

**Leaders keep their eyes on the horizon...**



**Cranes Software International Limited**

Enterprise Analytics and Engineering Simulation Software & Solutions





...and constantly raise the bar of Innovation

**A**t the moment of intuition born out of experience and expertise, Cranes forayed into the IP based products horizon. A promising technology asset in the specialized business space of data analytics was acquired. Subsequently a high-end talent pool of math modelers, scientists and developers at Cranes moved it up the customer's value chain through Functional, Usability and Technology innovations. The user base of the new version of the product was then expanded to potential markets globally. We met with success.

Over the years, having built a robust process framework, the intuitive act was then honed into the much acclaimed 'Acquire-Enhance-Expand' business model to make Cranes what it is today - A company with numerous products and divisions, as well as offices and facilities that provides Enterprise Analytics and Engineering Simulation software and solutions to discerning customers across the globe.

During the year under review, Cranes' revenues grew to Rs. 2,849 million by 35%. Overseas revenues grew to Rs. 2,251 million by 38%, and accounted for 79% of total revenues. Profit after tax grew to Rs. 871 million by 39%. Acquisitions in areas of enterprise analytics, data security, and embedded design that are integral to overall value creation process were made.

Today we move ahead with confidence, always scanning the horizon, always raising the bar of innovation, always accelerating in the direction of attaining a leadership position in the areas of Enterprise Analytics and Engineering Simulations - to maximise value for our shareholders through innovations on the technology, business and commercial front.



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., Bangalore State Bank of Travancore, Bangalore HSBC Bank, Bangalore State Bank of India, Bangalore State Bank of Indore, Bangalore Bank of India, Bangalore Yes Bank, 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.	
Website	<a href="http://www.cranessoftware.com">www.cranessoftware.com</a>	

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All other company and product names are trademarks and/or registered trademarks of their respective owners.

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



## Chairman's Message

### *Dear Shareholders,*

It is a pleasure and privilege to report to you what a wonderful year we have had in 2006-07. You will be delighted to know that your company has excelled in almost every aspect of its activities, some tangible, some intangible. You are probably well aware of our financial performance. If not, you have enough details about that in this report. I would like to draw your attention to other measures of achievement.

Your company has crossed major milestones with the release of SYSTAT 12, NISA Civil 15, NISA 14 for Linux, SigmaPlot 10 which won a Scientific Computing & Instrumentation Graphics Readers' Choice Award, and InventX Strategic Project Portfolio Management 4.0. These are milestones in terms of maturity as a software product development company that is conceptualizing and architecting specialized software products. The kind of product architecting and development that has gone into these products is of a level that comes only with experience and maturity. The enthusiasm in the responses that we are getting from our discerning clients is ample substantiation of the same and a matter of pride for team Cranes.

It is not just about developing a product, we are now getting deeper into the analytics domain, with several technical solutions built with an enviable combination of domain knowledge and in-depth statistical analysis. We see a very bright future in this direction with the need of analytical solutions mushrooming across various industries. Such need is usually accompanied with the requirements of handling, processing and making sense of huge amounts of data. We are strengthening ourselves to meet this need by building solutions in chosen verticals, leveraging all products and expertise that we have garnered over the past few years. This activity is not to be confused with services because each solution in this space is actually a product, may be not quite in the category of shrink-wrapped products.

We are also charging ahead with the same vigour in other areas of our product portfolio. Our Engineering Simulations practice is getting stronger and new verticals are being added to leverage on our expertise and strength in embedded systems, controls, and instrumentation. We have clear long term plans and we are working with our eyes sharply focused on the rapidly changing technological landscape across international boundaries. As you are aware, automotive technology's geocenter seems to be shifting rapidly, and so is the case with design and manufacturing. Construction and structural engineering are expanding at a breathtaking pace. All of these areas depend on engineers and scientists who are our loyal customers. While the demands of the industry is increasing on them, we are busy anticipating their needs and working on putting many pieces together in our products and product portfolio that will make them more productive. The expanding needs of our customers and our commitment of keeping ahead of them continues to give us the right direction for our now well established and celebrated 'Acquire-Enhance-Expand' business model. In the coming years, I see an acceleration of our activities, whether it is building products, solutions, or IPs, based on futuristic research. With your support and encouragement, we are building each activity from the foundation up, to take the loads we foresee in the rapidly changing world of technology.

With massive efforts in business unit restructuring, product development, solution building, sales and marketing, research and development, and well thought-out strategic acquisitions, your company is accelerating towards the center stage of global business leadership by cross pollinating talent and technology to enhance all-round stakeholder value.

  
Rudra Pratap  
Chairman



## Managing Director's Message

### *Dear Shareholders,*

In the year gone by, Cranes has successfully established itself as a Global IP-driven Analytics-enabled Products and Solutions Company. We have consolidated our position in the Statistical Analytics and Engineering Simulation domains through a string of strategic acquisitions and alliances of brands that enjoy significant mindshare. Further, in an unconditional endeavor to maximize customer satisfaction, your company has introduced new versions of proprietary software products as well as maintained a robust internal control system.

Cranes increased its global headcount to 700 plus, as additions were made to product development, and sales and marketing teams. The Company expanded operations to new geographies, and now boasts significant presence across 39 countries worldwide through a network of direct offices and distributors. As a result, your company has a cumulative global user base of 360,000 in leading corporations (including several Fortune 500 companies), government agencies and academic institutions.

### **Financial Performance**

Operating revenues grew by 35% to Rs. 2,848 million in FY2007. Our proprietary software products business delivered another strong operating performance expanding 37% while revenues from third party software distribution business increased by 26% to Rs. 491 million driven by robust processes that bolstered our business strategies despite the hardening of the rupee.

Operating profit grew by 28% to Rs. 1,506 million accompanied by a healthy operating margin of 53%. Net profit after tax grew by 39% to Rs. 871 million from Rs. 625 million and translated into earning of Rs. 6.69 per share on an expanded capital base.

Between FY2002 and FY2007, Cranes' revenue has grown at a CAGR of 53% and net profit has expanded by 55%. Cranes' acclaimed 'Acquire-Enhance-Expand' business model has helped the Company effectively leverage its core competencies to deliver end-to-end productized solutions. A high degree of expertise and experience in Data Analytics and Engineering Simulations space is set to drive growth.

### **Business Initiatives**

Your Company aspires to be at the centerfold of the next wave called Analytics. Cranes has acquired a portfolio of highly competitive products that provide real time embedded decision support as well as customized predictive analysis. In the process, the Company has built a business on its ability to help clients identify, collate, analyze, and act upon astronomical amounts of data. Cranes' proven competencies and experience combined with its visionary leadership

team ideally positions it to become a dominant player in the analytics domain.

In an effort to attain IPs in every element of the Analytics value creation process, Cranes made a series of acquisitions including :

- ▶ The business of Dunn Solutions Group Inc., USA – a business intelligence transactional solutions and knowledge management company.
- ▶ The business of Tilak Autotech Private Limited – an automotive electronics solutions provider.
- ▶ The business of Caravel Info Systems Private Limited – an embedded designs services company.
- ▶ The business of Proland Softwares Private Limited – a security software solutions provider.

All these acquisitions are in line with Cranes' overall business strategy to enhance its embedded software design capabilities, thereby enabling the company to provide end-to-end analytics solutions.

In a consistent effort to retain existing relationships with our clients, as well as attract fresh business, Cranes ensures that all proprietary products, post acquisition, are constantly evolving with upgrades in performance, improved interface and additional features.

During the year, your Company launched an enhanced version of the civil engineering package NISA Civil Version 15 as well as a Linux-compatible version of NISA 14. The Company also introduced the latest version of the scientific graphing and data analysis package SigmaPlot 10, and the award winning statistical software SYSTAT Version 12. Finally, in November 2006, Cranes launched InventX Strategic Project Management Version 4.0 thereby raising the bar in Enterprise DSS domain.

The Company was honored with the "United Kingdom Trade and Investment" award as the new market entrant of the year. This award was presented to the Company to recognize and celebrate exceptional entrepreneurial and innovative talent while boosting bilateral trade between the two countries.

The Company was also recognized for its business model

'Acquire-Enhance-Expand' as it received the "Innovation for India" award. This award, instituted by Marico Foundation and Business World, intended to showcase the leading innovators among the Indian corporate community. The Company was adjudged on the basis of its unique business model and its ability to identify the right products and resell enhanced versions in various markets globally.

The Company has repeatedly received awards in the past as one of the fastest growing technology companies in Asia Pacific region by Deloitte Touche Tohmatsu. In addition, The Company has also been commended for its various award winning software products including NISA Civil "ACCE CDC Award 2006" in civil engineering for the best software package; and SYSTAT "Top Statistical Data Analysis Product" by Scientific Computing and Instrumentation.

#### Future Outlook

Cranes will continue to target aggressive growth through the synergies of organic initiatives like enhanced features, improved user friendliness, upgrades in technology and inorganic growth through strategic acquisitions of Technology and IPs to complement and build on its strengths. The company is also committed towards investments in disruptive technology in areas such as MEMS / Nano technology and wireless solution. We are accelerating in the direction of becoming a global giant in the field of Enterprise Data Analytics and Engineering Simulations.



**Asif Khader**

Co-founder & Managing Director



# FINANCIAL STATEMENTS

2006-07

## REPORT OF THE BOARD OF DIRECTORS

To the Members of Cranes Software International Limited,

Your Directors have pleasure in presenting to you the Twenty-second Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2007, by itself and its ten wholly – owned Subsidiaries (WOS), viz.

- 1.Systat Software Asia Pacific Ltd., India
- 2.EMRC Engineering Mechanics Research (India) Ltd., India
- 3.Systat Software Inc., USA
4. Cranes Software UK Ltd., (WOS of Systat Software Inc., USA)
- 5.Cranes Software International Pte Ltd., Singapore
- 6.Systat Software GmbH, Germany
- 7.Cranes Software Inc., USA.
8. Analytix Systems Pvt Ltd., India
9. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA)
10. Tilak Autotech Pvt Ltd., India

The Audited Accounts for the same period, of the above subsidiary companies have also been incorporated as per relevant regulations in the Consolidated Financial Statements, also being presented.

### Financial Performance

(Rs. million)

	2006-07	2005- 06	2006-07	2005- 06
			Consolidated	
Sales and Operating Revenues	2,476.07	1,870.25	2,848.57	2,109.88
Profit before tax	1,050.64	820.98	1,009.12	812.51
Provision for tax	127.85	186.59	144.03	190.52
Profit after tax	922.79	634.39	865.09	621.99
Prior Period tax adjustments	6.12	–	6.14	2.88
Net Profit	928.91	634.39	871.23	624.87
Surplus brought forward	405.92	277.07	409.70	240.35
Amount available for appropriation	1,334.83	861.46	1,280.93	865.23

### Business

During the year, your Company achieved a Sales and Operating Revenue of Rs. 2,476.07 million from Rs.1,870.25 million – a growth rate of 32%. The Profit before Tax increased by 28% from Rs.820.98 million to Rs.1,050.64 million while Net Profit increased to Rs.928.91 million from Rs.634.39 million (higher by 46%).

On a consolidated basis, during the year, your Company together with its above named subsidiaries, achieved a Sales and Operating Revenue of Rs. 2,848.57 million from Rs.2,109.88 million – a growth rate of 35%, while Net Profit increased from Rs. 624.87 million to Rs.871.23 million. (an increase of 39%).

### Operations

During the year under review, the following developments were noteworthy :

- Your Company acquired the entire share holding of Analytix Systems Pvt Ltd., thereby making Analytix Systems Pvt. Ltd., a wholly owned Subsidiary of the Company. As a part of the reorganization process, thereafter the entire business operations of Analytix Systems Pvt Ltd was taken over by the Company.
- For similar reasons, the business of another subsidiary EMRC Engineering Mechanics Research (India) Ltd., has also been taken over.
- Your Company acquired the business of capella from Ariel Business Information Systems UK, thereby gaining an entry in the Business reporting tool segment.
- In the context of the acquisition of the Capella business and the integration of the same into the Group in UK and hence the need to propagate the Company brand name, 'Cranes', the name of the subsidiary Systat Software UK Ltd., was changed to 'Cranes Software UK Ltd'.
- For similar reason of promoting the Cranes brand name, NISA Software Inc., was renamed Cranes Software Inc.,
- Your Company acquired the entire share holding of Tilak Autotech Pvt Ltd (TAT) and TAT became a Wholly owned Subsidiary of the Company.





