings Per Share



The business continues to generate strong earnings deployed to achieve ongoing growth...

Returns



Returns have expanded even on the increasing base of resources.

*18-month period ended 31st March 2002; all growth numbers are provided on an annualized basis.

**Indicates the Capital Employed, Net Worth, ROCE and RONW after subtracting the GDR amount.

The graphs in these pages have been derived by using Cranes Software proprietary products.



BUSINESS | FINANCIAL | PEOPLE | AWARDS & RECOGNITIONS



The Year at a Glance

Business

- Acquired the marketing, licensing and development rights for Sigma Product Line from SPSS Inc.
- Released Japanese version of flagship product SYSTAT, targeting significant regional opportunity.
- Entered into a distribution agreement for Texas Instruments' DSP software tools in the ASEAN region.
- Appointed sole authorized distributor in India for System Architect, a Popkin Software product.
- Developed 802.11 technology based wireless LAN solution for Tektronix Inc.
- Developing wireless LAN testing solutions for National Instruments.

Financial

- Closed US\$ 11.6 million GDR offering subscribed by high quality global institutional investors.
- Delivered growth of 85% in Total Income to touch the US\$ 25 million mark at Rs. 1,140.6 million.
- Growth in operating profit by 74% at Rs. 516.7 million from Rs. 297.6 million last year.
- Expanded net margin to 28% across a larger business portfolio as Net Profit After Tax increased by 132% to Rs. 325.6 million.

People

- Inducted Dr. Manju Bansal, one of India's foremost computational biologists, on the Board of Directors.
- Added ten member research and development team in USA for the upgrades and updates of the Sigma Product series.
- Acquired a marketing and distribution team of over 15 people in Germany.
- Expanded top management team adding Jude Coelho as Executive Vice President – HR and H. Shankar as the CFO.
- Expanded manpower strength in R&D and product development to over 100 people world-wide -initiative led by globally acclaimed scientists.

Awards & recognition

- SYSTAT, SigmaPlot and SigmaStat ranked amongst the top five products of the year by Scientific Computing & Instrumentation, USA.
- Cranes Software's subsidiary, Systat Software, Inc. recognized as 'Technology Leader' by Scientific Computing & Instrumentation, USA.
- Cranes Software recognized as the #1 Indian Technology Company by Deloitte Touche Tohmatsu Asia Pacific Fast 500 survey.
- Ranked #294 (based on market capitalisation) in the ET500 (Economic Times), June 2004 compilation of the top 500 listed companies in India, up from #353 in September 2003.

Chairman's message to the shareowners.



Dr. Rudra Pratap

Dear Shareowners,

Focused science and technology initiatives worldwide have driven the tremendous progress made by mankind over the last few decades. What was deemed unthinkable a few years ago is today part of everyday life. What could be common reality tomorrow might not even be within the realm of our current imagination. Knowledge-based endeavours have contributed to the development of the global economy, to the advancement of nations and to the continuous improvements in living standards of human society.

Such progress can largely be credited to the dedicated efforts of scientists and engineers worldwide whose accumulation and inventive application of knowledge has created immense intellectual assets from which we all benefit everyday. Thus, it is imperative to provide our scientists and engineers with an environment that is conducive to their innovative pursuits. At Cranes Software, we have dedicated ourselves to this cause, either by providing proprietary solutions or by partnering with leaders in this field.

We have developed software tools, specifically designed for scientists and engineers enabling them to discover and build, invent and innovate newer technologies for the betterment of human society.

We have also created a robust pipeline that can reach the global technical community with effectiveness and impact. This has been made possible by leveraging our deep domain knowledge of this niche market.

Technology focused communities are highly discerning. The user demands levels of excellence that do not exist in retail business, but also rewards providers who come up to their standards with unwavering loyalty. His requirement matrix is extensive, from generic computational tools for mathematical modelling to niche analysis tools focused on specific domains and verticals. Cranes Software's suite of software products covers a wide range of requirements. Its suitability is constantly steered through our ongoing R&D efforts.



Several businesses with strong technical capabilities have not found financial success because they lacked the other skills of business – marketing and sales. Cranes Software specializes in networking domain specific groups, developing the base products in house, and integrating various tools into its global marketing and sales engine, thus making the business model highly successful.

The effort and skills required in such development and networking is an invaluable asset that naturally transforms into a consulting business. The clientele that Cranes Software addresses is usually engaged in narrow verticals. As a service provider to so many of these verticals, we are in a unique position to identify cross leveraging opportunities and new frontiers for development. This provides an enviable opportunity for our consulting team of highly skilled technical people. Another aspect of dealing with technical verticals is that tool-training becomes a must for people using these tools. University curricula, by their very design, cannot cater to tool-training. This provides another business opportunity to Cranes Software, which is addressed by Cranes Varsity. As India moves towards becoming the global R&D hub for technology and software, the need for such training will grow exponentially and will demand very high value. Cranes Varsity is very well positioned to take up the challenge.

Last, but not the least, is our commitment to remain at the cutting edge of technology, by investing prudently in research that looks out in the future. The technology landscape of the future looks very exciting and extremely challenging. As the life sciences and other technologies come closer, as our understanding of how nature makes its machines becomes better, the traditional technologies of materials and manufacturing will change drastically. There are so many disruptive technologies already on the anvil. Nano-technology is turning science fiction into reality everyday. To provide tools to the movers and shakers of this new technological landscape, Cranes Software needs to stay ahead in scanning and identifying upcoming opportunities. That can only be achieved by being involved in research that looks years ahead in the future. Cranes Software is firmly involved in and committed to such research.

Our business coverage extends to investments in emerging and disruptive technologies – wireless and MEMS. These investments have taken advantage of our prowess in the field of mathematical modelling and simulation to create parallel business opportunities, which are already delivering promising results.

In closing, I would like to iterate that Cranes Software is a unique company with unique strengths. All the key ingredients of success in a technology-focused business have been put in place by an exceptionally committed and talented management team. Our sharp technology focus coupled with our firm commitments for the present and continuous scanning of the future opportunities positions us uniquely to deliver strong growth year after year for many years to come.

Rudra Pratap
Chairman



I have had the opportunity to visit Cranes in Bangalore and see first-hand the efforts Cranes has put towards new development and marketing. I have had the good fortune to see the remarkable results of an Indian company developing its own product. Cranes did more than adopt SYSTAT. Cranes made SYSTAT their own.

In just two years, they wrote a new interface, developed new Bayesian statistical procedures, and produced new documentation. I see at Cranes the same enterprising spirit that one witnesses in any rapidly developing company in the US, India or elsewhere.

Leland Wilkinson, Sr. VP, SPSS Inc.

Through the eyes of the Managing Director



Asif Khader

Dear Shareowners,

It is with great pleasure that I address all of you once again, to share some highlights from our second year of operations as a publicly listed company. I am pleased to report another outstanding year in an environment of continuing global uncertainty. During financial year 2003-04, Cranes Software achieved sales growth of 85% at Rs. 1,140.6 million, PAT growth of 132% at Rs. 325.6 million, and expanded its balance sheet by 210% to Rs. 2,166.80 million. Earnings Per Share increased to Rs. 38.3 on a larger equity base, while the return ratios once again showed strong expansion. These numbers capture the quantum progress achieved in the business in a short period of twelve months. They translate into sales of US\$ 25 million, PAT of over US\$ 7 million, a balance sheet size of almost US\$ 50 million, and a steady increase in the returns generated by the business. We believe that these numbers also represent the platform from which our global business can continue to grow in the coming years.

Creating a global business

The complexion of our business has undergone significant change over the last two years given the ever-increasing contribution from global operations. In this period, we have transitioned from distributing software for global companies in the Indian market to selling our own suite of technical software across the world. As a consequence, between FY 2002 and FY 2004, our international revenues have grown almost eight times and now contribute about 80% to the business compared to 26% two years back. We expect this trend to be maintained in the current year.

We have also made substantial operating progress towards achieving our global vision. This is reflective in the current increasingly global status of our business and in the strong, multi-dimensional relationships with our global stakeholders. We now own an impressive array of global software products that are used by over 200,000 scientists and engineers worldwide. Our global presence extends across five direct offices and 29 distributors in 33 countries. **We have significant global standard technical, managerial and product development talent on board.** Our Board of Directors is a body of successful and highly respected individuals with valuable global experience that guides our initiatives through its deep involvement. And the success of our recently concluded GDR offering has led to a sizeable increase in ownership from high quality global investors.



Global recognition

I am pleased to report that our ongoing operating initiatives have brought us encouraging global recognition. Last year, Cranes Software was named the #1 Indian Technology Company by Deloitte Touche Tohmatsu in their Asia Pacific listing. Our products SYSTAT, SigmaStat and SigmaPlot took the top three slots in Scientific Computing and Instrumentation journal's 'Top 5 products of the year 2003'. And the recently released **SYSTAT 11 is already on SCI's select Editors' Choice list of scientific products.**

Sigma product line acquisition

The most significant corporate development of the last financial year at Cranes Software was our acquisition of worldwide marketing, development and licensing rights for the Sigma product line. The product suite has an established base of over 100,000 global users, largely in the Life Sciences market with substantial installations at Merck, Eli Lilly, Pfizer and NASA. The products' revenues in the last calendar year were over US\$ 6.8 million with strong operating margins and free cash flows.

We believe that there is strong potential for expanding sales of the Sigma products from current levels. We have achieved such expansion in the past with SYSTAT and the AISN suite. Of course, the key drivers for achieving such growth would be through effectively leveraging the existing user base, exploring new markets and opportunities and creating a pipeline of new version releases that increases the demand-pull from users.

Product launches

Cranes Software through its 100% subsidiary Systat Software Inc. released the Japanese version of its flagship software product SYSTAT during the year under review. This was the first localized version of SYSTAT, targeting a significant user base in the second largest IT market in the world. Previously in April 2002, we had launched SYSTAT's Version 10.2. While Version 10.2 was developed internally by our dedicated Bangalore-based product R&D team, the Japanese product was the result of a close collaboration with our Japanese distributor. The Japanese product has addressed a niche opportunity and contributed in no small measure to the strong growth in revenues from our proprietary products in the second half of FY 2004.

In June 2004, SYSTAT 11 was made available in the market. This has taken the product from FORTRAN to C. This latest version has also created modules that allow access to customized features built into the product. From initial indications, the product has been well received by technical user community. We are encouraged by its selection on SCI's Editor's Choice list. We expect to drive strong revenues by migrating current users to the new, significantly enhanced version and by adding new customers by leveraging our global reach. Going forward, the product development plan is to create more such focused, user-specific modules and **in the next stage move the product to an entirely new architecture.**

Other significant corporate developments

During the year under review, Cranes Software extended its relationship with Texas Instruments by entering a distribution agreement for Texas Instrument's digital signal processing (DSP) software tools in the ASEAN and Indian region. This has taken forward our ongoing partnership with Texas Instruments under which we have established over 200 TI DSP labs across the country. This is also the first instance of our software distribution business creating an overseas opportunity. To establish a stronger hold in this region we have set-up a subsidiary in Singapore in December 2003.

Another important milestone achieved during the year was the initial business opportunity from wireless technology research. Cranes Software's 802.11a/b/g powered wireless LAN solution for Tektronix Inc. is targeting an existing base of global installations. Recently, we have also partnered with National Instruments, a technology pioneer and leader in virtual instrumentation, to provide wireless LAN testing solutions.



Expanding global network

During the year, we expanded our global distribution network by adding offices in Singapore and Dusseldorf in Germany apart from distributors in eight more countries. We now have five direct offices and distributors in 33 countries worldwide. The German office is part of the Sigma product acquisition with which we have obtained a team of 17 specialized sales, marketing and tech support people.

Client acquisitions

Our range of leading technical software products and the increasing global customer proximity has created hundreds of relationships with leading companies and institutions. In the year under review alone, our software was installed at 3M, AGFA, Alcatel, Alsthom, Allied Signal, AstraZeneca, Audi, Aventis, Bausch & Lomb, Bayer AG, BMW Rolls Royce, Bosch Telecom, BP, Braun, British Aerospace, British American Tobacco, Carl Zeiss, Deutsche Bank, Dunlop, Merck, Eli Lilly, Pfizer, Ericsson Mobile, EXXON, Fujitsu, Glaxo Smithkline and Johnson & Johnson.

We expect the SYSTAT 11 launch to further strengthen our base in the U.S. and there are several other opportunities in the pipeline in key geographies of focus.

Changes in capital structure

As you would possibly be aware, we successfully closed our GDR offering in March 2004. This was the first public offering from Cranes Software and we are extremely enthused by the widespread demand received from several high quality international investors. We issued 1,744,357 shares at US\$ 6.65 each aggregating US\$ 11.6 million or Rs. 503.3 million. The GDRs have since been listed at the Luxembourg Stock Exchange. The inflow of funds will be utilized to fund our capital expenditure programmes, including acquisition of marketing rights, meet additional working capital needs, and part finance repayment of any high cost debt

Further, in April this year, our Board of Directors has approved the at-par redemption of the outstanding preference shares of nominal value Rs. 20 million.

Board enhancement

Before I conclude, I take this opportunity to once again welcome Dr. Manju Bansal, one of India's foremost computational biologists, to our Board. Manju is a Director at the Institute of Bio-informatics and Applied Biotechnology, Bangalore, and a Professor in the Molecular Biophysics Unit at the Indian Institute of Science, Bangalore. She has brought with her 27 years of outstanding experience in her areas of specialization. Her guidance is expected to contribute significantly to our ongoing research endeavours, specifically in the development of the life sciences-focused Sigma product line. Following Manju's appointment, Cranes Software's Board now comprises nine Directors, including six non-executive Directors, of which three are independent Directors.

Endnote

Our continuing strong performance and the steadily improving run rate of our business continue to provide the confidence to take our initiatives forward. We look at building upon our strengths and leveraging on our current accomplishments to create further growth opportunities. ***We believe that we have only just begun to realize the immense potential of our business.*** We look at the future with confidence and look forward to another exciting and rewarding year.

Warm regards,

Asif Khader
Managing Director



Mueed Khader

Operations

Blending technology investment with commercial sense

Technology created for its own sake seldom translates into a viable commercial proposition. It has to be completely customer focused to create a positive impact. Technological investment, like everything else that involves deployment of capital resources, is bound by return on investment parameters. This is the underlying philosophy that drives all business activity at Cranes Software and is also largely responsible for our continuing operational successes.

Cranes Software has continued to follow this philosophy in the year under review. Business growth during the year was driven by SYSTAT's Version 10.2 sales across the world, launch of SYSTAT's Japanese version, focused approach to sales world-wide and new technology training initiatives. Many of these drivers were created as a result of our previously committed investments. Further, there are business streams, like the agreement to sell Texas Instruments' DSP tools and the alliances with Tektronix and National Instruments in the wireless space, which are firmly in place but will start contributing to revenues only in the current year.



Cranes has maintained a fine balance between its ongoing commitment to technological research and the current year drivers of business and profitability. This has enabled strong near term performance while clearing long term visibility.

Expansion of sales and marketing

Cranes Software's expanded global sales and marketing network now includes offices in London, Dusseldorf (Germany) and Singapore apart from coverage in 33 countries through distributors. Going forward, ongoing expansion of this network will support the technology output from Cranes Software's Internal pipeline. The Company has also started using the internet as a high impact marketing tool. Recent hits, access and download statistics from systat.com validate this decision.



Current year upsides

The Cranes Software's management remains confident in its ability to maintain the momentum of growth. There are multiple drivers now in place that should enable growth in FY 2005. The most significant expansion will come from Sigma and SYSTAT product line. Sigma series, acquired towards the end of FY 2004, will create new opportunities, which are expected to expand further once the all-new Version 9.0 of the sigmaplot is launched. Also launched last month is the C based SYSTAT 11. The global sales and marketing initiatives for these products have been integrated and expanded, increasing product availability worldwide.

Cranes Software has also supported research initiatives that leverage its existing business strengths. Investments in MEMS and wireless technologies were in the pre-revenue business stage last year. The management sees them convert into considerable opportunities in the medium term.

With this we look forward to another successful year at Cranes Software.

SYSTAT software is one of the most powerful statistical analysis packages available today. The software's capabilities, such as hypothesis testing and multivariate analyses, are critical components that facilitate my research and contribute to understanding the results.

TY Vaughn, Research Scientist, Monsanto Company



Rajiv Menon

Proprietary Products

The technical software segment is focused on enabling R&D and other knowledge-led initiatives around the world. Given the trend of long and continuous usage displayed by scientist and engineer communities, brand building is a key imperative for success. Leading global software companies present in this market have therefore given due importance to the implementation of proven, well-accepted technologies more than creating new user interfaces.

This is also the underlying objective of Cranes Software's strategy in this business – acquire, enhance, market globally established software brands. Having sold software products to the Indian technical community for over a decade, Cranes Software transitioned to marketing proprietary software business two years ago. Leveraging its strong understanding of user requirements based on local selling experience, the Company has created a world-class portfolio of technical software products with an extensive and rapidly expanding installed base.



The current IP pipeline and development infrastructure available to us opens up substantial possibilities. The product development team has devised a well-structured roadmap that will allow us to rapidly move up the customer engagement and value delivery chain.

Cranes Software's success in this segment has been based on accurately identifying niche opportunities in the technical software space. The Company's portfolio comprises desktop software products that have seen significant usage expansion following their acquisition. To elucidate, combined revenues from proprietary products have expanded to US\$ 20 million over the last two years. This growth has been achieved in a largely flat global data analysis market.



Cranes Software has organically grown revenue contribution from its proprietary software product portfolio by over nine times in the last two years, though the global market for data analysis has remained flat in this period.



Cranes Software's proprietary range of software products currently has a licensed user base of over 200,000 globally. Being desktop products, installations range from single retail user licenses, to several thousand licenses sold to academic institutions, government agencies and corporates. Lately, the trend has been one of more installations per customer – coming from a greater proportion of sales to corporate and institutional customers.

Research infrastructure

Following the acquisition of SYSTAT, an integrated desktop statistics and graphics software package, from SPSS Sciences, Cranes Software has actively invested in the evolution of the product. Dr. T. Krishnan, who retired as a professor of applied statistics from the Indian Statistical Institute, is leading this initiative. He has 40 years of research, teaching and consulting experience. Other senior members of the 60-member dedicated team of researchers are Dr. S.R. Kulkarni, whose expertise is in regression analysis and quality control, and Dr. Amlan Nayak whose experience is in the area of scientific and engineering computation and software development.

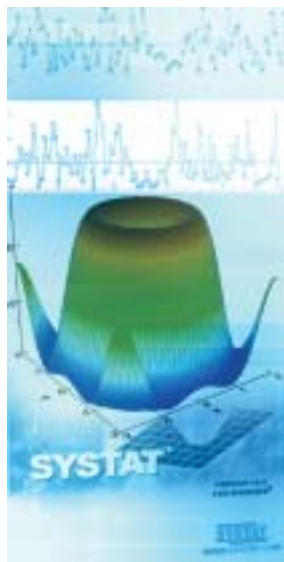
Original authors of Cranes Software's entire portfolio of technical software products endorsed their acquisition by Cranes Software and contribute actively to the ongoing product development initiatives.



I am enormously impressed by what SYSTAT Software Inc. has accomplished in this new version. The documentation has been completely revised and updated and the interface has been improved to make SYSTAT faster and easier to use but no less powerful. Most importantly, SYSTAT Software Inc. has added significant new statistical modules. The statistical sophistication of these new modules reflects the leadership of Professor Thriyambakam Krishnan, as well as a team of Ph.D. and M.S. statisticians that is larger than the one we had working on the original SYSTAT. Having an internationally recognized statistician guiding future development of SYSTAT gives me confidence. I use SYSTAT every day for my own research and I am upgrading to Version 11.



*Leland Wilkinson, Ph.D.
Sr. VP, SPSS Inc.
Author, Version 1 and founder of SYSTAT Inc.*



SYSTAT development initiatives

SYSTAT Version 10.2, an enhancement to the acquired product, offered additional regression features and was launched in **April 2002**. In **September 2003**, Cranes Software released the Japanese version of its flagship software product SYSTAT. This was the first localized version of the product taking further the earlier release of SYSTAT's Version 10.2. Following its launch, the product has contributed to the growth in regional revenues from the second largest IT market in the world. Currently, further language versions are under development targeting similar opportunities in other regions across the world.



SYSTAT is elegant, easy to use and offers options for analysis and graphics that are intuitively laid out. It gives us sophisticated statistical analysis and we don't have to spend a lifetime getting it.

*Alan Natapoff, Research scientist,
The Man-Vehicle Laboratory at the Massachusetts Institute of Technology Center for Space Research.*

Cranes Software has continued to invest in product development initiatives and has recently launched SYSTAT's Version 11. The version has transitioned SYSTAT from FORTRAN to C environment. It has also incorporated several new features such as the Markov chain Monte Carlo (MCMC) technique and Quality Analysis that allow the product to be marketed to specific user groups. The new version development pipeline is expected to create strong revenue streams from the migration of existing users and from new usage in several regions globally. Cranes' global sales and distribution infrastructure will support these initiatives. Going forward, the SYSTAT product development plan envisages focused user-specific modules.



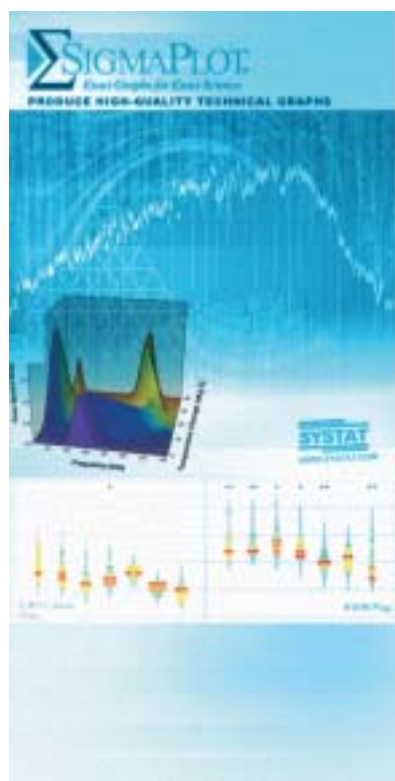
Cranes Software's development initiatives have led to the launch of SYSTAT's Version 10.2, with additional regression features, followed by its Japanese language version and most recently Version 11 in C environment.



Systat has put a tremendous effort into developing version 11. I've compared many statistical software packages, and the reason that I have stayed with Systat over time is because of its excellent combination of hardcore statistics, exploratory graphics, and ease-of-use.

Pete Raimondi, Marine Ecologist, University of California at Santa Cruz

Sigma product acquisition



Cranes Software acquired the marketing, licensing and development rights for the Sigma product line from SPSS Inc. As a part of the transaction, Cranes Software acquired its customers, personnel, fixed assets and all related intellectual property. The Sigma product line has an established user base of over 100,000 globally, largely in the pharmaceutical and biotechnology marketplace. Current users include Merck, Eli Lilly, Pfizer and NASA, each of which has over a thousand installations.

