

Global Corporation



One of the most significant changes in recent years has been the expansion of market opportunities for corporations. As businesses expand, going global is not an option but an imperative. Being a global player with a global vision is not just about worldwide reach. It is about conducting business in a manner that meets the most stringent international benchmarks, creating innovative technology products and services that meet global standards, and having a team of people that possesses the vision to deliver on cross-border strategies.



Board of Directors

Dr. Rudra Pratap	-	Chairman
Mr. Asif Khader	-	Co-founder & Managing Director
Mr. Mukkaram Jan	-	Co-founder & 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
Dr. Peter Ryser	-	Director

Company Secretary

Mr. B. Parasuram

Bankers

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

Auditors

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

Registered Office

Cranes Software International Ltd.
Shankar Narayana Building, Block I,
4th Floor, #25, M.G. Road, Bangalore - 560 001.

Registrars

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

Web Site

www.cranessoftware.com
www.systat.com

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(All references in this report to Cranes Software International Limited prior to 2001 - 2002 refers to the erstwhile
Cranes Software International Limited before amalgamation.)

Vision That Spans The World



Very early in its corporate life, Cranes Software's management team had the vision to take the business global. Even during the first decade of operations, when Cranes Software's revenues were completely out of the domestic market, the thinking was clearly global. The objective was to create an internationally respected transnational enterprise with strong relationships with the community of scientists and engineers. As the Company moves towards this objective, it continues to evolve its vision of creating a 'Global Corporation'.



Driven by multiple ideologies, cultures & political systems, the global market seems to be more fragmented than ever and the definition of the 'Global Corporation' has evolved with the market over the years. The Cranes Software management has recognized that a Global Corporation needs to go beyond a large scale of operations, a wide regional presence and a multi-cultural workforce. It has identified some key enablers, the adoption of which is expected to facilitate the successful realization of its global vision.

The first one is the adoption of a system-oriented approach across the Company's operations. Beyond a certain scale, all corporate functions need to imbibe and operate within frameworks, which must be integrated into the Company's core business strategy and practice. Towards this end, Cranes Software has significantly enhanced its systems and processes over the last few years, positioning itself for the next level of growth.

Secondly, Cranes Software recognizes that it is important to adapt global strategic business initiatives in the context of the prevalent local business environment. The positive outlook resulting from emerging global opportunities needs to be balanced against the disruption in the ability to conduct business in accustomed channels locally. Cranes Software's global operations, while working within its business framework, have a strong local feel in each geography. The Company's international business has been built around its expanding software portfolio, which has the distinct advantage of having been well-established in key markets many years prior to its acquisition by Cranes Software. With each of these acquisitions, Cranes Software added to its 'Globally Local' knowledge base.

Also important in the quest to achieve long term global sustainability is the creation of an all pervasive brand that cuts across dispersed markets and geographic divides. India has been looked upon as a provider of scalable but commoditized 'cost plus' services in the IT space with limited success in brand building. Cranes Software stands out in this regard. It has employed its unique 'Acquire, Enhance and Market' strategy to optimize value from under-utilized and undervalued software assets, thereby achieving business and revenue expansion in technical software products, a brand sensitive market.

And possibly the most important constituent of the global ambition of any business is the ability to constantly think global. In this regard, Cranes Software is fortunate to have Board of Directors and its key management team with substantial, multi-dimensional global business knowledge and experience. This group of very talented individuals has come together to create a strategic think tank that has set Cranes Software strongly towards its quest for global greatness.

Spearheading A Global Enterprise



Cranes Software's Board of Directors, an eminent body of professionals, has made a significant contribution to the Company's evolution into a world-class organization. Its collective experience in such diverse areas as technology innovation, governance policy, general management, consulting and business leadership provides strategic direction to Cranes Software's business and has enabled the formulation of a sustainable growth opportunity.

Cranes Software's innovative, technology-oriented initiatives have attracted several acclaimed technology experts and experienced business professionals. The Company's talented executive management team is focused on the creation of ideas and turning them into commercially attractive initiatives. Cranes Software is currently focused on expanding its leadership resources to create a strong core team that would enable rapid progress to the next level of growth opportunity.

Board Of Directors



Dr. RUDRA PRATAP
Chairman



ASIF KHADER
Co-founder &
Managing Director



MUKKARAM JAN
Co-founder & Director



MUEED KHADER
Director



RICHARD GALL
Director



RONALD BROWN
Director



AJAY SINGH
Director



Dr. PETER RYSER
Director



MIRZA YAWAR BAIG
Director



Dr. MANJU BANSAL
Director

Dr. Rudra Pratap, an acknowledged expert in the mechanical engineering domain, is an Associate Professor at the Indian Institute of Science, Bangalore. He heads Cranes Software's MEMS research initiative and also plays the role of Chief Scientific Advisor.

Asif Khader, Cranes Software's Managing Director since inception, has recently assumed the additional responsibility of Vice-Chairman. Asif has led the Company's metamorphosis from a marketing-led organization to a global technical software company. He has been instrumental in creating and enhancing Cranes Software' successful relationships with leading global organizations as well as its focus on investing in future technologies.

Mukkaram Jan co-founded the Company with Asif Khader and contributed substantially during the initial growth phase of the organization. Mukkaram continues to play the role of an advisor in his capacity as a member on Cranes Software's Board.

Mueed Khader is an intrinsic part of Cranes Software's executive management team. He plays the role of Chief Operations Officer and contributes to the strategic decision-making process.

Richard Gall has several decades of experience at such leading technology-centric companies as Texas Instruments, Raytheon and Parametric Technology, and has brought with him some deep global corporate relationships

Ronald Brown is the original author of TableCurve 2D, TableCurve 3D, PeakFit and AutoSignal, leading data visualization software products that now form part of Cranes Software's portfolio. Ron remains closely associated with Cranes Software and plays the role of Chief Software Architect.

Ajay Singh, through his successful career in public administration, has been associated with several key government agencies. He was previously an Advisor to the Minister of Communications and Information Technology and part of the earlier Government's IT policy think tank

Dr. Peter Ryser is a Professor of Microtechnology at the Swiss Federal Institute of Technology in Lausanne. He has over three decades of research and teaching experience across corporate and academic institutions. He was previously a Director at Siemens Building Technologies where he was responsible for product innovation and patents for the entire Siemens Group for a period of five years.

Mirza Yawar Baig has extensive experience in organizational development and corporate training. He is associated with several training institutions, including those run by GE, Oracle and other corporations in the U.S.

Dr. Manju Bansal, is a Director at the Institute of Bio-informatics and Applied Biotechnology, Bangalore, and a Professor in Molecular Biophysics at the Indian Institute of Science, Bangalore. She has provided deep insight into the Life Sciences, Bio-informatics and Applied Biotechnology markets which is critical to Cranes Software's proprietary software products.

Management Team



Dr. RUDRA PRATAP
Chairman

ASIF KHADER
Co-founder &
Managing Director

MUEED KHADER
Director

RICHARD GALL
Director

RONALD BROWN
Director

H. SHANKAR
Exec. VP &
Chief Financial Officer

MANOJ KARIAPPA
Chief eMarketing Officer

JUDE COELHO
Executive Vice President -
HR

ASHOK SHARMA
Chief Technology
Officer

RAJIV MENON
Sr. Vice President -
Development

Dr. T. KRISHNAN
Chief Statistical Architect

Dr. RAMDASS KESHAVAMURTHY
Vice President - Development

Dr. RICHARD MITCHELL
Sr. Scientist

JOHN NORBY
Director - R&D

SYED AARIF HASHMI
Sr. Vice President - Europe

PRADEEP KUMAR
Sr. Vice President - India

SATYA MANDAL
Sr. Vice President & Head - CES

TANVEER AHMED KHADER
Vice President - USA

ASHFAQ IBRAHIM
Vice President -
Cranes Varsity

CLIFFORD SNELL
Associate Vice President -
Asia Pacific



Global Reach



Direct Offices

India • United States • U.K • Germany • U.A.E • Singapore

Distributors

Portugal • Finland • Greece • Italy • Turkey • Poland • Romania • Russia
South Africa Hungary Ukraine Spain Norway Denmark Sweden Switzerland
• Australia New Zealand Hong Kong Japan Korea Taiwan Malaysia China
Philippines Israel

Cranes Software's operations has created substantial global reach, spanning an extensive physical sales and distribution infrastructure on the one hand, and strong international relationships in key technology segments on the other. The Company has delivered on distinct, market-driven strategies in each region of its operation. It has also scanned the global marketplace and leveraged its domain capabilities to identify and acquire undervalued IP assets with significant growth potential.

Cranes Software is present in the software tools and utilities segment, where the size of global participants is comparatively small and the market extremely competitive. Technology-focused communities are highly discerning. Users not only demand high levels of excellence, but also reward providers who meet their standards with unwavering loyalty. The user's requirement matrix is extensive, from generic computational tools for mathematical modeling to niche analysis tools focused on specific domains and verticals. To address such an audience, sales and marketing initiatives need to be backed by domain expertise and by deep relationships with a dispersed global user base.

All of Cranes Software's initiatives are fully customer-focused, drawing upon its deep understanding of market dynamics and customers' needs. The Company's approach towards enhancing the visibility of its globally recognized software brands has led to rapid expansion of its sales and marketing resources. The Company has a network of six direct overseas offices in the U.S., U.K., Germany, Singapore, India and U.A.E. apart from 35 distributors that take its proprietary software products to 27 countries globally. In India, its software portfolio is available at all the major business, research and educational centers through a network of six offices and 18 distributors.

Cranes Software has adopted a unique, market-driven approach in each region covered by its global sales infrastructure. For instance, in the U.S., Cranes Software sells directly through its office located at Richmond, California which is backed by 10 re-sellers covering many of the important centers of demand for technical software. Conventional selling methods are further supplemented by web-based sales at www.systat.com. Worldwide users can obtain product information and download limited-period trial versions, while those in the U.S. and Canada can even purchase online.

The European market is covered through two offices in London and Dusseldorf (Germany). In Europe, Cranes Software has targeted R&D-focused institutions in the corporate and academic sectors. The pharmaceutical industry that invests significantly in new drug development is a key focus, as are related sectors such as health sciences, medical sciences and environmental sciences. In the academic sector, purchase/ rate contracts have been established with the coordinating bodies in several countries. For instance in the U.K., Eduserv Chest acts as a focal point for the supply of software, data, information, training materials and other IT-related products to more than 900 educational institutions and other affiliated bodies. Cranes Software has a special offer agreement with this body for its software products. Similar arrangements have also been structured in France, Germany and the Netherlands, covering thousands of affiliated institutions.



USA



TANVEER AHMED
Vice President - USA



Cranes Software has a range of leading technical software products in its portfolio, most with a long and distinguished history during which they have been marketed aggressively to scientists and engineers in the U.S. About 43 percent of the global proprietary product users are based in the U.S. However, many of these users have been operating on dated versions for several years. Now, with an extensive range of scientific and engineering software in its portfolio, Cranes Software has aggressive plans for ongoing new version development. Plans include migration of software from legacy versions and modularization that allows the software to be marketed to specific industry verticals. During FY 2005, Cranes Software launched SYSTAT 11, SigmaPlot 9 and SigmaStat 3.1, and the pipeline going forward remains robust.

To support its regional objectives, Cranes Software has established a 100% subsidiary Systat Software, Inc. which expanded its sales and marketing presence in the U.S. region. The team operating from the Company's office in Richmond has been expanded from six to 25 within the past year. With this expansion comes more extensive direct coverage of the region, improvements in client fulfillment processes and CRM systems, and offshore development support to local consulting relationships. The direct sales team is supported by a U.S. reseller network.

Cranes Software's products already reach a vast number of researchers, scientists and engineers in the U.S., traditionally the hotbed of technology-led activities. The existing customer list includes several Fortune 1000 companies, leading government and research agencies and academic institutions, relationships with many of whom extend over a few decades. The key task now is to leverage these relationships by addressing clients through an expanding software portfolio and value-added solutions capability.

Europe



Aarif Hashmi
Sr. Vice President- Europe



The year under review was one of significant achievement for Cranes Software in the European markets. The regional resource base underwent expansion and delivered exponential growth from both organic and inorganic initiatives.

In a difficult operating environment, several developed economies in Western Europe faced growth challenges following their integration with the European Union. This naturally led to reduced IT-related investments by the corporate sector and fewer new student intakes at universities. In this scenario, Cranes Software delivered superlative business expansion, exploiting opportunities made available by its expanded range of technical products and resources.

With the acquisition of the Sigma product line in January 2004, Cranes Software acquired SPSS Science's establishment in Germany to create its second direct office in Europe. The German operation was rapidly integrated with Cranes Software's global infrastructure following statutory clearances and operates in the region as Systat Software GmbH, a wholly owned subsidiary.

Leveraging its presence in the U.K and Germany, and its base of 13 distributors in Europe, Cranes Software targeted specific user segments in the corporate, academic and research-focused markets. Most of the marketing activity was focused on pharmaceutical majors, health institutions, research and environmental establishments. As a result, close to 55-60 percent of the software license revenues came from 'new sales', which is expected to add to the maintenance and license renewal/upgrade revenues in the coming years.

During the course of the year, the Company had two major product releases, SYSTAT 11 and SigmaPlot 9, which contributed tremendously to enhancing its reputation and strengthening customer confidence in Cranes Software's capabilities and product offerings. This has allowed deeper penetration into the European market and translated into 25-30 percent revenues coming from product upgrades and 20-25 percent from maintenance and license renewal.

Further, Cranes Software followed the strategy of establishing contractual relationships with the focal coordinating bodies in several countries to reach leading academic institutions across Europe. This provided substantial access to thousands of institutions in the U.K, France, Germany and Netherlands through 'master agreements'.

In the coming years, Cranes Software has drawn up a long-term business road map. The expanding software portfolio provides increased cross-selling potential and bundling of products will multiply their utility to customers. Local language versions will also be on the horizon, allowing deeper penetration in a linguistically dispersed market. Overall, Cranes Software today stands on a solid platform from which it is confident of delivering substantial growth.



Asia Pacific



CLIFFORD SNELL
Associate Vice President-
Asia Pacific



The Asian region continues to move up in the hierarchy of importance on Cranes Software's global business landscape. Given the strong growth potential from several countries across the continent, this trend could be expected to gain further momentum as several technology leaders have established a presence in the Asia Pacific market.

Cranes Software, with direct offices in Singapore and the U.A.E., is positioned for strong expansion in Asia by implementing its unique business model. In addition, extended partnerships have allowed for deeper penetration of its software products in the region's language sensitive business environment.

During the year under review, the customer base was expanded to several countries such as Japan, South Korea, China, Taiwan, Australia and New Zealand. The software pipeline from Cranes Software includes local language versions, of which the first the Japanese version of SYSTAT 10.2 was well received in the market in 2003. Other software products are also expected to be launched in local languages, initially in Japanese and Korean.

Cranes Software also introduced an enhanced statistical analysis suite of products to research-led organizations in Asia. New SYSTAT customers in the region included leading global development institutions such as the United Nations, statistical analysis and research institutions, corporations such as Pfizer, Dai Nippon Pharma, Sankyo, Canon and Riken, and many of the foremost universities across ASEAN, Australia, Middle East and Africa. The growing number of new users augurs well for the future, as planned add-ons and verticalized modules can be sold to this captive base. Last year, Cranes Software had signed an agreement to distribute Texas Instruments' digital signal processing (DSP) software tools in the ASEAN region. This was the first instance of a software distribution arrangement in an overseas market by Cranes Software, the result of a successful long-term partnership with TI. Direct presence in the region allows deeper surveillance of on-the-ground opportunities and more such prospects are constantly being explored.

Going forward, Cranes Software looks to leverage its established presence and extensive customer base in the Asia Pacific region to further entrench its software portfolio across the region and create new opportunities in such areas as consulting solutions.

India



PRADEEP KUMAR
Sr. Vice President - India



Cranes Software pioneered the usage of scientific and engineering tools in India, creating a market for high-performance technical products. Its software, sold to defence establishments, scientific research organizations, aerospace companies, technical education institutes, and high-tech engineering and IT companies, has enabled substantial scientific and research activity in the country.