- Dunn Solutions Group Inc., a Company in USA, was acquired through Cranes Software Inc USA, thereby making Dunn Solutions Group a step down subsidiary of the Company.
- Two new acquisitions have been completed post 31st March, 2007 – Caravel Info Systems Pvt Ltd and Proland Softwares Pvt Ltd – the entire paid-up share capital of both these Companies have been acquired by your Company and both these have become your subsidiaries w.e.f 1st April, 2007

### Appropriation

Your Directors, are pleased to recommend a regular dividend of 20% on the equity shares and a special equity dividend of 30% (thereby aggregating to 50%) 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.134.16 million, leaving the Company with Rs.1,200.68 million, of which Rs.300.00 million is transferred to General Reserve and the balance of Rs.900.68 million is retained as surplus in the Profit and Loss Account.

### Capital Structure Changes

During the year the Company issued and allotted 1,000,000 equity shares of Rs.2/- each on preferential basis to strategic investors at a premium of Rs.108 per share.

Your Company had an issue of Foreign Currency Convertible Bonds (Bonds) due 2011 aggregating to Euro 42 million during February '06. The issue closed successfully in March '06. The Bonds carry an interest rate of 2.5% payable semi-annually and are convertible into fully paid up equity shares or GDRs by the holders at any time between 27<sup>th</sup> April, 2006 till maturity at an initial conversion price of Rs. 143.293 per share with a fixed rate of exchange of INR 52.6828 = EUR 1.00. The conversion price was reset to Rs.115/- in March ,2007 as per the terms of the issue. The Bonds may also be redeemed at the option of the Company after 8<sup>th</sup> April, 2008 subject to satisfaction of specified conditions. Unless previously converted, redeemed or repurchased and cancelled, the Bonds will mature on 18<sup>th</sup> March, 2011 at 112.833% of their principal amount. The Bonds are listed at the Singapore Stock Exchange and the GDRs arising out of the Conversion of the Bonds will be listed on the Luxembourg Stock Exchange.

### Subsidiary Companies / Joint Ventures

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 received approval for the same and hence the financial statements of the Subsidiaries are not enclosed. As per the terms of this approval, certain details relating to the Subsidiaries are being published in the Consolidated Financial Statements section. The Annual Accounts and the related information on the Subsidiaries are available for inspection at the Registered Office of the Company and copies shall be provided on request.

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 full view of the state of affairs of the Company.

### Deposits

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

### Directorate

Mr. Ronald Brown and Dr. Manju Bansal retire by rotation in the forthcoming Annual General Meeting, being eligible, offer themselves for re-appointment.

### Conservation of Energy

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

### Research & Development Activities

Research & Development activities for real, not for mere lip service, are the hardest things to plan for and make commitments to, for small and medium size companies. Such activities require foresight, long-term commitments, incredible patience, and above all, a team of extremely talented people. However, those are just the necessary ingredients, not sufficient conditions to guarantee success of R&D activities. It is no secret that the most successful and innovative technology companies, software or not, have thrived in eco systems with long and rich traditions of research and innovation. It is also not a secret that the environment we operate in largely lacks that kind of eco system. Thus, our task becomes even harder when we make commitments to technology R&D. At Cranes, we have been committed to building a strong R&D culture from day one. 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 2006-07 is Rs. 1,882.01 million and foreign exchange outgo is Rs.2,623.76 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 for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

### Corporate Governance

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

The Board members and the Senior Management Personnel have affirmed compliance with the Code of Conduct. Declaration of Confirmation by the Managing Director to this effect is annexed hereto.

### 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, Business Partners and Shareholders for the year under review.

Your Directors also wish to place on record their appreciation for the Contribution made by employees at all levels of the Company, whose committed efforts are a reflection of our results and look forward to their continued support.

for and on behalf of the Board

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

Bangalore  
July 26, 2007



## 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, 2007.

### Research & Development Activities and Technology Absorption:

The diversity of technology that our 'Acquire-Enhance-Expand' business model has brought in, requires a continuous modulation of our R&D activities, particularly for wasteful and unintended redundancies. One core activity of mathematical modelling and scientific visualization cuts across all our R&D activities and has a potential of being a powerhouse in coming years with contributions from various product groups and business units. The Herculean R&D effort that has gone into making of the all new SYSTAT 12, NISA Civil 15, NISA 14 for LINUX, SigmaPlot 10 and Inventx Strategic Project Portfolio Management 4.0 has set an internal benchmark for product architecture and created a level of confidence that is sure to inspire a whole new generation of product innovation in your Company. In the meantime, the relentless search of key technology assets has brought in newer frontiers and thrown multiple challenges to our R&D teams for technology absorption and integration. A careful selection of the new acquisitions has ensured that the new frontiers gel well with the existing ones and create a much larger whole together. This activity is so beneficial to the R&D activity which by nature requires teams of varied skill sets and produces by-products that are likely to find home in some or the other business unit. Today, our repertoire of analytics expertise spans an enviable spectrum of applications and domains. Any innovation in one area is likely to find willing takers in some other areas, thus creating multiple returns on our R&D investments. We are now moving in the other areas of our business to duplicate the successes we have had in analytics. In coming years, engineering analysis and embedded technologies will join hands to produce products, both software and hardware, that can come from only unique R&D efforts of the kind your company is currently engaged in. This activity has become so important to us that now there is a technical committee of the Board that is directly focussed on periodic review of the entire R&D activity and charting out the future course of new technology directions.

Apart from the above IP enhancement initiatives, your Company is also committed to judicious R&D investments with some long term commercial upsides like in Wireless Communication Systems and LAN test solutions.

Additionally, 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 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 Company in association with Indian Institute of Science and Society for innovation and Development has entered into Collaborative Research Programme called "Cranes – IISc Research Programme". The Company and Indian Institute of Science shall be joint owners of any Intellectual Property Rights and innovation that may be realized through this programme. This set up at the Indian Institute of Science campus, Cranes Innovation Center, is in a unique position to imbibe the best traditions of research available in India and work with the best in the business from various disciplines. Several projects with the faculty of the Institute have been signed up, some to deliver cutting edge solutions for today's problems in engineering analysis, some that explore completely uncharted territories. It is the right balance of such 'pick and choose' R&D that keeps a technology company, such as your Company, in good health to take confident steps from the present to the future.

for and on behalf of the Board

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

Bangalore  
July 26, 2007

## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees and all Board Members and Senior Management Personnel have affirmed compliance with the same for the year ended 31<sup>st</sup> March, 2007.

For the purpose of this declaration, Senior Management Personnel means the employees in Executive Vice President Cadre and Company Secretary as on 31<sup>st</sup> March, 2007.

For Cranes Software International Ltd.,

Bangalore  
July 26, 2007

**Asif Khader**  
Managing 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 March 31, 2007

Sl. No.	Name	Designation	Qualifications	Age in years	Remuneration Rs.	Total Exp. in Years	Date of Joining	Particulars of previous employment
a) Employed for the full Financial Year								
1.	Syed Aarif Hashmi	Sr. Vice President	B.E	43	3,708,638	17	04-Sep-00	Senior Vice President-Systat Software Asia Pacific Ltd.
2.	Jude Coelho	Head-Infrastructure	B.A, PG Diploma in PM & IR (XLRI)	52	3,853,141	28	19-Jan-04	Principal Consultant-Jude Coelho & Associates
3.	Shankar H	Executive Vice President & CFO	B.Tech (IIT M) and PG Diploma (IIM A) in Business Administration	57	4,137,768	33	10-May-04	Managing Director-Saint-Gobain Sepr Refractories India Limited
4.	Sridhar M K	Executive Vice President-Analytix	Ph.D (IISC B) & M.Tech (IISC B)	51	4,076,834	27	01-Apr-06	Founder & MD-Analytix Systems (P) Ltd.
5.	Usha Sridhar	Executive Vice President-Analytix Applied Research	Ph.D (IISC B) & MA	49	3,675,819	26	01-Apr-06	Founder & Director-Analytix Systems (P) Ltd.
6.	Krishna Lakshmi Narasimhan	Sr. Vice President-Corporate Business Development	B.Tech (IIT M) & MBA (Insead)	46	3,091,167	24	05-Oct-05	Executive Vice President-Gavs Information Services Pvt. Ltd.
7.	Pradeep Kumar M K	Sr. Vice President	B.E & PG Diploma in Marketing Management	37	2,656,688	15	19-Oct-93	Sales Engineer-Mecord Marketing Limited-Chennai
8.	Ramdass Keshavamurthy	Vice President-Product Development	Ph.D (USC) & M.Tech (IIT K)	45	3,785,429	17	01-Dec-04	Project Manager-Symphony Services
9.	Rajiv Balaram Menon	Sr. Vice President-Development	BS (Univ. of Winconsin)	38	2,420,647	14	02-Jul-01	VP-IQ Infotech Ltd.
10.	Ashfaq Ibrahim	Sr. Vice President	B.E	38	2,548,634	11	01-Mar-96	-
11.	Mehraj K Lanker	Vice President	B.E	33	2,442,974	9	01-Jul-98	-
B) Employees 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								
1.	Rajeeva Laxman Karandikar	Executive VP & Head Analytics Practice	Ph.D (ISI C) & M.STAT (ISI C)	51	5,863,006	28	02-May-06	Professor-Indian Statistical Institute - New Delhi
2.	Akhilesh Khazanchi	Executive VP - Global HR And Corp. Affairs	B.A, Masters in Per. Mgmt. & IR, Dip. in Training and Dev. & Dip. in Labour Law and Welfare	44	1,365,288	20	12-Oct-06	Director-HR-Equinox Global Services
3.	S R Mandal	Sr. Vice President	MS & M.Tech	40	2,094,280	17	09-Nov-04	Principal Consultant-Satyam Computer Services Ltd.
4.	Srinivas Bhogle	Vice President-Analytics	Ph.D, M.Phil, Mstat & Bstat	50	1,274,760	23	28-Sep-06	Scientist in Gr. IV(5)-National Aerospace Laboratories

Note : Remuneration shown above comprises basic salary, allowances and taxable value of perquisites.  
The above employees are not related to any Director of the company.  
Nature of employment contractual in all cases.

for and on behalf of the Board

Bangalore  
July 26, 2007

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director





## CORPORATE GOVERNANCE REPORT 2006-07 (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 5 times during the year, as follows :

During the quarter ended June 30, 2006	May 5, 2006 June 15, 2006
During the quarter ended September 30, 2006	July 27, 2006
During the quarter ended December 31, 2006	October 26, 2006
During the quarter ended March 31, 2007	January 31, 2007

The Board being represented by members from various parts of the world, it may not be possible for all to be physically present at all Board Meetings; such Directors who are unable to be present, invariably participate in the proceedings through telephonic conference calls.

Name of the Director	Date of Appointment	No. of Board Meetings attended	Whether attended last AGM	Membership in other Boards <sup>1</sup>	Committees <sup>2</sup> Membership	Chairmanship
Dr. Rudra Pratap	June 21, 2002	4	Yes	-	3	1
Asif Khader	April 30, 2002	5	Yes	6	1	-
Mukkaram Jan	April 30, 2002	4	Yes	7	2	1
Mueed Khader	April 30, 2002	5	Yes	6	-	-
Richard Gall	May 16, 2002	4	Yes	1	-	-
Ronald Brown	November 21, 2002	3	Yes	-	-	-
Ajay Singh	February 18, 2003	1	No	1	2	2
Mirza Yawar Baig	March 31, 2003	3	Yes	-	2	-
Dr. Manju Bansal	March 31, 2004	5	Yes	-	2	-
Dr. Peter Ryser	March 29, 2005	5	Yes	-	-	-

### Audit Committee:

The scope of reference of the committee, inter alia, includes :

- Review of audit with Statutory Auditors & Internal Auditors.
- Limited Review of quarterly accounts with Statutory Auditors.
- Review of annual financial statements with auditors and management before submission to the Board.
- Review of adequacy of internal control systems and internal audit function.
- Other matters as set out in the Listing Agreement and Section 292A of the Companies Act, 1956.