The Sigma product line is used by scientists and engineers for data presentation and analysis. The suite comprises the flagship SigmaPlot® offering, the SigmaStat® statistical analysis package, the SigmaScan® image analysis software, Enzyme kinetics and Electrophysiology module that are related to life sciences market. These offerings are highly complimentary to Cranes Software's existing portfolio, providing the opportunity to cross-sell within existing user groups and markets.

Following the Sigma acquisition, Cranes Software is now a significant global player in the scientific software domain. The Sigma range blends seamlessly with Cranes Software's global growth strategy in proprietary products. Cranes Software is now combining the power of the Sigma-series and SYSTAT offerings to provide high-quality, cutting-edge software to scientific researchers around the world.

The Sigma product line has received wide recognition over several years including nine consecutive Scientific Computing and Instrumentation Reader's Choice Awards for presentation graphics software, the NASA Tech Briefs Product of the Month and Computers in Physics Product of the Month.



Hands down it is the most comprehensive and flexible software for generating scientific graphs. SigmaPlot provides an easy method for curve fitting and plotting regression lines, this way graphs can easily be imported/copied into reports and presentations.

Joel Culpepper, Biostatistician, Office of Research, University of Maryland

The Sigma product delivered revenues of US\$ 6.8 million in the year 2003 with strong net cash flows. The core Sigma R&D team, now transitioned to Cranes Software, has developed SigmaPlot Version 9.0. Its planned launch later in 2004 will be a strong revenue driver. Primary target segments include over 1.5 million engineers, 200,000 science technicians, 200,000 mathematicians and 20,000 physicists, all potential users for this product range in the US alone.



Pradeep Kumar

Product Alliances

Anticipating the demand for high performance mathematical analysis software to support research activity in India, Cranes Software obtained the exclusive distribution license for MATLAB, the leading global software for mathematical modelling, over a decade ago.

The technical software products distribution business has, since inception, contributed significantly to Cranes Software's business and created a solid foundation for achieving the Company's ongoing growth objectives. Among other things, selling technical products to the Indian scientist created a vast pool of domain knowledge, strong customer relationships, improved branding amongst potential employees and the financial strength to fund growth plans.

The range of offerings to the Indian technical user has been enhanced to now include software products enabling digital signal processing, embedded systems and business intelligence.



Over the last decade, we have created conceptual acceptance for scientific and engineering software in India. Recently, we have created our first overseas software distribution opportunity through the Texas Instruments alliance. In India, we are streamlining our marketing channels with specific resources allocated to Government, academic and corporate customers.

Creating consulting related business upsides

Cranes Software's consulting group, Modelware, has leveraged existing strong relationships with its global principals to create software development opportunities in DSP and mathematical modelling and analysis. Such applications require complete understanding of customer requirements to create solutions that completely integrate with the customers' operating environment.

In the year under review, Modelware has further extended its consulting capabilities by partnering with the Lanner Group and Popkin Software. The consulting portfolio now includes application development in the CRM, SCM, financial services and embedded solutions spaces.



Distribution alliance with Texas Instruments to distribute DSP Tools in the ASEAN Region

Cranes Software has partnered with Texas Instruments in a product reseller engagement covering TI's range of DSP Tools in the ASEAN market. As part of this initial overseas software distribution engagement Cranes Software will sell these products through its regional offices, including the recently commissioned Singapore office, and existing network of distributors. This is an extension of Cranes Software's ongoing engagement with Texas Instruments that has led to the establishment of over 250 TI DSP labs in universities across India.

The Texas Instruments alliance for selling DSP tools has taken Cranes Software's distribution business to overseas shores. Other global opportunities that will leverage the existing domain knowledge and customer relationships are also being explored.





Ashfaq Ibrahim

Training Services

Cranes Varsity is a comprehensive learning resource center for scientists and engineers in the country. It was conceptualised to address the need for focused post-professional technical software and hardware training in niche domains such as Digital Signal Processing (DSP), Real Time Embedded Systems (RTES) and mathematical modelling. From its initial authorized training partner engagement for MATLAB, Cranes Software has widened its scope to several technical learning opportunities, both academic and corporate.



Like all initiatives at Cranes Software, Varsity's objective has been to score on the commercial viability of technical know-how. Today, several technology leaders source quality technical people and high-end internal training solutions from Varsity and benefit from its industry oriented programs.

Recent partnering initiatives with global technology leaders

Varsity has partnered with Texas Instruments to popularise the use of TI' tools in India. TI DSP labs have been established in engineering colleges across the country. Another significant initiative is the partnership with IBM to introduce its Rational SEED Program to universities in southern India.

Associations within industry

Cranes Varsity has now emerged as the preferred training destination for several leading local and multinational companies in India. Over the last two years, more than 2,000 engineers have trained at Varsity. Post-certification, more than 70% of varsity graduates have been placed at various technology pioneers like Motorola, Philips, Siemens, Tata-Elxsi, Bosch, Snecma-Aerospace, Wipro, Infosys, Satyam, Honeywell, Sasken, LG-Soft, and several such leading companies. During the current financial year Cranes Varsity has innovated and implemented highly specialized applications-based training modules for companies like Tata-Elxsi, GE, Infosys, Reliance, Sasken, Satyam, BEL and Wipro all of which use Cranes Varsity for their ongoing technical training requirements.



Mehraj Lanker

Research &

Cranes Software has invested in future technologies that extend the realms of human achievement. Wireless local area networks (WLANs) that use radio frequencies to transmit and receive data provide one such opportunity. Cranes has developed IP (intellectual property) cores for wireless communications systems and wireless LAN test solutions that are enabling global technology leaders reach their customers with greater impact.

Our extensive modelling and simulation experience has helped us develop highly optimised products. These solutions support the manufacture of superior wireless products at reduced time-to-market.



Revenue opportunities from wireless technology initiatives

Cranes Software has leveraged its association with leading technology companies such as Texas Instruments, the MathWorks and Tektronix to develop innovative solutions for the global wireless technology industry. During the year under review, Cranes created an 802.11a/b/g technology powered, test and measurement solution for Tektronix's open Windows oscilloscopes. The solution can potentially be installed across Tektronix's existing global customer base. Cranes has also developed highly optimised and real-time tested IPs in other IEEE standard based wireless technologies that provide further business upsides.

Cranes Software has also been retained by National Instruments, a global leader in virtual instrumentation, to develop the complete WLAN test and measurement solutions compatible with their product range.

Tektronix and National Instruments provide potential short to medium term upsides. Other IP-related development initiatives are also under consideration.





Development

Dr. Rudra Pratap

Micro-Electro-Mechanical Systems (MEMS) technology involves systems that integrate mechanical components and their control electronic circuits on the same chip. These mechanical components have feature sizes ranging from one thousandth of a millimetre (micrometer) to a billionth of a millimetre (nanometer). MEMS is expected to provide the next technological leap for mankind. It can revolutionize nearly every product category by making it possible to create complete systems on a chip. Although initiatives to explore potential usage areas for MEMS technology have intensified globally, the limited availability of infrastructure has curtailed well-coordinated research activity in India.

Cranes Software has played a pioneering role in the field of MEMS research by establishing CranesSci MEMS Lab in collaboration with the Indian Institute of Science (IISc), Bangalore. Located at the IISc campus, this initiative is headed by Dr. Rudra Pratap, the Chairman of Cranes Software's Board.

Current initiatives

The Lab is focused on developing designs for MEMS-based devices for a range of applications. Its mandate is to develop IPRs based on cutting edge nano-technology that lend themselves to commercially viable applications. Since inception in March 2003, its initial focus has been on developing sensors for acoustic applications and scanners for ultrasound imaging.

Progress in the year under review

The MEMS Lab made substantial progress in its first year of operation. The Lab developed its first novel design of a MEMS microphone during the year. Subsequently, fabricated structures based on this design have been created and a patent application has been made. In addition, trial structures of some other MEMS devices have also been fabricated. Testing and further development is on at present. Other such designs are there in the pipeline and development activity will intensify in the current year. Research has also been initiated in the area of material selection techniques for various MEMS devices. The Lab is also firmly committed to the development of socially relevant MEMS devices and steering its research effort to technology development for commercial use.



We are focused on creating a strong IP pipeline from our endeavours. Our team is already expanding the scope of its initiatives and we are confident of creating strong technology and financial upsides.



Richard Gall

Business Development

At Cranes Software, we pride ourselves as enablers of global research initiatives. The underlying objective binding all our activities is to create a robust pipeline that comprehensively addresses the professional requirements of the global scientist. This is the common thread that runs through our operating businesses, from software products to technology training and consulting, as well as our investments in future-oriented technologies.

The previous fiscal year has been very fulfilling, given the substantial progress made in augmenting our relationship with global research activity. We have launched new versions of our technical software products that bring researchers improved functionality in their existing work environment. We have extended our relationships with global technology leaders to overseas markets. We have enhanced our end-to-end solutions skills and thereby the level of engagement with our customers. We have invested in research activity that draws upon our existing strengths, creating technologies that will contribute to the very development of mankind.

These initiatives have enabled strong outperformance in the last fiscal year. However, what enthuses us even more is the clarity and the visibility they have added to our business prospects and direction.

Cranes Software has a successful track record of leveraging existing business strengths to create ongoing, trusted relationships. This has contributed to enhancing the prospects of our business in the past and remains a key driver for growth even now. For instance, the visibility created within the local research community selling MATLAB has benefited us significantly over the last ten years. Both Dr. Rudra Pratap and myself, at IISc and Texas Instruments, were MATLAB customers. We were attracted to Cranes Software by its clear and focused vision. This same vision seems to have led Dr. Manju Bansal to join Cranes Software's Board recently.

Meanwhile, the ever-expanding Texas Instruments relationship produced a collaborative engagement in university education and has recently created an opportunity in distributing TI's software. The IISc association led to the formation of the MEMS research initiative and several other joint research themes.



Several other global technology players have chosen to forge alliances with Cranes Software, appreciating the unique strengths it represents. The SPSS relationship that gave us both SYSTAT and the Sigma product line is one such. A small development project for SPSS enabled Cranes Software identify and evaluate these software products that now represent a significant portion of its revenues.

Even in the year under review, several new alliances with technology leaders have been created. We extended our Texas Instruments engagement to ASEAN countries. TI's significant portfolio of DSP software and software development tools combined with Cranes Software's' focused market approach to offer unique advantages. Recently, we have also engaged with world leader National Instruments to create wireless LAN solutions around their products. Earlier in the year, we had announced a similar alliance with Tektronix, another leader in this domain, to create solutions compatible with its oscilloscopes.

We have recently partnered with IISc's incubator programme 'Society for Innovation and Development' with the objective of deriving benefits of a close academic-industry partnership in scientific research. Cranes Software will contribute to the commercialization of the research pipeline.

Following several years of relentless growth, Cranes Software is currently at the threshold of moving into the next level of operation. Our comprehensive coverage of the specialized scientific software domain has created high visibility in key markets. We are positive that the key advantages that the organization now enjoys will enable sizeable outperformance for several years to come.



Dramatic benefits are accruing to Texas Instruments' India university program as well as to the overall DSP teaching / DSP infrastructure in Indian universities as a result of Cranes Software's role as the formal university distributor for TI in India. Cranes' ability to market to, engage, sell & install DSP tools at, train and support universities results in a scalable business model that allows TI in India to reach over a thousand universities without investing excessive financial and human resources. Cranes efforts have resulted in over 250 TI DSP labs being set up and supported at Indian universities by mid-2004, with over 50 TI DSP labs being added each quarter. We believe this is an all-party beneficial arrangement with the potential to replicate in TI's other geographical markets.

Bhartendu Sinha, Senior Business Development Manager Strategic DSP Third Party Program & India DSP University Program, Texas Instruments



CRANES™



CRANES SOFTWARE INTERNATIONAL LIMITED

(Formerly Eider Commercials Limited)

FINANCIAL STATEMENTS

For 2003-2004



DIRECTORS REPORT

To the Members of Cranes Software International Limited.

Your Directors are pleased to present their Nineteenth Annual Report together with the audited accounts for the year ended March 31, 2004.

A. Financial Performance

(Rs. in millions)

	2003- 04	2002- 03
Sales and Operating Revenues	992.13	486.19
Profit before tax	355.95	218.96
Provision for tax	30.95	78.41
Profit after tax	325.00	140.55
Prior Period tax adjustments	(0.24)	(0.23)
Surplus brought forward	18.84	82.64
Amount available for appropriation	343.60	222.96

Business Performance

Your Company concluded yet another year of robust performance, as indicated by the financial results presented above. The Sales and Operating Revenues increased by 104% from Rs. 486.19 million to Rs 992.13 million. Profit Before Tax increased by 63% from Rs. 218.96 million to Rs. 355.95 million, while Profit after tax was higher by 131% at Rs. 325 million.

Capital Structure changes

During the year, the Company issued 17,44,357 Global Depository Receipts (GDRs), each representing one underlying equity share of Rs.10/- each, at a price of USD 6.65 per GDR.

The outstanding Preference Share Capital of Rs. 20 million has been redeemed during April, 2004 as per the terms of the issue.

Recognition

The Board of Directors are delighted to state that the initiatives taken by the Company have led to recognition as the fastest growing technology company in India by Deloitte Touche Tohmatsu, based on our achievements over the last two years.

Appropriation

A fixed dividend of 12% is payable on the preference shares as per the terms of the issue and the same has been declared by the Board of Directors and paid during the year. Members may take note of the payment of Preference Dividend.

Your Directors, have recommended a regular dividend of 15% on the equity shares and an additional one time special equity dividend of 15% for the year under review. The amount on account of the above dividends including dividend tax and surcharge thereon on distributed profits works out to Rs. 37.12 million, leaving the company with Rs. 306.48 million, of which Rs 250.22 million is transferred to General Reserve, Rs. 20 million to Capital Redemption Reserve and the balance of Rs. 36.26 million is retained as surplus in the Profit and Loss Account.



B. Subsidiary Companies.

During the year, your Company incorporated two new subsidiaries – Systat Software GmbH in Germany, created to run the ongoing German operations of the Sigma product line, and Cranes Software International Pte., Ltd. in Singapore, targeting the ASEAN region. Currently, the Company has four subsidiaries viz., Systat Software Asia Pacific Ltd., in India, Systat Software. Inc., in USA, Systat Software GmbH in Germany, Cranes Software International Pte., Ltd. in Singapore and a sub-subsidiary Systat Software UK Ltd., which is a subsidiary of Systat Software Inc., USA.

Financials of all the subsidiary companies are attached to this Annual Report.

C. Deposits

Your Company has not accepted deposits from the public during the current year.

D. Directorate

Mr. Mukkaram Jan and Mr. Mueed Khader retire by rotation and being eligible offer themselves for re-election.

Dr. Manju Bansal has been appointed as additional Director of the Company with effect from 31.03.2004. The Company has received notice under Sec 257 of the Companies Act, 1956 from a member proposing the candidature of Dr. Manju Bansal as a Director of the Company.

E. Conservation of energy

Even though the operations of your Company are not energy-intensive, adequate measures have been taken to reduce energy consumption by using efficient equipments. Since it is a software products company, primarily dealing with scientific and engineering software products and product related projects and consulting, energy cost forms a very small part of total cost and its impact on total cost is not material.

F. Research & Development Activities

The statement giving information as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is enclosed to this report.

G. Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2003-04 is Rs. 774.40 million and foreign exchange outgo is Rs. 54.72 million during the year.

H. Employees

The particulars of employees as per Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees), Rules 1975 are not applicable since none of the employees earn remuneration exceeding the amounts specified therein.

I. Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on consolidated financial statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form a part of the Annual Report and Accounts.

J. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956, the Directors. Hereby confirm that they have:



- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. Selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year under review;
- iii. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

K. Corporate Governance

A detailed report on Corporate Governance & Management Discussion and Analysis are attached.

L. Auditors

The Company's Auditors Messrs. S.Janardhan & Associates, Chartered Accountants, retire at the ensuing annual general meeting and are eligible for reappointment. The declaration under Section 224(1)(B) of the Companies Act, 1956 has been received from them.

M. Acknowledgement

Your Directors wish to place on record their sincere appreciation for the assistance and co-operation received from Banks, Financial Institutions, Government, Customers, Suppliers and Shareholders during the year under review. Your Directors also wish to place on record their appreciation for the committed services of the employees at all levels of the Company.

for and on behalf of the Board

Bangalore
04-05-2004

Asif Khader
Managing Director

Mukkaram Jan
Director



Form - B

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2004.

Research & Development Activities and Technology Absorption :

The Company in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science, Bangalore is setting up a Micro-Electro-Mechanical Systems (MEMS) design and testing lab. The Lab is engaged in product driven research in MEMS with a mission to play a pioneering role like that of Bell Labs in coming years. The current mandate of the lab is to create Intellectual Property Rights (IPR's) with the medium-term vision of creating commercial products based on the cutting edge nanotechnology. The initial focus has been on basic and applied research in the area of MEMS sensors and actuators. Currently, the lab is working on novel designs of MEMS sensors for acoustic applications, ultrasound transducers and MEMS inertial sensors. Apart from developing new designs, the lab is also engaged in setting up testing facilities for mechanical characterization of MEMS devices.

Another important milestone achieved during the year was the 802.11a/b/g based wireless LAN testing solution for Tektronix Oscilloscopes, developed through internal initiatives. The solution facilitates accurate testing and measuring of IEEE 802.11a/b/g baseband signals.

for and on behalf of the Board

Bangalore
04-05-2004

Asif Khader
Managing Director

Mukkaram Jan
Director



CORPORATE GOVERNANCE REPORT

Your Company believes in adhering to global standards of corporate responsibility towards its shareholders, customers, employees, all other stakeholders and the society in general. Your Company focuses on good corporate governance to deliver on its responsibility as a good corporate citizen. The internally implemented matrix of accountability goes beyond statutory requirements and voluntarily embraces global best practices.

With a mission statement of “exploring for a better tomorrow” your Company differentiates itself by keeping a definite and distinct focus on organic and inorganic software product development, consulting and training. This essentially means that the Company adopts a holistic approach to its business .

The Company will continue to enhance shareholder value within the framework of business ethics, regulatory compliances and ongoing contribution to society.

Board of Directors:

The composition of the Board is as follows :

Promoter Group :

Asif Khader
Mukkaram Jan
Mueed Khader

Non-Executive Directors :

Dr. Rudra Pratap
Richard Gall
Ronald Brown
Ajay Singh — Independent Director
Mirza Yawar Baig — Independent Director
Dr. Manju Bansal — Independent Director

Details of attendance at Board Meetings and last AGM and details of memberships in other Boards and Board Committees:

The Board met 12 times during the year on 11/06/03, 23/07/03, 31/07/03, 17/11/03, 08/12/03, 29/12/03, 05/01/04, 30/01/04, 21/02/04, 28/02/04, 18/03/04, 31/03/04.

Name of the Director	Date of Appointment	No. of Board Meetings attended	Whether attended last AGM	Member-ship in other Boards	Committees	
					Member-ship	Chairman-ship
Dr. Rudra Pratap	21.06.02	12	Yes	—	3	1
Asif Khader	30.04.02	12	Yes	4	1	—
Mukkaram Jan	30.04.02	12	Yes	4	1	—
Mueed Khader	30.04.02	10	Yes	4	—	—
Richard Gall	16.05.02	5	Yes	1	—	—
Ronald Brown	21.11.02	2	Yes	—	—	—
Ajay Singh	18.02.03	4	No	—	2	2
Mirza Yawar Baig	31.03.03	2	Yes	—	2	—
Dr. Manju Bansal	31.03.04	—	N.A	—	1	—



Audit Committee :

The Company has an Audit Committee consisting of the following directors :

Ajay Singh	—	Chairman
Mirza Yawar Baig	—	Member
Dr. Rudra Pratap	—	Member

The committee met on 11/06/03, 17/11/03, and 05/01/04. All the members (except Mr. Mirza Yawar Baig who could not attend any of the meetings) attended these meetings.

The Company Secretary is the secretary of the committee.

The statutory auditors attended all the meetings. Mr. Varadarajan – General Manager Finance, attended the meetings by invitation.

The scope of reference of the committee includes :

- Review of audit with Statutory Auditors & Internal Auditors
- Limited Review of Half Yearly accounts with Statutory Auditors
- Review of annual financial statements with auditors and management before submission to the Board.

With the addition of Dr. Manju Bansal to the Board, the audit committee has been reconstituted on 20/04/04 so as to also include Dr. Manju Bansal as a member of the audit committee.

Remuneration Committee :

The Board has constituted a remuneration committee under the provisions of Schedule XIII of the Companies Act, 1956 to finalize and propose the remuneration for Whole time Directors and Managing Director. There is no change or variation in the terms proposed this year.

The details of remuneration of the managerial personnel for the year 2003-04 is given in item (II)(3) of notes to accounts, Schedule No. 18.

For Non-Executive Directors :

Sitting fee is paid to non-executive directors for attending Board Meetings, Audit committee meetings and other committee meetings. The sitting fee for attending Board / Committee meetings is Rs.3,000/- for every meeting attended by the Directors, apart from reimbursement of actual travel & out of pocket expenses incurred by them for attending the meetings. No other remuneration is paid to non-executive Directors.

Share Holder Grievance Committee :

The Company has a Shareholder Grievance Committee consisting of Dr. Rudra Pratap, Mukkaram Jan & Asif Khader to look into the grievances of investors. During the year there were no complaints received from stock exchanges / SEBI / Department of Company Affairs.



Annual General Meeting :

The last three Annual General Meetings were held as under :

Date of AGM	Time	Venue
23rd August, 2001	2.00 p.m.	Regd. Office : W-50 MIDC Industrial Area, Taloja – 410 208.
12th September, 2002	3.30 p.m.	Hotel Marine Plaza, 29 Marine Drive, Mumbai – 400 020.
22nd September, 2003	3.00 p.m.	Hotel Le Meridian, 28, Sankey Road, Bangalore – 560 052

For AGM 2004, the Company does not have any proposal for postal ballot.

Disclosures :

During the year the Company had not entered into any transactions of material nature with any of the Promoters, Directors, Management or relative etc., which were in conflict with the interest of the Company.

Means of Communication :

The quarterly results are published in “The Business Line” & “Samyukta Karnataka” (Kannada). The results are also uploaded on the corporate web site (cranessoftware.com)

General Share Holder Information :

The Company's shares are listed on the Stock Exchange, Mumbai.

Pursuant to the offer of Global Depository Receipts (GDRs) made by the Company of 17,44,357 GDR's representing 17,44,357 underlying shares, the GDR's have been listed on the Luxembourg Stock Exchange.