FY 2005 was a landmark year for Cranes Software's domestic business. The Company introduced its proprietary range of analytical, visualization and engineering software products in the Indian markets, leveraging its deep market knowledge, long-standing relationships and established distribution network to extend the business opportunity. During this year the Company also acquired the Indian operations of Engineering Mechanics and Research Corporation (EMRC). With this the Company added an additional product 'NISA' into its portfolio. With this acquisition Cranes Software can now move into an expanded market in the scientific and engineering software space specifically in the engineering services domain.

The technical software range is now available to the local research and engineering community through a network extending across six Indian cities. The sales team, organized on corporate, government and university domain lines, has found significant success in penetrating the market.

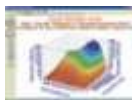
Cranes Software also has an existing portfolio of mathematical modeling, DSP and embedded software products. These products, made available to the Indian research community through a series of long-standing distribution alliances, include MATLAB, the world's leading technical computing software. This year's revenues out of MATLAB increased by 60%, made possible by a renewed sales strategy and greater focus on corporate customers.

The third aspect of Cranes Software's domestic business is the seven-year old Cranes Varsity venture. This business is focused on post-professional technical training in Cranes Software's niche domains. Apart from providing training on its software portfolio, Cranes Software has structured strategic partnerships with such leading companies as Texas Instruments to enhance the usage of technical software at engineering colleges and universities across the country. During FY 2005, Cranes Software further strengthened its existing position as the preferred training destination for several leading local and multinational companies in India by setting up an exclusive training facility at Bangalore. Subsequently, the business has seen strong expansion.

India remains an important market for Cranes Software's business. The domain knowledge and relationships developed through domestic engagements have allowed the business to gain traction in global markets. Now, with expanding opportunities in several areas of operation, Cranes Software's Indian business holds strong potential for ongoing growth.



Globally Acclaimed Products & Technology



Cranes Software runs multi-disciplinary research initiatives covering its proprietary software portfolio as well as some new, emerging technologies. The Company's R&D infrastructure, located at Bangalore and Richmond, California, has created a pipeline of market-driven upgrades and new versions across its proprietary portfolio. The direction of future development, guided by customer feedback and internal domain expertise, is now expected to be towards modularization of the products and then customized applications.

Cranes Software has expanded its software portfolio through a series of acquisitions. Backing the acquisition strategy has been a well-structured post-acquisition software development and evolution process. Dedicated R&D teams, some under the supervision of the original authors, and led by software architects and domain experts are focused on evolving these products in line with a defined roadmap, thereby sharpening the globally competitive cutting-edge portfolio. New versions, launched with significantly enhanced features, have created greater demand-pull from existing and new users.

SYSTAT's research initiatives are led by Prof. T. Krishnan, acknowledged as one of the world's leading statisticians, who leads a 40 member strong core R&D team located in Bangalore. The software development activities are ably led by Dr. Amlan Nayak, whose 15 years in the software industry ideally positioning him to lead the dynamic team of 50 software engineers working on the SYSTAT product. After acquiring SYSTAT, Cranes Software has launched SYSTAT's Version 10.2, incorporating enhanced Windows compatibility and mixed regression features. Subsequently, the Japanese version of SYSTAT 10.2, the first localized version of the product, was launched in 2003. Versions in other languages are also planned. In 2004, Cranes Software launched SYSTAT's Version 11.0 that transitioned the product from FORTRAN to C environment and added several new features such as the MCMC technique and improved quality analysis. Going forward, the Company plans to launch user-specific modules and subsequently move the product to a new architecture.

R&D initiatives in the Sigma product line are led by a team that includes the original authors of the product. In 2004, Cranes Software launched SigmaPlot 9.0 that expanded the product's scientific graphing and data analysis capability. The new version allows professional researchers to enhance the presentation aspects of their research. Cranes Software also launched SigmaStat 3.1 in 2004.

Cranes Software's data visualization products suite includes TableCurve 2D, TableCurve 3D and PeakFit. Product development is overseen by Ron Brown, the original author of these software, who is now their Chief Software Architect and also a member of the Cranes Software Board. The acquisition of the Sigma product line has added SigmaPlot to Cranes Software's range of visualization and presentation software.

The Sigma R&D team, comprising Dr. Richard Mitchell and Mr. John Norby, and seven other researchers are based out of Richmond, California.

With the latest acquisition of EMRC Engineering Mechanics and Research (India) Pvt. Ltd. Cranes Software now established a product development team of over 25 domain experts and software professionals headed by Dr. Ramdass Keshavamurthy and supported by Dr. Sreehari Kumar. This team is dedicated to the product enhancement and version upgrades of the NISA family of FEA Programs

Apart from software product development, Cranes Software's R&D efforts extend across wireless and MEMS technologies. Cranes Software has developed IP cores for wireless communications systems and wireless LAN test solutions. These solutions, focusing on the test and measurement industry, enable reduced time-to-market by readily integrating with the base product. The Company has also invested the seed capital of Rs. 10 million in ESQUBE, a venture of four senior Indian Institute of Science faculty members, that is focused on creating IP in innovative communication technologies.

Cranes Software has also partnered with the Indian Institute of Science to set-up a MEMS Lab located at the IISc's campus in Bangalore. This initiative, headed by Cranes Software's Chairman Dr. Rudra Pratap, is initially focused on MEMS-based miniature sensors for acoustic applications and scanners for ultrasound imaging.

★ **Leland Wilkinson, Ph.D., original creator of SYSTAT and currently Senior Vice President at SPSS, Inc.:**

"I am enormously impressed by what Systat Software, Inc. * has accomplished in this new version. The documentation has been completely revised and updated. 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."



Global Clientele



Cranes Software's business has been founded on several years of experience in servicing the software requirements of scientists and engineers globally. Cranes Software now has the advantage of owning a portfolio of leading technical software brands which bring with them long standing relationships, a large number of which extend over several decades, and over 350,000 customers worldwide. The strategy going forward is to move into modularized, niche segments and build custom software at the enterprise level. The objective is to emerge as a truly global player with global engagements across multiple customer segments.

Cranes Software has developed software tools, specifically focused on the requirements of scientists and engineers globally. These tools have enabled user segments to discover and build, invent and innovate newer technologies for the betterment of human society. Cranes Software has expanded and enhanced its robust pipeline of technical software to reach the global technical community with effectiveness and impact.

Targeting technology-focused communities requires high levels of excellence to build relationships with audiences who do not shift loyalties easily. This accentuates the importance of acquiring established software brands rather than building them scratch up.

Cranes Software has built its business around some strategic software acquisitions, each of which has brought with it thousands of active user relationships, focused databases and significant customized project implementation experience. These advantages have been leveraged to create opportunities out of selling software upgrades, cross-selling across the portfolio, developing modular versions and expanding the software solutions business.

Cranes Software's cumulative global user base comprises research-focused audiences in government agencies, academic institutions and leading global corporations including several Fortune 1000 companies. This includes the continuing relationships acquired by the Company and those created by focused sales and marketing initiatives on a worldwide basis.

Going forward, Cranes Software aims to expand its average level of customer engagement, moving from direct relationships with desktop users to modularized product-based relationships at the project manager level and customized software solutions at the enterprise-wide level. The Company is confident of making this transition, given Cranes Software's customer-centric DNA built over 14 years of selling experience to the community of scientists and engineers.

Eli Lilly Ford Motor Co. GE Capital GE Electrical Honeywell Johns Hopkins Hospital L'Oreal MIT NASA Glenn Research Center Proctor & Gamble Toyota US Army US Environmental Protection Agency Xerox Corp Bristol - Myers Squibb Prudential Financial Co. Chevron Exxon Mobil Chemical Co. GE Global Research Lab Hewlett Packard Johnson & Johnson Merck Unilever Research & Development 3M Corp Baush & Lomb, Inc. Bridgestone Firestone Eastman Kodak Company Estee Lauder Goddard Space Center NASA - Langley Research Lab Pfizer Inc. Shell Oil Company Harvard University Yale University Stanford University US Air Force Dupont Gillette Harvard School of Medicine Carnegie Mellon University Caterpillar, Inc. Nike, Inc. Intel Lockheed Martin Siemens VDO Goodyear Kraft US Olympic Committee Rolls Royce Corporation Bosch IBM Shell Canon Inc. General Motors Apple Computer Volvo AT&T Novo Nordisk A/S Bayer AG Max Planck Institute Sony International GmbH Siemens AG Braun GmbH Asia Pacific Novartis Animal Healthcare Fuji Photo Film Co. Ltd. Mazda Corp. Mitsubishi Japan Petroleum Exploration Co. World Agroforestry Centre Rohde and Schwarz Systems & Communications Korea Atomic Energy Research Institute LG Chemical Ltd Samsung Rolls Royce Marine CSIRO United Nations Statistical Institute Asia Pacific SKODA Praha a.s., Czech Republic Daimler Chrysler AG Siemens PGI

Naval Research Labs McGill University University of California University of Florida University of Texas University of Washington Cornell University Purdue University University of Chicago Bell Aerospace Astra Zeneca DOW Chemicals Biogen Environmental Canada National Institutes of Health Praxair US Forest Services US Geological Survey Perot Systems Abbott Labs Aerojet Boehringer Ingelheim University of Toronto British American Tobacco Fluidrive Engineering Mashikian Associates Menasha Corporation Porter Corporation M&T Design Butler Polymer Zeren Fluid Research Wickes Manufacturing Strand Engineering Zeren Fluid Research Penford Products Link Engineering Excel Industries TRW DEC Engineering Sparten Defense Electronics Delco Moraine Jackson Assembly Gen Corporation Clark Material System Ft. Howard Cup Corporation Textron Inca Presswood Pallets Ltd. Cooper Industries International Technology Corporation Kent Moore Valeo Acustar Lamb Technicon Bendix Allied Signal Associated Spring Prime Tube, Inc. Abbott GmbH Aventis Pharma 3M Laboratories Sandoz GmbH Bosch Telecom GmbH FSG mbH & Co. KG ABB Turbo Systems, Switzerland Aerodyn Energiesysteme GmbH Fossil Fuel Power Systems Division Carlton and United Beverages Defense Science & Technology Organization University of Melbourne University of New South Wales Tel Aviv University Mayekawa Meg Chiyoda Corporation Fuji Heavy Industries NDC Toho Tenax Komori Akebono Brake Industry University of Auckland International Rice Research Institute National University of Singapore Qinetiq, Farnborough General Dynamics, Hastings BAe Systems, Plymouth Hart - Fenton, Portsmouth Fierco Interconsult Aket Kvaerner Kleven Design Projekti Insinoorit OY KCI Konecranes OY VTT/RTE7 FY-Composites Patria Finavitte OY Systems Aeronautical Development Agency

Jawaharlal Nehru University DRDO BARC BHEL TVS Kinetic L&T Dunlop Kuwait University King Saud University GlaxoSmithKline Birla Institute of Technology GE - John F Welch Technology Center Indian Institute of Management Indian Institute of Technology Indian Institute of Science Indian Statistical Institute Infosys Indian Space Research Organization Oil and Natural Gas Corp. Wipro NAL NIMHANS Wockhardt Research Center VSSC DND



Sharing The Global Success Story



Cranes Software has delivered another strong performance in the fiscal year 2004-05. The business continues to move forward on the back of a well thought out strategy that charts the Company's progress through several growth horizons. Cranes Software has made several initiatives, while remaining focused on addressing the requirements of the scientific and engineering communities. These initiatives are expected to create a cohesive and substantial opportunity for the Company in its focus domain.

Chairman's Message



Dr. RUDRA PRATAP
Chairman

Dear Shareowners,

Throughout its journey of evolution, Cranes Software has been a keen adopter and supporter of scientific knowledge based endeavors. By taking specially designed, best-in-class software tools to scientists, engineers and technology users worldwide, we have played our part in sustaining their initiatives and optimizing their productivity. At the same time, we have continuously made improvements to our proprietary technology portfolio, taking forward some key forays in new technology areas and thereby gaining growing recognition as strategic partners to those undertaking innovative activities globally.

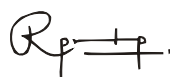
Continuously scanning the future technology landscape has not only allowed us to stay ahead of the curve but also expanded the business to its current size in a relatively short span of time. While creating brands of growing significance in the technology firmament, we should now look at taking our operations to the next level. In this regard, I am certain that greater globalization is the way to the future.

The core objective of our recent initiatives has been to metamorphose into a truly global organization. With globally competitive business offerings, world-leading technology innovation and worldwide presence. But in our endeavor to achieve, and subsequently, define global standards, the most important variable is our own thinking that will influence our strategic direction. We need to possess a global mindset in all that we do. We need to look at the opportunities ahead of us from a global perspective. Our Board comprises of carefully chosen experts who not only bring such global perspective but are also continuously engaged in looking far ahead in the fields of their expertise and providing us with critical input for developing our global strategy.

Thinking global means thinking big. It involves a complex shift in attitudes, as thinking global is not merely about having global customers. It involves formulation of a new vision, a stream of new and improved, added-value, products and services that enable the business to penetrate deep, achieve higher margins and re-invest profits for further expansion. In scientific software technology landscape, these are objectives that are not addressable by usual business practices. Each objective demands innovation. Continuous innovation in our products and processes only guarantees survival; disruptive innovation opens doors to goldmines. We are committed to creating an environment that encourages and supports the right mix of both kinds of innovation.

Our product portfolio and service offerings are continuously growing, covering new domains or areas every year. To some, it may seem like we are spreading ourselves too thin. To the contrary, our expansions are well thought out, covering both short-term and long term plans. Scientific discoveries and technological breakthroughs today are happening at the interface of traditional areas; the intersection of domains are where the action is. Each of our expansions are carefully chosen to bring these interfaces in our fold, always leveraging the strengths we already have.

Our goal is to create business value by developing ideas from mind to market. In technology space, this is still an alien concept in India. We are breaking new grounds each day with our creative thinking and hard work. The journey ahead is hard but incredibly rewarding. The spirit is high; it feels like we have just begun.



Rudra Pratap
Chairman

Managing Director's Speech



ASIF KHADER
Vice Chairman & Managing Director

Dear Shareowners,

The last fiscal year was another one of significant achievement for Cranes Software. During the year, we launched new versions of our proprietary software products; acquired the NISA product line in the engineering software space; entered the IT services space to deliver high-value solutions to our clients; expanded our worldwide sales and marketing presence; augmented our Board, key management and operations teams; and added substantial talent in key R&D and front-end sales functions.

We believe that in pursuance of our global objectives, we are moving rapidly in the right direction. We already derive a significant contribution from our overseas operations, based on a strong and well-acclaimed portfolio of technical software products that is driving our growing presence in key international markets. But the road ahead is long, and much needs to be done.

Corporate performance

Fiscal year 2004-05 saw us delivering a strong financial performance. Operating revenues were higher by 43.7 percent at Rs. 1,633.8 million compared to Rs. 1,136.9 million in the preceding year. Our operating profit increased by 54.7 percent at Rs. 804.7 million from Rs. 520.3 million. Operating margins expanded significantly across our businesses to 49.3 percent of revenues from 45.8 percent. Net profit after tax increased by 41.5 percent to Rs. 460.3 million from Rs. 325.3 million, and translated into earnings of Rs. 45.27 per share for FY 2005 compared to Rs. 38.31 per share in the preceding year.

We have now grown our revenues and profits by 21 times and 27 times respectively over the last five years, compounded growth rates of 84 percent and 93 percent.

These numbers reflect the growing success of our 'Acquire, Enhance and Market' strategy, based on which we have leveraged our significant domain expertise to identify high-potential but undervalued assets and thereafter expanded their productivity for financial advantage.

EMRC acquisition

Recently, we identified another such strong growth opportunity and announced the acquisition of Engineering Mechanics Research Corporation (EMRC). EMRC is the developer of the NISA family of FEA Programs and a pioneer in the field of Computer Aided Engineering software.

The US\$ 1.5 million transaction includes both the Indian and U.S. operations of EMRC, of which in the latter market we are currently closing some statutory procedures. This acquisition has allowed Cranes Software to significantly expand the scope of its market opportunity - the finite element analysis market targeted by NISA is a US\$ 1 billion software market globally. This is in addition to the analytics and visualization & presentation software markets where we already have strong presence.

New software launches

SYSTAT 11, the new version of our statistical software product, was launched during the year. Version 11 has incorporated several new features that allow the product to be marketed to specific user groups. The new version has also transitioned SYSTAT from FORTRAN to C environment, improving the overall speed of analysis for statisticians. The encouraging support received from Dr. Leland Wilkinson, SYSTAT's original creator, continues to guide our product development endeavors.