The Committee consists of the following directors :

<sup>1</sup> Excludes companies exempted under Sec 278 of the Companies Act, 1956 and Foreign Companies.

<sup>2</sup> Membership in Audit Committee, Remuneration Committee and Investor Grievance Committee only considered.

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

The Committee met five times during the year. The dates of the meetings with details of attendance of the directors thereat is given below :

	05.05.06	15.06.06	27.07.06	26.10.06	31.01.07
Ajay Singh		Yes			
Dr. Rudra Pratap	Yes	Yes	Yes	Yes	
Mirza Yawar Baig		Yes		Yes	Yes
Dr. Manju Bansal	Yes	Yes	Yes	Yes	Yes

The Company Secretary is the Secretary of the Committee.

The Statutory Auditors and Mr. H Shankar, CFO, attend all 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. There was no change in the remuneration payable to the Whole time Directors and Managing Director during the year under review. The term of office of the Managing Director and Whole time Directors have been extended and their re-appointment on revised terms is being placed before the members for their approval.

The details of remuneration of the managerial personnel for the year 2006-07 is given in item 19.2.2. of Notes on Accounts.

#### For Non-Executive Directors:

No fixed remuneration is paid to the Non-executive Directors, they are paid commission as a percentage of the net profits, as decided by the Board, but within the limits set under the provisions of Sec 309 of the Companies Act, 1956. The payment of Commission was approved by the Shareholders at the AGM held on September 11, 2006. The basis of determining the specific amount of commission payable to these Directors is related to their attendance at meetings, contribution at meetings as perceived by the Board and the extent of consultations with them outside the meetings. The details of commission paid to the non-executive directors for the year is given below:

Name of the Director	Commission in Rs.
Dr. Rudra Pratap	940,000
Richard Gall	490,000
Ronald Brown	475,000
Dr. Manju Bansal	545,000
Mirza Yawar Baig	835,000
Dr. Peter Ryser	505,000
Ajay Singh	255,000
<b>Total</b>	<b>4,045,000</b>

The Non-executive Directors do not hold any shares of the Company in their names.

#### Share Holder Grievance Committee:

The Company has a Shareholder Grievance Committee consisting of Dr. Rudra Pratap, and Mr. Mukkaram Jan and Mr. Asif Khader to look into the grievances of investors. During the year the Company received about nine investor grievances and all these were attended to, there were no unresolved grievances from the investors / shareholders as on March 31, 2007.

#### Annual General Meetings:

Details of last three Annual General Meetings and the Special Resolutions passed there at are as under :

Date of AGM	Time	Venue	Special Resolutions passed
August 12, 2004	3.00 p.m	Hotel Gateway on Residency Road, No. 66, Residency Road Bangalore- 560 025	To increase the limit of FII investment in the Company from 24% to 49%.
September 27, 2005	3.00 p.m	Hotel Le Meridian 28, Sankey Road, Bangalore - 560 052	a) Issue of shares on preferential basis to promoters / strategic investors. b) Sub-division of equity shares from Rs.10/- to Rs. 2/- face value. c) Increase in Authorised share capital and the related changes in the Memorandum of Association. d) Alteration of Article 5(a) and Article 124 of the Articles of Association of the Company. e) Issue of Bonus shares.
September 11, 2006	3.00 p.m	Hotel Le Meridian 28, Sankey Road, Bangalore - 560 052	a) Issue of ESOPs for employees of the Company and its subsidiaries. b) Payment of Commission to Non-executive Directors. c) Issue of shares on preferential basis to strategic investors.



An Extraordinary General meeting was held on April 25, 2005 at 3.00 p.m at Shankar Narayana Building, Block-1, 4th Floor, # 25, M G Road, Bangalore, and the following Special Resolutions were passed thereat - Increase in Authorized share capital and issue of GDRs / FCCBs / such other convertible instruments upto USD 50 million.

For AGM 2007, the Company does not have any proposal for postal ballot.

#### Disclosures:

A Communication was received from the Government pointing out some non-compliances relating to financial disclosures. The Company replied to the same and where needed opted and applied for compounding of the alleged offence. The Company Law Board, Southern Region, Chennai has on April 19, 2006 compounded the offences.

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 generally in "Business Standard" & "Samyukta Karnataka" (Kannada). The results are also uploaded on the corporate web site ([www.cranessoftware.com](http://www.cranessoftware.com)). The quarterly results and the share holding pattern are uploaded in the website of SEBI under EDIFAR Menu.

#### General Share Holder Information:

<b>a 22nd Annual General Meeting</b>	
Date and Time	3.00 pm on September 13, 2007
Venue	Hotel Le Meridian 28, Sankey Road, Bangalore - 560 052
<b>b Financial Calendar of Board meetings (tentative) for approval of :</b>	
Annual Accounts - 2006-07	June 28, 2007
Unaudited results for the quarter ending June 30, 2007	Last week of July, 2007
Unaudited results for the quarter / half year ending September 30, 2007	Last week of October, 2007
Unaudited results for the quarter ending December 31, 2007	Last week of January, 2008
Annual Accounts - 2007-08	First week of June, 2008
<b>c Book closure date</b>	Sept 6, 2007 to Sept 13, 2007 (both days inclusive)
<b>d Dividend payment date</b>	On or after September 24, 2007
<b>e Listing of Equity shares</b>	
Name and address of Stock Exchange	Stock Code
<b>Bombay Stock Exchange Ltd. (BSE)</b>	512093
P J Towers, Dalal Street, Mumbai - 400 001	
<b>National Stock Exchange of India Ltd. (NSE)</b>	CRANESSOFT - EQ
Exchange Plaza, Bandra Kurla Complex	
Bandra (E), Mumbai - 400 051	
The Listing Fees has been paid to all the Stock Exchanges	
<b>f Website of the Company</b>	<a href="http://www.cranessoftware.com">www.cranessoftware.com</a>
<b>g Registrar and Transfer Agents</b>	Alpha Systems Private Limited No. 30, Ramana Residency, 4th Cross Sampige Road, Malleswaram, Bangalore - 560 003
<b>h Demat ISIN Number allotted to the Company</b>	INE234B01023

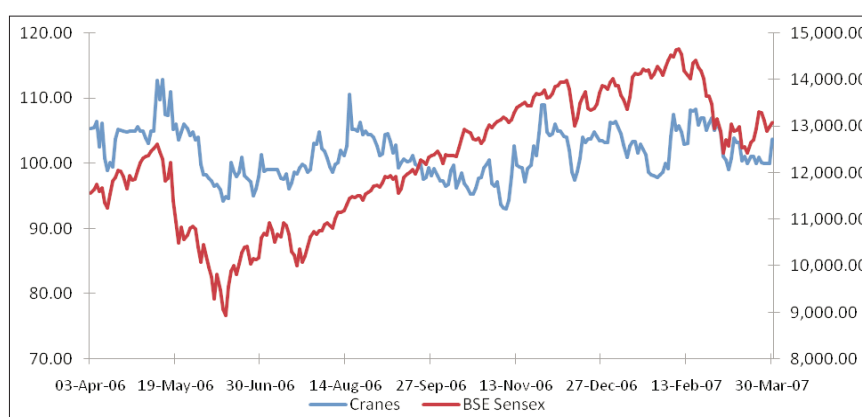
Pursuant to the offer of Global Depository Receipts (GDRs) made by the Company in 2003-04, the GDR's are listed on the Luxembourg Stock Exchange. There are no outstanding GDRs as on March 31, 2007 and all the GDR holders have converted their holdings into shares.

The Company came out with a Euro 42 million, 2.50% Foreign Currency Convertible Bond (FCCBs) issue during 2005-06, the FCCBs are listed at the Singapore Stock Exchange. The FCCBs are convertible into Shares or GDRs and the GDRs would be listed at the Luxembourg Stock Exchange and the shares with BSE & NSE in India. As of date no FCCB conversions have taken place.

### Share Price Data:

The Share price data on the BSE and NSE during the year 2006-07 is given below along with Graph showing share price movement with SENSEX.

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr' 06	113.00	91.50	111.20	90.00
May ' 06	124.00	86.00	124.00	95.00
Jun' 06	107.00	82.00	108.00	78.50
Jul' 06	105.50	95.40	105.45	95.00
Aug' 06	122.00	98.00	121.00	98.00
Sept' 06	107.90	95.00	107.80	90.25
Oct' 06	111.00	94.55	111.90	94.80
Nov' 06	114.35	91.10	114.45	90.25
Dec' 06	108.80	96.10	108.55	95.10
Jan' 07	109.85	97.50	110.00	96.10
Feb' 07	115.00	98.20	114.90	97.00
Mar' 07	107.90	97.05	109.80	95.25



### 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/FITTC/CIR-16/2002 dt. 31.12.2002, secretarial audit was carried out by a Practicing Company Secretary on 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.

### Compliance with Corporate Governance Norms:

The Board periodically reviews the compliance of all applicable laws and gives appropriate directions wherever necessary.

The Company has complied with all mandatory requirements of Corporate Governance norms as enumerated in Clause 49 of the listing agreements with stock exchanges. The Company has obtained a certificate from the statutory auditors of the Company regarding compliance with the provisions of the above clause and the same is attached hereto.

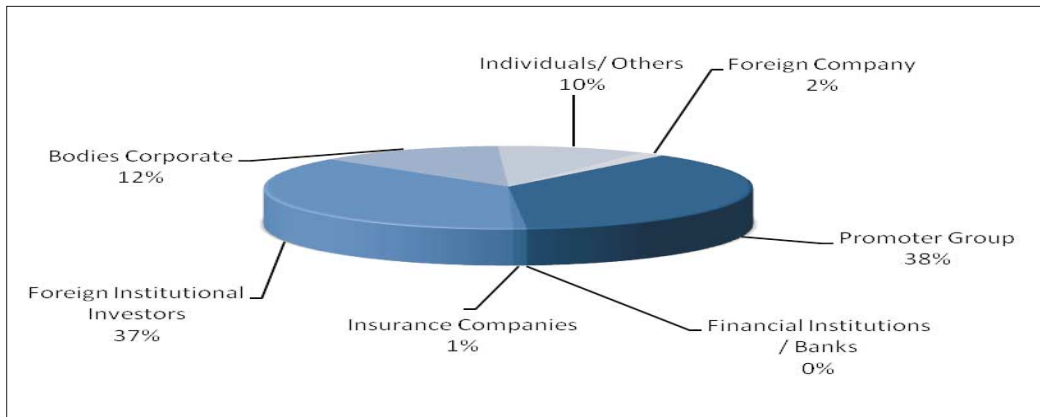
### Distribution of Shareholdings as on March 31, 2007:

No. of shares held	Folios		Shares	
	Number	%	Number	%
Upto 500	6663	84.97	956,037	0.83
501 - 1000	500	6.38	423,816	0.37
1001- 2000	240	3.06	384,518	0.34
2001-3000	82	1.05	217,842	0.19
3001-4000	50	0.64	181,692	0.16
4001-5000	59	0.75	287,687	0.25
5001-10000	73	0.93	580,647	0.51
Above 10001	174	2.22	111,635,731	97.35
<b>Total</b>	<b>7,841</b>	<b>100.00</b>	<b>114,667,970</b>	<b>100.00</b>





### Pattern of Share Holding as on March 31, 2007



#### Dematerialisation of Shares:

The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors. As of March 31, 2007 about 99.60% of the Company's shares are held in dematerialised form.