The Company also proposes to make an application to the National Stock Exchange of India (NSE) for listing of its shares on the exchange.

Dr. Manju Bansal was appointed as an additional Director during the year and retires at the ensuing Annual General Meeting and is proposed for appointment. Particulars of Dr. Manju Bansal and the Directors that are retiring and are eligible for re-appointment have been given in the notice convening the Annual General Meeting and Explanatory Statement.

Annual General Meeting : 12th August, 2004.

Financial Calendar of Board Meetings (Tentative) for approval of :

- | | | |
|---------------------------------|---|---------------------------|
| i. Annual Accounts 2004 | — | 4th May, 2004 |
| ii. Unaudited Results – I Qtr | — | Last week of July, 2004 |
| iii. Unaudited Results – II Qtr | — | Last week of Oct, 2004 |
| iv. Unaudited Results – III Qtr | — | Last week of Jan, 2005 |
| v. Annual Accounts – 2004-05 | — | First week of June, 2005. |

Book Closure — 7th August 2004 to 11th August, 2004.

Dividend payment — On or after 25th August, 2004.

Listing on Stock Exchanges : The Stock Exchange, Mumbai
P J Towers, Dalal Street.
Mumbai – 400 001.



Scrip Code : 512093.
 Listing Fee : Annual Listing fee for 2003-04 has been paid to the stock exchanges where the shares are listed.

Share Price Data: The Share price data on the Stock Exchange Mumbai (BSE) during the year 2003-04 is given below :

Month	High (Rs.)	Low (Rs.)	BSE Sensex	
			High	Low
April' 2003	107.30	83.30	3221.90	2904.44
May ' 2003	127.70	84.00	3200.48	2934.78
June' 2003	157.00	117.65	3632.84	3170.38
July' 2003	196.90	158.20	3835.75	3534.06
August' 2003	230.55	187.30	4277.64	3722.08
September' 2003	258.00	228.00	4473.57	4097.55
October' 2003	246.85	233.25	4951.11	4432.93
November' 2003	322.50	231.35	5135.00	4736.70
December' 2003	387.00	328.95	5920.76	5082.82
January' 2004	448.50	345.50	6249.60	5567.68
February' 2004	412.75	344.20	6082.80	5550.17
March' 2004	374.20	319.40	5951.03	5324.78

Registrar & Transfer Agents :

Share Transfer work is being done by M/s Alpha Systems Pvt. Ltd, No.30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003 who are SEBI registered Registrars & Transfer Agents for both physical and demat shares.

Share Transfer System :

The power to approve transfer of shares has been delegated by the Board to the Share Transfer committee. Share transfers are processed within 15 days from their receipt.

Distribution of Shareholdings as on 31st March, 2004.

No. of shares held	Folios		Shares	
	Number	%	Number	%
Upto 500	609	66.34	107222	1.05
501 – 1000	97	10.57	79713	0.78
1001- 2000	68	7.41	105251	1.04
2001-3000	23	2.51	59553	0.59
3001-4000	16	1.74	58375	0.57
4001-5000	26	2.83	123932	1.22
5001-10000	29	3.16	214711	2.11
Above 10001	50	5.45	9418040	92.64
Total	918	100.00	10166797	100.00

**Pattern of Share Holding as on 31st March, 2004**

Sl. No.	Category	No. of Shares	% of Share Holding
1	Promoters	3519300	34.62
2	Mutual Funds	425265	4.18
3	Banks	158500	1.56
4	Private Bodies Corporate	1616520	15.90
5	Foreign National	400000	3.93
6	Foreign Company	163520	1.61
7	FII's	220000	2.16
8	NRI's/ OCB	321795	3.17
9	Bank of New York as Depository to the GDR holders.	1744357	17.16
10	Individuals & Others	1597540	15.71
Total		10166797	100.00

Dematerialisation of Shares : The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors. As of 31st March, 2004 about 81% of the company shares are held in dematerialised form.

The demat ISIN Number allotted to the Company is **INE234B01015** .

Office Locations : Being a scientific software products Company, it has its product development center at Bangalore and its branches at New Delhi and Hyderabad.

Address for Communication :**1. To the Company:****H. Shankar**

Chief Financial Officer
Cranes Software International Ltd.
"C" Towers, 5th Floor, Golden Enclave
Airport Road, Bangalore -560 017.

2. To the Registrar & Transfer Agent – for Share Transfers / Transmissions..etc**S. Sridhar**

Asst. Vice President
Alpha Systems Pvt. Ltd
No. 30, Ramana Residency
4th Cross, Sampige Road
Malleswaram
Bangalore – 560 003.



AUDITOR'S CERTIFICATE

(Under Clause 49 of the Listing Agreement)

To the Members of Cranes Software International Limited, Bangalore

We have examined the compliance of conditions of Corporate Governance by CRANES SOFTWARE INTERNATIONAL LIMITED, for the year ended 31.3.2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 according to the explanations given to us:

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

for S.JANARDHAN & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : BANGALORE
Date : 04.05.2004

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976



MANAGEMENT DISCUSSION AND ANALYSIS

Note: This discussion focuses on the consolidated financial performance of Cranes Software International Limited and its fully owned subsidiaries Systat Software, Inc. USA (alongwith its subsidiary Systat Software UK Limited), Systat Software GmbH, Germany, Cranes Software International Pte. Ltd, Singapore and Systat Software Asia Pacific Ltd., India. While the consolidated performance numbers fully capture the Company's global initiatives in its multiple business areas, Cranes Software's standalone financials have also been provided for reference.

During FY 2004 Cranes Software made several operating initiatives and achieved success on key financial parameters with the underlying objective of creating a successful global business. Alongwith strong revenues and earnings growth in the year under review, Cranes Software has created a robust pipeline to support sustained business expansion and value enhancement in the coming years.

The Global Macro-Economic Environment

The world economy, following the turmoil of the last two years, displayed some initial signs of strength according to recently reported indicators. As could be expected, the initial upturn has largely been felt in the core sectors. This has contributed to expectations of stronger GDP growth in several regions / countries globally. In the IT sector, growth in demand from key consumption segments has created a limited turnaround but this trend is yet to gain significant strength. Moreover, demand growth has been focused on maintaining and expanding the returns on existing IT investments rather than committing fresh investments.

The Software Products Market

The packaged software market in which Cranes Software has a growing presence, has historically demonstrated strong resilience from the vagaries of the global IT sector. This segment is estimated to have grown in excess of 8% annually over the last few years to account for about 20% of global IT spending. IDC expects this growth to accelerate further in the next five years to over 13% annually. Intrinsic to growth in the software products industry is an ongoing investment commitment towards product development, feature enhancements, brand building and sales infrastructure. Such investment enables product companies to create a strong user interface, monitor the evolving customer requirement and deliver an optimised solution, effective leverage of which expands the customer base.

Given these imperatives, the global software products market has been dominated by a few large-sized players who between them command a significant market share. In fact, the industry has witnessed a trend of ongoing consolidation, which is widely expected to continue and even accelerate moving forward. Availability of a high quality cost-effective product research and development infrastructure, and the ability to create and enhance the product brand within usage segments are the key elements dictating this consolidation.

The India Opportunity...

Here lies the opportunity for Indian companies that have the business experience, domain strengths, technology capabilities, management bandwidth, technical talent and above all the focused commitment to own, nurture and establish globally recognized software product brands.

According to NASSCOM's estimates, India's current share of the worldwide US\$ 180 billion software products market is only at 0.2% (Source: NASSCOM Factsheet – Product & Technology Services). Given the 1.5% global market share captured by the Indian software services industry, there is potentially a significant growth opportunity for the country's software products players. A NASSCOM-McKinsey study estimated that India's share of product and technology services-related opportunities could expand to US\$ 8-11 billion by 2008 from US\$ 1.4 billion in FY 2003, further highlighting the country's potential in IT products.



Adopting a pro-active approach, NASSCOM has recently created an IT products forum with the objective of institutionalising the promotion of Indian software products in key markets globally. Cranes Software is actively involved in the activities of this forum.

Cranes Software: Poised For Growth

Cranes Software has consolidated its position in the global software tools and utilities segment by leveraging its strong financial position, its product development capability and its worldwide presence. It has adopted the 'acquire, enhance and market strategy to create a world-class portfolio of data visualisation products. Cranes Software's intellectual property based businesses have shown continued growth, enabling another year of substantial outperformance.

During the year under review, Cranes Software made steady progress towards achieving its strategic vision - of developing a multi-dimensional, technology driven global business. Cranes Software's existing operations continued to deliver steady business growth. Several initiatives that were undertaken during the year created strong upsides in the Company's overseas revenues –

Financial Condition

The financial performance of Cranes Software in FY 2004 yielded ROCE of 36%, as compared to 33% of the previous year. This progress was a result of a substantial expansion in its operations. The additional resource requirement was financed by a combination of internal accruals, and capital issuance, both debt and equity through a GDR issue just received as at the end of the year under review.

A synopsis of the key funds inflow and outflow contributors for the year under review is provided below:

		(Rs. Mn)
Sources of Funds		
Issue of GDR		503
Funds from Operations		
- Appropriation of Profit from Operations	288	
- Depreciation	80	368
Term Loan		405
Working Capital Borrowings		280
	Total	1556
Application of Funds		
Business Acquisitions		569
Other Capital Expenditure		43
Increase in Deferred Revenue Expenditure		6
Increase in Working Capital		435
GDR Funds in Escrow		503
	Total	1556

Sources of funds

During the year under review, shareholders' funds expanded by over three times, supplemented by the GDR issuance and retention of profits. In addition, the resource requirements necessitated by Cranes Software's expanding organic business as well as the Sigma product acquisition were financed by secured loans. The debt-equity ratio increased from 0.54 as on March 31, 2003 to 0.68 as on March 31, 2004. However, Cranes Software's debt service coverage ratio remains at a comfortable 5.7 times.



Applications of funds

Cranes Software's gross block increased by Rs. 286.1 million, Rs. 243 million of which pertained to computer software purchased as a part of the Sigma product acquisition; an additional Rs. 326 million was also advanced for this acquisition, as part of the consideration

Inventories, essentially the value of shrink-wrapped third party products in stock, reduced to Rs. 28.0 million at the end of FY 2004.

Sundry debtors increased to Rs. 506.5 million as on March 31, 2004 but Cranes Software's debtors' sales outstanding (DSO) level remained unchanged at 163 days. Collection cycles for sales carried out through global distributors are longer. However, quality of receivables is high and only about 1% of the debtors were due for a period of over 180 days.

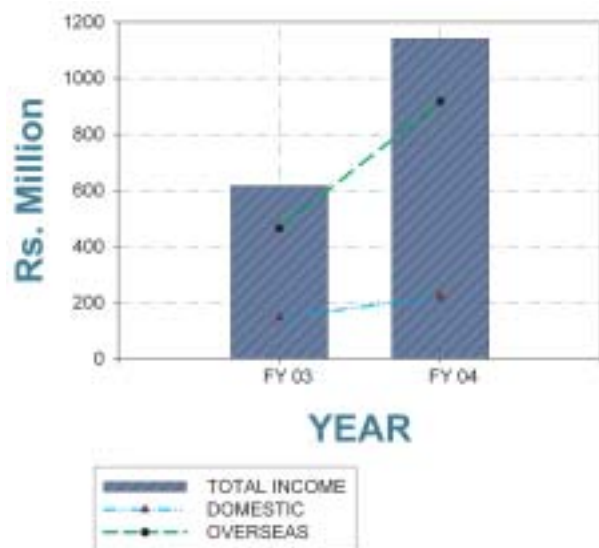
Cash and bank balances increased to Rs. 788.2 million, including Rs. 503.3 million from the GDR issue.

Operating Performance Review

	FY 2004	FY 2003	Variance (%)	FY 2004 Percentage of total Income	FY 2003
Consolidated Income					
Overseas	916.2	464.3	97.3	80.3	75.4
Domestic	220.7	145.8	51.4	19.3	23.7
Other Income	3.7	5.4	(31.5)	0.3	0.9
Total Income	1140.6	615.5	85.3	100.0	100.0
Expenses					
Cost of Goods Sold	327.4	120.06	172.7	28.7	19.5
Personnel Expenses	93.2	80.6	15.6	8.2	13.1
Genl and Admin Expenses	199.7	112.84	77.0	17.5	18.3
Total Expenses	620.3	313.5	97.9	54.4	50.9
EBITDA	520.3	302.0	72.3	45.6	49.1
Interest	77.4	33.3	132.4	6.8	5.4
Depreciation	80	50.2	59.4	7.0	8.2
Profit Before Tax	362.9	218.5	66.1	31.8	35.5
Provision for Tax	37.4	78	(52.1)	3.3	12.7
Profit After Tax	325.5	140.5	131.7	28.5	22.8

Income Review

In FY 2004, Cranes Software made several initiatives across the various lines of its business with the objective of internationalising the operations further, enhancing value and creating greater sustainability. This led to a strong 97% expansion in overseas revenues from Rs 464.3 million to Rs 916.2 million. Domestic revenues were also higher by 51% over the preceding year. Over the last two years, Cranes Software's overseas revenues have grown almost eight times and now constitute 81% of the business compared to 37% in FY 2002.

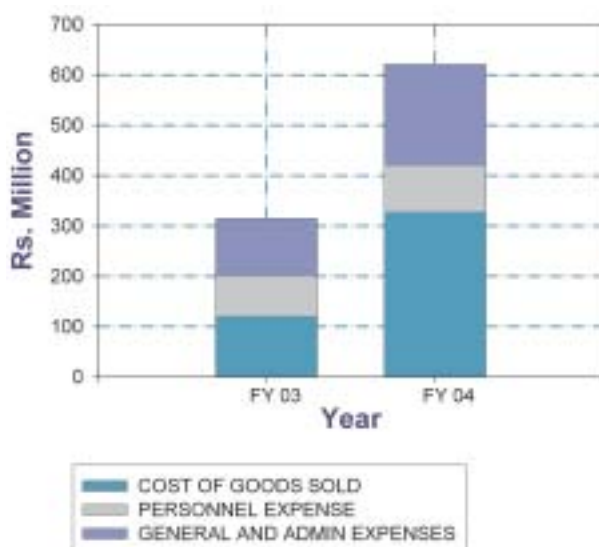


During the year under review, Cranes Software’s proprietary software products business consolidated its existing portfolio following the multiple post-acquisition version launches last year. SYSTAT Version 10.2 strengthened Cranes Software’s global presence in the statistical analysis software segment, deriving significant leverage from the expanding sales and marketing network. In addition, the launch of the Japanese version of SYSTAT 10.2 provided new business opportunities in the region. Further to the organic growth momentum, the acquisition of the Sigma range of products in the last quarter of the year created a new revenue pipeline. This acquisition, which boosted fourth quarter revenues, has created a strong run rate for FY 2005. Further, FY 2005 growth will also be boosted by the recent release of SYSTAT 11.

In FY 2004, revenues from third party product alliances were 31% higher than those in the preceding year. Cranes Software has created a focused but extensive sales network of offices and distributors that enable leading product companies to access the domestic market. Revenue expansion initiatives are supported by regular new version launches through close alignments with international principals. An important development in the distributed products business was the initiation of Cranes Software’s first engagement in overseas markets. Texas Instruments has chosen Cranes Software as its ASEAN region distributor for its portfolio of DSP software tools.

Cranes Varsity’s training-based revenues expanded from Rs. 22.1 million to Rs 52.4 million during the year.

Cost Analysis



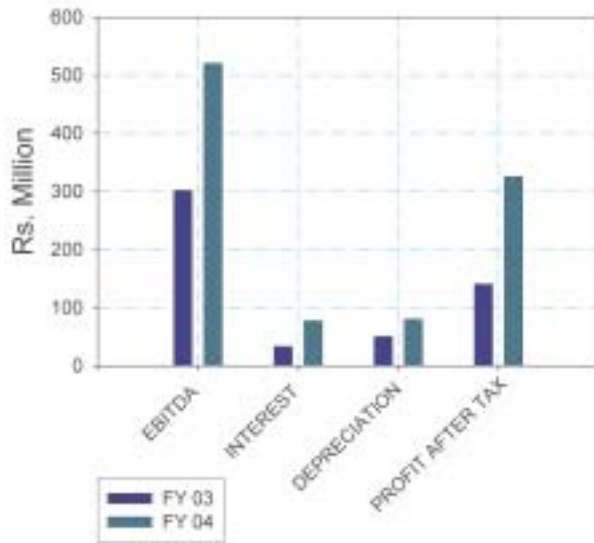
During FY 2004, Total Expenditure increased by 98% over the preceding year, compared to revenue increase of 86%. Margins were largely impacted by the acquisition of the Sigma product line from SPSS Inc. during the fourth quarter. Up to the transfer of IP, the Company will continue to serve as the global distributor for Sigma . Thus, margins on incremental revenues from the Sigma product were lower during FY 2004.

Going forward, new version launches of SYSTAT and SigmaPlot will drive revenues. Also, there are revenue expansion opportunities in software distribution and wireless businesses. In addition, the enhanced infrastructure base, following the Sigma product acquisition, has provided some avenues for cost rationalization.

Overall, given the growing business momentum, we expect that in FY 2005 operating margin will be maintained in the historical range although quarter wise variations are possible.



Profit analysis



Profit after tax was 132% higher than FY 2003, representing the upside from the various corporate initiatives. Earnings Per Share (diluted) were at Rs. 30.31 in FY 2004 compared to Rs. 16.31 in FY 2003. This was achieved despite the increase in the number of outstanding equity shares following the successful GDR issue in March 2004.

Internal Control Systems

Company places utmost importance on internal control systems. The internal control is multi-layered and measured by metrics on a continuous basis. The company is in the process of implementing CMM Level 5 shortly, and plans to achieve People CMM (PCMM) and BS7799

Certification during the forthcoming financial year. On the finance and administrative side, the internal checks and balances are automated by a formal system of Internal Audit and quarterly full cycle statutory audit processes.

Human Resources

Your company aims at creating a people enabling and development oriented environment for its employees by building people, systems and processes focusing on staffing with top quality manpower and thereby instituting a robust organisational structure to meet the strategic global objectives of the organisation. Towards this end the company has taken a number of initiatives, which the management is confident would bear fruit during the current year and the years to come.

Future outlook

FY 2004 was another significant milestone in Cranes Software's successful journey towards global leadership in scientific and engineering software.

The Cranes Software management is confident that strong growth can be maintained given the multiple drivers now in place. In FY 2005, revenue growth is expected to be driven by:

- Sigma product line revenues for the entire twelve-month period compared to three months in FY 2004, when this product was launched in the Company's fold. Cranes Software's global sales and marketing initiatives have also been integrated with those of the Sigma sales team. This is expected to expand the product availability network worldwide.
- Launch of SYSTAT 11 in May 2004. The new version is not only targeting the existing user base for upgradations, but also aiming at creating new opportunities in hitherto unexplored target segments; its superior functionality is adding new customers in several regions across the world.
- Cross-selling opportunities across usage segments in Cranes Software's expanded range of software products. The entire range is focused on the global scientist and engineer and Cranes Software's significant domain knowledge in this segment has enabled it to create a robust pipeline to customers.
- The expanded global sales and marketing network that now extends to London and Dusseldorf (Germany) and Singapore enhanced by a distribution network in 33 countries. The network enables strong reach and cross-leveraged access to key markets.



- New opportunities in the products distribution, wireless and technical software training businesses in overseas markets.
- Commitment of Cranes Software to support research initiatives focused on disruptive technologies, mainly in the areas of MEMS and wireless technologies. These could be expected to add to the growth potential over the longer term.

Disclaimer

The information and opinion expressed in this Report may contain certain forward-looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. The company cannot guarantee that these assumptions / expectations are accurate or will be realized. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. Prior written permission of the Company may be obtained for furnishing this information to any person.



AUDITORS' REPORT

The Members of Cranes Software International Limited

1. We have audited the attached Balance Sheet of M/s. Cranes Software International Limited, Bangalore as at 31st March 2004, 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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the Directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2004 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2004;
 - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for S.JANARDHAN & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : BANGALORE
Date : 04.05.2004

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976



ANNEXURE

Re: Cranes Software International Limited
(Referred to in paragraph 3 of our report of even date)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) During the year, the Company has not disposed any fixed assets.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms and other parties listed in the register covered under section 301 of the Companies Act, 1956 and hence the provision of clauses 4(iii)(b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupee five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposit from the public and as such the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records as required under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- (ix) (a) Undisputed statutory dues including, provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, custom duty, excise duty, cess have generally been regularly deposited with the appropriate authorities.
 - (b) According to the information and explanations given to us, there are no dues of sales-tax, income-tax, customs duty, wealth-tax, excise duty and cess are pending on account of dispute.