We also launched SigmaPlot 9 with expanded graphing and data analysis capability. It is designed to meet the needs of professional researchers and allows user-friendly, customized graphs. Both these launches have been well-received in user markets and have also received critical acclaim.

Ongoing acquisitions and product upgrades have seen the revenues from our proprietary products grow from negligible levels to Rs. 1329.7 million (USD 30 million) over the last three years.

Expanding user base

The enhanced software portfolio is generating significant cross-sell opportunities to the current users of our products, while we continue to explore new areas of demand growth.

During the previous year, new users included researchers, engineers and scientists at a large number of leading global corporations, many of which were from the Fortune 500 segment, apart from Government and development agencies, and academic and research institutions on a worldwide basis. Thus, our software products continue to enable substantial research activities globally.

Cranes Enterprise Solutions

During the year, we took a significant initiative towards expanding our growth horizon with the launch of the Cranes Enterprise Solutions (CES) division. The CES division provides its customers with a wide range of solution offerings, including outsourced product development, IT outsourcing and quality-related solutions. Thus, by leveraging our existing business advantages, we seek to widen our operating landscape.

Board expansions

During the year, we appointed Dr. Manju Bansal and Dr. Peter Ryser to Cranes Software's Board of Directors. With these appointments, our Board has expanded to 10 members, including four Independent Directors. Dr. Bansal is one of India's foremost computational biologists, a Professor at IISc in Bangalore, with 27 years of outstanding experience. Dr. Ryser, a Swiss citizen, is currently a Professor of Microtechnology at the Swiss Federal Institute of Technology in Lausanne. Both these distinguished academicians are providing us with extremely valuable insights on usage markets, thus supporting our product development initiatives.

Other corporate developments

Cranes Software was assessed at Level 5 of Software Engineering Institute's Capability Maturity Model. The scope of the assessment covered software product development and services for our scientific, engineering and enterprise applications.

Cranes Software was listed on the National Stock Exchange (NSE) with effect from October 27, 2004. Our shares are also listed on the Stock Exchange, Mumbai (BSE) and the outstanding GDRs are listed on the Luxembourg Stock Exchange.

Global recognition

Our ongoing efforts continue to be rewarded by widespread recognition. During the year, Deloitte Touche Tohmatsu once again picked Cranes Software in its Asia Pacific Technology Fast 500 survey, while our flagship products SYSTAT and SigmaPlot have received widespread commendations from Scientific Computing and Instrumentation, USA. But most importantly our software products continue to be endorsed by users globally, the key barometer of their success.

Looking beyond

Supporting the research initiatives undertaken by our customers has enabled us to deliver a strong growth performance over several years. We continue to provide an unstinting commitment to partner with scientists and engineers globally. We also remain committed to our shareholders with a strong emphasis on translating every research-based technology initiative into tangible financial value. This is at the core of our operating philosophy. We believe that Cranes Software has the potential to create a world-leading technology enterprise. Our thinking and strategies take us to a level of operation that is truly global in scale, much larger than our current achievements. We remain on course; the journey has just begun.



Asif Khader

Vice Chairman & Managing Director

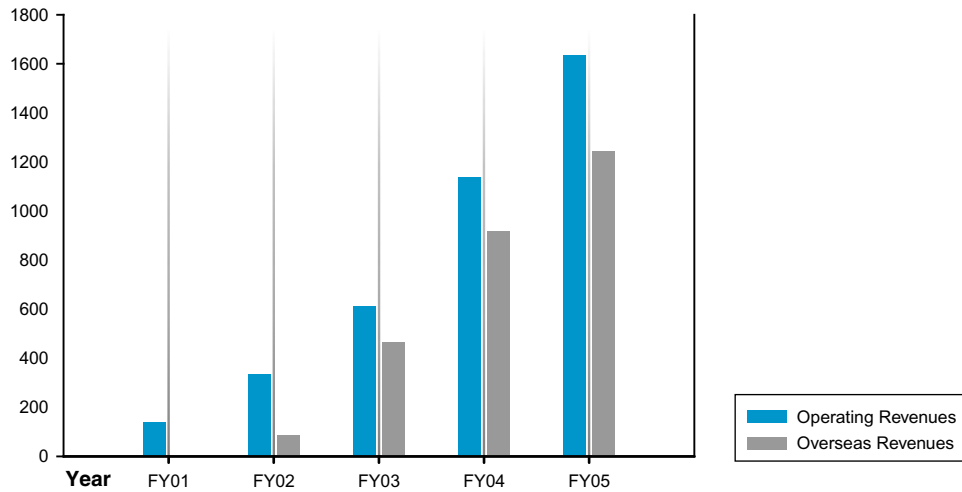


Financial Performance

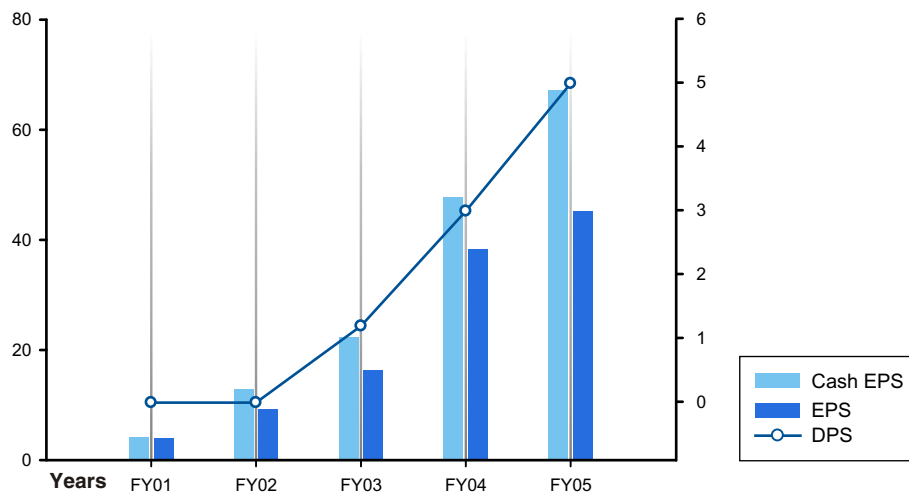


The success of Cranes Software's business strategies is evident from the strong relationships it has created with the global community of scientists and engineers. By significantly improving its customers' professional work environment, Cranes Software has also added value to its own business. The Company has maintained a strong growth rate in its business since inception, with robust margins and high returns on the resources employed. This has resulted in continued recognition as one of the fastest growing technology companies in the region and ongoing value enhancement for shareholder.

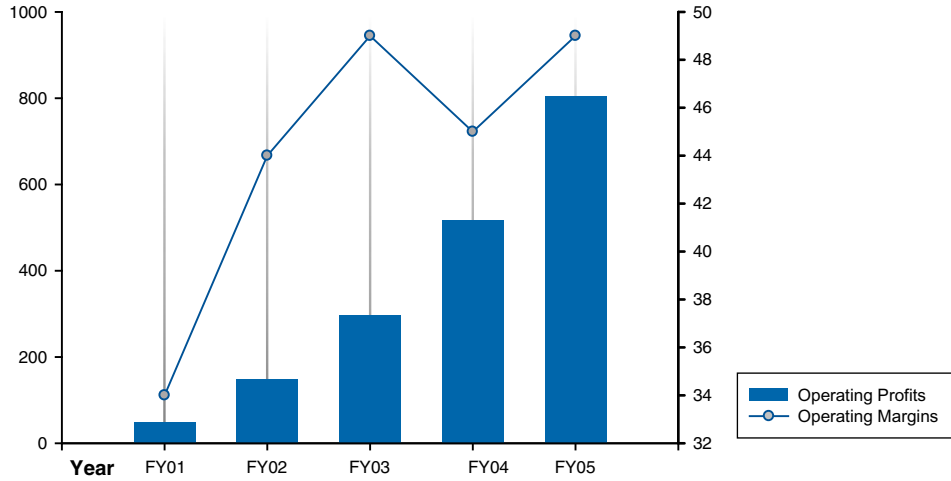
Results Of Operations



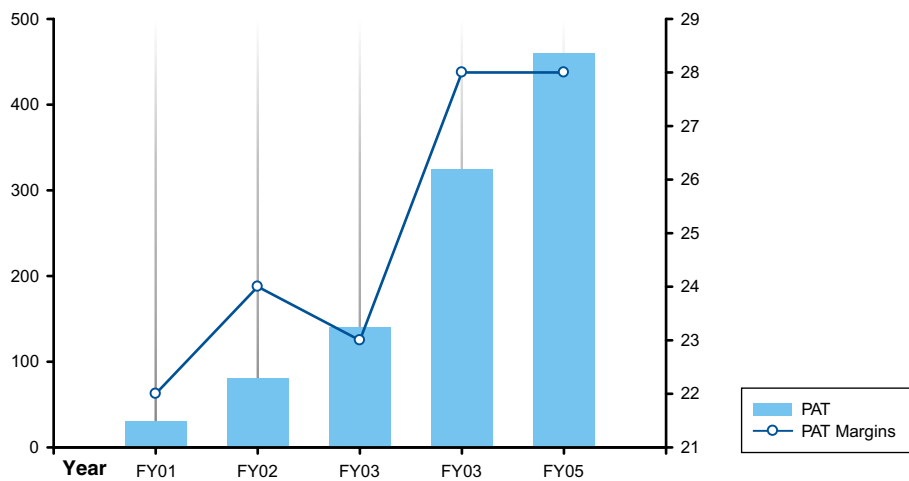
The business has expanded rapidly since inception. Over the last five years export revenues, largely from proprietary software products, have driven revenue growth



Strong earnings generated by the business have been deployed to achieve ongoing growth, enhance value for shareholders and also reward their support by way of increasing pay-outs



Operating profits have stabilized in line with revenues, with a much larger and diversified base of business.



Net margins have steadied as the Company derives increasing leverage from its strong domain focus with enhanced capital infusion for growth.



CRANES SOFTWARE INTERNATIONAL LIMITED



FINANCIAL STATEMENTS 2004-2005



REPORT OF THE BOARD OF DIRECTORS

To the Members of Cranes Software International Limited,

Your Directors are delighted to present the Twentieth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2005.

Financial Performance

	(Rs. million)	
	2004-05	2003-04
Sales and Operating Revenues	1,318.82	988.38
Profit before tax	577.60	355.95
Provision for tax	128.70	30.95
Profit after tax	448.90	325.00
Prior Period tax adjustments	(0.13)	(0.24)
Surplus brought forward	36.26	18.84
Amount available for appropriation	485.03	343.60

Business & Performance

The year concluded with an allround growth performance, as indicated by the financial results presented above. The Sales and Operating Revenues increased by 33% from Rs. 988.38 million to Rs. 1318.82 million. Profit before Tax increased by 62% from Rs. 355.95 million to Rs.577.60 million while Profit after Tax was higher by 38% at Rs. 448.90 million.

During the previous year, the Company issued 1,744,357 Global Depository Receipts (GDRs), each representing one underlying equity share of Rs.10 each, at a price of USD 6.65 per GDR. The GDRs are listed on the Luxembourg Stock Exchange. During the year the shares of the Company were listed at the National Stock Exchange of India, so as to provide better liquidity to the members.

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

The share holders had at the Extra Ordinary General Meeting of the Company held on April 25, 2005 authorized the Board of Directors to issue up to USD 50 million in the form of GDRs/ FCCBs or other such convertible instruments for meeting the expansion plans which includes among other areas inorganic growth through acquisition of products / companies/ businesses. Action in this regard is in progress.

The Registered Office of the Company was shifted from Airport Road, Bangalore to 4th Floor, Block 1, Shankar Narayana Building, # 25, M G Road, Bangalore w.e.f. June 15, 2005. The new office will help consolidate the Company's corporate operations into one centralized location and provide additional work stations for it and its subsidiary companys' operations in Bangalore. This initiative will allow the Company to grow its employee strength and thereby support its sustained growth and have better administration control.

Appropriation

Your Directors have recommended a regular dividend of 20% on the equity shares and a one time special equity dividend of 30% for the year under review. The amount on account of the above dividend including dividend tax and surcharge thereon on distributed profits works out to Rs.57.96 million, leaving the Company with Rs. 427.07 million, of which Rs.200 million is transferred to General Reserve and the balance of Rs. 227.07 million is retained as surplus in the Profit and Loss Account.

Issue of Bonus Shares/ Stock Split

Your Directors have also recommended:

- A stock split, by splitting the existing equity shares of Rs.10/- face value into 5 shares of Rs.2/- face value.
- Issue of Bonus Shares in the ratio of 1:1 i.e. one fully paid Bonus share for every share held on the record date.

The Company will announce the record date for the above in due course. To accommodate the increased paid-up equity capital on issue of Bonus shares, your Directors have also proposed to increase the authorized share capital from the existing Rs.220 million to Rs. 320 million, with suitable amendments to include the stock split also.

Subsidiary Companies/ Joint Ventures

Your Company has six wholly owned subsidiaries, viz., Systat Software Inc., USA, Systat Software GmbH, Germany, Cranes Software International Pte., Ltd., Singapore, EMRC Engineering Mechanics Research (India) Pvt. Ltd., (since converted into a public company as on July 13, 2005), Systat Software Asia Pacific Limited, NISA Software Inc., USA., and one step-down subsidiary viz Systat Software UK Ltd., (subsidiary of Systat Software Inc). As per Sec 212(1) of the Companies Act, 1956, the Company is required to attach to its accounts the Directors Report, Profit & Loss Account, Balance Sheet of each of the above subsidiaries. Your Company applied to the Government of India seeking an exemption from such attachment since the Company is presenting its Consolidated Financial Statements in the annual report. The Company has got approval for the same and hence the financial statements of the subsidiaries are not enclosed. As per the terms of the approval, certain details relating to the subsidiaries are published in the Consolidated Financial Statements section. The Annual Accounts and the related information of the Subsidiaries are available for inspection at the Registered Office of the Company and copies shall be provided on request.

Your Company has acquired the entire shareholding of EMRC Engineering Mechanics Research (India) Pvt. Ltd., (EMRC) in April '05 from its erstwhile holders. The acquisition is effective from January 1, 2005. EMRC is the developer of NISA suite of products and a pioneer in the field of Computer Aided Engineering. In the same connection, the acquisition of the US operations of EMRC from its Holding Company and the Intellectual Property Rights is expected to be completed shortly. For this purpose a new subsidiary of your Company, Viz., NISA Software Inc., was incorporated in the USA. There were no transactions during the period under review. This acquisition is expected to enable your Company to diversify into an expanded market in the engineering services domain and give the required impetus to move forward stronger.

Your Company entered into a Joint Venture with the Kanoo Group in Dubai UAE inter alia for distribution of the Company's products in the Middle East. With the wide ranging activities of the Kanoo Group, it is also expected to be a captive demand generation point for services around these products and technologies. Successful participation in such IT Services offerings is expected to open avenues for similar opportunities with other business groups in the Middle East. Many Indian IT Companies are engaged in and, in fact, have expanded operations in the Middle East, indicative of the market potential there. Risks in this diversification opportunity for the Company are minimized through the initial reliance on the captive requirements for Kanoo Group. Agreements in this connection and the investments were completed during 2004-05; the operations are expected to commence in 2005-06.

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. This along with the Company's results, we believe, present a fair view of the state of affairs of the Company.

Wholly Owned Subsidiaries

Systat Software Inc: This Company was incorporated during the year 2000. Your Company has invested a total of USD 3.89 million in this subsidiary till March 31, 2005. All intellectual property rights in Systat, Peakfit, Tablecurve 2D and Tablecurve 3D vest in Systat Software Inc. During the year this Company generated a revenue of USD 6.81 million with a profit before tax of USD 0.47 million.

Systat Software UK Ltd: This Company was formed during 2002 mainly to market and distribute products in Europe as a wholly owned subsidiary of Systat Software Inc., USA. The capital invested in this company by Systat Software Inc., is GBP 100. The turnover during the year was GBP 0.54 million and profit before tax amounted to GBP 0.03 million.

Systat Software Asia Pacific Limited: Became a subsidiary during 2002-03. This Company does the development work for the Systat range of products as an ODC arm of Systat Software Inc. Your Company has invested Rs. 3.80 million as of March 31, 2005. The Company generated a revenue of Rs. 85.4 million sustaining a Loss of Rs. 0.45 million. Increased business volumes anticipated is expected to reverse this adverse performance.