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

#### Address for Communication:

1. 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.
2. To the Registrar & Transfer Agent - for Share Transfers / Transmissions. etc.,  
Guruswamy Babu  
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 31.3.2007, 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

**(BALAKRISHNA S.BHAT)**  
PARTNER  
Membership No.202976

Place : Bangalore

Date : July 26, 2007



## MANAGEMENT DISCUSSION AND ANALYSIS (ANNEXURE TO DIRECTORS' REPORT)

Note: This discussion covers the consolidated financial performance of Cranes Software International Limited and its wholly owned subsidiaries Systat Software Inc., USA; Systat Software GmbH, Germany; Cranes Software International Pte. Ltd, Singapore; Cranes Software Inc., USA; Systat Software Asia Pacific Ltd., India; EMRC Engineering Mechanics Research (India) Limited, India; Tilak Autotech Pvt Ltd., India; Analytix Systems Pvt Ltd., India; Cranes Software UK Limited (subsidiary of Systat Software Inc., USA) and Dunn Solutions Group Inc USA (subsidiary of Cranes Software Inc., USA).

### Global Business Environment

The global business environment is expected to continue to grow at a reasonable pace in 2007 and 2008 with India and China being the fastest growing nations in the world. According to World Economic Outlook (International Monetary Fund, April 2007), global GDP growth accelerated to 5.4% in 2006 compared to 4.9% in 2005, and is likely to only very marginally slow down to 4.9% in 2007 and 2008. High and volatile international crude oil prices, inflationary pressures and global macro-economic imbalances continue to be the major areas of concern.

In particular, India is expected to sustain the strong growth momentum despite recent interest rate hikes. India's expansion picked up momentum in the course of the year, with year-on-year growth rising to 9¼ percent.

The scenario for the Indian software products business is well poised as firms prepare to supersede the unprecedented growth led by India Inc. According to a report by Indian Institute of Management (IIM), Bangalore, India's software products industry has a potential of generating revenue of \$7 billion by 2010, a near 10-fold rise from current levels. Meanwhile, the global packaged software market is forecast at \$350 billion in 2007.

### Business Initiatives:

#### Acquisitions

The Company has built upon its portfolio of products by developing and implementing the highly successful and acclaimed 'Acquire-Enhance-Expand' model that focuses on opportunities that leverage its core strengths. As the Company arms itself to become a giant powerhouse analytics player, the company must expand in areas like Enterprise Analytics, Engineering Simulation, Data Security and Embedded Design, some of which are integral part of the overall analytics value creation process. In order to do so, the Company recently announced a series of strategic acquisitions.

#### Tilak AutoTech Pvt. Ltd. (TAT)

The company acquired automotive electronics solution provider TAT in an effort to strengthen its presence in embedded software and controls solutions space for the automotive vertical, making it a wholly owned subsidiary. The existing TAT clients currently includes the Who's Who in the Indian Automobile industry. This acquisition also presents the Company with the opportunity to address other embedded control opportunities like power generation controls, aerospace, industrial controls and measurement systems by applying same core technology to these allied verticals.

#### Dunn Solutions Group Inc., USA (DSG)

The Company also expanded its horizon into business intelligence, transactional solutions and knowledge management consulting with the acquisition of DSG through its subsidiary Cranes Software Inc., USA. The acquisition will not only help the Company enhance its geographical presence in the North American market, but also facilitate cross selling opportunities by taking existing range of products to DSG's strong client base that spans BFSI, health care and pharmaceuticals verticals and boasts of names such as Bank of America, American Express, Banco Popular, Abbott Labs, Caremark and Pfizer.

#### Caravel Info Systems Pvt. Ltd. (Caravel)

The acquisition of Caravel is in line with the overall business strategy to enhance its embedded software design capabilities thereby enabling the Company to provide end-to-end analytics solutions. The industries served by Caravel include Information Technology, Space, Defence, Consumer/Entertainment Electronics, Power Electronics, Instrumentation, Computer Peripherals, Manufacturing, Customer Care, Healthcare and Textiles. This acquisition has been made post 31<sup>st</sup> March 2007.

#### Proland Softwares Pvt Ltd., (Proland)

In an effort to move up the value chain and gain expertise in data security, the Company acquired Proland, a Bangalore based security software solutions provider. Proland has over fifteen years of experience in the areas of designing, developing and supporting software products with data security. The acquisition is expected to help the Company provide end-to-end secure project execution and management by integrating Proland's securities solutions capabilities as well as leverage existing marketing and distribution capabilities to bolster sales reach across the globe. This acquisition has been made post 31<sup>st</sup> March 2007.

#### Alliances

Apart from the above mentioned acquisitions, the Company continues to develop strategic alliances to better serve clients with a greater product breath and depth.

The Company entered into an agreement with Engineering Technology Associates (ETA) to distribute and support ETA's DYNIFORM and VPG products across India. DYNIFORM and VPG are tools that enable engineers to develop finite element models and other complex models for durability and vehicle creditworthiness, as well as evaluate performance prior to physical prototype. This association with ETA will enhance the Company's

engineering product portfolio, especially in the transportation industry and will complement the Company's general-purpose finite element analysis (FEA) package NISA.

In conjunction to its deal with ETA, the Company, signed an MoU with Structural Engineering Research Centre (SERC) to co-develop products for the scientific and engineering community in India. Presently under this initiative, the focus is largely on developing a graphical pre-post processor for SERC's FINEART.

### Business-Wise Revenue Analysis

(Rs. Million)

	FY07	FY06	FY05
<b>Proprietary Products</b>	2,252	1,661	1,336
<b>Product Alliances</b>	491	390	249
<b>Training &amp; Services</b>	94	57	50
<b>TOTAL</b>	<b>2,837</b>	<b>2,108</b>	<b>1,635</b>

### New Software Launches

Over the past year, the Company has made significant enhancements and upgradations to its existing suite of software products. During the year, the Company launched NISA Version 14.0 with over 30 new features offering major upgrades in performance, ease of use and graphing capabilities. The Company subsequently also released a Linux-compatible version of NISA 14 to enable enterprise users to handle large engineering simulations with ease and cost effectiveness. In addition, the Company also launched an enhanced version of civil engineering package – NISA Civil – for the international market, which is available through the Company's international direct offices and distribution network.

In a continuous effort to achieve maximum client satisfaction, the Company again released NISA Civil Version 15 in March 2007, with a host of new features that lay emphasis on the requirements of structural engineers focusing on the British and American steel and concrete building construction industry.

In the first quarter of 2007, the Company launched the latest version of its scientific graphing and data analysis package, SigmaPlot 10 that provides new features to analyze data and create exact, publication-quality graphs that best present research results for presentation, publication or the web.

The Company also continued the legacy of SYSTAT, an award winning software, by launching SYSTAT Version 12 in February 2007. The newer version provides users with major graph enhancements, an attractive interface containing many innovative features, and new statistical tools that include mixed model analysis, robust regression procedures, partial least squares regression, response surface optimization and many new probability distributions. Prior to the launch of version 12, the Company, together with Phil Science Inc., had introduced the Korean language version of SYSTAT 11 with local language graphic user interface and translated technical manuals to address the local latent demand in Korea.

The Company is committed to enable its customers to define new limits by setting higher standards in the Enterprise DSS domain. During the year, the Company also launched the latest version of highly acclaimed InventX Strategic Project Portfolio Management (SP<sup>2</sup>M) Version 4.0. The latest version offers a highly customizable solution which supports end-to-end business planning from strategic to operational with multi-site project management and product development support environment. It also addresses the needs of strategic project management, as well as the status and reporting requirements of mid-to-executive-level management, sponsors, customers, and other stakeholders of the projects.

### Awards and Recognition

The Company was honored with the "United Kingdom Trade and Investment" award as the new market entrant of the year. This award was presented to the Company to recognize and celebrate exceptional entrepreneurial and innovative talent while boosting bilateral trade between the two countries.

The Company was also recognized for its business model 'Acquire-Enhance-Expand' as it received the "Innovation for India" award. This award, instituted by Marico Foundation and Business World, intended to showcase the leading innovators among the Indian corporate community. The Company was adjudged on the basis of its unique business model and its ability to identify the right products and resell enhanced versions in various markets globally.

The Company has repeatedly received awards in the past as one of the fastest growing technology companies in Asia Pacific region by Deloitte Touche Tohmatsu. In addition, The Company has also been commended for its various award winning software products including NISA Civil – "ACCE CDC Award 2006" in civil engineering for the best software package; and SYSTAT – "Top Statistical Data Analysis Product" by Scientific Computing and Instrumentation.

### Opportunities

- The need for real time decision support system across all organizations is inevitable. The Company is well positioned having deep domain knowledge and recognized brand value of its software products to effectively leverage itself to exploit the available opportunities in this sphere.
- Storage technology costs are falling and therefore storage and retrieval of data is becoming inexpensive. There is immense scope for the Company to take advantage of these falling costs by focusing their efforts in the Analytics domain to become a preferred end-to-end solutions provider.
- 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 Company has taken specific actions to strengthen its eMarketing initiatives to expand it beyond its current trial facilities in Americas, where such exploration has met with success.



- 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 deliver deep into specific applications of its products into specific industry verticals.
- The Company derives about 79% 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's Authorized Share Capital is Rs. 350 million constituting 165 million equity shares of Rs. 2/- each and 200,000 preference shares of Rs. 100/- each.

During the year, the Company's Paid-Up Equity Capital increased by Rs.2 million being issue of 1,000,000 Equity Shares of Rs. 2/- each on preferential basis to strategic investors at a premium of Rs. 108/- per share.

##### **Reserves and Surplus:**

The Company's total Reserves and Surplus position stood at Rs. 3,733.37 million at the end of the fiscal year, increasing by Rs. 836.31 million. The contribution to such increase came from the premium on shares issued to strategic investors (Rs. 108.00 million) and retention of the year's profits (Rs. 737.07 million); Foreign Currency Translation Reserve fell by Rs. 8.77 million.

##### **Loan funds:**

Loan funds outstanding amounted to Rs 4,614.17 million at the end of FY2007 compared to Rs. 3,237.31 million at the end of FY2006. These Loan funds outstanding include the funds arising from the offering of Convertible Bonds.

##### **Deferred tax liability:**

The deferred tax liability increased by Rs 73.25 million to Rs 332.81 million as the Company continued to invest in the expansion of its asset base.

##### **Application of funds:**

###### **Fixed assets:**

The Company's gross block of assets expanded by Rs 1,251.20 million to Rs 3,472.87 million during FY2007. In addition, Capital Work in Progress was significantly higher at Rs. 2,308.83 million compared to Rs. 698.28 million last year. Overall, this amounted to an increase of Rs. 1,610.55 million in the asset base at the gross level. Substantial part of this is invested into future version development, following a clearly defined strategy. Some of the software developed have been launched during the year while others are in the pipeline for subsequent launch as per plan.

Depreciation charged on the asset base was higher at Rs. 448.57 million in FY2007 compared to Rs. 285.79 million in the previous year. Computer software (IP) is a significant component of the asset base .

###### **Investments:**

The Company's investments increased by Rs 60.28 million to Rs 72.17 million during FY2007. These investments are in short term mutual funds.

###### **Inventories:**

The Company's inventory position was Rs 17.80 million which is lower than Rs 24.52 million as at the close of last year.

###### **Sundry Debtors:**

During the year under review, Sundry Debtors increased to Rs. 1,068.92 million at the close of FY2007 compared to Rs. 1,055.69 million a year ago even though the business expanded by 35% during the year under review. Aggressive market promotion supported by the Company along with the global distributor base resulted in substantial liquidation of receivables and Days' Sales Outstanding (DSO) for the Company stood at 137 days compared with 183 days in the previous year.

###### **Cash and Bank Balances:**

Cash and bank balances was Rs 2,809.62 million as compared to Rs 2,905.24 million last year. During the year, the Company, amongst other corporate actions, issued equity shares on a preferential basis (Rs. 110.0 million). Funds generated from the preferential issues are still available with the Company for funding future growth prospects.

**Loans and Advances:**

Loans and advances stood at Rs 278.96 million compared with Rs 498.72 million a year ago.

**Current Liabilities:**

Sundry creditors stood at Rs 463.10 million as against Rs 415.90 million at the close of the previous year.