- (x) The Company has neither accumulated losses as at 31st March 2004 nor has it incurred any cash losses during the financial year ended on that date or in the immediately preceding the financial year.
- (xi) The Company has not defaulted in repayment of dues to a financial institution and banks and there are no debenture holders.
- (xii) According to information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to information and explanations given to us, and as per our examination of relevant records, we are of the opinion that the terms and conditions on which the company has given the guarantee for loans taken by others from banks are not prima facie prejudicial to the interest of the company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) During the year the company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year the company has not issued any debentures.
- (xx) The Management has disclosed in the offer document, the end use of the money raised by issue of Global Depository Receipts. As the entire money collected is kept in an 'ESCROW ACCOUNT', the verification of end use does not arise.
- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practice 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 S.JANARDHAN & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : BANGALORE
Date : 04.05.2004

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976



BALANCE SHEET

As at 31st March, 2004

PARTICULARS	SCH. No.	AS AT 31.03.2004 Rs.	AS AT 31.03.2004 Rs.	AS AT 31.03.2003 Rs.	AS AT 31.03.2003 Rs.
I. Sources Of Funds					
1. Shareholders' Funds:					
(a) Share Capital	1	121,667,970		104,224,400	
(b) Reserves and Surplus	2	1,065,596,360		292,081,221	
			1,187,264,330		396,305,621
2. Loan Funds					
(a) Secured Loans	3	811,553,546		213,232,918	
			811,553,546		213,232,918
3. Deferred Tax Liability			76,458,000		92,377,659
TOTAL			2,075,275,876		701,916,198
II. Application of Funds					
1. Fixed Assets	4				
(a) Gross Block		604,863,037		352,214,080	
(b) Less : Depreciation		131,782,021		73,881,098	
(c) Net Block		473,081,016		278,332,982	
(d) Capital Work in Progress		5,786,353	478,867,369	4,906,500	283,239,482
2. Investments	5		190,370,322		140,112,950
3. Deferred Tax Asset			1,000,000		371,998
4. Current Assets, Loans & Advances:					
(a) Inventories	6	22,695,235		49,526,135	
(b) Sundry Debtors	7	485,318,783		268,451,362	
(c) Cash and Bank Balances	8	778,739,804		3,362,842	
(d) Loans and Advances	9	416,442,395		49,470,399	
		1,703,196,217		370,810,738	
Less : Current Liabilities & Provisions	10				
(a) Current Liabilities		203,160,332		49,118,391	
(b) Provisions		98,819,311		49,072,215	
		301,979,643		98,190,606	
Net Current Assets			1,401,216,574		272,620,132
5 Miscellaneous Expenditure (To the extent not written off or adjusted)	11		3,821,611		5,571,636
Notes to Accounts & Significant Accounting Polices	18				
TOTAL			2,075,275,876		701,916,198

Schedule Nos. 1 to 11 and 18 form an integral part of Balance Sheet

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



Profit & Loss Account

For the Year Ended 31st March, 2004

PARTICULARS	SCH. No.	31.03.2004 Rs.	31.03.2004 Rs.	31.03.2003 Rs.	31.03.2003 Rs.
INCOME					
Sales	12	988,382,994		481,431,619	
Other Income	13	3,747,714		4,755,638	
			992,130,708		486,187,257
EXPENDITURE					
Cost of Goods Sold	14	308,880,425		112,143,360	
Personnel Expenses	15	53,809,461		34,685,244	
Administrative Expenses	16	141,472,954		58,296,234	
Interest and Financial Charges (Net)	17	74,117,494		33,152,514	
Depreciation		57,900,923		28,951,270	
			636,181,257		267,228,622
PROFIT BEFORE TAX			355,949,451		218,958,635
Less : Provision for Current Tax			47,500,000		25,500,000
Deferred Tax			(16,547,661)		52,910,024
PROFIT AFTER TAX			324,997,112		140,548,611
Add/(Less): Income tax relating to earlier years			(245,523)		(234,026)
NET PROFIT			324,751,589		140,314,585
Add : Balance brought forward from previous year			18,849,581		82,644,374
Profit available for appropriation			343,601,170		222,958,959
Appropriations					
Preference Dividend			2,400,000		2,400,000
Proposed Equity Dividend			30,500,391		10,106,928
Tax on Dividend			4,215,363		1,602,450
Capital Redemption Reserve			20,000,000		—
General Reserve - Transfer			250,221,160		190,000,000
Balance carried to Balance Sheet			36,264,256		18,849,581
			343,601,170		222,958,959
Annualised Earnings Per Share					
- Basic			38.24		16.34
- Diluted			N.A.		N.A.
Notes to Accounts & Significant Accounting Policies	18				

Schedule Nos. 12 to 17 and 18 form an integral part of Profit and Loss Account

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT 31ST MARCH, 2004.

PARTICULARS	31.03.2004 Rs.	31.03.2003 Rs.
SCHEDULE NO.1 SHARE CAPITAL:		
AUTHORISED:		
1,20,00,000 Equity Shares of Rs.10/- each		
[Previous Year 90,00,000 equity shares of Rs.10/- each]	120,000,000	90,000,000
2,00,000 Preference Shares of Rs.100/- each	20,000,000	20,000,000
	140,000,000	110,000,000
ISSUED, SUBSCRIBED & PAID-UP:		
101,66,797 Equity Shares of Rs. 10/- each fully paid up	101,667,970	84,224,400
[Previous Year - 84,22,440 equity shares of Rs.10/- each fully paid up, During 2001-2002 81,82,440 equity shares of Rs.10/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Ltd. with the company]		
2,00,000 Preference Shares of Rs.100/- each fully paid up	20,000,000	20,000,000
[During 2001-2002 2,00,000 preference shares of Rs.100/- each were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Ltd. with the company]		
TOTAL	121,667,970	104,224,400
SCHEDULE NO.2: RESERVES AND SURPLUS:		
a) General Reserve	192,778,840	2,778,840
Add : Transfer from Profit & Loss Account	250,221,160	190,000,000
	443,000,000	192,778,840
b) Share Premium Account	566,332,104	80,452,800
c) Profit & Loss Account	36,264,256	18,849,581
d) Capital Redemption Reserve	20,000,000	—
TOTAL	1,065,596,360	292,081,221
SCHEDULE NO.3: SECURED LOANS:		
(Refer Note No.5 for security provided)		
JAMMU AND KASHMIR BANK LTD.,		
Cash Credit Account	—	34,181,057
KOTAK MAHINDRA PRIMUS LTD.	—	221,100
ICICI BANK LTD	—	191,358
STANDARD CHARTERED BANK	330,507	771,183
(Secured by hypothecation of vehicle)		
TERM LOAN ACCOUNT - JAMMU & KASHMIR BANK LTD	405,000,000	—
SHORT TERM LOAN - JAMMU & KASHMIR BANK LTD.	406,223,039	177,868,220
TOTAL	811,553,546	213,232,918



SCHEDULES NO.4 FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	COST AS ON 01.04.2003	ADDITIONS	TOTAL AS ON 31.03.2004	UPTO 1.4.2003	FOR THE PERIOD	TOTAL UPTO 31.03.2004	AS ON 31.03.2004	AS ON 31.03.2003
LAND	26,305,037	—	26,305,037	—	—	—	26,305,037	26,305,037
FURNITURE & FIXTURES	16,667,210	2,102,150	18,769,360	3,792,635	1,086,827	4,879,462	13,889,898	12,874,575
COMPUTERS	41,410,412	4,043,548	45,453,960	18,894,494	6,065,131	24,959,625	20,494,335	22,515,918
COMPUTER SOFTWARE	255,532,254	245,444,777	500,977,031	49,047,771	49,919,061	98,966,832	402,010,199	206,484,483
PLANT & MACHINERY	7,597,710	1,058,482	8,656,192	1,099,829	383,427	1,483,256	7,172,936	6,497,881
VEHICLE	4,701,457	—	4,701,457	1,046,369	446,477	1,492,846	3,208,611	3,655,088
TOTAL	352,214,080	252,648,957	604,863,037	73,881,098	57,900,923	131,782,021	473,081,016	278,332,982
PREVIOUS YEAR	212,957,197	139,256,883	352,214,080	44,929,828	28,951,270	73,881,098	278,332,982	188,710,954



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT 31ST MARCH, 2004.

PARTICULARS	31.03.2004 Rs.	31.03.2003 Rs.
SCHEDULE NO.5: INVESTMENTS:		
<i>(At cost - non trade - unquoted)</i>		
(i) Systat Software, Inc. USA [974166 shares of face value USD 1/- each out of which 390000 shares of USD 1/- and 417500 shares at USD 1/- with a premium of USD 5/- fully paid up, During the year the company has acquired 1,66,666 shares of face value of USD 1/- each with a premium of USD 5/- each fully paid up]	185,117,768	139,607,950
(ii) Systat Software Asia Pacific Ltd. 380000 shares of Rs.10/- each fully paidup. [During the year the company has acquired 330000 shares of Rs.10/- were subscribed each fully paid up During the year 2002-03 the company acquired 50000 shares of Rs.10/- each]	3,800,000	500,000
(iii) Government Security	5,000	5,000
(iv) Systat Software GmbH-Germany (1 share of 25000 euros fully paid up)	1,447,500	—
(v) Cranes Software Int'l Pte Ltd - Singapore (2 shares of Singapore Dollars 1/- each fully paid up)	54	—
TOTAL	190,370,322	140,112,950
SCHEDULE NO.6: INVENTORIES:		
<i>(Valued at lower of cost or market value, as valued and certified by the management)</i>		
Stock - in - trade	22,695,235	49,526,135
TOTAL	22,695,235	49,526,135
SCHEDULE NO.7: SUNDRY DEBTORS:		
<i>(Unsecured - Considered Good)</i>		
- Outstanding for more than six months	5,807,917	4,595,499
- Others	479,510,866	263,855,863
TOTAL	485,318,783	268,451,362
SCHEDULE NO.8: CASH AND BANK BALANCES:		
(i) Balances with Scheduled Banks in :		
- Current Account	162,512,439	881,376
- Deposit Account	112,849,436	2,307,144
(ii) Balances with Others :		
- ABN Amro Bank (Maximum amount outstanding Rs. 20000)	20,000	—
- HDFC Bank (Maximum amount outstanding Rs.10800)	10,700	10,800
- Bank Escrow (Maximum amount outstanding Rs. 503322874)	503,322,874	—
- Cash on Hand	778,715,449	3,199,320
	24,355	163,522
TOTAL	778,739,804	3,362,842
SCHEDULE NO.9: LOANS AND ADVANCES:		
<i>(unsecured, considered good)</i>		
a) Advances recoverable in cash or in kind or for value to be received	405,796,630	41,564,796
b) Deposits	10,645,765	7,905,603
TOTAL	416,442,395	49,470,399
SCHEDULE NO.10: CURRENT LIABILITIES & PROVISIONS:		
CURRENT LIABILITIES:		
(i) Sundry Creditors	202,922,692	48,863,998
(ii) Directors' Current Account	237,640	254,393
TOTAL	203,160,332	49,118,391
PROVISIONS:		
- Income Tax	59,012,527	34,020,000
- Gratuity	2,691,030	942,837
- Preference Dividend	2,400,000	2,400,000
- Proposed Equity Dividend	30,500,391	10,106,928
- Dividend Tax	4,215,363	1,602,450
TOTAL	98,819,311	49,072,215
SCHEDULE NO.11 : MISCELLANEOUS EXPENDITURE		
<i>(To the extent not written off or adjusted)</i>		
Amalgamation Expenses	2,124,064	2,724,900
Deferred Revenue Expenditures	3,447,572	4,596,763
	5,571,636	7,321,663
Less : 1/5th written off	1,750,025	1,750,027
TOTAL	3,821,611	5,571,636



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31ST MARCH, 2004.

PARTICULARS	31.03.2004 Rs.	31.03.2003 Rs.
SCHEDULE - 12: SALES:		
Software Sales & Services:		
Gross Sales:		
Exports	774,402,970	342,863,052
Domestic	161,518,596	116,516,240
	935,921,566	459,379,292
Software Training	52,461,428	22,052,327
TOTAL	988,382,994	481,431,619
SCHEDULE -13: OTHER INCOME:		
Exchange Fluctuation Account	3,747,714	4,755,638
TOTAL	3,747,714	4,755,638
SCHEDULE -14: COST OF GOODS SOLD:		
Opening Stock	49,526,135	22,683,000
ADD: Purchases	270,469,073	136,231,389
ADD: Direct Expenses	11,580,452	2,755,106
	331,575,660	161,669,495
LESS: Closing Stock	22,695,235	49,526,135
TOTAL	308,880,425	112,143,360
SCHEDULE -15: PERSONNEL EXPENSES:		
Salaries	47,372,918	30,066,678
Gratuity	1,755,613	521,906
E.S.I Contribution	45,423	91,202
P.F. Contribution	2,344,608	2,849,149
Staff Welfare	2,290,899	1,156,309
TOTAL	53,809,461	34,685,244
SCHEDULE -16: ADMINISTRATIVE EXPENSES:		
Auditors Remuneration	132,600	105,000
General Expenses	59,929,479	19,996,040
Sales Commission	2,317,429	1,790,248
Insurance	118,164	108,866
Office Rent	7,081,800	6,096,859
Rates and Taxes	375,339	745,751
Remuneration to Directors	4,380,000	3,493,500
Travelling and Conveyance	10,071,638	6,535,616
Repairs & Maintenance	277,319	492,608
Preliminary expenses written off	1,750,025	1,750,027
Directors Sitting Fees	93,000	71,000
Consultancy Charges	54,946,161	17,110,719
TOTAL	141,472,954	58,296,234
SCHEDULE -17: INTEREST & FINANCIAL CHARGES		
Interest on Fixed Loan	74,477,781	321,961
Interest - Others	—	55,711,512
	74,477,781	56,033,473
Less : Interest received on Fixed Deposit [TDS : Rs.71991]	360,287	22,880,959
TOTAL	74,117,494	33,152,514



NOTES TO ACCOUNTS

Schedule No. 18 - Notes to Accounts and Significant Accounting Policies.

I. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

Generally mercantile system of accounting is followed except for those associated with significant uncertainty and are in accordance with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956.

b) REVENUE RECOGNITION

- (i) Sale is recognized on delivery of goods to the Customer.
- (ii) Software Development is recognized on the basis of achievement of prescribed milestone as relevant to each contract or proportionate completion method.
- (iii) Technical Service Contract is recognized over the period of the contract.

c) FIXED ASSETS

Fixed Assets are stated at historical cost of acquisition less accumulated depreciation.

d) DEPRECIATION

- (i) Depreciation has been provided on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956, on a pro-rata basis corresponding to the date of installation and put into use.
- (ii) Depreciation on assets costing less than Rs.5000 is written off in the year of purchase irrespective of the date of installation.

e) INVENTORY

- (i) Software products are valued at lower of the cost or market value.
- (ii) Software products developed/being developed are valued at estimated cost

f) INVESTMENTS – LONG TERM

Investment in foreign subsidiary has been reflected at the exchange rate prevailing at the date of transaction. Investment in Domestic Subsidiary is stated at cost. Any fall in value of investments, other than temporary is provided for.

g) EXCHANGE FLUCTUATION

- (i) Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transaction.
- (ii) Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end restated at the year end rate, are recognized in profit and loss account.

h) RESEARCH AND DEVELOPMENT

The Company in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science, Bangalore is in the process of setting up a designing and testing laboratory over a period of three years. The Indian Institute of Science and the Company will jointly own the intellectual property rights and patents for technologies and products developed by the lab. At the end of this process the company will be identifying a fabrication facility for commercial exploitation. Payments made to the institution in respect of the aforesaid activity is capitalized under the head "Capital Work in Progress" and will



be written off over the useful life of the intellectual right after the commencement of commercial usage of the same.

i) EMPLOYEES RETIREMENT BENEFITS

- (i) Provident Fund remittances to the Government are charged against the revenue on accrual basis.
- (ii) Gratuity liability is determined on the assumption that the eligible employees are retiring at the end of every year.

j) DEFERRED TAX

- (i) Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

k) TREATMENT OF CONTINGENT LIABILITIES: Contingent liabilities not provided for are reflected in Notes on Accounts.

l) EARNING PER SHARE:

Basic/diluted earnings per share is calculated by dividing the net earning available to the equity share holders by the weighted average number of equity shares outstanding during the year.

II. NOTES ON ACCOUNTS

	2003-04 Rs.	2002-03 Rs.
1. Contingent liabilities not provided for Bank Guarantees outstanding: Guarantee to Jammu and Kashmir Bank Ltd in respect of foreign currency loan taken by wholly owned subsidiary	18,07,792	17,56,235
	8,67,80,000	—
2. Estimated amount of contracts remaining to be executed on capital works and not provided for	20,02,500	20,02,500
3. Directors Remuneration		
Managing Director		
Salary	8,40,000	6,68,484
Allowances	8,40,000	6,69,516
(a)	16,80,000	13,38,000
Wholetime Directors		
Salary	13,50,000	10,77,072
Allowances	13,50,000	10,78,428
(b)	27,00,000	21,55,500
Total Managerial Remuneration	(a+b) 43,80,000	34,93,500
Value of goods calculated on CIF basis		
Capital Goods :	24,44,88,916	2,46,51,554
Trading Goods :	9,04,95,757	10,85,12,032
Earnings in Foreign Currency – FOB value of exports	77,44,02,970	34,28,63,051
Expenditure incurred in Foreign Currency	5,47,20,278	1,56,82,422
4. The Exchange differences credited in the Profit & Loss account on account of revenue for the period is Rs.37,47,714 (Previous Year Rs.4,755,638) (Net)		
5. a) The Jammu & Kashmir Bank Ltd. Term Loans and Cash Credit account is secured by a first charge on the Company's land, hypothecation of stocks of consumer software, book debts, document of title to goods and are guaranteed by directors and collaterally secured by property at Frazer Town, Bangalore.		
b) Creditors for finance are secured by hypothecation of vehicles.		



6. Some of the Debtors and Creditors balance are subject to confirmation
7. There are no amounts outstanding to small scale industrial undertaking as ascertained by the management
8. In the opinion of the Board of Directors, all the current assets, Loans and advances have at least the value as stated in the Balance sheet if realised in the ordinary course of the Business.
9. Deferred revenue expenditure and amalgamation expenses are written off over a period of 5 years
10. The Company is dealing with computer software that is not liable for excise duty.
11. Previous years figures have been regrouped and reclassified wherever necessary.
12. The Company has issued & allotted on 31st March, 2004 Global Depository Receipts (GDR's) aggregating to USD 11.59 million representing 17,44,357 equity shares of Rs.10/- each at USD 6.65 per share. The GDR proceeds is proposed to be utilized as follows

	US \$ Million	Rs. In Millions	in %
1. Capital Expenditure	1.43	65.00	11.92%
2. Debt repayment including subsidiaries	3.30	150.00	27.50%
3. Share Issue Expenses	0.33	15.00	2.75%
4. Investment	1.53	70.00	12.75%
5. Working Capital	5.50	250.00	45.08%
TOTAL	12.00	550.00	100.00%

13. Quantitative Details

2003-2004

Item Description	Opening Stock 01.04.2003	Receipts	Issues	Balance as on 31.03.2004
Matlab Media CD Kits	239	466	497	208
Dongles	39	360	340	59
Matlab	157	454	448	163
Simulink	125	229	235	119
Toolboxes	1458	1398	1518	1338
DSP Starter kits	39	341	271	109
STATISTICS	20	125	125	20
TOTAL	2077	3373	3434	2016

2002-2003

Item Description	Opening Stock	Receipts	Issues	Balance as on 31.3.2003
Matlab Media CD Kits	118	390	269	239
Dongles	17	225	203	39
Matlab	62	356	261	157
Simulink	85	197	157	125
Toolboxes	1164	1315	1021	1458
DSP Starter kits	—	87	48	39
STATISTICS	—	20	—	20
TOTAL	1446	2590	1959	2077

The company has no manufacturing operations and hence licensed and installed capacity are not applicable



14. Repairs and Maintenance includes

Particulars	2003-04	2002-03
Repairs to Building	92,613	1,56,852
Repairs to Machinery	1,08,208	1,47,599
Repairs to Others	76,498	1,88,157
TOTAL	2,77,319	4,92,608

15. Auditors remuneration is for

Particulars	2003-04	2002-03
Statutory Audit	1,20,000	1,00,000
Service tax	12,600	5,000
TOTAL	1,32,600	1,05,000

16. Earnings per share
Calculation of EPS & Diluted

The following reflects the income and share data used in the computation of Basic Earnings per share

Particulars	2003-04	2002-03
Net Profit before deferred tax and preference dividend	Rs.35,59,49,451	Rs.21,89,58,635
Net Profit after deferred tax and Preference dividend	Rs.32,20,44,089	Rs.13,76,07,085
Number of Equity Shares	Nos. 84,27,206	Nos.84,22,440
EPS before deferred tax & Preference dividend	Rs. 42.26	Rs. 25.99
EPS after deferred tax and Preference dividend	Rs.38.24	Rs.16.34
Nominal value per share	Rs.10.00	Rs.10.00

17. Deferred Tax

Deferred tax at the year end are attributable to the following :

Deferred tax asset	Amount (Rs.)
a) Carry forward capital loss	34,000
b) Provision for Gratuity	9,66,000
Deferred tax liability	
a) Depreciation	(7,64,58,462)
b) Expenses yet to be written off in the books	—

Deferred tax of (Rs.1,69,17,659) for the year ended 31st March, 2004, is shown separately in the Profit and Loss Account for the year ended 31st March, 2004.



18. Related party Disclosures as ascertained by the management

Particulars	Subsidiaries (Rs.)	Associates (Rs.)	Key Management Personnel (Rs.)	Relatives of Key Management Personnel (Rs.)	Total Related Parties (Rs.)
Purchases of Goods/services/ software	4,43,54,433	11,32,009			4,54,86,442
Purchase of consumables and others					
Sales of Goods	1,26,59,179				1,26,59,179
Purchase of Fixed Assets	3,89,96,869				3,89,96,869
Investment in Subsidiary	5,02,57,372				5,02,57,372
Sale of Fixed Assets					
Rendering of Services					
Receiving of Services					
Agency arrangements leasing or hirepurchase arrangements					
Transfer of research and development					
License agreements					
Finance (including loans & equity contributions in cash or kind)					
Loans/advances/equity contributions given					
Loans/advances/equity contributions taken					
Guarantees and collaterals					
Management contracts including for deputation of employees					
Directors Remuneration			43,80,000		43,80,000
Balance as on 31.03.04 receivable					
Balance as on 31.03.04 payable	5,32,47,281	2,29,709	2,37,640		5,37,14,630

Note:

Names of related parties and description of relationship

Holding Company	: Nil
Subsidiaries	: 1. Systat Software Inc., USA 2. Systat Software Asia Pacific Limited, India 3. Systat Software UK Ltd., UK 4. Cranes Software International Pte. Ltd., Singapore 5. Systat Software GmbH, Germany
Key Management Personnel	: Mr.Asif Khader Mr.Mukkaram Jan Mr.Mueed Khader
Relatives of Key Management Personnel	: Nil
Other Related Parties	: Orca Infotech (P) Ltd Cranes Consulting (P) Ltd Jansons Jansons Telecom (P) Ltd Jansons Land & Property Development (P) Ltd SPSS South Asia (P) Ltd Keysoft Solutions (P) Ltd



19. Segment Reporting

i) Primary Segment Information:
Business Segment

Rs. in Lakhs

Sl. No.	Particulars	Year ended 31.03.2004
1	Segment Revenue:	
	a) Product Division	9,359.22
	b) Training Division	524.61
	Total	9,883.83
	Less : Inter segment Revenue	—
	Net Sales	9,883.83
	Add: Other unallocable Income	37.48
	Total Income	9,921.31
2	Segment Results	
	(Profit+)/Loss(-) before tax and interest from each segment	
	a) Product Division	4,065.54
	b) Training Division	235.13
	Total	4,300.67
	Less : i) Interest	741.18
	ii) Other unallocable expenditure net off unallocable income	—
	Total Profit Before Tax	3,559.49
3	Capital Employed (Segment Assets-Segment Liabilities)	
	a) Product Division	13,925.57
	b) Training Division	430.68
	Total	14,356.25

ii) Secondary Segment Information:
Geographical Segment

Rs. in Lakhs

Particulars	Domestic Operations	International Operations	Total
Segment Revenue	2,139.80	7,744.03	9,883.83
Carrying amount of segment assets	14,432.69	4,310.29	18,742.98
Additions to Fixed and Intangible Assets	82.78	2,443.75	2,526.53

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details	
Registration No.	State Code
0 3 1 6 2 1	0 8
Balance Sheet Date	
3 1	0 3
Date	Month
	Year
II. Capital raised during the year (Amount in Rs. Thousands)	
Public Issue (GDR Issue)	Rights Issue
5 0 3 3 2 3	N I L
Bonus Issue	Private Placement
N I L	N I L
III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)	
Total Liabilities	Total Assets
2 0 7 5 2 7 6	2 0 7 5 2 7 6
Sources of funds :	
Paid up Capital	Reserves & Surplus
1 2 1 6 6 8	1 0 6 5 5 9 6
Secured Loans	Unsecured Loans
8 1 1 5 5 4	N I L
Deferred Tax Liability	
7 6 4 5 8	
Application of Funds :	
Net fixed assets*	Investments
4 7 8 8 6 7	1 9 0 3 7 0
Net current assets	Misc. expenditure
1 4 0 1 2 1 7	3 8 2 2
Accumulated Losses	Deferred Tax Asset
N I L	1 0 0 0
* including capital work in progress	
IV. Performance of Company (Amount in Rs. Thousands)	
Turnover	Total expenditure
9 9 2 1 3 0	6 3 6 1 8 1
+ -	
<input checked="" type="checkbox"/>	(Please tick appropriate box + for profit, - for loss)
Profit/Loss before tax	Profit/Loss after tax
3 5 5 9 4 9	3 2 4 9 9 7
Earning per share in Rs.	Dividend rate %
3 8 . 2 4	3 0 %
V. Generic names of three principal products/services of company (as per monetary terms)	
Item Code No. (ITC Code)	8 5 2 4 3 9 9 0
Product Description	S O F T W A R E

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31ST MARCH, 2004.