Systat Software GmbH: This 100% subsidiary was incorporated in 2003-04 mainly to take over the European operations of the Sigma Product Series which was acquired by your Company at that time. The investments in this Company as of March 31, 2005 amounted to EUR 25,000. The Company generated a revenue of EUR 1.2 million and sustained a Loss of EUR 7,230; potential increase in volume will turnaround the operations from the financial position it maintained in its first year of operation.

Cranes Software International Pte Ltd: This subsidiary was incorporated during 2003-04 mainly to develop local infrastructure and support its relationship with Texas Instruments (TI) in the ASEAN region. Started with this objective, it is now expected that this subsidiary will cater to the distribution of your Company's products in the entire ASEAN region and thereby strengthen sales initiatives in the ASEAN region. The investments made in this Company as of March 31, 2005 amounted to SGD 0.16 million. The Company generated a revenue of SGD 0.4 million and sustained a Loss of SGD 0.03 million in its first year of operation.

EMRC Engineering Mechanics Research (India) Ltd (EMRC India): Your Company acquired the 100% shares of EMRC India, during April, 2005. The acquisition is effective from January 1, 2005. The investment in this company is to the tune of Rs. 10 million; Rs. 2.18 million by way of acquisition of shares and the balance has been granted by way of an unsecured loan to enable this company to settle its liabilities. The company was converted into a public limited company during July, 2005. The revenue for the quarter ended March 31, 2005 which is included in the Consolidated Accounts of your Company amounted to Rs.3.32 million which resulted in a Loss for the said period of Rs. 0.52 million. Turnaround and growth strategies of these operations are under formulation.

NISA Software Inc : This subsidiary been formed primarily to take over the international operations of EMRC in USA. Operations are expected to commence shortly.

Deposits

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

Directorate

Dr. Rudra Pratap, Mr. Richard Gall and Mr. Ronald Brown retire by rotation and being eligible offer themselves for re-election.

Dr. Peter Ryser was appointed as an Additional Director of the Company with effect from March 29, 2005. The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Dr. Peter Ryser as a Director of the Company.



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 equipment. 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.

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.

Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2004-05 is Rs. 918.07 million and foreign exchange outgo is Rs. 81.23 million during the year.

Employees

The particulars of employees as per Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 is enclosed.

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 of 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.

Corporate Governance

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

Auditors

The auditors of the Company 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.

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 for 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
August 29, 2005

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 March 31, 2005.

Research & Development Activities and Technology Absorption:

Your Company, in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science (IISc), Bangalore, has helped set up a MEMS (Micro-Electro-Mechanical Systems) design and test laboratory inside IISc. This lab, named CranesSci MEMS Lab, has been in operation now for two years. This is a unique experiment where we work side by side with the cutting edge research in MEMS and Nanotechnology, continuously evaluating the commercial potential of research and charting out development paths for products that are five to ten years in the future. This is in line with our vision and commitment to support and nurture the ecosystem of research and innovation that drives technology based economies. The Indian Institute of Science and the Company will jointly own the Intellectual Property rights and patents for technologies and products developed by this lab.

The lab continues to pursue product research in the MEMS sensors domain with a mission to play a pioneering role in coming years. Our engineers have put up a patent for a MEMS acoustic transducer and are now pursuing similar advanced ideas in ultrasonic sensors and inertial sensors. For these technologies to reach the last-mile, your Company is also acquiring the most critical skill of system integration in MEMS technology, creating expertise in packaging, electronics interface and testing.

Your Company has also provided financial support to another IISc/ Industry collaboration, i.e., "ESQUBE Communication Solutions Pvt. Ltd." which is involved in designing and developing Proprietary IPRs and Products in the areas of Voice over IP (VoIP), Speech/ Audio and Wireless Communication. ESQUBE has developed a proprietary Voice Dialler application, Speech Recognition algorithms and Audio Coder, TARANG, which is an alternative to MP3. The team is carrying out research to build WiMAX Base Station and the WiMAX Customer Premises Equipment.

Your Company has been collaborating with Institutes of higher learning for over a decade, beginning with training imparted through IISc faculty in areas of modeling, simulation, MATLAB, DSP and RTOS. Your Company is expanding the scope of collaboration with IISc by setting up the Cranes Innovation Centre under the Society for Innovation and Development (SID), an independent body inside IISc campus. As yet another product development initiative, your Company is in the process of working on Strategic Alliance partnerships to integrate Core Statistical Programs as Solutions to address specific verticals like Pharma/ Healthcare and Financial Solutions over desktops and Mobile Data Management over Internet.

For and on behalf of the Board

Bangalore
August 29, 2005

Asif Khader
Managing Director

Mukkaram Jan
Director

ANNEXURE TO DIRECTORS' REPORT

Information as per Sec 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors Report for the year ended 31-03-2005.

Name	Designation/ Nature of Duties	Qualifications	Age in yrs	Remuneration Rs.	Total Experience in Yrs	Date of joining	Particulars of the previous employment
a) Employed for the full Financial Year		NIL					
b) Employed for part of the Year under review and was in receipt of remuneration in the aggregate of not less than Rs. 2.00 lakhs per month.							
S R MANDAL	Sr. Vice President & Head - Cranes Enterprise Solutions (CES)	MS., M. Tech	38	1,349,000	15	09-Nov-04	Principal Consultant Satyam Computer Services Ltd.

Note: Remuneration shown above comprises of basic salary, allowances and taxable value of perquisites.
The above employee is not related to any Director of the Company.

Bangalore
August 29, 2005

For and on behalf of the Board

Asif Khader
Managing Director

Mukkaram Jan
Director

CORPORATE GOVERNANCE REPORT 2004-05

ANNEXURE TO DIRECTORS' REPORT

The Corporate Philosophy, as enshrined in its mission statement of "exploring for a better tomorrow" is to optimize and increase the value to all stakeholders, creditors, employees and the society at large through adherence to corporate values, codes of conduct and other standards of behaviour. The Company seeks to ensure professionalism and proper transparency and disclosures in all its dealings. The Board believes in conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.

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
Dr. Peter Ryser - Independent Director

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

The Board met 8 times during the year.

Name of the Director	Date of Appointment	No. of Board Meetings attended	Whether attended last AGM	Membership in other Boards	Committees	
					Membership	Chairmanship
Dr. Rudra Pratap	June 21, 2002	5	Yes	-	3	1
Asif Khader	April 30, 2002	8	Yes	6	1	-
Mukkaram Jan	April 30, 2002	8	Yes	8	1	-
Mueed Khader	April 30, 2002	7	Yes	6	-	-
Richard Gall	May 16, 2002	2	Yes	3	-	-
Ronald Brown	November 21, 2002	3	Yes	1	-	-
Ajay Singh	February 18, 2003	3	Yes	1	2	2
Mirza Yawar Baig	March 31, 2003	2	Yes	-	2	-
Dr. Manju Bansal	March 31, 2004	5	Yes	-	1	-
Dr. Peter Ryser	March 29, 2005	1	-	3	-	-

Audit Committee:

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.

The Committee consists of the following Directors :

Ajay Singh - Chairman
Mirza Yawar Baig - Member
Dr. Rudra Pratap - Member
Dr. Manju Bansal - Member

The Committee met three times during the year. The dates of the meetings with details of attendance of the Directors there at is given below:

	May 4, 2004	October 28, 2004	January 31, 2005
Ajay Singh	Yes	-	Yes
Dr. Rudra Pratap	Yes	Yes	-
Mirza Yawar Baig	-	Yes	-
Dr. Manju Bansal	Yes	-	Yes

The Company Secretary is the Secretary of the Committee.

The statutory auditors and Mr. H Shankar, CFO, attended the meetings.

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.

The details of remuneration of the managerial personnel for the year 2004-05 is given in Item 3 of Notes on Accounts, Schedule No. 17.



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 and out of pocket expenses incurred by them for attending the meetings.

Share Holder Grievance Committee:

The Company has a Shareholder Grievance Committee consisting of Messers. Dr. Rudra Pratap, Mukkaram Jan and Asif Khader to look into the grievances of investors. During the year there were no grievances from investors/ shareholders.

Annual General Meetings:

The last three Annual General Meetings were held as under:

Date of AGM	Time	Venue
September 12, 2002	3.30 p.m.	Hotel Marine Plaza, 29 Marine Drive, Mumbai - 400 020.
September 22, 2003	3.00 p.m.	Hotel Le Meridian, 28, Sankey Road, Bangalore - 560 052.
August 12, 2004	3.00 p.m.	Hotel Gateway on Residency Road, No. 66, Residency Road, Bangalore - 560 025.

For AGM 2005, the Company does not have any proposal for postal ballot.

Disclosures:

The Department of Company Affairs conducted an inspection of the books of accounts under section 209 of the Companies Act, 1956. The Company has replied to the letter of the Department received in pursuance to this inspection. The Company has opted for compounding of some offences pointed out by the Department and has submitted the compounding application. The company is confident of getting the offences compounded shortly.

During the year the Company did not enter into any transactions of material nature with any of the Promoters, Directors, Management or relative etc., which may have potential conflict with the interest of the Company.

Insider Trading:

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the company has adopted a code of conduct for prevention of insider trading and the required disclosure practices.

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 (www.cranessoftware.com). The quarterly results and the share holding pattern are uploaded in the website of SEBI under EDIFAR Menu. Half yearly results are sent to all the shareholders by post individually.

General Shareholder Information:

The Company's shares are listed on the Stock Exchange, Mumbai and from October, 2004 with the National Stock Exchange of India Ltd.

Pursuant to the offer of Global Depository Receipts (GDRs) made by the Company of 1,744,357 GDR's representing 1,744,357 underlying shares, the GDRs have been listed on the Luxembourg Stock Exchange. Of the above, all but 300,750 GDRs have been converted into shares.

Dr. Peter Ryser 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. Peter Ryser and the Directors who 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 : September 27, 2005.

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

- i. Annual Accounts 2005 - June 28, 2005
- ii. Unaudited Results I Qtr - Last week of July, 2005
- iii. Unaudited Results II Qtr - Last week of Oct, 2005
- iv. Unaudited Results III Qtr - Last week of Jan, 2006
- v. Annual Accounts 2005-06 - First week of June, 2006.

Book Closure - September 22, 2005 to September 26, 2005.

Dividend payment - On or after October 5, 2005.

Listing on Stock Exchanges

Name & Address of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai P J Towers, Dalal Street, Mumbai - 400 001	512093
The National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai - 400 051	CRANESSOFT-EQ

The GDRs are listed at the Luxembourg Stock Exchange.

Listing Fee: Annual Listing Fee for 2004-05 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 2004-05 is given below:

Month	High Rs.	Low Rs.	BSE Sensex	
			High	Low
April 2004	422.65	320.00	5979.25	5599.12
May 2004	398.30	341.15	5772.64	4227.50
June 2004	370.00	309.80	5012.52	4613.94
July 2004	478.00	330.00	5200.85	4723.04
August 2004	450.00	402.10	5269.22	5022.29
September 2004	451.95	408.00	5638.79	5178.57
October 2004	574.30	415.00	5803.82	5558.14
November 2004	525.00	484.00	6248.43	5649.03
December 2004	559.50	485.00	6617.15	6176.09
January 2005	649.40	538.00	6696.31	6069.33
February 2005	610.00	493.00	6721.08	6508.33
March 2005	545.00	500.00	6954.86	6321.31

The shares were listed on the National Stock Exchange of India from October 27, 2004. The share price data from November 2004 is given below.

Month	High Rs.	Low Rs.
November 2004	532.90	484.00
December 2004	556.00	485.05
January 2005	649.20	521.05
February 2005	605.10	493.00
March 2005	558.00	493.60

Registrar & Transfer Agents:

Share Transfer work is being done by 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.

Secretarial Audit:

As required by SEBI Circular No. D&CC/FITC/CIR-16/2002 dt. 31.12.2002, secretarial audit was carried out by a Practicing Company Secretary on a quarterly basis to reconcile the total admitted capital with both the depositories and the total issued and listed capital. The total number of shares in physical form and the total number of dematerialized shares held with the depositories were in agreement with the total issued/ paid-up capital.



Distribution of share holdings as per March 31, 2005

No. of shares held	Folios		Shares	
	Number	%	Number	%
Upto 500	1,286	82.43	130,537	1.28
501 – 1000	95	6.09	78,117	0.77
1001- 2000	48	3.08	74,272	0.73
2001-3000	19	1.22	47,665	0.47
3001-4000	17	1.09	61,457	0.60
4001-5000	21	1.35	99,641	0.98
5001-10000	17	1.09	125,979	1.24
Above 10001	57	3.65	9,549,129	93.93
Total	1,560	100	10,166,797	100

Pattern of Shareholding as on March 31, 2005

Sl. No.	Category	No. of shares	% of Share Holding
1	Promoters	3,519,300	34.62
2	Mutual Funds	225,000	2.21
3	Banks	65,483	0.64
4	Private Bodies Corporate	1,175,150	11.56
5	Foreign National	400,000	3.93
6	Foreign Company	158,520	1.56
7	FIs	2,880,012	28.33
8	NRIs/ OCB	170,975	1.68
9	Bank of New York as Depository to the GDR holders	300,750	2.96
10	Individuals & Others	1,271,607	12.51
	Total	10,166,797	100

Dematerialisation of Shares: The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors. As of March 31, 2005, about 98% 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:

- To the Company:

H. Shankar
CFO & Compliance Officer
Cranes Software International Ltd.
Shankar Narayana Building, 4th Floor, Block 1,
25, M G Road, Bangalore - 560 001.

- 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 31.3.2005, 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 above mentioned 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 : August 29, 2005

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976



MANAGEMENT DISCUSSION AND ANALYSIS

ANNEXURE TO DIRECTORS' REPORT

Note: This discussion covers the consolidated financial performance of Cranes Software International Limited and its fully owned subsidiaries Systat Software, Inc. USA; Systat Software UK Limited (Subsidiary of Systat Software Inc.); Systat Software GmbH, Germany; Cranes Software International Pte. Ltd, Singapore; Systat Software Asia Pacific Ltd., India and EMRC Engineering Mechanics Research (India) Ltd., India.

Global Business Environment

The world economy showed strong growth last year, its highest in almost three decades. Underlying this growth was an improvement in macroeconomic indicators in several countries, strengthening corporate balance sheets and supportive financial market conditions, all leading to a significant rise in per capita incomes across several regions globally.

In the IT sector, fundamental aspects of the business landscape continue to favour offshore outsourcing through the growing trend of global delivery. Global demand for IT services/ ITES is expected to exceed USD 1 trillion by 2007 of which over 80% is estimated to be offshorable.

A similarly large opportunity exists for Indian companies in the product development space. The availability of cost-efficient and scalable development infrastructure in India potentially make it a destination of choice for supporting global software IP development. According to estimates, India's current share of the worldwide software products market is only a small proportion of that captured by the Indian software services industry but the growth potential is seen to be significant.

Cranes Software: Business Initiatives

The Company 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 technical software products.

During the year under review, the Company delivered another significant revenue growth led performance. On the operational front, it launched new versions of its proprietary software products; acquired the NISA product line in the engineering software space; diversified its software development wherewithals to deliver high value solutions to clients; expanded its worldwide sales and marketing presence; augmented its Board and key management and operations teams; and added substantial talent in key R&D and front-end sales functions.

During the year, Deloitte Touche Tohmatsu once again picked the Company in its Asia Pacific Technology Fast 500 survey. The Company's flagship products SYSTAT and SigmaPlot also received widespread commendations and continued to be endorsed by users on a global basis, the key barometer of success in any business.

Moving forward, the Company aims to establish a larger footprint in its focus business areas and emerge as a leading global player in the technical software space.

OPPORTUNITIES

- The Company has created a strong position in the niche area of scientific and engineering software and has an expanding IP portfolio in this niche space. The recognized brand value of its software products provides substantial visibility that has been effectively leveraged to expand the available opportunity.
- The horizontal width and range of its proprietary products offers the Company the opportunity to expand its focus to delve into new vertical segments and specific applications this creates business visibility from more specialized and niche versions of its software products. It has also entered the enterprise software space, where the opportunities over the longer term are considerable.
- The Company has expanded geographical presence on a global basis and is now represented in 39 countries through direct offices, distributors and re-sellers. The management has employed localized strategies in key markets globally, leading to strong business expansion. Increasing direct presence going forward is likely to benefit the business dynamics further.
- The Company is moving into a systems and processes driven mode. This shift in the way the Company operates is expected to create a more scalable model that supports its medium to long term growth initiatives. This is also expected to provide cost-related benefits, enabling stronger contribution from further initiatives.