**Provisions:**

Provisions reduced marginally to Rs.139.70 million from Rs 159.38 million a year ago.

**Miscellaneous Expenditure:**

Miscellaneous expenditure (to the extent not written off or adjusted) reduced to Rs 309.39 million compared to Rs. 471.48 million last year.

**OPERATING RESULTS****Income:**

The Company reported a 35% increase in revenues to Rs 2,848.57 million. The overseas business, largely comprising global sales of proprietary software products, expanded by 38% to Rs. 2,251.42 million from Rs. 1,626.01 million. Thus exports comprised 79% of the year's revenues.

The domestic business, largely comprising distribution of products arising from alliances, grew by 21% to Rs. 585.86 million. The Company sells a range of products in the Indian market for its global principals. These include the leading product modelling software MATLAB and other leading products in such areas as communication technology and business intelligence. A part of the domestic software business also comprises proprietary software products sold in the Indian market. The software training business grew by 32% to Rs. 72.94 million.

**Expenditure:**

During FY2007, cost of goods sold increased by 21% to Rs 482.79 million from Rs 400.31 million last year, largely in keeping with volume of business. This represents the cost of shrink-wrapped software products sold in India for third parties through the Company's multiple distribution alliances together with direct costs involved in the manufacture and logistics of distribution of proprietary software.

Personnel costs were higher by 53% at Rs 403.98 million and represented 14% of the revenue; the cost increases hence, being in line with volume. Total human resource strength expanded from 517 last year to 715 people. The focus was on adding employees in its sales, product development and wraparounds.

Administrative expenses increased by 71% to Rs 455.67 million. This resulted in the proportion of such expenses to revenues increasing marginally to 16% compared to 13% as in the previous year, in keeping with the newer businesses invested in by the Company.

Interest and financial charges (net) decreased by 41% to Rs. 48.35 million in FY2007.

Depreciation charged during FY2007 amounted to Rs 448.57 million, an increase of 57% from FY2006 in line with the growth and investments needed thereon.

**Profit analysis:**

The Company posted profit before tax of Rs. 1,009.12 million in FY2007 compared to Rs. 812.51 million in FY2006. Current income tax was Rs. 83.49 million as against Rs. 63.37 million last year. However, deferred tax was Rs. 57.66 million as compared to Rs. 125.23 million with the claim for STPI benefit. The provision for fringe benefit tax (FBT) for the year was Rs 2.87 million compared to Rs 1.92 million in FY2006. The Company earned net profit of Rs 871.23 million, a 39% increase over FY2006. Adding back non-cash charges, the Company's cash profit was Rs.1,319.89 million in FY2007 compared to Rs. 910.67 million in FY2006.

**LIQUIDITY**

The Company's cash and cash equivalents was Rs 2,809.62 million compared to Rs 2,905.24 million last year.

In FY2007, cash generated by the Company's operating activities increased to Rs. 1,854.94 million from Rs. 1,174.74 million in FY 2006. The key variances were higher profitability, higher depreciation and amortization of deferred revenue expenditure, reduction in inventory levels and loans and advances during the year, and current liabilities and debtors that increased along with the growth in business.

During the year, the Company invested Rs. 3,117.23 million (net of Income), the main components of which were Rs. 1,610.55 million towards product development investments for upcoming versions of the range of proprietary products; Rs. 1,252.18 million towards purchase of software assets along with the acquisitions completed during the year, Rs.313.64 million towards Goodwill on consolidation and Rs. 60.28 million towards investments in Mutual Funds out of surplus funds generated and available at any point of time.

The Company's net cash generated from financing activities was Rs. 1,165.94 million which included Rs. 110.0 million from the issue of 1 million shares to strategic investors on preferential basis.

**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 got certified under ISO 9001 standards in FY2002 and later the company was assessed at SEI-CMM Level 5 during FY 2005. The Company has also obtained certification under ISO 27001 Information Security Management System in the



FY2006 and have initiated SEI-CMMi Level 5 assessment for its processes.

#### **HUMAN RESOURCES**

The Company has continued to focus on business expansion while limiting the resources deployed to achieve such expansion. Its manpower strength increased to 715 nos in the year. The mix of such members consists of Domain Experts as also technology architects apart from Sales and Marketing personnel manning the global offices. Acquisitions made in the year also served to augment manpower strength and quality.

#### **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.

## AUDITORS' REPORT

To

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 2007, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) order, 2004 as 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 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 from being appointed as 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 case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
    - (b) in case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - (c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for S.JANARDHAN & ASSOCIATES  
CHARTERED ACCOUNTANTS

Place : Bangalore  
Date : 28.06.2007

**(Balakrishna S. Bhat)**  
Partner  
Membership No.202976



## ANNEXURE

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the Assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off substantial part of fixed assets during the year and as such do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has not granted/taken any loans, secured or unsecured, to/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),(a),(b),(c),(d),(e),(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 the 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 into the register maintained under section 301 of the 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) According to the information and explanations given to us, undisputed statutory dues including, Provident Fund, Investor Education and Protection Fund, Employees' state Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Customs duty, Excise duty and Cess have been regularly deposited by the company with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Sales Tax and Cess were in arrears as at 31<sup>st</sup> March 2007 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of Sales tax, Service tax, Income tax, Customs duty, Wealth Tax, Excise duty and Cess, which have not been deposited on account of any dispute except of the following.

Nature of Liability	Period under Dispute	Disputed amount Rs. Million	Authority under which Appeal is pending
Income Tax	AY 2003-04	3.17	Commissioner of Income Tax Appeal - VI

- (x) The Company does not have any accumulated losses, as at March 31, 2007. The Company has not incurred any cash losses in the financial year ended on that date and in the immediately preceding the financial year.
- (xi) The Company has not defaulted in repayment of dues to any financial institution and banks and there are no dues to 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 explanation given to us, the Company is not a chit fund or a Nidhi /mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to information and explanations given to us, and as per our examination of relevant records, the Company has not given any guarantee for loan 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) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the period, the Company has not raised any funds by issue of debentures during the year.
- (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, preferential issues and Foreign Currency Convertible bonds as disclosed in the Notes on Accounts to the financial statements.
- (xxi) During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

for S.JANARDHAN & ASSOCIATES  
CHARTERED ACCOUNTANTS

Place : Bangalore  
Date : 28.06.2007

**(Balakrishna S. Bhat)**  
Partner  
Membership No.202976



## BALANCE SHEET

AS AT MARCH 31, 2007

PARTICULARS	Sch. No.	Current Year Rs	Previous Year Rs
<b>SOURCES OF FUNDS</b>			
<b>1 Shareholders' Funds</b>			
Share Capital	1	229,335,940	227,335,940
Reserves and Surplus	2	3,792,343,298	2,889,588,190
		<b>4,021,679,238</b>	<b>3,116,924,130</b>
<b>2 Loan Funds</b>			
Secured Loans	3	1,265,214,040	494,436,452
Unsecured Loans	4	3,348,951,147	2,742,877,998
		<b>4,614,165,187</b>	<b>3,237,314,450</b>
<b>3 Deferred Tax Liability (Net)</b>		<b>303,727,914</b>	<b>243,727,914</b>
<b>TOTAL</b>		<b>8,939,572,339</b>	<b>6,597,966,494</b>
<b>APPLICATION OF FUNDS</b>			
<b>4 Fixed Assets</b>			
Gross Block	5	3,297,382,368	2,037,222,995
Less : Accumulated Depreciation		1,002,571,644	551,803,816
Net Block		2,294,810,724	1,485,419,179
Capital Work in Progress		1,503,903,315	132,584
		<b>3,798,714,039</b>	<b>1,485,551,763</b>
<b>5 Investments</b>	6	<b>344,720,392</b>	<b>266,178,647</b>
<b>6 Current Assets, Loans &amp; Advances</b>			
Inventories	7	15,447,654	21,018,642
Sundry Debtors	8	1,109,948,992	1,061,918,554
Cash and Bank Balances	9	2,595,704,698	2,886,038,519
Loans and Advances	10	1,138,020,875	961,541,687
		<b>4,859,122,219</b>	<b>4,930,517,402</b>
<b>7 Less : Current Liabilities &amp; Provisions</b>	11		
Current Liabilities		233,699,273	396,150,356
Provisions		136,805,974	155,871,972
		<b>370,505,247</b>	<b>552,022,328</b>
<b>8 Net Current Assets</b>		<b>4,488,616,972</b>	<b>4,378,495,074</b>
<b>9 Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	12	<b>307,520,936</b>	<b>467,741,010</b>
<b>10 Significant Accounting Policies and Notes to Accounts</b>	19		
<b>TOTAL</b>		<b>8,939,572,339</b>	<b>6,597,966,494</b>

Schedules Nos. 1 to 12 and 19 form an integral part of Balance Sheet

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

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Place : Bangalore

Date : June 28, 2007

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2007

PARTICULARS	Sch. No.	Current Year Rs		Previous Year Rs	
<b>INCOME</b>					
Sales	13	2,465,339,151		1,870,200,772	
Other Income	14	10,724,696	<b>2,476,063,847</b>	52,683	<b>1,870,253,455</b>
<b>EXPENDITURE</b>					
Cost of Goods Sold	15	300,405,739		401,256,145	
Personnel Expenses	16	252,160,278		134,280,316	
Administrative Expenses	17	385,791,358		183,634,147	
Interest and Financial Charges (Net)	18	48,321,980		80,859,753	
Depreciation		438,748,975	<b>1,425,428,330</b>	249,245,288	<b>1,049,275,649</b>
<b>PROFIT BEFORE TAX</b>			<b>1,050,635,517</b>		<b>820,977,806</b>
Less : Provision for					
(i) Income Tax			65,000,000		60,000,000
(ii) Deferred Tax			60,000,000		124,842,500
(iii) Fringe Benefit Tax			2,850,000		1,750,000
<b>PROFIT AFTER TAX</b>			<b>922,785,517</b>		<b>634,385,306</b>
Add /(Less) : Adjustments relating to earlier years			6,125,383		–
<b>NET PROFIT</b>			<b>928,910,900</b>		<b>634,385,306</b>
Add : Balance brought forward from previous year			405,924,056		227,070,634
<b>Profit available for appropriation</b>			<b>1,334,834,956</b>		<b>861,455,940</b>
<b>Appropriations</b>					
Proposed Equity Dividend			114,667,970		136,401,564
Tax on Dividend			19,487,822		19,130,320
General Reserve - Transfer			300,000,000		300,000,000
Balance carried to Balance Sheet			900,679,164		405,924,056
			<b>1,334,834,956</b>		<b>861,455,940</b>
<b>Earnings Per Share (Rs.)</b>					
- Basic			8.10		5.88
- Diluted			7.12		5.86
<b>Significant Accounting Policies and Notes to Accounts</b>	19				

Schedule Nos 13 to 19 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 : June 28, 2007



## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2007

PARTICULARS	Current Year Rs	Previous Year Rs
<b>SCHEDULE NO.1 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
165,000,000 Equity Shares of Rs.2/- each [Previous year 165,000,000 Equity shares of Rs.2/- each]	330,000,000	330,000,000
200,000 Preference shares of Rs.100/- each [Previous year 200,000 Preference shares of Rs.100/- each]	20,000,000	20,000,000
<b>TOTAL</b>	<b>350,000,000</b>	<b>350,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
114,667,970 [Previous year 113,667,970] Equity shares of Rs.2/- each fully paid up. (Of the above 40,912,200 (Previous year 40,912,200) Equity shares of Rs. 2/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited with the Company and nil (Previous year 56,833,985) shares are allotted as fully paid up by way of bonus shares.]	229,335,940	227,335,940
<b>TOTAL</b>	<b>229,335,940</b>	<b>227,335,940</b>
<b>SCHEDULE NO.2: RESERVES AND SURPLUS</b>		
<b>(a) Capital Redemption Reserve</b>		
Opening Balance	–	20,000,000
Less: Capitalised for issue of bonus shares	–	20,000,000
	–	–
<b>(b) Share Premium Account</b>		
Opening Balance	1,540,664,134	566,332,104
Add: Receipts on issue of preferential allotment	108,000,000	1,068,000,000
	1,648,664,134	1,634,332,104
Less: Capitalised for Issue of bonus shares	–	93,667,970
Less: Transfer to FCCB Premium Redemption Reserve	60,000,000	–
	<b>1,588,664,134</b>	<b>1,540,664,134</b>
<b>(c) FCCB Premium Redemption Reserve</b>		
Opening Balance	–	–
Add: Transfer from Share Premium account	60,000,000	–
	<b>60,000,000</b>	–
<b>(d) General Reserve</b>		
Opening Balance	943,000,000	643,000,000
Add: Transfer from Profit and Loss Account	300,000,000	300,000,000
	<b>1,243,000,000</b>	<b>943,000,000</b>
<b>(e) Balance in profit and loss account</b>		
	900,679,164	405,924,056
<b>TOTAL</b>	<b>3,792,343,298</b>	<b>2,889,588,190</b>
<b>SCHEDULE NO.3: SECURED LOANS</b>		
<b>Jammu &amp; Kashmir Bank Limited</b>		
Cash Credit Account	132,923,274	155,005,290
Term Loan Account (For Security, refer Note No 19.2.4 (i))	239,885,100	333,317,400
<b>Short Term Loan</b>		
<b>Vehicle Loan</b>		
HDFC Bank Limited	4,527,545	6,113,762
Kotak Mahindra Prime Limited (For Security, refer Note No 19.2.4 (ii))	4,051,125	–
<b>Others</b>		
Bank of India	297,981,274	–
Hongkong and Shanghai Banking Corporation Limited (For Security, refer Note No 19.2.4 (i))	585,845,722	–
<b>TOTAL</b>	<b>1,265,214,040</b>	<b>494,436,452</b>
<b>SCHEDULE NO.4: UNSECURED LOANS</b>		
<b>Short Term Loan</b>		
<b>From Scheduled Banks</b>		
State Bank of India	558,369,815	–
State Bank of Indore	250,000,000	–
State Bank of Travancore	201,710,451	200,000,000
Hongkong and Shanghai Banking Corporation Limited (Refer Note No 19.2.4 (iii))	–	266,477,998
<b>From others</b>		
UPS Capital Business Credit (Refer Note No 19.2.4 (iii))	68,770,881	–
Foreign Currency Convertible Bonds (Refer Note No 19.2.17)	2,270,100,000	2,276,400,000
<b>TOTAL</b>	<b>3,348,951,147</b>	<b>2,742,877,998</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2007

### SCHEDULE NO 5 : FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	COST AS ON April 1, 2006	ADDITIONS	TRANSFER	DELETIONS	TOTAL AS ON March 31, 2007	UPTO April 1, 2006	FOR THE YEAR	TRANSFER	WITHDRAWN	TOTAL UPTO March 31, 2007	AS ON March 31, 2007	AS ON March 31, 2006
LAND	27,730,037	–	–	–	27,730,037	–	–	–	–	–	27,730,037	27,730,037
FURNITURE & FIXTURES	35,443,321	4,091,313	608,051	107,317	40,035,368	8,633,492	2,332,133	160,379	4,427	11,121,577	28,913,791	26,809,829
COMPUTERS	73,651,351	17,274,587	12,819,930	117,853	103,628,015	42,085,846	9,966,810	11,598,729	22,890	63,628,495	39,999,520	31,565,505
COMPUTER SOFTWARE	1,862,605,260	1,213,738,990	1,992,602	–	3,078,336,852	495,568,005	423,465,242	237,205	–	919,270,452	2,159,066,400	1,367,037,255
PLANT & MACHINERY	20,426,249	3,424,777	696,669	–	24,547,695	2,796,489	1,092,708	371,339	–	4,260,536	20,287,159	17,629,760
VEHICLE	17,366,777	6,257,130	–	620,585	23,003,322	2,719,984	1,887,284	–	332,091	4,275,177	18,728,145	14,646,793
TECHNICAL BOOKS	–	–	101,079	–	101,079	–	4,798	10,609	–	15,407	85,672	–
<b>TOTAL</b>	<b>2,037,222,995</b>	<b>1,244,786,797</b>	<b>16,218,331</b>	<b>845,755</b>	<b>3,297,382,368</b>	<b>551,803,816</b>	<b>438,748,975</b>	<b>12,378,261</b>	<b>359,408</b>	<b>1,002,571,644</b>	<b>2,294,810,724</b>	<b>1,485,419,179</b>
<b>PREVIOUS YEAR</b>	1,405,165,589	616,484,525	15,572,881	–	2,037,222,995	298,655,642	249,245,288	3,902,886	–	551,803,816	1,485,419,179	1,106,509,947



## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2007

PARTICULARS	Current Year Rs	Previous Year Rs
<b>SCHEDULE NO.6: INVESTMENTS</b>		
<b>Long-Term Investment</b> (Non Trade - Unquoted) (Valued at Cost)		
<b>In Subsidiaries</b>		
Systat Software, Inc. USA (974,166 Equity shares of face value USD 1/- each fully paid up) [Previous year 974,166 Equity shares of face value USD 1/- each fully paid up]	185,117,768	185,117,768
Systat Software Asia Pacific Limited 380,000 Equity Shares of Rs.10/- each fully paid up [Previous year 380,000 Equity shares of Rs.10/- each fully paid up]	3,800,000	3,800,000
Systat Software Gmbh-Germany 1 Equity Share of 25,000 Euros fully paid up [Previous year 1 Equity share of 25,000 Euros fully paid up]	1,447,500	1,447,500
Cranes Software International Pte Limited - Singapore 165,692 Equity shares of Singapore Dollars 1/- each fully paid up. [Previous year 165,692 Equity shares of Singapore Dollars 1/- each fully paid up]	4,430,582	4,430,582
EMRC Engineering Mechanics Research (India) Ltd 5,000 Equity Shares of Rs. 100/- each fully paid up [Previous year 5,000 Equity shares of Rs.100/- each fully paid up]	2,740,000	2,740,000
Cranes Software Inc., USA (erstwhile NISA Software Inc., USA) 316,885 Equity shares of USD 1 each fully paid up [Previous year 316,885 Equity shares of USD 1 each fully paid up]	56,856,625	56,856,625
Tilak Autotech Private Limited 100,000 Equity Shares of Rs. 10/- each fully paid up [Previous year nil]	5,162,487	-
Analytix Systems Private Limited 20,000 Equity Shares of Rs. 10/- each fully paid up [Previous year nil]	13,000,000	-
<b>In Others</b>		
S-Wave Systems Pvt. Ltd 1,000 Equity Shares of Rs. 100/- each fully paid up [Previous year nil]	100,000	-
Esqube Communication Solutions Private Limited 1,765 Equity shares of Rs.10/- each fully paid up [Previous Year 1,765 Equity shares of Rs.10/- each fully paid up]	10,000,000	10,000,000
Cranes Software Middle East LLC - UAE 147 Equity shares of UAE Dirham 1,000/- each fully paid up [Previous Year 147 Equity shares of UAE Dirham 1,000/- each fully paid up]	1,786,172	1,786,172
<b>Current Investment</b> (Quoted) (Valued at lower of cost or fair value)		
Mutual Funds (Refer Note No 19.2.7.)	60,279,258	-
<b>TOTAL</b>	<b>344,720,392</b>	<b>266,178,647</b>
<b>SCHEDULE NO.7: INVENTORIES</b> (Valued at lower of cost or net realisable value)		
Stock - in - trade	15,447,654	21,018,642
<b>TOTAL</b>	<b>15,447,654</b>	<b>21,018,642</b>
<b>SCHEDULE NO.8: SUNDRY DEBTORS</b> (Unsecured - Considered Good)		
(a) Debts outstanding for a period exceeding six months	47,528,447	174,511,908
(b) Others debts	1,062,420,545	887,406,646
<b>TOTAL</b>	<b>1,109,948,992</b>	<b>1,061,918,554</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2007

PARTICULARS	Current Year Rs	Previous Year Rs
<b>SCHEDULE NO.9: CASH AND BANK BALANCES</b>		
<b>(a) Balances with Scheduled Banks in Indian Rupees</b>		
(i) Current Accounts	90,494,600	8,992,501
(ii) Deposit Accounts	2,465,713,387	1,503,804,235
(iii) Dividend Accounts	140,044	144,859
<b>(b) Balances with Scheduled Banks in Foreign Currency</b>		
(i) Current Accounts	24,456,569	343,021,859
(i) Deposit Account	14,900,098	1,030,075,065
<b>TOTAL</b>	<b>2,595,704,698</b>	<b>2,886,038,519</b>
<b>SCHEDULE NO.10: LOANS AND ADVANCES</b>		
<i>(Unsecured - Considered Good)</i>		
(a) Loans and Advances to subsidiaries	754,601,196	532,633,898
(b) Advances recoverable in cash or kind or for value to be received	317,325,124	388,080,307
(c) Deposits	66,094,555	40,827,482
<b>TOTAL</b>	<b>1,138,020,875</b>	<b>961,541,687</b>
<b>SCHEDULE NO.11: CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
(a) Sundry Creditors	222,464,474	390,053,000
(b) Due to Subsidiaries	11,100,453	5,958,415
(c) Unclaimed Dividend	134,346	138,941
<b>TOTAL</b>	<b>233,699,273</b>	<b>396,150,356</b>
<b>PROVISIONS</b>		
(a) Proposed Equity Dividend (including tax)	134,155,792	155,531,883
(b) Income Tax (net of advances)	1,672,522	–
(c) Fringe Benefit Tax	977,660	340,089
<b>TOTAL</b>	<b>136,805,974</b>	<b>155,871,972</b>
<b>SCHEDULE NO.12: MISCELLANEOUS EXPENDITURE</b>		
<i>(To the extent not written off or adjusted)</i>		
Amalgamation Expenses	321,558	922,394
Deferred Revenue Expenditure	467,419,452	29,405,190
	467,741,010	30,327,584
Additions during the year	–	459,352,988
	467,741,010	489,680,572
Less: Written off during the year	160,220,074	21,939,562
<b>TOTAL</b>	<b>307,520,936</b>	<b>467,741,010</b>





## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2007

PARTICULARS	Current Year Rs	Previous Year Rs
<b>SCHEDULE - 13: SALES</b>		
<b>Software Sales &amp; Services</b>		
Exports	1,882,011,060	1,415,393,158
Domestic	510,386,318	399,630,404
	2,392,397,378	1,815,023,562
<b>Software Training</b>	72,941,773	55,177,210
<b>TOTAL</b>	<b>2,465,339,151</b>	<b>1,870,200,772</b>
<b>SCHEDULE - 14: OTHER INCOME</b>		
Dividend received	2,026,575	52,683
Commission Received	5,665,181	-
Sundry Credit Balances Written Back	3,032,940	-
<b>TOTAL</b>	<b>10,724,696</b>	<b>52,683</b>
<b>SCHEDULE -15: COST OF GOODS SOLD</b>		
Opening Stock	21,018,642	60,435,780
ADD: Purchases	271,671,830	341,621,185
ADD: Direct Expenses	23,162,921	20,217,822
	315,853,393	422,274,787
LESS: Closing Stock	15,447,654	21,018,642
<b>TOTAL</b>	<b>300,405,739</b>	<b>401,256,145</b>
<b>SCHEDULE -16: PERSONNEL EXPENSES</b>		
Salaries & Other Allowances	209,631,087	119,577,516
Contribution to Provident and other funds	27,829,782	6,623,598
Staff Welfare	14,699,409	8,079,202
<b>TOTAL</b>	<b>252,160,278</b>	<b>134,280,316</b>
<b>SCHEDULE -17: ADMINISTRATIVE EXPENSES</b>		
Auditors Remuneration (Refer Note No.19.2.11.)	1,232,357	549,949
General Expenses	101,062,704	84,228,641
Sales Commission	28,345,638	12,723,358
Insurance	3,451,180	408,469
Office Rent	29,965,104	26,169,571
Electricity & Water Charges	8,040,525	6,597,093
Rates and Taxes	757,379	2,150,928
Directors remuneration (Refer Note No.19.2.2.)	4,642,800	4,642,800
Travelling and Conveyance	38,994,796	22,043,497
Repairs & Maintenance (Refer Note No. 19.2.10.)	3,309,551	1,764,918
Deferred Revenue & Amalgamation Expenditure written off	160,220,074	21,939,562
Commission to Non-Whole Time Directors (Refer Note No.19.2.2.)	4,900,000	-
Directors Sitting Fees	-	78,000
Loss on Sale of Asset	251,586	-
Bad debts	617,664	337,361
<b>TOTAL</b>	<b>385,791,358</b>	<b>183,634,147</b>
<b>SCHEDULE -18: INTEREST &amp; FINANCIAL CHARGES (Net)</b>		
Fixed Loans	68,387,896	36,020,351
Others	96,960,446	88,053,904
	<b>165,348,342</b>	<b>124,074,255</b>
Less : Interest received on Fixed Deposit [TDS : Rs 23,858,403 ] [Previous Year TDS : Rs.9,493,294]	117,026,362	43,214,502
<b>TOTAL</b>	<b>48,321,980</b>	<b>80,859,753</b>

## SCHEDULE NO. 19

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### 19.1. SIGNIFICANT ACCOUNTING POLICIES

##### 19.1.1. Basis of Accounting

The financial statements are prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

##### 19.1.2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities on the date of the financial statements and reported amounts of revenue and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current & future periods.