PARTICULARS	Year ended 31.03.2004 Rs.	Year ended 31.03.2003 Rs.
Cash flows from operating activities		
Net profit before taxation	355,949,451	218,958,635
<i>Adjustments for:</i>		
Interest and finance charges	—	33,152,514
Exchange fluctuation	(12,075,000)	—
Depreciation	57,900,923	28,951,270
Preliminary expenses / Deferred revenue expense written off	1,750,025	1,750,027
Operating profit before working capital changes	403,525,399	282,812,446
<i>Adjustments for working capital</i>		
Inventory	26,830,900	(26,843,135)
Debtors	(216,867,421)	(83,235,985)
Loans and advances	(21,179,286)	(23,068,800)
Provision for gratuity	1,748,193	424,583
Current liabilities	154,041,941	4,135,999
Cash generated from operations	348,099,726	154,225,108
<i>Adjustments</i>		
Interest and finance charges	—	(56,033,473)
Interest income	—	24,439,497
Income tax paid	(42,760,316)	(5,997,470)
Net cash from Operating Activities	305,339,410	116,633,662
Cash flows from investing activities		
Advance for capital goods	(325,785,390)	—
Exchange fluctuation on advance for capital goods	12,075,000	—
Increase in investments	(50,257,372)	(121,703,840)
Increase in capital work in progress	(879,853)	(2,306,500)
Increase in deferred revenue expenditure	—	(1,607,775)
Purchase of fixed assets	(252,648,957)	(139,256,887)
Net cash from Investing Activities	(617,496,572)	(264,875,002)
Cash flows from financing activities		
Increase in Share Capital	17,443,570	—
Increase in Share Premium	485,879,304	—
Payment of Dividend and Dividend Tax	(14,109,378)	—
Increase in Secured Loans / Borrowings	598,320,628	21,855,385
Net cash from Financing Activities	1,087,534,124	21,855,385
Net increase in Cash and Cash Equivalents	775,376,962	(126,385,955)
Opening cash and cash equivalents	3,362,842	129,748,796
Closing cash and cash equivalents	778,739,804	3,362,842

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to company's interest in subsidiary companies.

Sl. No.	Particulars	Systat Software Asia Pacific Ltd.	Systat Software Inc. USA (Consolidated with Systat Software UK Ltd.)	Systat Software GmbH	Cranes Software International Pte. Ltd.	Systat Software UK Ltd.
1	Name of the Subsidiary Companies					
2	The financial Year of the subsidiary	31.03.2004	31.03.2004	31.03.2004	31.03.2004	31.03.2004
3	a No. of shares Held	380,000	974,166	1	2	100 *
	b Face value per share	Rs. 10/-	USD 1/-	Euro 25,000/-	S \$ 1/-	£ 1/-
	c Extent of interest as at year end	100%	100%	100%	100%	100% *
4	The Net aggregate amount, of Profit /(Loss) of the subsidiary so far as it concerns members of Cranes Software International Ltd					
	a Not dealt with in the holding company's accounts					
	1) For the financial year ended 31st March, 2004	Rs. 42,85,073	US \$ 1,15,408	(Euro 69,943.16)	(S \$ 4,072)	£ 9,596
	2) For the previous financial years of the subsidiary companies since it became the holding Company's subsidiary	Rs. 10,03,817	(US \$ 5,875)	-	-	£ 19,974
	b Dealt with in the holding company's accounts					
	1) For the financial year ended 31st March, 2004					
	2) For the previous financial years of the subsidiary companies since it became the holding Company's subsidiary					

* Held by Systat Software Inc. USA.

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary





CRANES™



CRANES SOFTWARE INTERNATIONAL LIMITED

(Formerly Eider Commercials Limited)

CONSOLIDATED ACCOUNTS

For 2003-2004



CONSOLIDATED AUDITORS' REPORT

We have examined the attached Consolidated Balance Sheet of M/s Cranes Software International Limited, Bangalore and its subsidiaries as at 31st March, 2004, and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the foreign subsidiaries. These financial statements have been audited by other Auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of M/s Cranes Software International Limited and its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of M/s Cranes Software International Limited and its aforesaid subsidiaries, we are of the opinion that:

- a. The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of M/s Cranes Software International Limited and its subsidiaries as at 31st March, 2004; and
- b. The Consolidated Profit and Loss Account, gives a true and fair view of the consolidated results of operations of M/s Cranes Software International Limited and its subsidiaries for the year then ended.
- c. The Consolidated Cash Flow Statement of the cash flows for the year ended on that date.

for **S.JANARDHAN & ASSOCIATES**
CHARTERED ACCOUNTANTS

Place : BANGALORE
Date : 04.05.2004

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976



CONSOLIDATED BALANCE SHEET

As at 31st March, 2004

PARTICULARS	SCH. No.	AS AT 31.03.2004 Rs.	AS AT 31.03.2004 Rs.	AS AT 31.03.2003 Rs.	AS AT 31.03.2003 Rs.
I. Sources Of Funds					
1. Shareholders' Funds:					
(a) Share Capital	1	121,667,970		104,224,400	
(b) Reserves and Surplus	2	1,065,337,100		291,305,510	
			1,187,005,070		395,529,910
2. Loan Funds					
(a) Secured Loans	3	898,493,265		213,232,918	
			898,493,265		213,232,918
3. Deferred Tax Liability			81,302,414		91,152,328
TOTAL			2,166,800,749		699,915,156
II. Application of Funds					
1. Fixed Assets	4				
(a) Gross Block		776,781,167		490,725,031	
(b) Less : Depreciation		178,801,369		98,928,753	
(c) Net Block		597,979,798		391,796,278	
(d) Capital Work in Progress		5,786,353	603,766,151	4,906,500	396,702,778
2. Investments	5		5,000		5,000
3. Deferred Tax Asset			1,000,000		—
4. Current Assets, Loans & Advances:					
(a) Inventories	6	28,020,449		73,352,125	
(b) Sundry Debtors	7	512,343,126		276,742,281	
(c) Cash and Bank Balances	8	788,157,698		9,372,312	
(d) Loans and Advances	9	464,489,349		55,698,721	
		1,793,010,622		415,165,439	
Less : Current Liabilities & Provisions	10				
(a) Current Liabilities		142,616,124		68,401,982	
(b) Provisions		99,710,311		49,210,215	
		242,326,435		117,612,197	
Net Current Assets			1,550,684,187		297,553,242
5 Miscellaneous Expenditure (To the extent not written off or adjusted)	11		11,345,411		5,654,136
Notes to Accounts & Significant Accounting Polices	18				
TOTAL			2,166,800,749		699,915,156

Schedule Nos. 1 to 11 and 18 form an integral part of Balance Sheet

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



CONSOLIDATED PROFIT & LOSS ACCOUNT

For the Year Ended 31st March, 2004

PARTICULARS	SCH. No.	31.03.2004 Rs.	31.03.2004 Rs.	31.03.2003 Rs.	31.03.2003 Rs.
INCOME					
Sales	12	1,136,915,573		610,133,340	
Other Income	13	3,747,714		5,400,603	
			1,140,663,287		615,533,943
EXPENDITURE					
Cost of Goods Sold	14	327,370,074		120,059,847	
Personnel Expenses	15	93,218,551		80,623,312	
Administrative Expenses	16	199,739,966		111,842,293	
Interest and Financial Charges (Net)	17	77,417,217		33,263,617	
Depreciation		79,872,616		50,225,595	
			777,618,423		396,014,664
PROFIT BEFORE TAX			363,044,864		219,519,279
Less : Provision for Current Tax			50,392,440		25,731,635
Deferred Tax Asset			(12,963,716)		53,249,528
PROFIT AFTER TAX			325,616,140		140,538,116
Add/(Less): Income tax relating to earlier years			(245,439)		(474,926)
NET PROFIT			325,370,701		140,063,190
Add : Balance brought forward from previous year			17,601,145		81,544,672
Transfer to Capital Reserve on consolidation			(102,661)		102,661
Profit available for appropriation			342,869,185		221,710,523
Appropriations					
Preference Dividend			2,400,000		2,400,000
Proposed Equity Dividend			30,500,391		10,106,928
Tax on Dividend			4,215,363		1,602,450
Capital Redemption Reserve			20,000,000		—
General Reserve - Transfer			250,221,160		190,000,000
Balance carried to Balance Sheet			35,532,271		17,601,145
			342,869,185		221,710,523
Earnings Per Share			38.31		16.31
Notes to Accounts & Significant Accounting Polices	18				

Schedule Nos. 12 to 17 and 18 form an integral part of Profit & Loss Account

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT 31ST MARCH, 2004.

PARTICULARS	31.03.2004 Rs.	31.03.2003 Rs.
SCHEDULE NO.1 SHARE CAPITAL		
AUTHORISED:		
1,20,00,000 Equity Shares of Rs.10/- each	120,000,000	90,000,000
[Previous Year 90,00,000 equity shares of Rs.10/- each]		
2,00,000 Preference Shares of Rs.100/- each	20,000,000	20,000,000
	140,000,000	110,000,000
ISSUED, SUBSCRIBED & PAID-UP		
1,01,66,797 Equity Shares of Rs. 10/- each fully paid up	101,667,970	84,224,400
[Previous Year - 84,22,440 equity shares of Rs.10/- each fully paid up, During 2001-02 81,82,440 equity shares of Rs.10/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Ltd with the company]		
2,00,000 Preference Shares of Rs.100/- each fully paid up	20,000,000	20,000,000
[During 2001-02 2,00,000 preference shares of Rs.100/- each were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Ltd with the company]		
TOTAL	121,667,970	104,224,400
SCHEDULE NO.2: RESERVES AND SURPLUS		
a) General Reserve	192,778,840	2,778,840
Add : Transfer on amalgamation	—	—
Add : Transfer from Profit & Loss Account	250,221,160	190,000,000
	443,000,000	192,778,840
Less : Deferred tax provision on initial adoption	103,628	103,628
	442,896,372	192,675,212
b) Share Premium Account	566,332,104	80,452,800
c) Profit & Loss Account	35,532,271	17,601,145
d) Capital Redemption Reserve	20,000,000	—
e) Capital Reserve	576,353	576,353
TOTAL	1,065,337,100	291,305,510
SCHEDULE NO.3: SECURED LOANS		
(Refer Note No.12 for security provided)		
JAMMU AND KASHMIR BANK LTD.,		
Cash Credit Account	86,939,719	34,181,057
KOTAK MAHINDRA PRIMUS LTD.	—	221,100
ICICI BANK LTD	—	191,358
STANDARD CHARTERED BANK	330,507	771,183
(Secured by hypothecation of vehicle)		
TERM LOAN ACCOUNT - JAMMU & KASHMIR BANK LTD	405,000,000	—
SHORT TERM LOAN - JAMMU & KASHMIR BANK LTD.	406,223,039	177,868,220
TOTAL	898,493,265	213,232,918



SCHEDULES NO.4 FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	COST AS ON 01.04.2003	ADDITIONS	TOTAL AS ON 31.03.2004	UPTO 01.04.2003	FOR THE PERIOD	TOTAL UPTO 31.03.2004	AS ON 31.03.2004	AS ON 31.03.2003
LAND	26,305,037	—	26,305,037	—	—	-	26,305,037	26,305,037
FURNITURE & FIXTURES	17,209,728	2,250,157	19,459,885	3,870,640	1,164,315	5,034,955	14,424,930	13,339,088
COMPUTERS	39,768,722	5,791,326	45,560,048	29,975,410	6,469,820	36,445,230	9,114,818	9,793,312
COMPUTER SOFTWARE	389,589,320	276,322,974	665,912,294	62,344,318	71,123,966	133,468,284	532,444,010	327,245,002
PLANT & MACHINERY	13,150,767	1,691,679	14,842,446	1,692,017	668,038	2,360,055	12,482,391	11,458,750
VEHICLE	4,701,457	—	4,701,457	1,046,368	446,477	1,492,845	3,208,612	3,655,089
TOTAL	490,725,031	286,056,136	776,781,167	98,928,753	79,872,616	178,801,369	597,979,798	391,796,278
PREVIOUS YEAR	237,414,112	253,310,919	490,725,031	48,703,158	50,225,595	98,928,753	391,796,278	188,710,954



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT 31ST MARCH, 2004.

PARTICULARS	31.03.2004 Rs.	31.03.2003 Rs.
SCHEDULE NO.5: INVESTMENTS		
(i) Government Security	5,000	5,000
TOTAL	5,000	5,000
SCHEDULE NO.6: INVENTORIES		
(Valued at lower of cost or market value, as valued and certified by the management)		
Stock - in - trade	28,020,449	73,352,125
TOTAL	28,020,449	73,352,125
SCHEDULE NO.7: SUNDRY DEBTORS		
(Unsecured - Considered Good)		
- Outstanding for more than six months	5,880,778	4,595,499
- Others	506,462,348	272,146,782
TOTAL	512,343,126	276,742,281
SCHEDULE NO.8: CASH AND BANK BALANCES		
(i) Balances with Scheduled Banks in :		
- Current Account	168,217,418	1,708,526
- Deposit Account	112,849,436	2,307,144
(ii) Balances with Others :	3,680,078	-
- ABN Amro Bank (<i>Maximum outstanding Rs.20000</i>)	20,000	
- HDFC Bank (<i>Maximum Outstanding Rs.10800</i>)	10,700	10,800
- Bank Escrow (<i>Maximum Outstanding Rs.503322874</i>)	503,322,874	-
	788,100,506	4,026,470
- Cash on Hand	57,192	5,345,842
TOTAL	788,157,698	9,372,312
SCHEDULE NO.9: LOANS AND ADVANCES		
(unsecured, considered good)		
a) Advances recoverable in cash or in kind or for value to be received	450,681,584	44,133,085
b) Deposits	13,807,765	11,565,636
TOTAL	464,489,349	55,698,721
SCHEDULE NO.10: CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
(i) Sundry Creditors	142,378,484	68,147,589
(ii) Directors' Current Account	237,640	254,393
TOTAL	142,616,124	68,401,982
PROVISIONS		
- Income Tax	59,903,527	34,158,000
- Gratuity	2,691,030	942,837
- Preference Dividend	2,400,000	2,400,000
- Dividend Tax	4,215,363	1,602,450
- Proposed Equity Dividend	30,500,391	10,106,928
TOTAL	99,710,311	49,210,215
SCHEDULE NO.11 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Amalgamation Expenses	2,124,064	4,706,763
Deferred Revenue Expenditures	12,866,072	2,724,900
	14,990,136	7,431,663
Less : 1/5th written off	3,644,725	1,777,527
TOTAL	11,345,411	5,654,136



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2004.

PARTICULARS	31.03.2004 Rs.	31.03.2003 Rs.
SCHEDULE - 12: SALES		
Software Sales & Services		
Gross Sales:		
Exports	916,245,300	464,288,402
Domestic	168,208,845	131,273,093
	1,084,454,145	595,561,495
Software Training	52,461,428	14,571,845
TOTAL	1,136,915,573	610,133,340
SCHEDULE -13: OTHER INCOME		
Exchange Fluctuation Account	3,747,714	3,888,144
Miscellaneous Income	—	1,512,459
TOTAL	3,747,714	5,400,603
SCHEDULE -14: COST OF GOODS SOLD		
Opening Stock	73,352,125	22,683,000
ADD: Purchases	256,656,610	167,898,528
ADD: Direct Expenses:	25,381,788	2,830,444
	355,390,523	193,411,972
LESS: Closing Stock	28,020,449	73,352,125
TOTAL	327,370,074	120,059,847
SCHEDULE -15: PERSONNEL EXPENSES		
Salaries	85,367,104	71,489,618
Deputation	—	2,531,503
Gratuity	1,755,613	521,906
E.S.I Contribution	45,423	91,202
P.F. Contribution	3,669,031	2,849,149
Staff Welfare	2,381,380	1,210,518
Subsistence Allowance	—	1,929,416
TOTAL	93,218,551	80,623,312
SCHEDULE -16: ADMINISTRATIVE EXPENSES		
Auditors Remuneration	520,632	372,100
General Expenses	97,746,582	30,730,334
Sales Commission	4,657,268	5,111,536
Insurance	123,648	291,035
Office Rent	10,896,074	12,309,689
Rates and Taxes	694,862	755,387
Remuneration to Directors	4,380,000	3,493,500
Travelling and Conveyance	14,585,606	11,580,247
Repairs & Maintenance	660,359	814,970
Preliminary expenses written off	3,644,725	1,777,527
Directors Sitting Fees	93,000	71,000
Consultancy Charges	61,737,209	17,110,719
Advertisement	—	4,672,448
Technical Consultancy	—	22,751,801
TOTAL	199,739,966	111,842,293
SCHEDULE -17: INTEREST & FINANCIAL CHARGES		
Interest on Bank Finance	77,777,504	321,961
Interest - Others	—	55,822,615
	77,777,504	56,144,576
Less : Interest received on Fixed Deposit [TDS Rs.71991]	360,287	22,880,959
TOTAL	77,417,217	33,263,617



SCHEDULE NO. 18 - NOTES TO ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS :

1. Basis of Consolidation

The consolidated financial statements of M/s. Cranes Software International Limited and its subsidiaries are prepared under historical cost convention in accordance with the generally accepted accounting principles applicable in India and the Accounting Standard 21 on Consolidation of Financial Statements issued by the Institute of Chartered Accountants in India.

The financial statements of the Company, its subsidiary companies have been combined on a line by line basis, by adding back together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions and resulting unrealized profits & losses on stocks.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

The translation of foreign currencies into Indian Rupees (reporting currency) is performed for monetary items using the current exchange rates in effect at the Balance sheet date, for revenues, cost and expenses using the simple average of the average monthly rates prevailing during the reporting period. For non monetary items, exchange rate at the date of the transaction has been adopted.

2. Revenue Recognition

- (i) Sale is recognized on delivery of goods to the Customer.
- (ii) Software Development is recognized on the basis of achievement of prescribed milestone as relevant to each contract or proportionate completion method.
- (iii) Technical Service Contract is recognized over the period of the contract.

3. Fixed Assets

Fixed Assets are reflected at historical cost less accumulated depreciation.

4. Depreciation

- (i) Depreciation has been provided on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956 on a pro-rata basis corresponding to the date of installation.
- (ii) Depreciation on assets costing less than Rs.5000 is written off in the year of purchase irrespective of the date of installation.
- (iii) Depreciation on assets of foreign subsidiaries has been provided on straight line method at the rate corresponding to useful life of the assets.

5. Inventories

- (i) Software products are valued at lower of the cost or market value.
- (ii) Software products developed/being developed are valued at estimated cost



6. Exchange Fluctuation

- (i) Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction.
- (ii) Gains and Losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies restated at the year end rate, are recognized in the Profit and Loss account.

7. Research and Development

The Company in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science, Bangalore is in the process of setting up a designing and testing laboratory over a period of three years. The intellectual property rights and patents for technologies and products developed by the lab will be jointly owned by the Indian Institute of Science and the Company. At the end of this process the company will be identifying a fabrication facility for commercial exploitation. Payments made to the institution in respect of the aforesaid activity is capitalized under the head "Capital Work in Progress" and will be written off over the useful life of the intellectual right after the commencement of commercial usage of the same.

8. Employees Retirement Benefits

- (i) Provident Fund remittances to the Government are charged against the revenue on accrual basis.
- (ii) Gratuity liability is determined on the assumption that the eligible employees are retiring at the end of every year.

9. Deferred Tax

- (i) Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

10. Recognition of deferred tax assets for unabsorbed capital losses

Deferred Tax assets are recognized on unabsorbed capital losses only if it is reasonably certain that such deferred tax assets can be realized against future taxable capital gains.

11. Leases

(i) Finance Lease:

In respect of assets taken on finance lease, the same is capitalized at their cash price and the same is depreciated over the shorter of the estimated useful life of the asset or the lease term.

(ii) Operating Lease:

Rent paid under operating leases are recognized as an expense in the income statement on a straight line basis over the lease term.

12. Treatment of Contingent Liabilities

Contingent liabilities not provided for are reflected in Notes to Accounts.



II. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS :

1. The subsidiary company considered in the consolidated financial statements and their reporting dates are as under:

Companies having same reporting dates as that of Parent Company

Name of Company	Country of incorporation	% of voting power held	Reporting date as at
Systat Software Inc.,	United States of America	100%	31.03.2004
Systat Software Asia Pacific Ltd	India	100%	31.03.2004
Systat Software GmbH	Germany	100%	31.03.2004
Cranes Software International Pte Ltd	Singapore	100%	31.03.2004

2. During the period under review, the parent company has invested in its new subsidiaries Systat Software GmbH, Germany and Cranes Software International Pte Ltd, Singapore. The subsidiaries have been set up with 100% interest costing the parent company Rs.14.47 lacs and Rs.54.00 respectively. An additional investment of Rs.455.09 lacs has been made to its US subsidiary Systat Software Inc., and Rs.33.00 lacs in its Indian subsidiary, Systat Software Asia Pacific Ltd. The said subsidiary's products are primarily used by the organizations to integrate and analyse data in the process of formulating strategies more effectively. This process is commonly known as "data mining" or "data analysis using advanced analytical techniques".
3. Estimated amount of contracts remaining to be executed on capital works and not provided for is Rs.20,02,500/-
4. Bank guarantees outstanding is Rs.18,07,792 (previous year Rs. 17,56,235).
5. Directors Remuneration.