THREATS

- The market in which the Company operates has traditionally been fragmented, with several niche products targeting the requirements of relatively limited technical and research-related segments. Thereby competition is high on a global basis. The Company seeks to overcome this threat by providing value added solutions that delve deep into specific applications of its products into specific industry verticals.
- The Company derives over 80% of its revenue from exports. The recent trend of currency re-alignment in line with shifting economic fundamentals has created increased volatility, which may be expected to continue in the short to medium term. The currency exchange risk stands increased as a result despite efforts at hedging.
- The Company has invested in some new technology business ventures where the returns could be expected only over the longer term horizon. However, in doing so, the Company has backed the initiatives of some highly renowned and talented individuals/teams of individuals and is confident about their capabilities. Also, the investment in these ventures is a small portion of the aggregate capital employed.

FINANCIAL CONDITION

Sources of Funds:

Share Capital:

The Company has an authorized capital of Rs. 220.0 million. This includes 20 million equity shares of Rs. 10/- each and 200,000 preference shares of Rs. 100/- each.

During the year, the paid-up equity share capital of the Company remained stable at 10,166,797 shares of Rs. 10/- each fully paid-up. The Company redeemed its 200,000 12% cumulative redeemable preference shares outstanding at the beginning of the fiscal year. As a result, aggregate paid-up share capital reduced from Rs. 121.7 million to Rs. 101.7 million during FY 2005.

Reserves and Surplus:

The Company reported profit after tax of Rs. 460.3 million, of which Rs. 58.0 million was apportioned towards the proposed dividend payable to shareholders. The balance added to the Company's reserves, which expanded by Rs. 402.3 million. An amount of Rs. 200.0 million was transferred to the General Reserve while Rs. 237.7 million was retained in the Profit and Loss Account of the Company.

Loan Funds:

Cash Credit utilization went up Rs. 148.5 million to Rs. 235.4 million, in line with growth in the overseas business. Outstanding short-term bank loans, largely pertaining to discounting of export invoices, grew by Rs. 119.0 million. Term loans, taken last year to part finance the acquisition of the Sigma product line, were partially repaid.

The debt-equity ratio was stable at 0.74 as on March 31, 2005 from 0.75 a year ago. However, given the strong growth in profitability, the debt service coverage ratio improved to 8.5 times in FY 2005 from 6.7 times in FY 2004.

Deferred Tax Liability:

Deferred tax liability increased by Rs. 45.5 million to Rs. 126.8 million as the Company continued to invest in the expansion of its asset base.

Applications of Funds:

Fixed Assets:

Gross Block of assets expanded from Rs. 776.8 million to Rs. 1,652.7 million. This was largely on accounting of the expected transfer of IP pertaining to the acquired Sigma product line. During the year, goodwill of Rs. 6.1 million has been created consequent upon the acquisition of EMRC India.

Investments:

The Company invested Rs. 5.0 million in Esqube Communications to take its cumulative investment in this communication technology venture to Rs. 10.0 million. The Board had previously cleared an investment of Rs. 10.0 million by the Company in Esqube. In addition, the Company made an investment of Rs. 1.8 million in its Middle East venture.



Inventories:

Inventories, essentially the value of shrink-wrapped products in stock, increased to Rs. 61.5 million at the end of FY 2005. This includes both proprietary software and third party products.

Sundry Debtors:

Sundry debtors increased to Rs. 1,163.4 million as on March 31, 2005 from Rs. 512.3 million a year ago. The increase in the level of debtors was largely in line with the expansion of business. Overall, the receivables cycle has been seen to be longer for revenues derived from the global distributor model. However, the quality of the receivables remains high and of the outstanding debtors at the close of the fiscal year substantial amount has been collected as on date. The management is actively expanding its global sales network, covering key geographies, and sees the contribution of revenues from direct initiatives increasing in future. Expansion of web-based sales initiatives will also support this shift. These initiatives when stabilized, will facilitate improvement in working capital cycle. In the short run, outstandings are being actively pursued and issues under resolution.

Cash and Bank Balances:

Cash and bank balances were lower at Rs. 417.6 million as on March 31, 2005 compared to Rs. 788.2 million at the end of last year. The FY 2005 cash balance includes Rs. 404.8 million in deposit accounts maintained in scheduled banks in India. Last year's balance included a sum of Rs. 503.3 million representing the proceeds of the Company' GDR offering in March 2004. These funds were deposited in a designated account pending statutory clearances at the close of FY 2004 and have since been received and absorbed in the business.

The Company received a sum of Rs. 509.7 million, net of issue expenses, in FY 2005 from the GDR proceeds. Detailed statement indicating utilization of this amount is given in the Notes on Accounts of the Company vide Note No. 16.

Loans and Advances:

The balance of loans and advances at the close of FY 2005 was at Rs. 324.0 million compared to the year ago figure of Rs. 464.5 million. The decrease is largely represented by capitalization of amounts regarded in previous year as advance paid for the acquisition of Sigma product related IP that were capitalized during FY 2005 partially compensated by increase in advances paid to other entities in the course of business during the year.

Current Liabilities and Provisions:

Sundry creditors stood at Rs. 222.6 million as on March 31, 2005 compared to Rs. 142.6 million a year ago. This was in line with the growth in the operations and higher operating expenditure.

Provisions:

Provisions of Rs. 207.3 million were made by the Company as at March 31, 2005 compared to Rs. 99.7 million at the close of the preceding year. The Company has provided Rs. 147.8 million for income tax and Rs. 58.0 million for the proposed dividend pay-out.

RESULTS OF OPERATIONS

Income:

In FY 2005, revenues expanded by 43.7% from Rs 1,136.9 million to Rs 1,633.8 million. The overseas business, largely comprising global sales of proprietary technical software products, expanded by 35.6% to Rs. 1,242.0 million from Rs. 916.2 million.

Leveraging upon the strong knowledge of selling third party scientific software products and its domestic sales network, the Company created a new revenue stream from its proprietary products sales. This initiative contributed significantly towards the growth of domestic revenues in FY 2005.

The Company's domestic third party products business contributed revenues of Rs. 248.7 million, higher by 30.7%. The Company sells a range of products in the Indian market for its global principals. These include the leading product modeling software MATLAB and other leading products in such areas as communication technology and business intelligence.

The Company's training-related services business that operates under the brand name of Cranes Varsity reported 63.6% growth in revenues at Rs. 49.6 million during FY 2005. This business has enhanced focus towards corporate training, engaging several leading Indian and multinational companies.

Expenditure:

During FY 2005, operating expenditure increased by 14.4% over the preceding year to Rs. 705.6 million. Cost of goods sold, representing the cost of shrink-wrapped software products, during the year was lower at Rs. 292.3 million compared to Rs. 323.6 million. The proportion of proprietary products in the Company's overall products sales was much higher during FY 2005.

Personnel expenses were higher by 69.3% at Rs. 157.4 million in FY 2005. The Company expanded its people resources significantly during the year adding employees in its sales, product development and solutions teams.

Administrative expenses were higher by 27.9% at Rs. 255.9 million in FY 2005 compared to Rs. 200.0 million last year. This increase was largely the result of office rental payments (higher by Rs. 18.0 million) and general expenses (higher by Rs. 16.6 million) as the Company expanded its infrastructure in line with the growth of the business during the year.

Interest and financial charges increased by 40.5% to Rs. 108.8 million in FY 2005 from Rs. 77.4 million in FY 2004. While interest on cash credit accounts and short term loans increased by Rs. 3.5 million and Rs. 11.2 million respectively, interest on term loans increased from Rs. 12.7 million to Rs. 38.9 million. The Company had raised a large part of the term loan in December 2003. Thus, the interest cost impact was for part of the year in FY 2004 and for the full year in FY 2005. As discussed earlier, the Company has repaid part of its term loan during the year under review.

Depreciation charges were higher by 180.4% at Rs. 223.9 million in FY 2005. This includes depreciation on the computer software additions to the asset base.

Profit Analysis:

With the delivery of more value across its businesses, the Company expanded its margins at all levels. Operating profit expanded from 45.8% of revenues in FY 2004 to 56.8% in FY 2005; profit before tax (PBT) margin was higher at 36.4% compared to 31.9%; while profit after tax (PAT) marginally moved from 28.6% to 28.2%.

During the year under review, operating profit expanded by 78.4% to Rs. 928.2 million and profit after tax was higher by 41.5% at Rs. 460.3 million. Earnings per share was higher at Rs. 45.27 in FY 2005 compared to Rs. 38.29 in FY 2004.

LIQUIDITY

With the growth in its business, The Company generated cash of Rs. 467.3 million from operating activities in FY 2005 compared to Rs. 291.7 million in FY 2004. This was despite the increase of Rs. 651.1 million in sundry debtors.

The purchase of computer software (relating to the transfer of IP of the acquired Sigma software product) resulted in an increased cash outflow of Rs. 917.9 million from investing activities in FY 2005. Last year, the Company paid the initial instalment towards the Sigma acquisition, which was also booked under the head of computer software leading to a cash outflow of Rs. 609.6 million from investing activities.

During the year under review, the Company generated cash of Rs. 80.0 million from its financing activities (Rs. 1,096.7 million in FY 2004). During the year, secured loans and borrowings increased by Rs. 257.1 million, while preference shares were redeemed (outflow of Rs. 20.0 million), interest was paid on borrowings (outflow of Rs. 120.0 million) and paid a dividend of 30% to shareholders (outflow of Rs. 37.1 million).

As a cumulative result of these cash flows, the Company's cash and cash equivalents reduced from Rs. 788.2 million to Rs. 417.6 million during FY 2005.

Internal Control Systems

Having grown to a sizeable operation, the management has focused on augmenting its internal control systems and processes to support further growth opportunities. To this effect, the Company was assessed at SEI-CMM Level 5 during FY 2005. The Company is in the process of implementing BS7799 security standards and initiating SEI-CMMi assessment for its processes and controls.



Human Resources

The Company has continued to focus on business expansion while limiting the resources deployed to achieve such expansion. The solutions and services business team was formed during the year, as the Company explored larger opportunities in this space. This team is expected to expand further in line with the business plan going forward. During the last quarter the Company acquired EMRC Engineering Mechanics and Research India Ltd., which added 34 additional people to the headcount. Further additions were also made to the software products team that had expanded last year with the Sigma Software acquisition. The sales and marketing team increased to 76 people during FY 2005 as Cranes grew the size of its front-end teams at other locations.

SAFE HARBOUR

Certain statements in this release concerning our growth prospects are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties, including government actions; local political or economic developments; technological risks; risks inherent in the Company's growth strategy; dependence on certain clients; dependence on availability of technical consultants and other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. The Company undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

AUDITOR'S 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 2005, 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, 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 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion 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 2005;
 - (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

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976

Place : BANGALORE
Date : 28.06.2005

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 been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed of substantial part of fixed assets during the year.
- (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) (a) The Company has not granted any loans, secured or unsecured, during the year to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the above, clause 4(iii) (b), (c) and (d) are not applicable.
- (b) The Company has not taken any loans, secured or unsecured, during the year from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the above, clause 4(iii) (f) and (g) 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 and services. 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 particulars of all contracts and arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register maintained under section 301 of Companies Act, 1956.
- (b) In our opinion and according to the information and explanations given to us, the contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the 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 said Order 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, service tax, custom duty, excise duty, cess have been regularly deposited with the appropriate authorities.

b) The following due is not deposited on account of dispute

Name of the Statute : The Income Tax Act, 1961
Nature of Dues : Disallowances of expenditure
Financial Year : 2001-02
Amount (in Rupees) : 10,54,586/-
Forum where dispute is pending : First Appellate Authority

- (x) The Company does not have any accumulated losses at the end of the Financial Year and has not incurred cash losses in the Financial Year and in the immediately preceding 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 and according to the information and explanation given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to information and explanations given to us, and as per our examination of relevant records, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (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.
- (xviii) The Company has not made any preferential allotment of shares to Companies/ firms/ parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) During the period covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanation given to us and on examination of relevant records, we have verified the end use of money raised by issue of Global Depository Receipts as disclosed in the Notes on Accounts.
- (xxi) During the course of our examination of the Books of Accounts 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

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976

Place : BANGALORE
Date : 28.06.2005

BALANCE SHEET

AS AT MARCH 31, 2005

PARTICULARS	SCH. No.	31.03.2005 Rs.	31.03.2005 Rs.	31.03.2004 Rs.	31.03.2004 Rs.
I. Sources Of Funds					
1 Shareholders' Funds:					
(a) Capital	1	101,667,970		121,667,970	
(b) Reserves and Surplus	2	1,456,402,738		1,065,596,360	
			1,558,070,708		1,187,264,330
2 Loan Funds					
(a) Secured Loans	3	1,155,584,070		811,553,546	
			1,155,584,070		811,553,546
3 Deferred Tax Liability			116,901,000		76,458,000
TOTAL			2,830,555,778		2,075,275,876
II. Application of Funds					
1 Fixed Assets	4				
(A) Gross Block		1,405,165,589		604,863,037	
(b) Less : Depreciation		298,655,642		131,782,021	
(c) Net Block		1,106,509,947		473,081,016	
(d) Capital Work in Progress		13,557,877	1,120,067,824	5,786,353	478,867,369
2 Investments	5		208,769,522		195,370,322
3 Deferred Tax Asset			457,000		1,000,000
4 Current Assets, Loans & Advances:					
(a) Inventories	6	60,435,780		22,695,235	
(b) Sundry Debtors	7	1,108,751,198		485,318,783	
(c) Cash and Bank Balances	8	408,228,165		778,739,804	
(d) Loans and Advances	9	262,214,518		411,442,395	
			1,839,629,661	1,698,196,217	
Less : Current Liabilities & Provisions	10				
(a) Current Liabilities		164,099,529		203,160,332	
(b) Provisions		204,596,284		98,819,311	
			368,695,813	301,979,643	
Net Current Assets			1,470,933,848		1,396,216,574
5 Miscellaneous Expenditure :	11		30,327,584		3,821,611
(To the extent not written off or adjusted)					
Notes on Accounts & Significant Accounting Policies	17				
TOTAL			2,830,555,778		2,075,275,876

Schedule Nos.1 to 11 and 17 form an integral part of the Balance Sheet

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

For and on behalf of the Board

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2005.