##### 19.1.3. Revenue Recognition

- i. Revenue from sale of products is recognized, in accordance with the sales contract, on delivery of goods to the Customer. Revenue from product sales are shown net of taxes.
- ii. Revenue on Software Development services comprises revenue priced on a time and material and fixed-price contracts. Revenue priced on a time and material contracts are recognized as related services are performed. Revenue from fixed-price, fixed time-frame contracts is recognized in accordance with the percentage of completion method.
- iii. Revenue from Technical Service, Training, support and other services is recognized as the related services are performed over the duration of the contract/course.

##### 19.1.4. Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and the changes during the period in inventories and operating receivables and payables. The cash flows from regular revenue generating, investing and financing activities of the Company are shown separately.

##### 19.1.5. Fixed Assets and Capital Work-in-progress

- i. Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its present location and condition. Exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are adjusted in the cost of such assets.
- ii. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date the fixed asset is ready for its intended use, is capitalized.
- iii. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date and the cost of fixed assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

##### 19.1.6. Intangible Assets

- i. All intangible assets are stated at cost less accumulated amortization.
- ii. The cost of acquired intangible assets is the consideration paid for acquisition and other incidental costs incurred to bring the intangible asset for its intended use.
- iii. Internally generated intangible assets are valued at cost which were incurred during the development phase of intangibles which comprises of expenditure on materials and services used or consumed, salaries and other employment related cost of personnel engaged in development of intangible asset, other direct expenditures and overheads that are necessary for the generation of the intangible asset and that can be allocated on a reasonable basis.
- iv. Interest on borrowed money allocated to and utilized for intangible assets, pertaining to the period up to the date the intangible asset is ready for its intended use, is capitalized in accordance with Accounting Standard-16.
- v. Amount paid towards the acquisition of intangible assets, which is not put to use as at reporting date and the cost of intangible assets not ready for its intended use before such date is disclosed under Capital Work-in-progress.

##### 19.1.7. Research and Development

- i. The Company in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science, Bangalore has set 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 laboratory.
- ii. The Company, also in association with Indian Institute of Science, and Society for Innovation and Development has entered into Collaborative Research Programme called “Cranes – I I Sc” Research Programme. The Parties shall be joint owners of any Intellectual Property Rights and Inventions that may be realized through this programme.
- iii. Research cost relating to the above are charged to Profit and Loss account and the expenditure incurred relating to the Development phase are treated as advances in Capital Work in progress and will be capitalized when the intangible asset is ready for use as per the criteria laid down by the AS-26.

#### 19.1.8. Depreciation and Amortization

- i. Depreciation has been provided on Straight Line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of assets purchased / sold during the year, depreciation is charged on a pro-rata basis.
- ii. The Management estimates the useful life of Customized software/commercial rights procured for specific application as 3 years and accordingly amortizes over their estimated useful life on a straight line basis.
- iii. Depreciation on individual low cost assets (costing less than Rs.5,000) is provided for in full in the year of purchase irrespective of date of installation.
- iv. Other Intangible assets are amortized over their respective individual estimated useful life on a straight-line basis, commencing from the date the asset is available to the Company for its use.
- v. After recognition of impairment loss, the depreciation charge for the asset is on the revalued amount prospectively over the remaining useful life of the asset.

#### 19.1.9. Impairment of Assets

The Company assesses at each balance sheet date using internal and external sources, whether there is any indication that an asset (both tangible and intangible) may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

#### 19.1.10. Inventories

The Companies Inventories comprises of Third Party software products and Own software products

- i. Own software products which are developed/being developed are valued at allocated cost on specific identification method or net realizable value whichever is lower.
- ii. Third party software products are valued at cost or net realizable value, whichever is lower. The cost formula used is weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale. The cost of inventories is net of VAT credit.

#### 19.1.11. Investments

Investments are either classified as current or long-term based on the management's intention at the time of purchase

- i. Long term investments are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.
- ii. Current investments are carried at the lower of cost or fair value. Any reduction in carrying amount and any reversals of such reduction are charged or credited to the profit & loss account.
- iii. Investments in Foreign Subsidiaries have been reflected at the exchange rates prevailing at the date of transactions.

#### 19.1.12. Effect of Exchange Fluctuation on Foreign Currency Transactions

- i. Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.
- ii. Exchange differences are recorded when the amount actually received on sales or actually paid when the expenditure is incurred, is converted into Indian Rupees.
- iii. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.
- iv. Period-end balances of monetary foreign currency assets and liabilities are translated at the closing rate. The resulting exchange difference is recognized in the profit and loss account.
- v. Non – Monetary assets & liabilities are translated at the rate prevailing on the date of transaction.
- vi. Foreign currency translation differences relating to liabilities incurred for acquiring fixed assets are adjusted in the carrying cost of the related fixed assets.

#### 19.1.13. Employees' Retirement Benefits

- i. Provident Fund - Employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contribution to the plan equal to 12% of the covered employee's salary. The Company's contribution to Provident Fund remitted to the Government is charged against the revenue on accrual basis.
- ii. Gratuity - In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan. The Gratuity plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company determines Gratuity liability based on the valuation of an independent actuary as at the year end, upon which the Company contributes the ascertained liabilities to the "Cranes Software International Limited – Employees Comprehensive Gratuity Scheme".
- iii. Leave encashment – is provided for in the profit and loss account based on the valuation of an independent actuary as at the year end.
- iv. Superannuation – A defined contribution plan for the employees who have opted for the scheme, wherein the Employer contributes

15% of the basic salary or the amount exempt under Fringe Benefit Tax (Rs.100,000) whichever is lower annually to the Superannuation Fund. The Company's contribution to the Superannuation fund remitted to the Life Insurance Corporation of India is charged against the revenue on accrual basis.

#### 19.1.14. Income Tax/ Deferred Tax

- i. Current tax is calculated in accordance with the relevant tax regulations.
- ii. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognized in the year in which the timing difference originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet dates.
- iii. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction.
- iv. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

#### 19.1.15. Fringe Benefit Tax

Consequent to the introduction of Fringe Benefit tax effective April 1, 2005, in accordance with the guidance note on accounting for fringe benefit tax issued by the ICAI, the Company has made provision for Fringe Benefit Tax under Income taxes on accrual basis.

#### 19.1.16. Provisions and Contingent Liabilities

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

#### 19.1.17. Earnings per Share

- i. Basic 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. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares (FCCB). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

#### 19.1.18. Leases

- i. Lease arrangements where substantial risk and rewards incidental to ownership vests with the lessor, such leases are recognized as operating leases.
- ii. Lease payments under operating lease are recognized as an expense in the profit and loss account.

### 19.2. NOTES ON ACCOUNTS

#### 19.2.1. Contingent liabilities not provided for and Capital commitments

(Rupees in Million)

Particulars	Current Year	Previous Year
Contingent liabilities not provided for		
(a) Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others	2.40	2.45
(b) Claims against the Company not acknowledged as debts on Tax matters in dispute under appeal	3.65	5.80
Estimated amount of contracts remaining to be executed on capital account not provided for	130.34	1.67

### 19.2.2. Managerial Remuneration

The aggregate managerial remuneration under Section 198 of the Companies Act, 1956 to the directors including managing director is:

(Rupees in Million)

Particulars	Current Year	Previous Year
Managing Director		
– Basic Salary	0.84	0.84
– House Rent Allowance	0.34	0.34
– Special Allowance	0.50	0.50
– Contribution to Provident Fund	0.10	0.10
<b>Total Remuneration (a)</b>	<b>1.78</b>	<b>1.78</b>
Whole-time Directors		
– Basic Salary	1.35	1.35
– House Rent Allowance	0.54	0.54
– Special Allowance	0.81	0.81
– Contribution to Provident Fund	0.16	0.16
<b>Total Remuneration (b)</b>	<b>2.86</b>	<b>2.86</b>
<b>Total Managerial Remuneration (a + b)</b>	<b>4.64</b>	<b>4.64</b>

Computation of Net profit in accordance with section 349 of the companies Act, 1956 and Calculation of commission payable to Non-whole-time directors as per Sec 309(4) of the Companies Act, 1956.

(Rupees in Million)

Particulars	Current Year
Profit before taxation	1,050.64
Add:	
Directors remuneration	4.64
Provision for commission payable to Directors	4.90
Loss on sale of fixed assets (net) as per Sec. 350 of the Companies Act, 1956	0.25
Depreciation as per profit and loss account	438.75
Less: Depreciation as per Sec. 350 of the Companies Act, 1956	(438.75)
<b>Net profit as per Sec 349 of the Companies Act, 1956</b>	<b>1060.43</b>
<b>Maximum Commission allowed to non-whole-time directors as per Sec 309 of the Companies Act, 1956: @ 1% of Net profit u/s 349 of the Companies Act, 1956.</b>	<b>10.60</b>

During the year ended March 31, 2007, the Company has provided for commission of Rs.4.9 million to the non-whole time directors. (Previous year no commission was paid to the non-whole time directors).

### 19.2.3. Activities in foreign currency

(Rupees in Million)

Particulars	Current Year	Previous Year
<b>Earnings in Foreign Currency – FOB value of exports</b>	<b>1,882.01</b>	<b>1,415.39</b>
<b>Expenditure incurred in Foreign Currency</b>	<b>2,623.76</b>	<b>1,115.00</b>
Capital Goods	2,230.84	334.82
Trading Goods	269.29	255.81
Membership & Subscription	0.58	0.28
Travelling, Boarding & Lodging Expenses	13.25	4.22
Marketing Expenses	3.08	396.52
Legal/Professional/Consultancy Expenses	49.39	48.65
Dividend	1.80	2.30
Interest	38.56	62.82
Commission & Brokerage	15.99	9.26
Training Expenses	–	0.29
Others	0.98	0.03

### 19.2.4. Security for borrowings

- Bank finances are secured by hypothecation of stocks of software, book debts, document of title to goods and collaterally secured by properties; personally guaranteed by Whole time Directors and also have additional collateral security by way of pledge of promoters share for part amount.

- ii) Finance for purchase of vehicles are secured by hypothecation of respective vehicles.
- iii) Finances availed from State Bank of India, State Bank of Indore, State Bank of Travancore and UPS Capital Business Credit are personally guaranteed by whole time Directors and also have additional collateral security by way of pledge of promoters share for part amount.

#### 19.2.5. Debtors and Creditors; Loans and Advances

Periodically, the Company evaluates all Debtors and Creditors balances. However, some of these are subject to confirmation.

All 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.