		2003-04	2002-03
Managing Director	Salary	8,40,000	6,68,484
	Allowances	8,40,000	6,69,516
	(a)	16,80,000	13,38,000
Wholetime Directors	Salary	13,50,000	10,77,072
	Allowances	13,50,000	10,78,428
	(b)	27,00,000	21,55,500
Total Managerial remuneration	(a + b)	43,80,000	34,93,500
Value of imports calculated on CIF basis			
Capital Goods:		60,88,64,635	2,46,51,554
Trading Goods:		12,32,79,396	16,27,13,804
Earnings in Foreign Currency – FOB value of Exports		91,62,45,300	35,02,40,764
Expenditure incurred in Foreign Currency		12,91,40,536	6,48,44,716

6. a) Exchange fluctuation capitalized to the fixed assets during the year is Rs. NIL (previous year Rs. 1,83,140)
- b) The Net Exchange differences credited in the Profit & Loss account on account of revenue for the period Rs.37,47,714 Cr. (Previous year Rs. 38,88,144 Cr.)



7. In the opinion of the Board, all the current assets, loans and advances have at least the value as stated in the Balance Sheet if realized in the ordinary course of the business.
8. Deferred revenue expenditure and amalgamation expenses are written off over a period of 5 years.
9. The Company is dealing with computer software which is not liable for excise duty.
10. There are no amounts outstanding to small scale industrial undertaking as ascertained by the Management.
11. Previous year figures have been regrouped and reclassified wherever necessary.
12. (a) The Jammu and Kashmir Bank Ltd. Term Loans and cash credit account is secured by a first charge on the Company's land, hypothecation of stocks of consumer software, book debts, document of title to goods & are guaranteed by directors and collaterally secured by property at Frazer Town, Bangalore.

(b) Creditors for finance are secured by hypothecation of vehicles.
13. The company has issued and allotted as on 31st March 2004, Global Depository Receipts (GDR's) aggregating to USD 11.59 million representing 17,44,357 equity shares of Rs.10/- each at USD 6.65 per share. The GDR proceeds is proposed to be utilized as follows :

	US \$ Million	Rs. In Millions	in %
1. Capital Expenditure	1.43	65.00	11.92%
2. Debt repayment including subsidiaries	3.30	150.00	27.50%
3. Share Issue Expenses	0.33	15.00	2.75%
4. Investment	1.53	70.00	12.75%
5. Working Capital	5.50	250.00	45.08%
Total	12.00	550.00	100%

14. Earnings per Share

The following reflects the income and share data used in the computation of Basic Earnings per share:

	2003 - 04	2002 - 03
1. Net Profit after Preference Dividend	32,26,63,201	13,73,55,690
2. Weighted average number of ordinary shares	84,27,206	84,22,440
3. Basic earnings per share	38.31	16.31



15. Segment Reporting

i) Primary Segment Information Business Segment		Rs. in Lacs
Sl. No.	Particulars	Year ended 31.03.04
1.	Segment Revenue :	
	a) Product Division	10844.54
	b) Training Division	524.61
	Net Sales	11369.15
	Add : Other unallocable Income	37.48
	Total Income	11406.63
2.	Segment Results	
	(Profit (+)/Loss(-) before tax and interest from each segment	
	a) Product Division	4169.49
	b) Training Division	235.13
	Total	4404.62
	Less: i) Interest	774.17
	ii) Other unallocable expenditure net off unallocable income	
	Total Profit Before Tax	3630.45
3	Capital Employed (Segment assets – Segment liabilities)	
	a) Product Division	21055.96
	b) Training Division	430.68
	Total	21486.64

ii) Secondary Segment Information :
Geographical Segment:

Particulars	Rs. in Lacs.		
	Domestic Operations	International Operations	Total
Segment Revenue	9162.45	2206.70	11369.15
Carrying amount of segment assets	19713.63	1773.01	21486.64
Additions to Fixed and intangible assets	96.83	2763.73	2860.56

16. Deferred tax

Deferred tax at the year end are attributable to the following :

Deferred tax asset	Amount (Rs.)
a) Carry forward capital loss	34000
b) Provision for Gratuity	966000
Deferred tax liability	
a) Depreciation	81302414
b) Expenses yet to be written off in the books	—

Deferred tax of Rs.1,29,63,716 for the year ended 31st March 2004, is show separately in the Profit & Loss Account for the year ended 31st March 2004.



17. Related party Disclosures as ascertained by the management:

Particulars	Subsidiaries (Rs.)	Associates (Rs.)	Key Management Personnel (Rs.)	Relatives of Key Management Personnel (Rs.)	Total Related Parties (Rs.)
Purchases of Goods/services/ software		11,32,009			11,32,009
Purchase of consumables and others					
Sales of Goods					
Purchase of Fixed Assets					
Investment in Subsidiary					
Sale of Fixed Assets					
Rendering of Services	85,97,567				85,97,567
Receiving of Services		31,28,804	93,36,000		1,24,64,804
Agency arrangements					
Leasing or hire purchase arrangements					
Transfer of research and development					
License agreements					
Finance(including loans and equity contributions in cash or kind)					
Loans/advances/equity contributions given					
Loans/advances/equity contributions taken					
Guarantees and collaterals					
Management contracts including for deputation of employees					
Directors Remuneration			43,80,000		43,80,000
Balance as on 31.03.04 receivable					
Balance as on 31.03.04 payable		8,60,170	2,37,640		10,97,810

Note:

Names of related parties and description of relationship:

- Holding Company : Nil
- Subsidiaries : 1. Systat Software Inc., USA
2. Systat Software Asia Pacific Limited, India
3. Systat Software UK Ltd, UK
4. Systat Software Gmbh, Germany
5. Cranes Software International Pte Ltd, Singapore



Key Management Personnel : Mr.Asif Khader
Mr.Mukkaram Jan
Mr.Mueed Khader
Mr.Richard Gall
Mr.Ron Brown

Relatives of Key Management Personnel : Nil

Other Related Parties : Jansons Telecom (P)Limited
Jansons Land and Property Development (P) Limited
Cranes Consulting (P) Limited
Orca Infotech (P) Limited
Jansons
SPSS South Asia (P) Ltd
Keysoft Solutions (P) Ltd

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2004 and no amount has been written off/written back during the year in respect of debts due from/to them.

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore **Balakrishna S. Bhat** **Asif Khader** **Mukkaram Jan** **Parasuram B**
Date : 04.05.2004 *Partner* *Managing Director* *Director* *Company Secretary*



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2004.

PARTICULARS	31.03.2004 Rs.	31.03.2003 Rs.
Cash flows from operating activities		
Net profit before taxation	363,044,864	219,519,279
<i>Adjustments for:</i>		
Transfer to reserves	(102,661)	—
Exchange fluctuation	(12,075,000)	—
Interest receipts (Net)	—	33,263,617
Depreciation	79,872,616	50,225,595
Preliminary expenses / Deferred revenue expense written off	3,644,725	1,777,527
Operating profit before working capital changes	434,384,544	304,786,018
<i>Adjustments for working capital:</i>		
Inventory	45,331,676	(50,669,125)
Debtors	(235,600,845)	(90,488,157)
Loans and advances	(62,997,918)	(14,823,625)
Provision for gratuity	1,748,193	424,583
Current liabilities	74,214,142	9,771,855
Cash generated from operations	257,079,792	159,001,549
<i>Adjustments for:</i>		
Interest paid	—	(56,144,576)
Interest receipts	—	24,439,497
Income tax paid including changes in deferred tax	(42,785,870)	(15,110,446)
Net cash from operating activities	214,293,922	112,186,024
Cash flows from investing activities		
Increase in deferred revenue expenditure	(9,336,000)	(1,717,775)
Exchange fluctuation on advance for capital goods	12,075,000	—
Advance for capital goods	(325,785,390)	—
Increase in capital work in progress	(879,853)	(2,306,500)
Purchase of fixed assets	(286,056,136)	(253,310,918)
Net cash from investing activities	(609,982,379)	(257,335,193)
Cash flows from financing activities		
Increase in Share Capital	17,443,570	—
Increase in Share Premium	485,879,304	—
Payment of Dividend and Dividend Tax	(14,109,378)	—
Increase in Secured Loans	685,260,347	21,854,417
Net cash from financing activities	1,174,473,843	21,854,417
Net increase in cash and cash equivalents	778,785,386	(123,294,752)
Opening cash and cash equivalents	9,372,312	132,667,064
Closing cash and cash equivalents	788,157,698	9,372,312

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Place : Bangalore
Date : 04.05.2004

Balakrishna S. Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



SYSTAT SOFTWARE ASIA PACIFIC LIMITED

FINANCIAL STATEMENTS

For 2003-2004



DIRECTORS REPORT

Your Directors are pleased to present their Third annual report together with the accounts for the year ended March 31, 2004.

Financial Performance

(Rs. in lakhs)

	2003-04	2002-03
Sales and Operating Revenues	804.49	418.44
Profit before tax	86.32	14.71
Provision for tax	43.47	4.68
Profit after tax	42.85	10.04
Surplus Brought forward	11.07	1.03
Profit available for appropriation	53.92	11.07

Review of operations

The year under review has shown high growth as can be seen from the results. Sales improved mainly due to increase in exports to ASEAN countries consequent upon which, operating margins improved resulting in the profit after tax increasing by more than three times over last year. With actions initiated to explore newer markets and tie-up for distribution of additional products, the company is confident of performing well in the years to come. With a view to conserve profits, your Directors have not recommended any dividends for the year under review.

Deposits

Your company has not accepted deposits from the public during the current year

Directorate

Mr. Mukkaram Jan retires by rotation and being eligible offers himself for re-election.

Conservation of energy

Since the Company is carrying out the service activities and energy consumption is very marginal and hence the impact on cost is not material.

Research & Development Activities

The Company does not have a Research and Development Department and has not absorbed any technology.

Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2003-04 is Rs.163.85 lakhs and foreign exchange outgo amounted to Rs. 169.87 lakhs.

Employees

Your Directors wish to register their deep & sincere appreciation for the services rendered by the employees of your company.

The particulars of employees as per Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not applicable since none of the employees earn remuneration exceeding the amounts specified therein.



Secretarial Compliance Report

The Secretarial Compliance certificate as required under Sec 383(A) of the Companies Act, 1956 is annexed herewith.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956, the directors hereby confirm that they have:

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. Selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the company for the year under review;
- iii. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

Auditors

The company's auditors Messrs. S.Janardhan & Associates, Chartered Accountants, retire at the ensuing annual general meeting and are eligible for reappointment. The declaration under Section 224(1)(B) of the Companies Act 1956 has been received from them.

for and on behalf of the Board

Bangalore
04-05-2004

Asif Khader
Director

Mukkaram Jan
Director



COMPLIANCE CERTIFICATE

Registration No. 08/29652
Nominal Capital : Rs.50.00 Lacs

To

The Members
Systat Software Asia Pacific Limited,
C Towers, 6th Floor,
Golden Enclave, Airport Road,
Bangalore – 560 017.

I have examined the registers, records, books and papers of Systat Software Asia Pacific Limited (the Company) as required to be maintained under the Companies Act, 1956(the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2004. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities as per the provisions under the Act and the rules made thereunder.
3. The company being a public limited company, comments are not required.
4. The Board of Directors duly met 6 (Six) times on the following dates:
11th June 2003, 31st July 2003, 23rd September 2003, 17th November 2003, 30th January 2004 and 31st March 2004 and in respect of which meetings notices were given and the proceedings were properly recorded and signed. The Board has not passed any circular resolutions during the year under review.
5. The company has not closed its Register of Members during the year under scrutiny.
6. The Annual General Meeting for the financial year ended on 31st March 2003 was held on 22nd September 2003 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year under scrutiny.
8. As explained to me the company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. As explained to me, the company has not entered into any contract during the year for which provisions of section 297 of the Act are applicable.
10. The company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the company was not required to obtain any approvals from the Board of Directors, Members and previous approval of Central Government.
12. The Board of Directors or duly constituted committee of Directors has not issued any duplicate share certificates during the financial year.
13. The company:
 - (i) has delivered the share certificate for the allotment of shares made during the year under scrutiny.
 - (ii) has not deposited any amount in a separate Bank account as no dividend was declared during the financial year under scrutiny.
 - (iii) was not required to post warrants to any member of the company as no dividend was declared during the financial year under scrutiny.



- (iv) has not transferred any amount to Investor Education Protection Fund as the company has not declared any dividend; the company has not accepted any deposits/issued any debentures/ there was no application money due for refund.
- (v) has duly complied with the requirements of Section 217 of the Act in respect of last year.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year under scrutiny.
 15. The company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
 16. The company has not appointed any sole selling agent during the year under review.
 17. The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year under scrutiny.
 18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and rules made thereunder.
 19. The company has issued 3,30,000 equity shares of Rs.10/- each during the financial year under scrutiny.
 20. The company has not bought back any shares during the financial year under scrutiny.
 21. The company has no redeemable Preference shares/debentures.
 22. There was no transaction necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
 23. The company has not invited/accepted any deposits including any unsecured loan falling within the purview of Section 58A of the Act during the financial year under scrutiny.
 24. The company has not made any borrowings during the financial year ended 31st March 2004.
 25. The company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
 26. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny.
 27. The company has not altered any provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
 28. The company has not altered the provisions of the memorandum with respect to the name of the company during the year under scrutiny.
 29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the year under scrutiny.
 30. The company has not altered any provisions of the articles of association during the year under scrutiny.
 31. As explained to me, no prosecution have been initiated against and no show cause notices have been received by the company for alleged offences under the Act during the year under review.
 32. The company has not received any amount as security from its employees during the year under certification.
 33. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

Place: Bangalore
Date: 4th May 2004

Name : R Srinivasan
C.P No. : 5254



Name of the Company : Systat Software Asia Pacific Limited
Regn. No. : 08/29652
Nominal Capital : Rs. 50.00 Lacs

Annexure A

Registers as maintained by the company:

1. Register of members under section 150.
2. Minutes Book of Board Meetings.
3. Minutes Book of General Meetings.
4. Register of Directors, Managers and Secretaries under section 303.
5. Register of Directors' shareholding under section 307.
6. Register of Directors interested under section 301.
7. Register of Transfers.

Annexure B

Forms and Returns as filed by the company with the Registrar of Companies during the financial year ending on 31st March 2004

Sl. No.	Document filed	Under Section	Purpose and date of the event	Date of filing	Whether filed within time	Remarks
1	Balance Sheet Schedule VI	220	As at 31st March 2003	21st Oct. 2003	Yes	—
2	Annual Return Schedule V	159	As on the Annual General Meeting held on 22nd September 2003	16th Nov. 2003	Yes	—
3	Form 2	75(1)	Allotment of equity shares on 23.9.03	21st Oct. 2003	Yes	—
4	Form 23	81(1)	Special Resolution dt. 22.9.03	21st Oct. 2003	Yes	—
5	Form 18	146	Shifting of regd.office w.e.f.20.11.03	3rd Dec. 2003	Yes	—

(ii) Regional Director : NIL

(iii) Central Government & other agencies : NIL

Place: Bangalore
Date: 4th May 2004

Name : R Srinivasan
C.P No. : 5254



AUDITORS' REPORT

The Members of Systat Software Asia Pacific Limited

1. We have audited the attached balance sheet of Systat Software Asia Pacific Limited, Bangalore as at 31st March 2004 and the profit and loss account 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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet and the profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2004; and
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date.

for **S.JANARDHAN & ASSOCIATES**
CHARTERED ACCOUNTANTS

Place : BANGALORE
Date : 04.05.2004

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976



ANNEXURE

RE: SYSTAT SOFTWARE ASIA PACIFIC LIMITED

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

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) During the year the Company has not disposed any fixed assets.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company is maintaining proper records of inventory. No discrepancies were noticed on verification between the physical stocks and the book records.
- (iii) (a) 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 Companies Act, 1956 and hence the provisions of clause 4(iii)(b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
- (vi) The company has not accepted any deposit from the public and hence the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records as required under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state



insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

- (b) According to the information and explanations given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have been deposited on account of any dispute.
- (x) The Company has neither accumulated losses as at March 31, 2004 nor has it incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- (xi) The company has no dues to a financial institution, bank or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loan.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year the company has not issued any debentures and as such the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instances 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 **S.JANARDHAN & ASSOCIATES**
CHARTERED ACCOUNTANTS

Place : BANGALORE
Date : 04.05.2004

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976



BALANCE SHEET

AS AT MARCH 31 2004.

PARTICULARS	SCH NO.	AS AT 31.03.2004 (RS.)	AS AT 31.03.2003 (RS.)
I Sources of Funds			
(1) Shareholders' funds:			
(a) Capital	1	3,800,000	500,000
(b) Share application money pending allotment		-	3,300,000
(c) Reserves and surplus	2	5,287,923	1,002,850
		9,087,923	4,802,850
(2) Loan funds:			
(a) Secured loans		—	—
(b) Unsecured loans	3	—	38,998,500
		—	38,998,500
(3) Deferred Tax Liability		4,027,077	443,132
TOTAL		13,115,000	44,244,482
II Application of funds			
(1) Fixed assets	4		
(a) Gross block		8,358,390	3,511,008
(b) Less: Depreciation		1,000,158	300,770
		7,358,232	3,210,238
(2) Investments		—	—
(3) Current assets, loans and advances			
(a) Inventories	5	3,262,236	22,341,882
(b) Sundry debtors	6	16,288,353	20,963,732
(c) Cash and bank balances	7	350,889	832,872
(d) Loans and advances	8	34,416,836	6,354,988
		54,318,314	50,493,474
Less:			
Current liabilities and provisions	9		
(a) Liabilities		55,194,346	9,403,730
(b) Provisions		891,000	138,000
		56,085,346	9,541,730
Net current assets		(1,767,032)	40,951,744
(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	10	7,523,800	82,500
TOTAL		13,115,000	44,244,482

The schedule numbers 1 to 10 and notes on accounts (Schedule No. 15) form an intergral part of balance sheet

For and on behalf of the Board

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place : Bangalore
Date : 04.05.2004

Asif Khader
Director

Mukkaram Jan
Director

Balakrishna S. Bhat
Partner



PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31 2004.

PARTICULARS	SCH NO.	31.03.2004 (RS.)	31.03.2003 (RS.)
I INCOME:			
Sales and services	11	78,257,843	41,844,087
Exchange Fluctuation		2,191,478	—
TOTAL		80,449,321	41,844,087
II EXPENDITURE:			
Cost of goods sold	12	48,807,455	32,020,228
Personnel expenses	13	5,539,820	3,377,013
Administrative expenses	14	16,770,724	4,696,358
Depreciation		699,388	279,167
TOTAL		71,817,387	40,372,766
Net profit / (loss) before tax		8,631,934	1,471,321
Less: Provision for taxation		763,000	128,000
Provision for deferred tax		3,583,945	339,504
Income taxes of earlier years		(84)	—
		4,285,073	1,003,817
Add: Balance brought forward from previous year		1,106,478	102,661
Balance carried to balance sheet		5,391,551	1,106,478
Earnings per share		26.72	20.07

The schedule numbers 11 to 14 and notes on accounts (Schedule No. 15) form an intergral part of profit and loss account

For and on behalf of the Board

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place : Bangalore
Date : 04.05.2004

Asif Khader
Director

Mukkaram Jan
Director

Balakrishna S. Bhat
Partner



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

PARTICULARS	31.03.2004 (RS.)	31.03.2003 (RS.)
Schedule 1: Share Capital		
Authorised		
500,000 Equity shares of Rs.10/- each (Previous year 500,000 equity shares of Rs.10/- each)	5,000,000	5,000,000
Issued, subscribed and paid up		
380,000 Equity shares of Rs.10/- each (Previous year 50,000 equity shares of Rs.10/- each)	3,800,000	500,000
Schedule 2: Reserves and Surplus		
Surplus in profit and loss account	5,391,551	1,106,478
Less: Deferred tax liability on initial adoption	103,628	103,628
	5,287,923	1,002,850
Schedule 3: Unsecured loans		
Loans from Holding Company	—	38,998,500
	—	38,998,500
Schedule 5: Inventories		
(Valued at lower of cost or net realisable value, as valued and certified by the management)		
Trading goods: Software	3,262,236	22,341,882
	3,262,236	22,341,882
Schedule 6: Sundry debtors		
(Unsecured, considered good)		
Outstanding for more than six months	72,861	—
Other debts	16,215,492	20,963,732
	16,288,353	20,963,732
Schedule 7: Cash and bank balances		
Balances with Scheduled banks in		
- Current account	108,754	827,150
Balances with other banks in current account		
- ABN AMRO	236,777	—
- HSBC	2,528	—
(maximum amount outstanding during the year - ABN AMRO: Rs.2223387) - HSBC: Rs.2528)		
Cash on hand	2,830	5,722
	350,889	832,872
Schedule 8: Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	31,254,836	3,194,988
Deposits	3,162,000	3,160,000
	34,416,836	6,354,988
Schedule 9: Current liabilities and provisions		
a) Current liabilities		
- Sundry creditors	55,194,346	9,403,730
	55,194,346	9,403,730
b) Provisions		
- for taxation	891,000	138,000
	891,000	138,000
Schedule 10: Miscellaneous Expenditure		
a) Preliminary expenses	82,500	110,000
Less: 1/5th Written off	27,500	27,500
	(a) 55,000	82,500
b) Deferred Revenue Expenditure	9,336,000	—
Less: 1/5th Written off	1,867,200	—
	(b) 7,468,800	—
	(a) + (b) 7,523,800	82,500

SCHEDULES NO.4 FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK		DEPRECIATION BLOCK			NET BLOCK		
	COST AS AT 31.03.2003	ADDITIONS	COST AS AT 31.03.2004	UPTO 31.03.2003	FOR THE PERIOD	TOTAL UPTO 31.03.2004	AS AT 31.03.2004	AS AT 31.03.2003
ELECTRICAL INSTALLATIONS	8,325	-	8,325	429	395	824	7,501	7,896
OFFICE EQUIPMENT	5,800	157,190	162,990	375	3,437	3,812	159,178	5,425
FURNITURE AND FIXTURES	6,293	123,233	129,526	291	4,345	4,636	124,890	6,002
COMPUTERS	1,619,150	1,747,778	3,366,928	163,262	404,689	567,951	2,798,977	1,455,888
COMPUTER SOFTWARE	401,224	2,819,181	3,220,405	64,664	216,686	281,350	2,939,055	336,560
WEB DESIGN / NETWORKING SYSTEM	1,470,216	-	1,470,216	71,749	69,835	141,584	1,328,632	1,398,467
TOTAL	3,511,008	4,847,382	8,358,390	300,770	699,388	1,000,158	7,358,232	3,210,238
PREVIOUS YEAR	1,898,791	1,612,217	3,511,008	21,603	539,488	561,091	3,210,238	1,877,188





SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	31.03.2004 (RS.)	31.03.2003 (RS.)
Schedule 11: Sales and services		
Sale of software	69,670,908	35,632,392
Less: Returns	10,632	—
	69,660,276	35,632,392
Technical service charges	8,597,567	6,211,695
	78,257,843	41,844,087
Schedule 12: Cost of goods sold		
Opening stock	22,341,882	85,000
Add: Purchases	16,986,703	54,201,772
	39,328,585	54,286,772
Add: Direct expenses		
- Cost of technical services rendered	12,700,874	—
- Clearing charges	40,232	—
- Exchange fluctuation	—	75,338
	52,069,691	54,362,110
Less: Closing stock	3,262,236	22,341,882
	48,807,455	32,020,228
Schedule 13: Personnel expenses		
Salaries	3,709,746	791,301
Earned leave	415,170	—
Deputation fees	—	2,531,503
PF Employers	1,324,423	—
Staff welfare	90,481	54,209
	5,539,820	3,377,013
Schedule 14: Administrative expenses		
Audit fee	27,000	26,200
Electricity charges	184,174	103,342
Professional charges	5,118,931	219,355
Travelling and Conveyance	1,277,793	1,095,991
Repairs and office maintenance	352,512	192,421
Printing and stationery	1,026,159	390,396
Rent	977,778	1,205,531
General expense	5,911,677	1,435,622
Deferred revenue expenses written off	1,867,200	—
Preliminary expenses written off	27,500	27,500
	16,770,724	4,696,358



SCHEDULE NO.15: NOTES TO ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES.

I. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING:

Accrual system of accounting is followed except for those associated with significant uncertainty and is in accordance with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956.

b) INCOME RECOGNITION

Revenue from sales is recognized only after the delivery of goods. Income from technical service charges is recognized on completion of services.

c) FIXED ASSETS

Fixed Assets are stated at historical cost of acquisition less accumulated depreciation.

d) DEPRECIATION

- (i) Depreciation has been provided on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956, on a pro-rata basis corresponding to the date of installation.
- (ii) Depreciation on assets costing less than Rs.5000 is written off in the year of purchase irrespective of the date of installation.

e) INVENTORY

Inventory is valued at lower of cost or net realizable value on FIFO basis.

f) EXCHANGE FLUCTUATION

- (i) Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transaction.
- (ii) Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the year - end restated as at the year-end rate, are recognized in profit and loss account.

g) DEFERRED TAX

- (i) Deferred tax is recognized, subject to the consideration of prudence on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

II. NOTES ON ACCOUNTS:

1. The value of imports calculated on CIF basis – Rs.16,986,703/- (Previous year – Rs. 54,201,772/-)
2. Earnings in foreign currency – FOB value of exports – Rs. 16,384,556/- (Previous year – Rs. 7,377,713/-)
3. Expenditure incurred in foreign currency – Rs.2,371,932 /- (Previous year – Rs.49,162,294/-)
4. Earnings in foreign currency – Rs.12,146,625/- (Previous year – Rs.4,158,502/-)



5. There are no amounts outstanding to small-scale industrial undertakings as ascertained by the Management.
6. Previous year figures have been regrouped and reclassified wherever necessary.
7. Debtors include Rs.13,827,530 due from companies under the same management.

Systat Software UK – Rs.766,082/-

Maximum amount outstanding at anytime during the year Rs. 2,374,707/-

Cranes Software International Ltd – Rs. 13,081,836/-

Maximum amount outstanding at anytime during the year Rs. 44,354,433/-

8. The company is trading in different types of statistical software. Quantitative particulars required under 4C of Part II of Schedule VI are furnished below.

Description	Opening stock	Receipts	Issues	Closing stock
Systat version 10.2 (100 user)	3	0	3	0
Systat version 10.2 (Single user / Upgrade)	0	75	71	4
Peakfit version 4.11 (100 user)	1	0	0	1
Peakfit version 4.11 (Single user /upgrade)	9	10	5	14
TableCurve 2D version 5.01 (100 user)	4	0	4	0
TableCurve 2D version 5.01 (Single user / upgrade)	0	20	11	9
TableCurve 3D version 4.0 (100 user)	6	0	6	0
TableCurve 3D version 4.0 (Single user / upgrade)	0	15	6	9
Autosignal (100 user)	2	0	1	1
Autosignal (Single user / upgrade)	0	16	1	15

9. In the opinion of the Board, the current assets, loans and advances have realizable value at least to the extent stated in the Balance Sheet if it is realized in the ordinary course of the business.
10. Auditors remuneration is for

	31.3.2004 (In Rs.)	31.3.2003 (In Rs.)
(i) Statutory audit	25,000	15,000
(ii) Service tax	2,000	1,200
(iii) Certification fees	—	1,050
(iv) Other services	—	10,000
	27,000	27,250



11. Deferred tax liability

Deferred Tax Liability as at the year-end is attributable to depreciation and expenditure allowed for taxation but yet to be written off in books – Rs.3,583,945 /-, has been shown separately in the Profit and Loss Account for the year ended 31st March 2004.

12. Earnings per share:

Calculation of EPS – Basic

a) Net profit after deferred tax	Rs.	5,377,366
b) Weighted average number of equity shares		160,396
c) Earnings per share	Rs.	26.72

For and on behalf of the Board

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place : Bangalore
Date : 04.05.2004

Asif Khader
Director

Mukkaram Jan
Director

Balakrishna S. Bhat
Partner



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue

Bonus Issue Private Placement

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of funds

Paid up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability

Application of Funds

Net fixed assets Investments

Net current assets Misc. expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total expenditure

+ -

Profit/Loss before tax Profit/Loss after tax

Earning per share in Rs. Dividend rate %

V. Generic names of three principal products/services of company (as per monetary terms)

Item Code No. (ITC Code) Product Description

For and on behalf of the Board

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place : Bangalore
Date : 04.05.2004

Asif Khader
Director

Mukkaram Jan
Director

Balakrishna S. Bhat
Partner



SYSTAT SOFTWARE, Inc.

FINANCIAL STATEMENTS

For 2003-2004



REPORT OF DIRECTORS

Financial Results

	US\$
Sales	2,602,142
Profit Before Tax	162,339
Profit After Tax	115,408

Operations

Systat Software, Inc is a wholly owned subsidiary of Cranes Software International Limited, India, The Company's products are primarily used by organizations to integrate and analyze operational data in the process of formulating strategies more effectively, This process is commonly known as "data mining" or "data analysis using advanced analytical techniques", Analytical solutions include products and services sold for customer relationship management, business intelligence and general-purpose statistical analysis.

Directorate

In addition to the Current Board of Directors, Mueed Khader was appointed during 2003

Share Capital

Cranes Software International Limited holds the entire common stock of 974,166 shares of \$1 each.

On behalf of the Board

Richard Gall
President



INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors and Stockholders' of Systat Software, Inc.,

We have audited the consolidated balance sheet of Systat Software, Inc., as of March 31, 2004, and the related statements of income, retained earnings and cash flows for the year then ended. 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.

This report is made solely to the company's shareholder, Cranes Software International Limited, which is located in Bangalore, India. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

We did not audit the financial statements of the Systat Software (UK) Limited, a wholly owned subsidiary, whose statements reflect total revenue and earnings of \$ 1,166,688 and \$31,536 respectively for the year ended March 31, 2004. Those statements were audited by other auditors, whose report had been furnished to us. Our opinion, insofar as it relates to the amounts included for the Systat Software (UK) Limited, is based solely on the report of the other auditors

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Systat Software, Inc., at March 31, 2004 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles generally accepted in the United States of America.

Subra E. Ramanan, CPA
Neeka Accountancy Corporation
Certified Public Accountants and Management Consultants

Fremont, California
April 28, 2004



Consolidated Balance Sheet

		March 31, 2004 US \$	March 31, 2003 US \$
ASSETS			
Current Assets:			
Cash and cash equivalents		128,974	108,981
Accounts receivable, net	Note 2	438,165	144,894
Inter-co receivable from CSIL	Note 3	2,341,345	791,025
Inventory	Note 4	47,545	53,565
Deferred expenditure	Note 5	1,078,581	-
Prepaid expenses and other current assets	Note 6	30,058	66,807
Deferred tax asset	Note 7	-	27,294
Total current assets		4,064,667	1,192,566
Property and equipment, net	Note 8	68,260	85,455
Intangible assets	Note 9	2,414,488	2,233,043
Total assets		6,547,416	3,511,064
LIABILITIES & SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable		394,019	128,949
S/T portion of L/T liabilities		2,182	2,359
Accrued liabilities	Note 10	124,168	71,224
Deferred tax liability	Note 11	18,837	-
Inter-co payable, Asia Pacific	Note 12	-	413,942
Total current liabilities		539,206	616,474
Long Term Liabilities	Note 13	2,003,681	5,465
Shareholders' Equity:			
Common stock: \$1.00 par value; 2,000,000 shares authorized; 974,166 shares issued and outstanding at March 31, 2004		974,166	807,500
Additional paid in capital		2,920,830	2,087,500
Retained earnings	Note 14	109,533	(5,875)
Total shareholders' equity		4,004,529	2,889,125
Total liabilities and shareholders' equity		6,547,416	3,511,064

Per our report attached

For and on behalf of the Board

Subra E. Ramanan CPA
Neeka Accountancy Coporation

Richard H. Gall
President

Mukkaram Jan
Secretary

Asif Khader
Treasurer



Consolidated Statement of Operations

		March 31, 2004 US \$	March 31, 2003 US \$
REVENUE			
Sales	Note 15	2,602,142	2,502,434
Cost of revenue		511,491	161,714
Gross profit		2,090,651	2,340,720
OPERATING EXPENSES			
Personnel expenses		606,404	843,330
Sales, general and administrative	Note 16	1,289,951	1,492,017
Total operating expenses		1,896,355	2,335,347
Profit (Loss) from operations		194,296	5,373
Other Income (expenses)		(31,957)	16,486
Profit before income tax		162,339	21,859
Income tax		(46,931)	(2,151)
Net profit (loss)		115,408	19,708

Per our report attached

For and on behalf of the Board

Subra E. Ramanan CPA
Neeka Accountancy Corporation

Richard H. Gall
President

Mukkaram Jan
Secretary

Asif Khader
Treasurer



Consolidated Statement of Cash Flow

	March 31, 2004 US \$	March 31, 2003 US \$
Cash flows from operating activities :		
Net Profit (loss)	115,408	19,708
Adjustments to reconcile net profit (loss) to net cash used in operating activities :		
Increase in deferred tax asset/liability	46,131	(6,388)
Depreciation and amortization	468,823	435,765
Prior period adjustments		(5,000)
Changes in current assets and liabilities:		
Accounts receivable	(293,271)	(123,450)
Inter-co receivable from CSIL	(1,550,318)	(791,025)
Deferred expenditure	(1,078,581)	-
Prepaid expenses and other current assets	36,747	57,193
Inventory	6,020	(53,565)
Accounts payable	265,070	123,949
Inter-co payable Asia Pacific	(413,942)	413,942
Accrued liabilities	52,944	(195,852)
ST portion of LT liabilities	(177)	(1,323)
Long Term liabilities	1,998,216	(549)
Net cash used in operationing activities	(346,930)	(126,595)
<i>Cash Flow from investing activities :</i>		
Purchase of property and equipment	(12,105)	(79,669)
Purchase of software & development	(620,968)	(2,250,000)
Net cash used in investing activities	(633,073)	(2,329,669)
<i>Cash flows from financing activities :</i>		
Proceeds from issuance of stock	166,666	417,500
Proceeds from additional paid in capital	833,330	2,087,500
	999,996	2,505,000
Net increase in cash and cash equivalents	19,993	48,736
Cash and cash equivalents at beginning of year	108,981	60,245
Cash and cash equivalents at end of year	128,974	108,981

Per our report attached

For and on behalf of the Board

Subra E. Ramanan CPA
Neeka Accountancy Coporation

Richard H. Gall
President

Mukkaram Jan
Secretary

Asif Khader
Treasurer



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The Company

Systat Software Inc., (“Systat” or the company) was incorporated on September 18, 2000 as a Delaware Corporation, and was subsequently qualified and authorized to transact intrastate business in the state of California on October 12, 2001. Systat is a wholly owned subsidiary of Cranes Software International Limited (“CSIL” or “Cranes”), located in India. The company’s products are primarily used by organizations to integrate and analyze operational data in the process of formulating strategies more effectively. This process is commonly known as “data mining” or “data analysis using advanced analytical techniques”. Analytical solutions include products and services sold for customer relationship management, business intelligence and general-purpose statistical analysis.

The company acquired marketing and other rights under various agreements to own, use, modify, enhance and sell certain software products primarily from two companies namely, AISN and SPSS. The company’s research & development activities and core technology are managed by Cranes and Systat (Asia Pacific) located in India.

Systat formed a wholly owned subsidiary in the United Kingdom on June 11, 2002, named Systat Software (UK) Limited. The primary purpose of this wholly owned subsidiary is to market and distribute software products in Europe.

The company is fully owned and managed by Cranes Software International Limited, Bangalore, India. Accordingly, the company’s future success or failure is largely dependent upon the management decisions of, and continued support by the parent company. The U.S. office functions as a sales outfit to sell in the United States. All sales overseas are channeled through the affiliated entities; namely Systat Software (UK) Limited and Systat (Asia Pacific), Bangalore, India.

On December 18, 2003, CSIL acquired a series of product line called Sigma Plot from SPSS, Inc. Following the acquisition, the company commenced the marketing and distribution of these products.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets & liabilities and disclosures of contingent assets & liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Revenue recognition

The company applies AICPA Statement of Position (“SOP”) 97-2, Software Revenue Recognition, which specifies the criteria that must be met prior to Systat recognizing revenues from software sales. Systat primarily recognizes revenue from sale of software products and product licenses, net of an allowance for estimated returns and cancellations. Revenue from sale of software products and product license agreements is recognized upon product delivery and customer acceptance. Systat recognizes revenue once the risk of ownership has been passed on to the end users or distributors.

Software Development and acquisition costs

Software development and acquisition costs incurred by Systat in connection with the company’s long-term development projects are capitalized in accordance with Statement of Financial Accounting Standards



(“SF AS”) No. 86, Accounting for the costs of computer Software to be Sold, Leased, or Otherwise Marketed. Systat reviews capitalized software development costs each period and, if necessary, reduces the carrying value of each product to its net realizable value. Research and development costs will be charged to expense when incurred

Cash equivalents

The company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The company deposits cash and cash equivalents with high credit quality financial institutions.

Concentration of Credit Risk

Financial instruments that potentially subject the company to concentration of credit risk consist principally of trade accounts receivable. The company performs ongoing credit evaluations of its customers’ financial condition, and the risk of loss with respect to its accounts receivable is further mitigated by the fact that the company’s customer base is comprised of well- established companies. The company provides reserves for credit losses which, to date, have not been significant.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

Description	Useful Life	Method
Computers and equipment	3 - 5 years	Straight line
Leasehold improvements	Shorter of 5 years or remaining Lease term	Straight line
Software	3 - 7 years	Straight line
Furniture & fittings	7 years	Straight line

Stock-based compensation

The company does not have a stock-based compensation plan currently in place. However, should the company adopt a stock based compensation plan in the future, the stock option grants would be accounted for in accordance with APB No. 25 “Accounting for Stock Issued to Employees”. The company would account for stock- based compensation to non-employees in accordance with SF AS No.123 “Accounting for Stock Based Compensation.”

Income Taxes

The company accounts for income tax pursuant to SF AS No. 109, “Accounting for Income taxes” SF AS No. 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities. Under this method deferred tax assets and liabilities are determined using the current applicable enacted tax rates and provisions of the enacted tax law.



Common Stock

As of March 31, 2004 the company had issued an aggregate of 974166 shares of common stock with par value of \$1.00 each. The company received \$833,330 as additional paid-in capital during the year from the parent company.

Lease Commitments

The company leases various equipment under non-cancelable leases, which expire on various dates through 2006. The future minimum lease payments under these commitments are as follows:

2003/2004	\$ 6,485
2004/2005	\$ 5,724
2005/2006	\$ 4,922

Software Products

The company acquired marketing and other rights to own, use, modify, enhance and sell certain product lines primarily from two Major software companies, AISN and SPSS. These product lines, considered to be long-lived assets, are amortized over 3 -7 years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount should be evaluated. Factors leading to impairment include a combination of historical losses, anticipated future losses and inadequate cash flow. The assessment of recoverability is based on management's estimate. The management has determined that as of March 31, 2004, there has been no impairment in the carrying values of long-lived assets.

Note 2. Accounts Receivable

Trade accounts receivable consists of balances due from account holders, net of a provision for estimated returns as follows.

	March 31, 2004	March 31, 2003
	\$	\$
Accounts Receivable- Trade	448,870	147,740
Less: Reserve for estimated returns	(10,705)	(2,846)
Accounts Receivable - Trade (Net)	438,165	144,894
<hr/>		
Note 3. Inter-Company Receivable		
Due from Cranes to SS (UK) Ltd	-	940,025
Due from SS Inc to Cranes	-	(149,000)
Inter-co Loan from SS Inc to Cranes	1,128,438	-
Due from Sealsolve to SS Inc	50,366	-
Due from Asia Pacific to SS Inc	1,157,096	-
Due from GMBH to SS Inc	5,445	-
Net Balance due	2,341,345	791,025

Note 4. Inventory

The inventory as of March 31, 2004 was valued at cost or net realizable value whichever is lower. The inventory cost includes the cost of software replication, manuals and other related costs incurred in the process of making the software available for sale, excluding the amortization of the acquired software product costs.



Management has determined that all inventory shown on the balance sheet are recoverable for the value shown. The inventory is held at a third party software replication and fulfillment center.

Note 5: Deferred Expenditure

This represents expenses incurred on conversion of certain products into Arabic version by Systat Software (UK) Limited. The management has not yet decided on ownership of IP' relating to the aforementioned expenditure.

Note 6. Prepaid Expenses and Other Current Assets

	March 31, 2004	March 31, 2003
Prepaid expenses	\$ 19,653	\$ 5,625
Prepaid insurance	57	655
Refundable deposits	5,627	10,527
Prepaid rent	4,721	—
Prepaid consulting	—	50,000
Total	\$ 30,058	\$ 66,807

Note 7. Deferred Tax Asset

Based on the current applicable enacted tax rates and provisions of the enacted tax law, the company has determined the deferred tax asset as follow:

	March 31, 2004	March 31, 2003
Deferred tax benefits/liabilities arising from:		
Difference between book & tax depreciation & amortization	\$ —	\$ (50,413)
Net operating loss carryover	—	77,707
Deferred tax benefit, net	\$ —	\$ 27,294

Note 8. Property and Equipment, net

Property and equipment consist of the following as of March 31, 2004.

	April 1 2003	Cost Additions	Cost Disposals	March 31 2004	April 1 2003	Acc. Depreciation Additions	Acc. Depreciation Disposals	March 31 2004
LHI	\$ 1,565	\$ 7,905	\$ -	\$ 9,470	\$ 1,565	\$ 395	\$ -	\$ 1,960
Equipment	12,461	2,704	-	15,165	3,654	4,254	-	7,908
Software	68,955	950	-	69,905	1,983	23,039	-	25,022
Furniture & Fixtures	11,289	546	-	11,835	1,613	1,612	-	3,225
TOTAL	\$ 94,270	\$ 12,105	\$ -	\$ 106,375	\$ 8,815	\$ 29,300	\$ -	\$ 38,115



Note 9. Intangible Assets

As of March 31, 2004, the company had the following intangible assets as a result of various purchases and consulting agreements entered into between Systat, AISN and SPSS.

	April 1 2003	Cost Additions	Cost Disposals	March 31 2004	April 1 2003	Acc. Amortization Additions	Disposals	March 31 2004
AISN								
Auto Signal	\$ 90,000	\$ -	\$ -	\$ 90,000	\$ 38,000	\$ 30,000	\$ -	\$ 68,000
TC 2D; TC 3D; Peakfit	337,840	-	-	337,840	113,159	48,263	-	\$ 161,422
SPSS, Systat Software	2,310,050	620,968	-	2,931,018	353,688	361,260	-	\$ 714,948
TOTAL	\$2,737,890	\$ 620,968	\$ -	\$ 3,358,858	\$504,847	\$439,523	\$ -	\$944,370

On March 8, 2001, the company acquired AISN Software Products Tablecurve 2D, Tablecurve 3D and Peakfit for a payment of \$281,590. All source codes in these product lines were transferred to Systat free of all licenses and claims with the exception of; (a) the one-time license that accompany the software development tools with which these products are written, and (b) the SPSS software licensing system. Under the purchase agreement, AISN retains the use of the software technology in Tablecurve 2D, Tablecurve 3D and Peakfit for use in future AISN ventures, services and related business opportunities subject to the following restriction. AISN shall not re-create the "existing products" from the retained technology for a period of five (5) years from the date of the purchase agreement.

On July 29, 2001, Systat and AISN signed the "Auto Signal" Marketing Agreement. This agreement outlines the responsibilities of AISN in producing and maintaining Auto Signal and responsibilities of Systat in marketing and technically supporting Auto Signal within specific markets.

On December 29, 2000, CSIL entered into a distribution agreement with SPSS Inc., to distribute SPSS SYSTAT software products. The distribution agreement between CSIL and SPSS provided for a Purchase Agreement Option whereby CSIL could purchase the software source, and all associated assets, including but not limited to any associated trademarks or copyrights for an additional price of \$250,000 under the terms of a subsequent agreement to be signed by the parties. However, until April 1, 2002, CSIL was not fully operational in the U.S., to take over the marketing of Systat software products, and therefore, entered into a consulting agreement with SPSS whereby SPSS would continue to sell Systat licenses and pay royalties to CSIL. By April 1, 2002, CSIL through its wholly owned subsidiary, Systat Software, Inc, commenced selling of Systat Software products in the United States. Subsequent to forming the wholly owned subsidiary in the U.S., CSIL elected to pay SPSS through its U.S., subsidiary.

Final purchase agreement and bill of sale between SPSS and SSI for the transfer of ownership and marketing rights of Systat Products was signed on January 24, 2003. The company elected to capitalize and amortize payments totaling \$2,250,000 made to SPSS as software acquisition costs.



Note 10. Accrued Liabilities

	March 31, 2004	March 31, 2003
AISN (Auto Signal) Cont #3 payable	\$ 53,755	\$ 11,994
Accrued expenses	17,981	36,056
Payroll tax payable	7,956	4,182
Sales tax payable	2,439	2,224
Accrued vacation & sick pay	22,671	14,617
Corporation tax	-	2,151
Pension plan payable	6,285	-
Commissions payable	4,760	-
Accrued salaries	8,321	-
	\$ 124,168	\$ 71,224

Note 11. Deferred Tax Liability

	March 31, 2004	March 31, 2003
Total	\$ 18,837	\$ -

Note 12. Inter-Company Payable, Asia Pacific

This represents the balance owed to Systat Software Asia Pacific for the developmental and support expenses incurred in India and to Cranes Software International Limited for payments made on behalf of the company.