PARTICULARS	SCH. No.	31.03.2005 Rs.	31.03.2005 Rs.	31.03.2004 Rs	31.03.2004 Rs.
INCOME					
Sales	12		1,318,815,489		988,382,994
EXPENDITURE					
Cost of Goods Sold	13	266,676,827		305,132,711	
Personnel Expenses	14	51,780,272		53,546,661	
Administrative Expenses	15	147,161,446		141,735,754	
Interest and Financial Charges (Net)	16	107,920,764		74,117,494	
Depreciation		167,679,005		57,900,923	
			741,218,314		632,433,543
PROFIT BEFORE TAX			577,597,175		355,949,451
Less: Provision for					
(i) Income Tax			87,710,323		47,500,000
(ii) Deferred Tax			40,986,000		(16,547,661)
PROFIT AFTER TAX			448,900,852		324,997,112
Less: Adjustments relating to earlier years			131,023		245,523
NET PROFIT			448,769,829		324,751,589
Add: Balance brought forward from previous year			36,264,256		18,849,581
Profit available for appropriation			485,034,085		343,601,170
Appropriations					
Preference Dividend			-		2,400,000
Proposed Equity Dividend			50,833,985		30,500,391
Tax on Dividend			7,129,466		4,215,363
Capital Redemption Reserve			-		20,000,000
General Reserve - Transfer			200,000,000		250,221,160
Balance carried to Balance Sheet			227,070,634		36,264,256
			485,034,085		343,601,170
Earnings Per Share					
- Basic & Diluted			44.14		38.24
Notes on Accounts & Significant Accounting Policies	17				

Schedules Nos. 12 to 17 form an integral part of the Profit and Loss Account

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

For and on behalf of the Board

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2005

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
SCHEDULE NO. 1: SHARE CAPITAL:		
AUTHORISED:		
12,000,000 Equity Shares of Rs.10/- each [Previous year 12,000,000 Equity Shares of Rs.10/- each]	120,000,000	120,000,000
200,000 Preference Shares of Rs.100/- each [Previous year 200,000 Preference Shares of Rs.100/- each]	20,000,000	20,000,000
	140,000,000	140,000,000
ISSUED, SUBSCRIBED & PAID-UP:		
10,166,797 [Previous year 10,166,797] Equity Shares of Rs. 10/- each fully paid up.	101,667,970	101,667,970
[Of the above 8,182,440 [Previous year 8,182,440] Equity Shares of Rs.10/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited with the Company.]		
12% Cumulative Redeemable Preference Shares [Previous year 200,000 Preference Shares of Rs.100/- each fully paid up]	-	20,000,000
TOTAL	101,667,970	121,667,970
SCHEDULE NO. 2: RESERVES AND SURPLUS:		
a) General Reserve Add: Transfer from Profit & Loss Account	443,000,000 200,000,000 643,000,000	192,778,840 250,221,160 443,000,000
b) Share Premium Account Add: Additions on issue of Global Depository Receipts	566,332,104 - 566,332,104	80,452,800 485,879,304 566,332,104
c) Profit & Loss Account	227,070,634	36,264,256
d) Capital Redemption Reserve	20,000,000	20,000,000
TOTAL	1,456,402,738	1,065,596,360
SCHEDULE NO. 3: SECURED LOANS:		
Jammu & Kashmir Bank Limited (Refer Note No 7 (a))		
Cash Credit Account	235,404,508	-
Term Loan Account	392,437,500	405,000,000
Short Term Loan	525,207,306	406,223,039
Standard Chartered Bank Limited (Refer Note No 7 (b))		
	-	330,507
HDFC Bank Limited (Refer Note No 7 (b))		
	2,534,756	-
TOTAL	1,155,584,070	811,553,546

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2005

SCHEDULE NO.4: FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	COST AS ON 01.04.2004 Rs.	ADDITIONS Rs.	DELETIONS Rs.	TOTAL AS ON 31.03.2005 Rs.	UPTO 01.04.2004 Rs.	FOR THE PERIOD Rs.	WITHDRAWN Rs.	TOTAL UPTO 31.03.2005 Rs.	31.03.2005 Rs.	31.03.2004 Rs.
LAND	26,305,037	1,425,000	-	27,730,037	-	-	-	-	27,730,037	26,305,037
FURNITURE & FIXTURES	18,769,360	1,846,093	-	20,615,453	4,879,462	2,059,960	-	6,939,422	13,676,031	13,889,898
COMPUTERS	45,453,960	7,997,507	-	53,451,467	24,959,625	6,659,625	-	31,619,250	21,832,217	20,494,335
COMPUTER SOFTWARE	500,977,031	781,133,950	-	1,282,110,981	98,966,832	157,840,576	-	256,807,408	1,025,303,573	402,010,199
PLANT & MACHINERY	8,656,192	3,717,537	190,000	12,183,729	1,483,256	511,188	32,750	1,961,694	10,222,035	7,172,936
VEHICLE	4,701,457	6,290,750	1,918,285	9,073,922	1,492,846	607,656	772,634	1,327,868	7,746,054	3,208,611
TOTAL	604,863,037	802,410,837	2,108,285	1,405,165,589	131,782,021	167,679,005	805,384	298,655,642	1,106,509,947	473,081,016
PREVIOUS YEAR	352,214,080	252,648,957	-	604,863,037	73,881,098	57,900,923	-	131,782,021	473,081,016	278,332,982

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2005

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
SCHEDULE NO.5: INVESTMENTS: (At cost - non trade - unquoted)		
(i) Systat Software, Inc. USA [974166 Equity Shares of face value USD 1/- each fully paid up {Previous year 974166 Equity Shares of face value USD 1/- each fully paid up}]	185,117,768	185,117,768
(ii) Systat Software Asia Pacific Limited 380000 Equity Shares of Rs.10/- each fully paidup [Previous year 380000 Equity Shares of Rs.10/- each fully paidup]	3,800,000	3,800,000
(iii) Government Security - NSC [Previous year Rs.5000]	-	5,000
(iv) Systat Software GmbH-Germany 1 Equity Share of 25000 Euros fully paidup [Previous year 1 Equity Share of 25000 Euros fully paidup]	1,447,500	1,447,500
(v) Cranes Software International Pte Limited - Singapore 165692 Equity Shares of Singapore Dollars 1/- each fully paidup. [Previous year 2 Equity Shares of Singapore Dollars 1/- each fully paid up]	4,430,582	54
(vi) Esqube Communication Solutions Private Limited 1765 Equity Shares of Rs.10/- each fully paid up [Previous Year - 811 Equity Shares of Rs.10/- each fully paid up]	10,000,000	5,000,000
(vii) Cranes Software Middle East LLC - UAE 147 Equity Shares of UAE Dirham 1000/- each fully paid up [Previous Year Nil]	1,786,172	-
(viii) EMRC Engineering Mechanics Research India Pvt Ltd 1000 Equity Shares of Rs. 100/- each fully paid up [Previous Year Nil]	2,187,500	-
TOTAL	208,769,522	195,370,322
SCHEDULE NO.6: INVENTORIES: (Valued at lower of cost or market value, as valued and certified by the management)		
Stock - in - trade	60,435,780	22,695,235
TOTAL	60,435,780	22,695,235
SCHEDULE NO.7:SUNDRY DEBTORS: (Unsecured - Considered Good)		
- Outstanding for more than six months	628,018,978	5,807,917
- Others	480,732,220	479,510,866
TOTAL	1,108,751,198	485,318,783
SCHEDULE NO.8: CASH AND BANK BALANCES:		
(i) Balances with Scheduled Banks in :		
- Current Account	2,901,910	162,488,672
- Deposit Account	404,812,065	112,849,436
- Dividend Account	66,452	23,767
(ii) Balances with Others :		
- ABN Amro Bank Maximum Amount Outstanding Rs.20,000 (Previous Year Maximum Amount Outstanding Rs.20,000.00)	20,000	20,000
- Citibank Maximum Amount Outstanding Rs.7,064,652 (Previous Year Maximum Amount Outstanding Nil)	303,202	-
- HDFC Bank Limited Maximum Amount Outstanding. Rs.3,386,120 (Previous Year Maximum Amount Outstanding Rs.10,800)	124,536	10,700
- Bank Escrow Maximum Amount Outstanding. Rs.503,322,874 (Previous Year Maximum Amount Outstanding Rs.50,33,22,874)	-	503,322,874
	408,228,165	778,715,449
- Cash on Hand	-	24,355
TOTAL	408,228,165	778,739,804

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2005

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
SCHEDULE NO.9: LOANS AND ADVANCES:		
(Unsecured, considered good)		
(i) Advances recoverable in cash or kind or for value to be received	236,768,985	400,796,630
(ii) Deposits	25,445,533	10,645,765
TOTAL	262,214,518	411,442,395
SCHEDULE NO.10: CURRENT LIABILITIES & PROVISIONS:		
<u>CURRENT LIABILITIES:</u>		
(i) Sundry Creditors	164,039,203	202,903,925
(ii) Directors' Current Account	-	237,640
(iii) Unclaimed Dividend	60,326	18,767
	164,099,529	203,160,332
<u>PROVISIONS:</u>		
- Income Tax	146,632,833	59,012,527
- Gratuity	-	2,691,030
- Preference Dividend	-	2,400,000
- Proposed Equity Dividend	50,833,985	30,500,391
- Dividend Tax	7,129,466	4,215,363
TOTAL	204,596,284	98,819,311
SCHEDULE NO.11: MISCELLANEOUS EXPENDITURE:		
(To the extent not written off or adjusted)		
Amalgamation Expenses	1,523,230	2,124,064
Deferred Revenue Expenditure	2,298,381	3,447,572
	3,821,611	5,571,636
Additions during the year	35,320,000	-
	39,141,611	5,571,636
Less: 1/5th written off	8,814,027	1,750,025
TOTAL	30,327,584	3,821,611

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2005

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
SCHEDULE - 12: SALES:		
Software Sales & Services:		
Gross Sales:		
Exports	930,690,098	774,402,970
Domestic	338,486,671	183,638,596
	SUB-TOTAL	958,041,566
Software Training	49,638,720	30,341,428
	TOTAL	988,382,994
SCHEDULE - 13: COST OF GOODS SOLD:		
Opening Stock	22,695,235	49,526,135
Add: Purchases	295,657,060	270,469,073
Add: Direct Expenses	8,760,312	7,832,738
	327,112,607	327,827,946
Less: Closing Stock/ Goods in transit	60,435,780	22,695,235
	TOTAL	305,132,711
SCHEDULE - 14: PERSONNEL EXPENSES:		
Salaries	46,265,839	47,372,918
Retirement Benefits	1,560,935	1,755,613
E.S.I Contribution	44,263	45,423
P.F. Contribution	1,737,255	2,081,808
Staff Welfare	2,171,980	2,290,899
	TOTAL	53,546,661
SCHEDULE - 15: ADMINISTRATIVE EXPENSES:		
Auditors Remuneration	217,970	132,600
General Expenses	21,724,279	51,744,285
Sales Commission	2,789,205	2,317,429
Insurance	359,271	118,164
Office Rent	8,386,345	7,081,800
Electricity & Water Charges	2,603,855	1,803,089
Rates and Taxes	1,009,050	375,339
Remuneration to Directors	4,642,800	4,642,800
Travelling and Conveyance	15,470,076	10,071,638
Repairs & Maintenance	1,104,533	277,319
Loss on Sale of Asset	310,901	-
Preliminary expenses written off	8,814,027	1,750,025
Directors Sitting Fees	84,000	93,000
Consultancy Charges	64,264,865	54,946,161
Business Promotion Expenses	2,916,943	891,692
Legal & Professional Charges	11,989,590	5,490,413
Bad Debts	473,736	-
	TOTAL	141,735,754
SCHEDULE - 16: INTEREST & FINANCIAL CHARGES:		
Interest on Cash Credit Account	25,798,610	22,313,760
Interest on Short Term Loan	54,005,706	42,810,129
Interest on Term Loan	38,944,215	9,353,893
Interest - Others	316,426	-
	119,064,957	74,477,781
Less: Interest received on Fixed Deposit [TDS: Rs. 2,269,950] [Previous Year TDS: Rs.71,991]	11,144,193	360,287
	TOTAL	74,117,494

SCHEDULE NO. 17 - NOTES ON 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/ training income is recognized over the duration of the contract/ course.

c) FIXED ASSETS

Fixed Assets are stated at historical cost less accumulated depreciation.

At the Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's Fixed Assets. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

d) DEPRECIATION

- (i) Depreciation has been provided on Straight Line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of additions during the year, depreciation is charged 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 fully provided for in the year of purchase irrespective of the date of installation.
- (iii) After recognition of impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the revised carrying amount of the asset, less its residual value (if any), on Straight Line basis over its remaining useful life.

e) INVENTORY

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

f) INVESTMENTS

- (i) Long term investments are stated at cost.
- (ii) Investments in Foreign Subsidiaries have been reflected at the exchange rates prevailing at the date of transactions. Provision for diminution in the value of long term investments is made only if such a decline is not temporary in the opinion of the management.

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. 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 has been determined by actuarial valuation as of the Balance Sheet date, based upon which the Company contributes all the ascertained liabilities to the "Cranes Software International Ltd. - Employees Gratuity Fund".
- (iii) Leave encashment liability has been determined by an actuarial valuation as of the Balance Sheet date.

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 Shareholders by the weighted average number of Equity Shares outstanding during the year.

II. NOTES ON ACCOUNTS	2004 – 05 Rs.	2003 – 04 Rs.
1. Contingent liabilities not provided for		
a. Bank Guarantees outstanding	1,168,595	1,807,792
b. Guarantee to Jammu and Kashmir Bank Limited in respect of foreign currency loan taken by wholly owned subsidiary	-	86,780,000
c. Claims against the Company not acknowledged as debts - Tax matters in dispute under appeal	1,054,586	-
2. Estimated amount of contracts remaining to be executed on capital account and not provided for	3,512,500	2,002,500
3. Directors' Remuneration		
Managing Director		
Salary	840,000	840,000
Contributions to Provident Fund	100,800	100,800
Allowances	840,000	840,000
(a)	1,780,800	1,780,800
Wholetime Directors		
Salary	1,350,000	1,350,000
Contributions to Provident Fund	162,000	162,000
Allowances	1,350,000	1,350,000
(b)	2,862,000	2,862,000
Total Managerial Remuneration	(a+b)	4,642,800
4. Value of goods calculated on CIF basis		
Capital Goods:	463,448,485	244,488,916
Trading Goods:	177,971,317	90,495,757
5. Earnings in Foreign Currency – FOB value of exports	918,077,222	774,402,970
Expenditure incurred in Foreign Currency	81,232,524	54,917,755
- Membership & Subscription	25,624	-
- Travelling, Boarding & Lodging Expenses	3,547,098	745,543
- Marketing Expenses	1,919,298	-
- Legal/ Professional/ Consultancy Expenses	74,347,694	53,974,735
- Dividend	1,392,810	196,224
6. The Exchange differences debited in the Profit & Loss account on account of revenue for the period is Rs. 1,195,223 (Previous Year credit Rs. 3,747,714).		
7. a) Bank finances are secured by hypothecation of stocks of software, book debts, document of title to goods and collaterally secured by properties and additionally guaranteed by the wholetime directors. b) Finance for purchase of vehicles are secured by hypothecation of respective vehicles.		
8. Some of the Debtors' and Creditors' balances are subject to confirmation.		
9. Debtors include, due from Companies under the same management, as under:		
Particulars	2004 – 05 Rs.	2003 – 04 Rs.
Systat Software GmbH, Germany	-	7,551,670
Systat Software UK Limited	5,084,783	1,245,820
Systat Software Asia Pacific Limited	8,443,390	31,272,597
Total	13,528,173	40,070,087

10. There are no amounts outstanding to Small Scale Industrial undertaking as ascertained and certified by the management.
11. 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 realized in the ordinary course of the business.
12. Deferred revenue expenditure and amalgamation expenses are written off over a period of 5 years.
13. The previous year's figures have been regrouped and reclassified wherever necessary to make them comparable.
14. Dividend equivalent of Rs. 1,392,810 (**Previous year Rs. 196,224**) in foreign currency has been paid to two (**Previous year - one**) share holder(s) holding 467,270 nos. (**Previous year 163,520 nos.**) shares.
15. 12% Cumulative Redeemable Preference Shares were redeemed on April 20th, 2004.
16. The Company issued and allotted on March 31 2004, the Global Depository Receipts (GDRs) aggregating to USD 11.59 million representing 1,744,357 Equity Shares of Rs.10/- each at USD 6.65 per share amounting to a total of Rs. 523.80 million. The GDR proceeds were utilized as follows.

	Rs. in Million
Share issue expenses	13.51
Capital expenditure	11.53
Term Loan repayment to Jammu & Kashmir Bank Limited	114.00
Investments	105.00
Working capital	279.14
Total	523.18

The balance of Rs. 0.62 million is forming part of Bank Balance as at March 31, 2005.

17. Quantitative Details

2004-2005 Item Description	Opening Stock 01.04.2004	Receipts	Issues	Balance as on 31.03.2005
Matlab Media CD Kits	208	334	495	47
Dongles	59	344	391	12
Matlab	163	428	450	141
Simulink	119	185	247	57
Toolboxes	1,338	1,512	1,757	1,093
DSP Starter kits	109	420	470	59
STATISTICS	20	555	400	175
Calculators – TI	-	491	412	79
BWD-	-	1008	118	890
TOTAL	2,016	5,277	4,740	2,553
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	1,458	1,398	1,518	1,338
DSP Starter kits	39	341	271	109
STATISTICS	20	125	125	20
TOTAL	2,077	3,373	3,434	2,016

The Company has no manufacturing operations and hence information on Licensed and Installed capacity is not applicable.

18. Repairs and Maintenance includes

Particulars	2004 - 05 Rs.	2003 - 04 Rs.
Repairs to Building	456,371	92,613
Repairs to Machinery	576,970	108,208
Repairs to Others	71,192	76,498
Total	1,104,533	277,319

19. Details of Auditors remuneration

Particulars	2004 - 05 Rs.	2003 - 04 Rs.
Statutory Audit	192,850	132,600
Certification Expenses	15,120	-
Other Expenses	10,000	-
Total	217,970	132,600

Legal & Professional charges include Rs.75,000 paid to M/s S. Janardhan & Associates, Statutory Auditors, towards financial due diligence for EMRC Engineering Mechanics Research (India) Private Limited.

20. Earnings per Share

Calculation of EPS Basic & Diluted

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

Particulars	2004 - 05	2003 - 04
Profit after tax (Rs.)	448,769,829	322,044,089
Number of Equity Shares	10,166,797	8,427,206
EPS – Basic and Diluted (Rs.)	44.14	38.24
Nominal value per share (Rs.)	10.00	10.00

21. Deferred Tax

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

Deferred Tax Asset	2004 – 05 Rs.	2003 - 04 Rs.
a) Carry forward capital loss	34,000	34,000
b) Retirement Benefits	423,000	966,000
	457,000	1,000,000
Deferred Tax Liability		
a) Depreciation	113,899,000	76,458,000
b) Expenses yet to be written off in the Books	3,002,000	-
	116,901,000	76,458,000

22. Related Party Disclosures as ascertained by the management

Amount in Rs.

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total Related Parties
Purchases of Goods/ software	11,365,035	562,891	-	-	11,927,926
Sale of Goods	81,826,304	-	-	-	81,826,304
Purchase of Fixed Assets	54,203,448	32,295	-	-	54,235,743
Investment in Subsidiary	8,404,200	-	-	-	8,404,200
Rendering of Services	14,799,948	-	-	-	14,799,948
Receiving of Services	755,434	-	-	-	755,434
Loans/ advances/ equity contributions given	289,410,213	-	-	-	289,410,213
Loans/ advances/ equity contributions taken	221,385,783	-	-	-	221,385,783
Directors Remuneration	-	-	4,642,800	-	4,642,800
Balance as on 31.03.05 receivable	208,324,024	-	-	-	208,324,024
Balance as on 31.03.05 payable	12,057,275	-	-	-	12,057,275

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 Limited, UK 4. Cranes Software International Pte. Limited, Singapore 5. Systat Software GmbH, Germany 6. EMRC Engineering Mechanics Research (India) Private Limited, India
Key Management Personnel	:	Mr.Asif Khader Mr.Mukkaram Jan Mr.Mueed Khader
Relatives of Key Management Personnel	:	Nil
Other Related Parties	:	Orca Infotech Private Limited K&J Holdings Private Limited (formerly Cranes Consulting Private Limited) Jansons Jansons Telecom Private Limited Jansons Land & Property Development Private Limited SPSS South Asia Private Limited Keysoft Solutions Private Limited Spice Capital Fund Private Limited

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2005 and no amount has been written off/ written back during the year in respect of debts due from/ to them.

23. Segment Reporting

i) Primary Segment Information:

Business Segment

Rs. in Million

Sl.No.	Particulars	Year ended 31.03.2005
1	Segment Revenue:	
	a) Product Division	1,269.18
	b) Training Division	49.64
	Total	1,318.82
2	Segment Results (Profit+)/Loss(-) before tax and interest from each segment	
	a) Product Division	662.31
	b) Training Division	23.21
	Total	685.52
	Less : i) Interest	107.92
	Total Profit Before Tax	577.60
3	Capital Employed (Segment Assets-Segment Liabilities)	
	a) Product Division	2,490.59
	b) Training Division	98.45
	Total	2,589.04

ii) Secondary Segment Information:

Geographical Segment

Rs. in Million

Particulars	Domestic Operations	International Operations	Total
Segment Revenue	388.13	930.69	1,318.82
Carrying amount of Segment Assets	1,615.68	973.36	2,589.04
Additions to Fixed Assets and Intangible Assets	668.19	137.59	805.78

Subject to our report of even date
For S. Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration # 3 1 6 2 1

State code 0 8

Balance sheet date 3 1 0 3 0 5

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

Public issue Nil

Rights issue Nil

Bonus issue Nil

Private placement Nil

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

Total liabilities 2 8 3 0 5 5 6

Total assets 2 8 3 0 5 5 6

Sources of funds

Paid up capital 1 0 1 6 6 8

Reserves & Surplus 1 4 5 6 4 0 3

Secured Loans 1 1 5 5 5 8 4

Unsecured loans Nil

Deferred Tax Liability 1 1 6 9 0 1

Application of funds

Net fixed assets 1 1 2 0 0 6 8

Investments 2 0 8 7 7 0

Net current assets 1 4 7 0 9 3 4

Miscellaneous expenditure 3 0 3 2 7

Accumulated losses

Nil Deferred Tax Asset 4 5 7

* Including capital work in progress

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

Turnover 1 3 1 8 8 1 5

Total expenditure 7 4 1 2 1 8

+ - (Please tick appropriate box + for profit, - for loss)

Profit / Loss before tax 5 7 7 5 9 7

Profit / Loss after tax 4 4 8 9 0 1

Earnings per share in Rs. 4 4 . 1 4

Dividend rate % 5 0 %

V Generic names of three principal products/ services of the Company (As per monetary terms)

Item code # (ITC Code) 8 5 2 4 3 9 9 0

Product description S o f t w a r e

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Asif Khader
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Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

PARTICULARS	Year ended 31.03.2005 Rs.	Year ended 31.03.2004 Rs.
Net profit before taxation	577,597,175	355,949,451
Adjustments for:		
Prior period adjustment	(131,023)	-
Loss on sale of asset	310,901	-
Exchange fluctuation	-	(12,075,000)
Depreciation	167,679,005	57,900,923
Preliminary expenses	8,814,027	1,750,025
Interest income	(11,144,193)	(360,287)
Interest paid	119,064,957	74,477,781
Operating profit before working capital changes	862,190,849	477,642,893
Adjustments for working capital		
Inventory	(37,740,545)	26,830,900
Debtors	(623,432,415)	(216,867,421)
Loans and advances	190,385,522	(21,179,286)
Provision for gratuity	(2,691,030)	1,748,193
Current liabilities	(39,060,803)	154,041,941
Cash generated from operations	349,651,578	422,217,220
Taxes paid	(41,247,662)	(42,760,316)
Net cash from Operating Activities	308,403,916	379,456,904
Cash flows from Investing Activities		
Advance for capital goods	-	(325,785,390.00)
Exchange fluctuation on advance for capital goods	-	12,075,000.00
Increase in investments	(13,399,200)	(50,257,372)
Increase in capital work in progress	(7,771,524)	(879,853)
Increase in deferred revenue expenditure	(35,320,000)	-
Interest received on Fixed Deposits	11,144,193	360,287
Sale of fixed assets	992,000	-
Purchase of fixed assets	(802,410,837)	(252,648,957)
Net cash from Investing Activities	(846,765,368)	(617,136,285)
Cash flows from Financing Activities		
Increase in Share Capital	(20,000,000)	17,443,570
Increase in Share Premium	-	485,879,304
Payment of Dividend and Dividend Tax	(37,115,754)	(14,109,378)
Payment of Interest on borrowed funds	(119,064,957)	(74,477,781)
Increase in Secured Loans/ Borrowings	344,030,524	598,320,628
Net cash from Financing Activities	167,849,813	1,013,056,343
Net increase in Cash and Cash Equivalents	(370,511,639)	775,376,962
Opening cash and cash equivalents	778,739,804	3,362,842
Closing cash and cash equivalents	408,228,165	778,739,804

Subject to our report of even date
For S. Janardhan & Associates
Chartered Accountants

For and on behalf of the Board

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

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.	EMRC Engineering Mechanics Research India Ltd.
1	Name of the Subsidiary Companies						
2	The Financial Year of the subsidiary	31.03.2005	31.03.2005	31.03.2005	31.03.2005	31.03.2005	31.03.2005
3	a No. of shares held b Face value per share c Extent of interest as at year end	380,000 Rs. 10 100%	974,166 USD 1 100%	1 EUR 25,000 100%	165,692 SGD 1 100%	100* GBP 1 100%*	1000 # Rs. 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, 2005 2) For the previous financial years of the subsidiary companies since it became the holding Company's subsidiary b Dealt with in the holding company's accounts 1) For the financial year ended 31st March, 2005 2) For the previous financial years of the subsidiary companies since it became the holding Company's subsidiary	(Rs. 647,600) Rs. 5,288,890	USD 408,317 USD 19,708	(EUR 7,229.59) (EUR 69,943.16)	(SGD 26,067) (SGD 4,072)	GBP 27,320 GBP 29,570	(Rs.1,055,803) -

* Held by Systat Software Inc. USA.

The acquisition was made in April' 05, but effective from 01.01.2005

Place: Bangalore
Date: 28.06.2005

For and on behalf of the Board

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary



CRANES SOFTWARE INTERNATIONAL LIMITED



CONSOLIDATED ACCOUNTS 2004-2005



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, 2005, 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 refer Note No. 1 in Notes forming part of Accounts for the year ended March 31, 2005.

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 March 31, 2005; 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

(BALAKRISHNA S.BHAT)
PARTNER
Membership No.202976

Place : BANGALORE
Date: 28.06.05



CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2005

PARTICULARS	SCH.No.	31.03.2005 Rs.	31.03.2005 Rs.	31.03.2004 Rs.	31.03.2004 Rs.
I. Sources Of Funds					
1 Shareholders' Funds:					
(a) Capital	1	101,667,970		121,667,970	
(b) Reserves and Surplus	2	1,467,655,618	1,569,323,588	1,065,337,100	1,187,005,070
2 Loan Funds					
(a) Secured Loans	3	1,155,584,070	1,155,584,070	898,493,265	898,493,265
3 Deferred Tax Liability			126,818,755		81,302,414
TOTAL			2,851,726,413		2,166,800,749
II. Application of Funds					
1 Fixed Assets	4				
(a) Gross Block		1,652,717,369		776,781,167	
(b) Less: Depreciation		413,970,880		178,801,369	
(c) Net Block		1,238,746,489		597,979,798	
(d) Capital Work in Progress		21,870,377	1,260,616,866	5,786,353	603,766,151
Goodwill on consolidation			6,052,277		
2 Investments	5		11,886,172		5,005,000
3 Deferred Tax Asset			532,137		1,000,000
4 Current Assets, Loans & Advances:					
(a) Inventories	6	61,548,795		28,020,449	
(b) Sundry Debtors	7	1,163,397,546		512,343,126	
(c) Cash and Bank Balances	8	417,589,351		788,157,698	
(d) Loans and Advances	9	324,033,769		459,489,349	
		1,966,569,462		1,788,010,622	
Less: Current Liabilities & Provisions	10				
(a) Current Liabilities		222,602,210		142,616,124	
(b) Provisions		207,284,975		99,710,311	
		429,887,185		242,326,435	
Net Current Assets			1,536,682,277		1,545,684,187
5 Miscellaneous Expenditure: (To the extent not written off or adjusted)	11		35,956,684		11,345,411
Notes on Accounts and Significant Accounting Policies	17				
TOTAL			2,851,726,413		2,166,800,749

Schedule Nos.1 to 11 and 17 form an integral part of the Balance Sheet

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

For and on behalf of the Board

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2005.

PARTICULARS	SCH.No.	31.03.2005 Rs.	31.03.2005 Rs.	31.03.2004 Rs.	31.03.2004 Rs.
INCOME					
Sales	12		1,633,845,467		1,136,915,573
EXPENDITURE					
Cost of Goods Sold	13	292,353,058		323,622,360	
Personnel Expenses	14	157,390,226		92,955,751	
Administrative Expenses	15	255,871,348		200,002,765	
Interest and Financial Charges (Net)	16	108,803,348		77,417,217	
Depreciation		223,923,378		79,872,616	
			1,038,341,358		773,870,709
PROFIT BEFORE TAX			595,504,109		363,044,864
Less: Provision for Current Tax			88,657,428		50,392,440
Deferred Tax			46,317,588		(12,963,716)
PROFIT AFTER TAX			460,529,093		325,616,140
Less: Prior period expenses			247,124		245,439
NET PROFIT			460,281,969		325,370,701
Add: Balance brought forward from previous year			35,532,271		17,601,145
Less: Transfers on consolidation			-		102,661
Less: Deferred tax provision on initial adoption			103,628		-
Profit available for appropriation			495,710,612		342,869,185
Appropriations					
Preference Dividend			-		2,400,000
Proposed Equity Dividend			50,833,985		30,500,391
Tax on Dividend			7,129,466		4,215,363
Capital Redemption Reserve			-		20,000,000
General Reserve - Transfer			200,000,000		250,221,160
Balance carried to Balance Sheet			237,747,161		35,532,271
			495,710,612		342,869,185
Earnings Per Share					
- Basic & Diluted			45.27		38.29

Notes on Accounts & Significant Accounting Policies 17

Schedules Nos.12 to 17 form an integral part of the Profit and Loss Account

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

For and on behalf of the Board

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2005

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
SCHEDULE NO. 1: SHARE CAPITAL:		
AUTHORISED:		
12,000,000 Equity Shares of Rs. 10/- each [Previous year 12,000,000 Equity Shares of Rs. 10/- each]	120,000,000	120,000,000
200,000 Preference Shares of Rs. 100/- each [Previous year 200,000 Preference Shares of Rs. 100/- each]	20,000,000	20,000,000
	140,000,000	140,000,000
ISSUED, SUBSCRIBED & PAID-UP:		
10,166,797 [Previous year 10,166,797] Equity Shares of Rs. 10/- each fully paid up	101,667,970	101,667,970
[Of the above 8,182,440 [Previous year 8,182,440] Equity Shares of Rs. 10/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited with the Company.]		
12% Cumulative Redeemable Preference Shares [Previous year 200,000 Preference Shares of Rs. 100/- each fully paid up]	-	20,000,000
TOTAL	101,667,970	121,667,970
SCHEDULE NO. 2: RESERVES AND SURPLUS:		
a) General Reserve	443,000,000	192,778,840
Add: Transfer from Profit & Loss Account	200,000,000	250,221,160
	643,000,000	443,000,000
b) Share Premium Account	566,332,104	80,452,800
Add: Additions on issue of Global Depository Receipts	-	485,879,304
	566,332,104	566,332,104
c) Profit & Loss Account	237,747,161	35,532,271
Less: Deferred tax provision on initial adoption	-	103,628
	237,747,161	35,428,643
d) Capital Reserve	576,353	576,353
e) Capital Redemption Reserve	20,000,000	20,000,000
TOTAL	1,467,655,618	1,065,337,100
SCHEDULE NO. 3: SECURED LOANS:		
Jammu & Kashmir Bank Limited		
(Refer Note No 8 (a))		
Cash Credit Account	235,404,508	86,939,719
Short Term Loan	525,207,306	406,223,039
Term Loan Account	392,437,500	405,000,000
Standard Chartered Bank Limited	-	330,507
(Refer Note No 8 (b))		
HDFC Bank Limited	2,534,756	-
(Refer Note No 8 (b))		
TOTAL	1,155,584,070	898,493,265

STATEMENT ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2005

SCHEDULE NO.4: FIXED ASSETS

In Rs.