	March 31, 2004	March 31, 2003
Systat Software Asia Pacific	\$ -	\$ 413,942

Note 13. Long Term Liabilities

The company's long term liabilities are as follows:

	March 31, 2004	March 31, 2003
Lease Contract	\$ 3,681	\$ 5,465
Notes Payable- Jammu & Kashmir	2,000,000	-
Ending retained earnings	\$ 2,003,681	\$ 5,465

Note payable to the Jammu and Kashmir Bank Limited is a bank loan equivalent to US \$2,000,000 for working capital in favor of Systat Software, Inc., which is subject to renewal every year.

The board of directors and shareholders of Systat Software, Inc., approved the pledge and collateralization of all of the business assets of the company including but not limited to: furniture and fixtures, equipment, contract rights, accounts receivable, leasehold improvements, inventory, proceeds of the same or similar type now and hereafter acquired by the company and all insurance policies covering the described collateral wherever now and hereafter located except as may be used by the company to repair or replace items of collateral for which insurance proceeds are payable.

Note 14. Retained Earnings

The company's retained earnings are as follows:

	March 31, 2004	March 31, 2003
	\$	\$
Beginning retained earnings	(5,875)	(20,583)
Net profit (loss)	115,408	19,708
Prior period adjustment	—	(5,000)
Ending retained earnings	109,533	(5,875)



Note 15. Revenue

The sales revenue for the year ended March 31, 2004 consists of the following

	March 31, 2004	March 31, 2003
	\$	\$
AISN (Auto Signal)	7,045	12,301
AISN (Table Curve 2D, Table Curve 3D, Peak Fit)	235,140	304,656
SPSS Systat Software	790,953	886,317
Sigma Plot	689,398	-
Royalty Income	-	86
Freight Recovered	21,687	12,183
Sales- Europe	406,960	177,945
Inter-Co. Sales	458,819	1,111,791
Sales returns, allowances & discounts	(7,860)	(2,845)
Total	2,602,142	2,502,434

Note 16. Sales, General and Administrative Expenses

The following consists of the sales, general and administrative expenses.

	March 31, 2004	March 31, 2003
	\$	\$
Audit fee	7,500	5,000
Outside services	8,750	9,339
Small tools	-	422
Freight, postage & delivery	66,813	82,700
Internet/Website	49,074	21,435
Rent	53,486	103,929
Equipment rental	2,114	286
Utilities	7,591	1,679
Telephone	25,622	28,694
Repairs & maintenance	366	2,697
Advertising & promotion	161,759	96,979
Insurance	4,429	3,781
Travel & lodging	35,007	81,956
Property tax & other taxes	387	200
Permits & license	6,655	536
Credit card merchant fees	20,069	14,269
Interest & finance charges	47,609	2,306
Bank charges	5,045	932
Legal & professional fees	23,735	13,350
Sales commissions	51,568	68,935
Office expenses	26,456	4,237
Amortization	439,523	428,006
Depreciation	29,457	7,759
Professional development	-	319
Dues & subscriptions	674	-
Meals & entertainment	497	-
UK expenses	202,648	40,046
Technical consultancy	13,117	472,225
Total	1,289,951	1,492,017



Note 17. Related Party Transactions

Richard Gall, the President and CEO of Systat Software, Inc., serves as a consultant to the company. Richard Gall also serves on the board of directors of CSIL. Richard Gall was paid \$200,000 on account of CSIL. The amount is included in inter-co. receivables from CSIL.

Ron Brown, the President, CEO and the sole shareholder of *A/SM*, also serves on the board of directors of CSIL. Systat acquired the rights to own, modify and enhance certain product lines from *A/SM* for a total consideration of \$427,850. In addition Ron Brown was paid \$30,000 as a consulting fee in the year ended March 31, 2004.

Inter-co. sales to Systat Software (UK) Limited and Systat Asia Pacific amounted to \$81,752.85 and \$377,065.86 respectively.

Per our report attached

For and on behalf of the Board

Subra E. Ramanan CPA
Neeka Accountancy Coporation

Richard H. Gall
President

Mukkaram Jan
Secretary

Asif Khader
Treasurer



SYSTAT SOFTWARE UK LIMITED

FINANCIAL STATEMENTS

For 2003-2004



DIRECTOR'S REPORT

YEAR ENDED 31 MARCH 2004

The director has pleasure in presenting his report and the financial statements of the company for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was Software retailing

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The director has not recommended a dividend.

THE DIRECTOR AND HIS INTERESTS IN SHARES OF THE COMPANY

The director who served the company during the year together with his beneficial interests in the shares of the company was as follows:

	Ordinary Shares of £1 each	
	At 31 March 2004	At 1 April 2003
SYSTAT SOFTWARE INC	100	100

DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the director is required to:

select suitable accounting policies, as described in the Notes to financial statements and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS

The auditors, Tamsons, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 22nd April, 2004.

Registered office:
23 Vista Centre
50 Salisbury Road
Hounslow
Middlesex
TW4 6JQ

for Systat Software UK Ltd.,

Asif Khader
Director

Approved by the director on 22nd April, 2004



Independent Auditors' Report to the Shareholder

YEAR ENDED 31 MARCH 2004

We have audited the financial statements enclosed which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out in the enclosed financial statements.

This report is made solely to the company's shareholder, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2004 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

177 Kingsley Road
Hounslow
Middlesex, TW3 4AS
TW3 4AS
22-04-2004

TAMSONS
Chartered Certified Accountants
& Registered Auditors



PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2004

	Note	2004 £
TURNOVER	2	240,363
Cost of sales		102,511
GROSS PROFIT		137,852
Distribution costs		7,178
Administrative expenses		112,604
OPERATING PROFIT	3	18,070
Loss on disposal of fixed assets		(8,474)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,596
Tax on profit on ordinary activities	5	—
RETAINED PROFIT FOR THE FINANCIAL YEAR		9,596

These financial statements were approved and signed by the director on 22nd April, 2004.

As per report of even date

for Systat Software UK Limited

Tamsons
Registered Auditors

Asif Khader
Director

Mukkaram Jan
Director

Mueed Khader
Director

BALANCE SHEET

As at 31st MARCH 2004

	Note	2004 £	2004 £
FIXED ASSETS			
Tangible assets	6		1,146
CURRENT ASSETS			
Stocks	7	16,500	
Debtors	8	50,118	
Deferred Revenue Expenditure	9	586,855	
Cash at bank		32,410	
		685,883	
CREDITORS: Amounts falling due within one year	10	44,606	
NET CURRENT ASSETS			641,277
TOTAL ASSETS LESS CURRENT LIABILITIES			642,423
CREDITORS: Amounts falling due after more than one year	11		612,753
			29,670
CAPITAL AND RESERVES			
Called-up equity share capital	13		100
Profit and loss account			29,570
SHAREHOLDER'S FUNDS			29,670

These financial statements were approved and signed by the director on 22nd April, 2004.

As per report of even date

for Systat Software UK Limited

Tamsons
Registered Auditors

Asif Khader
Director

Mukkaram Jan
Director

Mueed Khader
Director



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

Stocks

Stock valued at 30% of sales value

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.:

	2004 £
2. TURNOVER	
The turnover and profit before tax are attributable to the one principal activity of the company.	
An analysis of turnover is given below	
United Kingdom	240,363
Turnover includes sales at different currencies converted at rate prevailing on 31.03.2003	
3. OPERATING PROFIT	
Operating profit is stated after charging:	
Director's emoluments	—
Depreciation of owned fixed assets	93
4. PARTICULARS OF EMPLOYEES	
The aggregate payroll costs of the above were:	
Wages and salaries	39,085
Social security costs	6,909
	45,994
5. TAX ON PROFIT ON ORDINARY ACTIVITIES	
Corporation tax calculated at 22 %	

		2004 £
6. TANGIBLE FIXED ASSETS		
	Equipment	
COST		
At 1 April 2003 and 31 March 2004		1,239
DEPRECIATION		
Charge for the year		93
At 31 March 2004		93
NET BOOK VALUE		
At 31 March 2004		1,146
7. STOCKS		
Stock		16,500
8. DEBTORS		
Trade debtors		50,118
9. DEFERRED REVENUE EXPENDITURE		
Deferred Revenue Expenditure		586,855
10. CREDITORS: Amounts falling due within one year		
Trade creditors		9,368
Other creditors including taxation:		
Corporation tax		4,993
Other creditors		15,650
Sundry Creditors		14,595
		44,606
11. CREDITORS: Amounts falling due after more than one year		
Other creditors:		
Systat Software Inc USA		612,753
12. RELATED PARTY TRANSACTIONS		
The company was under the control of the Director in the current and previous year.		
No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.		
13. SHARE CAPITAL		
Authorised share capital:		
100 Ordinary shares of £1 each		100
Allotted and called up:		
	No	
Ordinary shares of £1 each	100	100



CRANES™



CRANES SOFTWARE INTERNATIONAL PTE. LTD.,

(Incorporated in Singapore)

FINANCIAL STATEMENTS

For 2003-2004



DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD FROM 26 DECEMBER 2003 TO 31 MARCH 2004

The directors are pleased to present their annual report to the members together with the audited financial statements of the Company for the financial period from 26 December 2003 to 31 March 2004.

DIRECTORS

The directors in office at the date of this report are: -

ASIF KHADER
MUEED KHADER
MUKKARAM JAN
SURESH RAMASWAMY

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial period nor at any time during the financial period was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the register kept by the Company for the purpose of Section 164 of the Companies Act, the directors who held office at the end of financial period had interests in the share capital of the Company as follows:

HOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST

NAME OF DIRECTORS	AT 26.12.2003	AT 31.3.2004
	ORDINARY SHARES OF S\$1/- EACH	
ASIF KHADER	2	2
MUEED KHADER	2	2
MUKKARAM JAN	2	2

DIRECTORS' CONTRACTUAL BENEFITS

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

SHARE OPTIONS

There were no share options granted during the financial period nor were there unissued shares under options at the end of the financial period in respect of shares in the Company.

No shares have been issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.



AUDITORS

The auditors, Messrs NG, VUN & COMPANY, Certified Public Accountants, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

ASIF KHADER
DIRECTOR

MUEED KHADER
DIRECTOR

Singapore
22 April, 2004.



STATEMENT BY DIRECTORS

FOR THE FINANCIAL PERIOD FROM 26 DECEMBER 2003 TO 31 MARCH 2004

We, the undersigned directors, state that, in the opinion of the directors:

- i) the accompanying balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2004, the results of the business, cash flow and changes in equity of the Company for the financial period then ended on that date; and
- ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 22 April 2004.

ON BEHALF OF THE BOARD

ASIF KHADER
DIRECTOR

MUEED KHADER
DIRECTOR

Singapore
22 April, 2004.



AUDITORS' REPORT TO THE MEMBERS

FOR THE FINANCIAL PERIOD FROM 26 DECEMBER 2003 TO 31 MARCH 2004

We have audited the accompanying balance sheet of CRANES SOFTWARE INTERNATIONAL PTE. LTD. as at 31 March 2004, the profit and loss account, cash flow statement and statement of changes in equity for the financial period then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. 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 the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards and so as to give a true and fair view of:
 - i) the state of affairs of the Company as at 31 March 2004, the results, cash flow and changes in equity of the Company for the financial period then ended on that date; and
 - ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements;
- b) the accounting and other records, and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

NG, VUN & COMPANY

Certified Public Accountants

Singapore: 22 April 2004
C071A/GT/jo



BALANCE SHEET

AS AT 31 MARCH 2004

	Note	2004 S\$
ASSET		
CURRENT ASSET		
Cash in hand		2
TOTAL CURRENT ASSET		2
TOTAL ASSET		2
EQUITY AND LIABILITIES		
EQUITY AND RESERVES		
Share capital	3	2
Loss for the year		(4,072)
TOTAL EQUITY		(4,070)
CURRENT LIABILITIES		
Accrued expenses		860
Amount due to holding company	4	3,212
TOTAL CURRENT LIABILITIES		4,072
TOTAL EQUITY AND LIABILITIES		2

PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL PERIOD FROM 26 DECEMBER 2003 TO 31 MARCH 2004

	Note	2004 S\$
REVENUE		—
OTHER OPERATING EXPENSES		
Auditors' remuneration		800
General expenses		365
Postages, printing and stationery		78
Preliminary expenses		2,829
LOSS FOR THE PERIOD	5	(4,072)



CASH FLOW STATEMENT

FOR THE FINANCIAL PERIOD FROM 26 DECEMBER 2003 TO 31 MARCH 2004

	Note	2004 S\$
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation		(4,072)
Cash Flow From Operations Before Changes in Working Capital		(4,072)
CHANGES IN WORKING CAPITAL		
Accruals		860
Net Cash From Operating Activities		(3,212)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue		2
Loan from holding company		3,212
Net Cash from Financing Activities		3,214
Net increase in cash and cash equivalents		2
Cash and cash equivalents at beginning of period		—
Cash and cash equivalents at end of period	8	2

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2004

	Share Capital S\$	Accumulated Loss S\$	Total S\$
Issue of shares on 26 December 2003	2	-	2
Loss for the period	-	(4,072)	(4,072)
Balance as at 31 March 2004	2	(4,072)	(4,070)



NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Company is a limited liability company incorporated in Singapore. The Company is a wholly owned subsidiary of Cranes Software International Ltd, which is also its ultimate holding company, incorporated in India.

The address of the Company's registered office is 20 Raffles Place, #09-01 Ocean Towers, Singapore 048620.

The principal activities of the Company are to deal in computer software and hardware of all kinds for users of computers in all fields.

There have been no trading activities during the financial period.

The number of employees (including directors) as at 31 March 2004 were 4.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements, expressed in Singapore dollars, are prepared in accordance with the Singapore Financial Reporting Standards ("FRS") issued by the Council on Corporate Disclosure and Governance, disclosure requirements of the Singapore Companies Act, Cap. 50 and under the historical cost convention.

b) Preliminary Expenses

Preliminary expenses written off to profit and loss account is stated at cost.

c) Income Recognition

Turnover is recognised on an accrual basis.

d) Foreign Currency Transactions

Transactions in foreign currencies during the financial period are converted into Singapore dollars, at exchange rate prevailing at transaction dates. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are reported at the rate ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are taken to the profit and loss account.

3. SHARE CAPITAL

	2004 S\$
Ordinary shares of S\$1/- each Authorised	1,000,000
Issued and fully paid during the date of incorporation	2



	2004
	S\$
4. AMOUNT DUE TO HOLDING COMPANY	
Non-trade	3,212
<p>The non-trade amount due to holding company is interest-free, unsecured and with no fixed term of repayment.</p>	
5. LOSS FOR THE PERIOD	
<p>This is stated after charging:</p>	
Auditors' remuneration	800
Preliminary expenses	2,829
6. INCORPORATION	
<p>The Company was incorporated on 26 December 2003.</p>	
7. COMPARATIVE FIGURES	
<p>This being the first financial statement, no comparative figures are available.</p>	
8. CASH AND CASH EQUIVALENTS	
<p>Cash and cash equivalents consist of cash in hand. Cash and cash equivalents in the cash flow statement comprise the following balance sheet amounts:</p>	
Cash in hand	2
9. AUTHORISATION OF FINANCIAL STATEMENTS	
<p>The financial statements were authorised for issue in accordance with a resolution of the directors on 22 April 2004.</p>	



CRANES™



SYSTAT SOFTWARE GmbH,

Erkrath, Germany

FINANCIAL STATEMENTS

For 2003-2004



To the shareholder, Systat Software GmbH, Erkrath, Germany

We have compiled the attached income statement for the period ending 31st March, 2004 and the balance sheet as on that date and report that :

“In our opinion the said accounts give the information as required by law in the manner so required, and give a true and fair view of the profitability for the period ending 31st March 2004 and the state of affairs as on 31st March 2004 and are in conformity with generally accepted accounting principles”.

Düsseldorf, April 28, 2004

PRICEWATERHOUSECOOPERS

GmbH
Wirtschaftsprüfungsgesellschaft

(Winnacker)
Steuerberater

(Steinbring)
Steuerberaterin

BALANCE SHEET

AT 31ST MARCH 2004

ASSETS

EQUITY AND LIABILITIES

	31.03.2004		31.03.2004
	€		€
A. Current assets		A. Equity	
I. Receivables and other assets		I. Subscribed capital	25,000.00
1. Trade debtors	129,420.81	II. Capital reserve	50,000.00
2. Other assets	3,300.79	III. Net loss for the year	-69,943.16
	132,721.60		5,056.84
II. Cash on hand, cash in banks	65,362.10	B. Accruals	
	198,083.70	Other accruals	38,928.00
B. Prepaid expenses	127.20	C. Liabilities	
		1. Trade accounts payable	54,223.03
		(thereof with a residual term of up to one year € 54,223.03)	
		2. Other liabilities	77,636.04
		(thereof with a residual term of up to one year € 77,636.04)	
		(thereof for social security € 14,223.81)	
		(thereof for taxes € 13,051.50)	
		(thereof against shareholder € 50,000.00)	
			131,859.07
		D. Deferred Income	22,366.99
	198,210.90		198,210.90





INCOME STATEMENT

FOR THE PERIOD JANUARY 23 TO MARCH 31, 2004

	23-01-2004 to 31.03.2004 €
1. Sales	140,880.46
2. Cost of materials Cost of raw materials, consumables and supplies and of purchased merchandise	-42,216.00
3. Personnel expenses	
a) Wages and salaries	-95,662.71
b) Social security and pension cost	-16,612.73
4. Other operating expenses	-56,332.18
5. Loss from ordinary activities/ Net loss for the year	-69,943.16



NOTES

AS OF MARCH 31, 2004

I. Application of the German Accounting Legislation

The financial statements for 2004 have been prepared in accordance with the regulations of the German Commercial Code.

Additionally to these rules, directives of the GMBH-Law have been considered.

The statement of income and expenses has been prepared applying the cost summary method.

II. Accounting and valuation methods

The following explained accounting and valuation methods have been applied.

Trade receivables and other assets have been recorded at nominal value.

Cash on hand, cash in bank are valued at nominal value.

Prepaid expenses cover expenses for a certain time after the balance sheet date, which have already been paid before the balance sheet date.

Accruals were established under consideration of recognizable risk and were calculated in accordance with reasonable business principles.

The **liabilities** are valued based upon the repayment amount.

Liabilities in foreign currency have been revalued utilizing the higher of the exchange rate at business year end or the historical rate.

Deferred Income has been posted for revenues concerning a certain period after the balance sheet date.

III. Other Information

1. Shareholder

The company is a wholly-owned subsidiary of Cranes Software International Limited, Bangalore/India.

2. Trade accounts payable

Thereof against shareholder € 42,216

3. General Managers

During the stub financial year 2004 Mr.Aarif Hashmi, Syed, Bangalore/India, performed the general management.

4. Consolidated accounts

The company is included into the consolidated accounts of Cranes Software International Limited, Bangalore, India. The parent Company, which prepares the consolidated accounts for the greatest group of companies, is Cranes Software International Limited, Bangalore/India.

5. Appropriation of result

It was recommended to the shareholder to carry forward the net loss for the year 2004 to new account.

Dusseldorf, in April 2004

The Management

**H Shankar****Finance Analysis****Q. What have been the key drivers of Cranes Software's growth over the last few years?**

A. Cranes Software has been focused on creating a solid pipeline to address the software requirements of scientists and engineers worldwide. The initial domain knowledge was established through our software distribution business. Thereafter, effectively leveraging our deep understanding of this niche market, we have created multiple opportunities that provide strong upsides on their own and have combined seamlessly to drive growth. Currently, we have established a significant IP portfolio, strong R&D capabilities, a sizeable customer base and a widespread global sales and distribution network, key ingredients of success in our business. We are confident that the current trend of outperformance will continue in the foreseeable future.

Q. What will be the drivers of the growth that you target going forward?

A. We have defined drivers for growth. The recent Sigma product line will deliver revenues for the entire year compared to only about three months in FY 2004. We believe that potentially the Sigma product's sales can be expanded significantly from last year's level of US\$ 6.8 million. We have seen that happen with SYSTAT and the AISN suite. SYSTAT 11 was launched in June this year and the next version of SigmaPlot is expected to be launched in the next few months. With its enhanced software portfolio, Cranes Software expects to derive leverage from cross selling across products, geographies and usage segments. Further, there are near term growth drivers across other businesses – product distribution and wireless – that will add to growth.



Q. What is the margin outlook going forward?

A. Towards the close of FY 2004, we acquired the rights to license, develop & market Sigma product line from SPSS Inc. and the IP transition is effective April 1, 2004. In the interim period, Cranes Software served as the global distributor for Sigma. Thus, margins on incremental revenues from the Sigma product were lower. The Company has maintained margins at around 45% over the last three years while achieving significant business expansion. In FY 2005, new version launches of our proprietary products will drive revenues. Development costs have already been incurred so profit contribution from sales is expected to be strong. Also, there are revenue expansion opportunities in software distribution and wireless businesses as discussed earlier. In addition, our enhanced infrastructure base, following the Sigma product acquisition, has provided opportunity for cost rationalization. Overall, given the growing business momentum, we expect that the yearly operating margin will be maintained in the historical range although quarter wise variations are possible.

Q. Why does Cranes Software have debt on its balance sheet despite issuing GDRs recently?

A. Cranes Software's GDR offering closed in March 2004. As on March 31, 2004 the GDR funds had not been received by us pending completion of post - issue procedures. Given the debt funded cash acquisition of the Sigma product and balancing capital expenditure and working capital requirements, our debt-equity ratio has increased from 0.54 as on March 31, 2003 to 0.73 as on March 31, 2004. However, even at these levels our interest coverage is at a comfortable level of 5.7 times. Going forward, we will continue to maintain a judicious balance between debt and equity to realize the opportunities in our business, both from organic and inorganic avenues.

Q. Why is Cranes Software's outstanding debtors' position at such high levels?

A. The level of Cranes Software's sundry debtors increased to Rs. 512 million as on March 31, 2004 from Rs. 277 million as on March 31, 2003. However, the debtors' sales outstanding (DSO) level remained unchanged at 163 days. A large part of the global business is routed through our global distribution network where sales collection cycles are typically longer (we have similar experience in dealing with our Principals in Third Party Products.) Further a very large proportion (~ 45%) of sales in FY 2004 was actually undertaken in the last quarter of the year, resulting in outstandings as at the end of the year. Also, I am glad to report that only about 1% of the debtors are due for a period of over 180 days. The management has a high level of comfort regarding the quality of its receivables.

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