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	COST AS ON 01.04.2004	ADDITIONS	DELETIONS	TOTAL AS ON 31.03.2005	UPTO 01.04.2004	FOR THE PERIOD	WITHDRAWN	TOTAL UPTO 31.03.2005	31.03.2005	31.03.2004
LAND & BUILDING	29,780,189	1,425,000	-	31,205,189	2,273,638	43,440	-	2,317,078	28,888,111	26,305,037
FURNITURE & FIXTURES	20,576,748	2,775,813	-	23,352,561	6,151,815	2,217,103	-	8,368,918	14,983,643	14,424,930
COMPUTERS	57,606,342	10,776,004	-	68,382,346	33,581,028	7,678,148	-	41,259,176	27,123,170	9,114,818
COMPUTER SOFTWARE	666,276,025	837,019,714	-	1,503,295,739	144,756,845	212,358,121	-	357,114,966	1,146,180,773	532,444,010
PLANT & MACHINERY	11,970,479	5,130,007	190,000	16,910,486	2,596,714	998,984	32,750	3,562,948	13,347,538	12,482,391
VEHICLES	4,701,457	6,787,876	1,918,285	9,571,048	1,492,846	627,582	772,634	1,347,794	8,223,254	3,208,612
TOTAL	790,911,240	863,914,414	2,108,285	1,652,717,369	190,852,886	223,923,378	805,384	413,970,880	1,238,746,489	597,979,798
PREVIOUS YEAR	490,725,031	286,056,136	-	776,781,167	98,928,753	79,872,616	-	178,801,369	597,979,798	391,796,278

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2005

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
SCHEDULE NO. 5: INVESTMENTS:		
(At cost - non trade - unquoted)		
(i) Government Security - NSC [Previous year Rs. 5000]	-	5,000
(ii) Esqube Communication Solutions Private Ltd. 1765 Equity Shares of Rs. 10/- each fully paid [Previous year 811 Equity Shares of Rs. 10/- each fully paid.]	10,000,000	5,000,000
(iii) Cranes Software Middle East LLC - UAE 147 Equity Shares of UAE Dirhams 1000 each fully paid [Previous year Nil]	1,786,172	-
(iv) S.Wave Systems Private Limited 10,000 Equity Shares of Rs. 10/- each fully paid [Previous Year Nil]	100,000	-
TOTAL	11,886,172	5,005,000
SCHEDULE NO. 6: INVENTORIES:		
(Valued at lower of cost or market value, as valued and certified by the management)		
Stock - in - trade	61,548,795	28,020,449
TOTAL	61,548,795	28,020,449
SCHEDULE NO. 7: SUNDRY DEBTORS:		
(Unsecured - Considered Good)		
- Outstanding for more than six months	629,348,959	5,880,778
- Others	534,048,588	506,462,348
TOTAL	1,163,397,547	512,343,126
SCHEDULE NO. 8: CASH AND BANK BALANCES:		
(i) Balances with Scheduled Banks in:		
- Current Account	2,901,910	162,488,672
- Deposit Account	404,812,065	112,849,436
- Dividend Account	66,452	23,767
(ii) Balances with Others:		
- ABN Amro Bank Maximum Amount Outstanding Rs. 20,000 (Previous Year Maximum Amount Outstanding Rs. 20,000)	20,000	20,000
- Citibank Maximum Amount Outstanding Rs. 7,064,652 (Previous Year Maximum Amount Outstanding Nil)	303,202	-
- HDFC Bank Limited Maximum Amount Outstanding Rs. 3,386,120 (Previous Year Maximum Amount Outstanding Rs. 10,800)	124,536	10,700
- Bank Escrow Maximum Amount Outstanding Rs. 503,322,874 (Previous Year Maximum Amount Outstanding Rs. 503,322,874)	-	503,322,874
- Subsidiary Bank Accounts	9,251,555	9,385,057
- Cash on Hand	417,479,720	788,100,506
	109,631	57,192
TOTAL	417,589,351	788,157,698
SCHEDULE NO. 9: LOANS AND ADVANCES:		
(unsecured, considered good)		
(i) Advances recoverable in cash or kind or for value to be received	295,423,878	445,681,584
(ii) Deposits	28,609,891	13,807,765
TOTAL	324,033,769	459,489,349
SCHEDULE NO. 10: CURRENT LIABILITIES & PROVISIONS:		
CURRENT LIABILITIES:		
(i) Sundry Creditors	222,541,884	142,359,717
(ii) Directors' Current Account	-	237,640
(iii) Unclaimed Dividend	60,326	18,767
	222,602,210	142,616,124
PROVISIONS:		
- Income Tax	147,795,833	59,903,527
- Gratuity and other employee related provisions	1,525,691	2,691,030
- Preference Dividend	-	2,400,000
- Proposed Equity Dividend	50,833,985	30,500,391
- Dividend Tax	7,129,466	4,215,363
TOTAL	207,284,975	99,710,311
SCHEDULE NO. 11: MISCELLANEOUS EXPENDITURE:		
(To the extent not written off or adjusted)		
Amalgamation Expenses	1,578,230	2,124,064
Deferred Revenue Expenditure	9,767,181	12,866,072
	11,345,411	14,990,136
Additions during the year	35,320,000	-
	46,665,411	14,990,136
Less: 1/5th written off	10,708,727	3,644,725
TOTAL	35,956,684	11,345,411

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2005.

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
SCHEDULE NO. 12: SALES:		
Software Sales & Services:		
Gross Sales:		
Exports	1,241,997,303	916,245,300
Domestic	342,209,444	190,328,845
	1,584,206,747	1,106,574,145
Software Training	49,638,720	30,341,428
TOTAL	1,633,845,467	1,136,915,573
SCHEDULE NO. 13: COST OF GOODS SOLD:		
Opening Stock	28,020,449	73,352,125
ADD: Purchases	315,393,558	256,656,610
ADD: Direct Expenses	10,487,846	21,634,074
	353,901,853	351,642,809
LESS: Closing Stock/ Goods in Transit	61,548,795	28,020,449
TOTAL	292,353,058	323,622,360
SCHEDULE NO. 14: PERSONNEL EXPENSES:		
Salaries	144,370,424	85,367,104
Retirement Benefits	1,636,316	1,755,613
E.S.I. Contribution	49,067	45,423
P.F. Contribution	3,702,894	3,406,231
Staff Welfare	7,631,525	2,381,380
TOTAL	157,390,226	92,955,751
SCHEDULE NO. 15: ADMINISTRATIVE EXPENSES:		
Auditors Remuneration	693,752	520,632
General Expenses	112,505,610	95,943,493
Sales Commission	2,789,205	4,657,268
Insurance	451,893	123,648
Office Rent	28,865,577	10,896,074
Electricity & Water Charges	2,603,855	1,803,089
Rates and Taxes	1,009,050	694,862
Remuneration to Directors	4,642,800	4,642,800
Traveling and Conveyance	24,722,997	14,585,606
Repairs & Maintenance	1,961,451	660,359
Preliminary expenses written off	10,708,727	3,644,725
Directors' Sitting Fees	84,000	93,000
Consultancy Charges	64,832,430	61,737,209
TOTAL	255,871,348	200,002,765
SCHEDULE NO. 16: INTEREST & FINANCIAL CHARGES:		
Interest on Cash Credit Account	25,798,610	22,313,760
Interest on Short Term Loan	54,005,706	42,810,129
Interest on Term Loan	38,944,215	12,653,616
Interest - Others	1,199,010	-
	119,947,541	77,777,505
Less: Interest received on Fixed Deposit [TDS: Rs. 2,269,950] [Previous Year TDS: Rs. 71,991]	11,144,193	360,287
TOTAL	108,803,348	77,417,217

SCHEDULE NO. 17 - NOTES ON 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 in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of 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) Product 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/ Training Income are recognized over the duration of the Contract/ Course.

3. Fixed Assets

- (i) Fixed Assets are reflected at historical cost less accumulated depreciation.
- (ii) At the Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Fixed Assets. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

4. Depreciation

- (i) Depreciation has been provided on Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of additions during the year, depreciation for the year is charged on a pro-rata basis corresponding to the date of installation.
- (ii) Depreciation on assets costing less than Rs. 5,000 is provided for in full 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.
- (iv) After recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the revised carrying amount of the asset, less its residual value (if any) on Straight Line basis over its remaining useful life.

5. Inventories

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

6. Investments

Long term investments are stated at cost. Provision for diminution in the value of investments is made only if such a decline is not temporary.

7. Exchange Fluctuation

- (i) Foreign currency transactions are recorded 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.

8. 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. 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 are 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.

9. Employees' Retirement Benefits

- (i) Provident Fund remittances to the Government are charged against the revenue on accrual basis.
- (ii) Liability for Gratuity is determined by actuarial valuation as of the Balance Sheet date. The Company contributes to the respective designated funds constituted for administering Gratuity. The dues as determined by actuarial valuation are periodically deposited to the fund.
- (iii) Certain employees also participate in a defined contribution plan for Superannuation. The covered employees make monthly contributions based on specific percentage of each covered employees' salary. The company has no obligation beyond its monthly provisions.

10. Income Tax and Deferred Tax

- (i) Current taxes are computed in respect of taxable income for the period the related revenue and expense arise.
- (ii) 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. Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized.

11. Leases

(i) Finance Lease:

In respect of assets taken on finance lease, the same is capitalized at their cash price and 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 is recognized as an expense in the income statement on a straight line basis over the lease term.

II. NOTES ON ACCOUNTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. The Subsidiary Companies considered in the Consolidated Financial Statements and their reporting dates are as under:

Companies having same reporting dates as that of the Parent Company

Name of Company	Country of incorporation	% of voting power held	Reporting date as at
Systat Software Inc. Including its Wholly Owned step down subsidiary Systat Software UK Limited, United Kingdom. Systat Software Asia Pacific Limited. Systat Software GmbH	United States of America	100%	31.03.2005
Cranes Software International Pte Limited EMRC Engineering Mechanics Research (India) Private Limited	India Germany Singapore India	100% 100% 100% 100%	31.03.2005 31.03.2005 31.03.2005 31.03.2005

2. During the period under review, the parent Company has invested in its new subsidiary EMRC Engineering Mechanics Research (India) Private Limited (EMRC) to the tune of Rs. 21,87,500. EMRC is in the field of engineering analysis and a pioneer in Computer Aided Engineering. EMRC has under the NISA umbrella a wide range of applications structured around the Finite Element Analysis (FEA). FEA is one of the techniques for computer simulation of the response of physical systems and forms a part of the larger domain of Computer Aided Engineering.

3. Directors' Remuneration

in Rs.

		2004 - 2005	2003 - 2004
Managing Director	Salary	840,000	840,000
	Contribution to Provident Fund	100,800	100,800
	Allowances	840,000	840,000
	(a)	1,780,800	1,780,800
Wholetime Directors	Salary	1,350,000	1,350,000
	Contribution to Provident fund	162,000	162,000
	Allowances	1,350,000	1,350,000
	(b)	2,862,000	2,862,000
Total Managerial Remuneration	(a+b)	4,642,800	4,642,800

4. 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.
5. 12% Cumulative Redeemable Preference Shares were redeemed on April 20, 2004
6. Deferred revenue expenditure and amalgamation expenses are written off over a period of 5 years.
7. Previous year figures have been regrouped and reclassified wherever necessary.
8. (a) Bank Finances are secured by hypothecation of stocks of software, book debts, document of title to goods and collaterally secured by Properties and additionally guaranteed by the Wholetime Directors.
(b) Finance for purchase of vehicles are secured by hypothecation of respective vehicles.



9. Earnings per Share

The following reflects the income and share data used in the computation of Basic and Diluted Earnings Per Share

	2004 05	2003 - 04
1. Net Profit after Preference Dividend (Rs.)	458,504,317	322,663,201
2. Weighted average number of ordinary shares	10,166,797	8,427,206
3. Basic and diluted Earnings Per Share (Rs.)	45.10	38.31

10. Deferred tax

Deferred tax asset/ liability are attributable to depreciation and expenses having different treatment for Income Tax Act.

11. Related Party Disclosures as ascertained by the Management

Particulars	Associates	Key Management Personnel	Total Related Parties
	Rs.	Rs.	Rs.
Purchases of Goods/ services/ software	562,891	-	562,891
Sales of Goods	32,295	-	32,295
Directors Remuneration	-	4,642,800	4,642,800
Balance as on 31.03.05 receivable	-	-	-
Balance as on 31.03.05 payable	-	-	-

Note:

Names of related parties and description of relationship:

Key Management Personnel	:	Mr. Asif Khader Mr. Mukkaram Jan Mr. Mueed Khader Mr. Richard Gall
Other Related Parties	:	Jansons Telecom Private Limited Jansons Land and Property Development Private Limited K & J Holding Private Limited (formerly Cranes Consulting Private Limited.) Orca Infotech Private Limited Jansons SPSS South Asia Private Limited Keysoft Solutions Private Limited Spice Capital Fund Private Limited

In respect of the above parties, there is no provision for doubtful debts as on March 31, 2005 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

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

STATEMENT OF CASH FLOWS

PARTICULARS	31.03.2005 Rs.	31.03.2004 Rs.
Cash flows from operating activities		
Net profit before taxation	595,504,109	363,044,864
<i>Adjustments for:</i>		
Prior period adjustment	(247,124)	-
Transfer to reserves	-	(102,661)
Exchange fluctuation on advance for capital goods	-	(12,075,000)
Interest received	(11,144,193)	(360,287)
Interest paid	119,947,541	77,777,505
Depreciation	223,923,378	79,872,616
Preliminary expenses written off/ Deferred revenue written off	10,708,727	3,644,725
Operating profit before working capital changes	938,692,439	511,801,761
<i>Adjustments for working capital</i>		
Inventory	(33,528,346)	45,331,676
Debtors	(651,054,420)	(235,600,845)
Loans and advances	176,613,225	(62,997,918)
Provision for gratuity	(1,165,339)	1,748,193
Current liabilities	79,986,086	74,214,142
Cash generated from operations	509,543,643	334,497,009
Taxes paid	(42,256,153)	(42,785,870)
Net cash from Operating Activities	467,287,491	291,711,140
Cash flows from investing activities		
Advance for capital goods	-	(325,785,390)
Exchange fluctuation on advance for capital goods	-	12,075,000
Interest received	11,144,193	360,287
Increase in investments	(6,881,172)	-
Increase in capital work in progress	(16,084,024)	(879,853)
Increase in deferred revenue expenditure	(35,320,000)	(9,336,000)
Goodwill on acquisition	(6,052,277)	-
Purchase of fixed assets	(864,690,069)	(286,056,136)
Net cash from Investing Activities	(917,883,348)	(609,622,092)
Cash flows from Financing Activities		
Increase in Share Capital	(20,000,000)	17,443,570
Increase in Share Premium	-	485,879,304
Interest paid	(119,947,541)	(77,777,505)
Payment of Dividend and Dividend Tax	(37,115,754)	(14,109,378)
Increase in Secured Loans/ Borrowings	257,090,805	685,260,347
Net cash from Financing Activities	80,027,511	1,096,696,338
Net increase in Cash and Cash Equivalents	(370,568,347)	778,785,386
Opening cash and cash equivalents	788,157,698	9,372,312
Closing cash and cash equivalents	417,589,351	788,157,698

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

For and on behalf of the Board

Balakrishna S Bhat
Partner

Asif Khader
Managing Director

Mukkaram Jan
Director

Parasuram B
Company Secretary

Place: Bangalore
Date: 28.06.2005

STATEMENT REGARDING SUBSIDIARY COMPANIES

FOR THE YEAR ENDED MARCH 31, 2005.

(Pursuant to approval No. 47/159/2005-CL-III dated July 13, 2005, received from the Ministry of Company Affairs under Section 212(8) of the Companies Act, 1956).

Particulars	Systat Software Inc		Systat Software UK Ltd.		Systat Software Asia Pacific Ltd.		Systat Software Gmbh		Cranes Software International Pte Ltd.		EMRC Engineering Mechanics Research (India) Ltd. *	
	USD	Rs.	GBP	Rs.	Rs.	Eur	Rs.	SGD	Rs.	Rs.		
Exchange Rate as on March 31, 2005		43.75		82.09			56.58		26.52			
Capital	974,166	42,619,763	100	8,209	3,800,000	25,000	1,414,500	165,692	4,394,152			100,000
Reserves	3,332,205	145,783,969	56,890	4,670,043	4,640,323	(77,173)	(4,366,434)	(30,139)	(799,287)			(1,055,803)
Total Assets	4,306,371	188,403,731	56,990	4,678,252	21,096,862	431,193	24,396,878	135,553	3,594,865			7,799,027
Total Liabilities	4,306,371	188,403,731	56,990	4,678,252	21,096,862	431,193	24,396,878	135,553	3,594,865			7,799,027
Details of Investments	145	6,344	-	-	-	-	-	-	-			100,000
Turnover	6,807,535	297,829,656	542,944	44,569,730	85,439,243	1,204,630	68,157,960	403,106	10,690,381			3,326,571
Profit before Taxation	470,463	20,582,756	33,728	2,768,698	(455,750)	(7,230)	(409,050)	(26,067)	(691,288)			(523,523)
Provision for Taxation	114,236	4,997,825	6,408	526,026	191,850	-	-	-	-			532,280
Profit after Taxation	356,227	15,584,931	27,320	2,242,671	(647,600)	(7,230)	(409,050)	(26,067)	(691,288)			(1,055,803)
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil			Nil

Note: * With effect from January 1, 2005.

For and on behalf of the Board

Asif Khader
Managing Director

Mukkaram Jan
Director