#### 19.2.6.1. Debtors include, dues from Subsidiary Companies are as under:

(Rupees in Million)

Particulars	Current Year	Previous Year
Systat Software Gmbh, Germany	18.10	1.61
Cranes Software (UK) Limited	4.05	3.88
Systat Software Inc., USA	201.53	73.26
<b>Total</b>	<b>223.68</b>	<b>78.75</b>

#### 19.2.6.2. Loans & advance includes, due from Companies under the same management, as under (Disclosure required by Clause 32 of the Listing Agreement):

(Rupees in Million)

Particulars	Current Year	Maximum amount outstanding during the current year	Previous Year	Maximum amount outstanding during the previous year
Cranes Software International Pte Ltd, Singapore	–	1.01	1.01	4.51
EMRC Engg. Mech. Res (India) Ltd	9.64	22.61	30.29	30.29
Cranes Software Inc. USA (NISA Software Inc)	182.97	208.55	4.85	33.85
Tilak Auto Tech Pvt. Ltd	2.61	2.61	–	–
Cranes Software UK Ltd	62.95	62.95	–	–
Systat Software Gmbh	5.81	5.81	5.86	5.86
Systat Software Inc USA	490.62	490.62	490.62	490.62
<b>Total</b>	<b>754.60</b>	<b>794.16</b>	<b>532.63</b>	<b>565.13</b>

#### 19.2.7. Current Investments (Quoted) - In Money market Mutual funds

(Rupees in Million)

PARTICULARS	No. of Units	Face value Rs	Current year	Previous year
HDFC Liquid Fund - Dividend - Daily Reinvestment	61,124	10	0.62	–
HDFC Cash Management Fund - Savings Plan - Daily Dividend-Re-investment	11,821	10	0.13	–
ING Vysya Liquid Fund Institutional - Daily Dividend Reinvestment	23,277	10	0.23	–
ING Vysya Liquid Fund - Daily Dividend Option	5,040	10	0.05	–
ING Vysya Liquid Floating Rate Fund - Daily Dividend	129	10	0.00	–
LICMF Liquid Fund - Dividend Plan	12,894	10	0.14	–
HSBC Cash Fund - Institutional Plus - Daily Dividend	69,961	10	0.70	–
SBI Insta Cash Fund-Reinvestment	11,932	10	0.20	–
HDFC Liquid Fund Dividend Daily Reinvestment	1,098,233	10	11.20	–
HDFC Liquid Fund - Dividend - Daily Reinvestment	245,141	10	2.50	–
HDFC Cash Management Fund - Savings Daily Dividend	188,034	10	2.00	–
SBI Magnum Insta cash Fund - Daily Dividend Option	2,537,268	10	42.50	–
Aggregate Fair value of quoted investments			60.27	
Aggregate cost of quoted investments			60.27	

#### 19.2.8. Dues to Small-scale industrial undertakings

- i. As at March 31, 2007 and March 31, 2006, the Company has no outstanding dues exceeding Rs. 1 Lakh for more than 30 days to Small Scale Industrial undertaking as ascertained and certified by the management.
- ii. In the absence of necessary information with the company relating to the registration status of suppliers under the Micro, Small and Medium Enterprises Development Act, 2006, the information under the said Act could not be compiled and disclosed.



### 19.2.9. Quantitative Details

The Quantitative details of sales and certain information as required under paragraphs 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are as follows:

#### Current Year

Item Description	Opening Stock April 1, 2006	Receipts	Issues	Balance as on March 31,2007
Matlab Media CD Kits	146	761	895	12
Dongles	0	474	474	0
Matlab	178	604	714	68
Simulink	81	364	412	33
Toolboxes	1,352	2,983	3,455	880
DSP Starter kits	56	1141	988	209
Statistics	207	199	184	222
Calculators – TI	71	1,414	1,455	30
BWD	305	0	305	0
Dspace	0	47	47	0
Mentorgraphic	0	2	2	0
<b>TOTAL</b>	<b>2,396</b>	<b>7,989</b>	<b>8,931</b>	<b>1,454</b>

#### Previous Year

Item Description	Opening Stock April 1, 2005	Receipts	Issues	Balance as on March 31,2006
Matlab Media CD Kits	47	829	730	146
Dongles	12	385	397	0
Matlab	141	681	644	178
Simulink	57	401	377	81
Toolboxes	1,093	3,101	2,842	1,352
DSP Starter kits	59	1,533	1,536	56
Statistics	175	332	300	207
Calculators – TI	79	627	635	71
BWD	890		585	305
<b>TOTAL</b>	<b>2,553</b>	<b>7,889</b>	<b>8,046</b>	<b>2,396</b>

The Company is in the business of software development and trading hence information on Licensed and installed capacity is not applicable

### 19.2.10. Repairs and Maintenance includes

(Rupees in Million)

Particulars	Current Year	Previous Year
(i) Building	1.09	0.63
(ii) Machinery	0.50	0.35
(iii) Others	1.72	0.78
<b>Total</b>	<b>3.31</b>	<b>1.76</b>

### 19.2.11. Details of Auditors remuneration

(Rupees in Million)

Particulars	Current Year	Previous Year
Statutory Audit	0.39	0.27
Other Services	0.81	0.27
Out of Pocket Expenses	0.03	0.01
<b>Total</b>	<b>1.23</b>	<b>0.55</b>

### 19.2.12. Dividends remitted in foreign currencies

The Company remitted final dividend equivalent of Rs.1.80 million (Previous year Rs.2.29 million) in foreign currency to one share holder (Previous year - two) holding 1,500,200 units of Rs.2 each per share.(Previous year 459,270 units of shares of face value Rs.10 each) .

### 19.2.13. Reconciliation of basic and diluted shares used in computing earnings per share

(Rupees in Million except share data)

Particulars	Current Year	Previous Year
Net Profit for the period attributable to equity shareholders (A)	928.91	634.39
Adjustment for interest on Foreign Currency convertible Bonds(FCCB) net of Taxes (B)	24.71	1.60
Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B)	953.62	635.99
Number of shares considered as basic weighted average shares outstanding (C)	114.67	107.82
Add: Effect of dilutive issues of shares (D)	19.24	0.70
Number of shares considered as weighted average shares and potential shares outstanding (C+D)	133.91	108.52
Basic Earnings per share (A/C)	8.10	5.88
Diluted Earnings per share (A+B)/(C+D)	7.12	5.86
Nominal Value per share	2.00	2.00

### 19.2.14. Deferred Tax Liability

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

(Rupees in Million)

Deferred Tax Asset	Current Year	Previous Year
Carry forward capital loss	0.04	0.03
Provision for Retirement Benefits	0.87	0.58
<b>(A) Total</b>	<b>0.91</b>	<b>0.61</b>
Deferred Tax Liabilities	Current Year	Previous Year
Difference between book and tax depreciation	295.70	197.76
Deferred revenue expenditure	8.94	46.58
<b>(B) Total</b>	<b>304.64</b>	<b>244.34</b>
Deferred Tax Liability (Net) (A-B)	<b>303.73</b>	<b>243.73</b>

### 19.2.15. Obligations towards long term, non-cancellable operating lease

The Company has taken various offices, vehicles, computers, furniture and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry.

The Company has also taken on non-cancellable operating leases certain offices, the future minimum lease payments in respect of which, as at the close of the year are as follows -

(Rupees in Million)

Lease obligation	Current Year	Previous Year
Due not later than one year	52.44	4.54
Due later than one year but not later than five years	32.95	85.39
Due after five years	Nil	Nil
<b>Total</b>	<b>85.39</b>	<b>89.93</b>

These lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period.

The rental expenses in respect of operating leases recognized in the profit and loss account are Rs.25.75 Million for the year ended March 31, 2007. (Previous year Rs.31.98 Million )

### 19.2.16. Preferential Issue

The Company issued 1,000,000 Equity shares of Rs.2 each at a premium of Rs. 108 per share on preferential basis to strategic investors on September 22, 2006 amounting to Rs. 110 million. During October 2005, the Company had raised 1,200,000 equity shares of Rs.10 each at a premium of Rs.890 per share to promoters and strategic investors. Pending utilization, the aggregate amount of Rs.1190.00 Million is forming part of Balances with Scheduled Banks in Indian Rupees – Deposit Accounts as on March 31, 2007

### 19.2.17. Foreign currency convertible Bonds

The Company issued and allotted on March 17, 2006 Foreign Currency Convertible Bonds (Considered as non-Monetary liability) for Euro 42 Million (Equivalent for Rs. 2,270.10 Million) bearing an interest at 2.5% per annum payable half yearly. The bonds are convertible at any time on and after April 27, 2006 and till close of business on March 11, 2011 and were convertible into shares or GDRs at an initial conversion price of Rs. 143.293 per share with a fixed rate of exchange on conversion of Euro 1.00 = Rs. 52.6828. The outstanding bonds are redeemable at a premium of 12.833% on 18<sup>th</sup> March 2011. Further, based on the relevant clause of the issue document, conversion price has now been refixed at Rs.115. During the year ended 31 March 2007 there has been no conversion of the Bonds into





Shares. If the outstanding bonds as on March 31, 2007 are converted into equity shares or GDRs, then the share capital of the Company will increase by 19,240,675 shares.

Proportionate Premium payable on redemption of FCCB Rs 60 Million has been transferred to FCCB Redemption reserve during the year out of share premium account. In the event that the conversion option is exercised by the holders of FCCB in the future, the amount of premium charged to the share premium account will be suitably adjusted in the respective years.

The use of the proceeds of the FCCB issue as at the last day of the year is as under:

(Rupees in Million)		
Particulars	Current Year	Previous Year
Issue expenses	63.86	62.37
Capital expenditure	1364.56	186.51
Term Loan repayment to Jammu & Kashmir Bank Limited	97.36	79.81
Advance to Subsidiaries	650.55	519.42
Software Imports	123.24	59.26
Others (Exchange Variation )	(75.84)	(70.44)
Interest	30.90	-
<b>Total</b>	<b>2,254.63</b>	<b>836.93</b>

Balance amount of Rs.15.47 Million is forming part of Balances with Scheduled Bank in foreign Currency as on March 31, 2007 (Previous year Rs. 1,370.80 Million)

#### 19.2.18. Research & Development

Research & development expenditure recognized as expenses during the year amounted to Rs15.24 Million (Previous year Rs12.24 Million)

#### 19.2.19. Related Party Disclosures as ascertained by the Management

##### Current Year

(Rupees in Million)

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management	Total
Purchases of Goods/software	19.04	-	-	-	19.04
Sales of Goods	-	-	-	-	-
Purchase of Fixed Assets	16.33	-	-	-	16.33
Investment in Subsidiary	18.16	-	-	-	18.16
Rendering of Services	212.40	-	-	-	212.40
Receiving of Services	48.56	-	-	-	48.56
Loans/advances/equity contributions given	462.53	-	-	-	462.53
Loans/advances/equity contributions taken	-	-	-	-	-
Directors Remuneration	-	-	4.64	-	4.64
Balance as on 31.03.07 receivable	978.27	-	-	-	978.27
Balance as on 31.03.07 payable	11.10	-	-	-	11.10

##### Previous Year

(Rupees in Million)

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management	Total
Purchases of Goods/software	40.37	-	-	-	40.37
Sales of Goods	71.59	-	-	-	71.59
Purchase of Fixed Assets	11.67	-	-	-	11.67
Investment in Subsidiary	57.41	-	-	-	57.41
Rendering of Services	49.44	-	-	-	49.44
Receiving of Services	58.23	-	-	-	58.23
Loans/advances/equity contributions given	514.15	-	-	-	514.15
Loans/advances/equity contributions taken	-	-	-	-	-
Directors Remuneration	-	-	4.64	-	4.64
Balance as on 31.03.06 receivable	610.96	-	-	-	610.96
Balance as on 31.03.06 payable	13.33	-	-	-	13.33

**Note:**

**Names of related parties and description of relationship**

Holding Company	NIL
Subsidiaries	<ol style="list-style-type: none"> <li>1. Systat Software Inc., USA</li> <li>2. Systat Software Asia Pacific Limited,</li> <li>3. Cranes Software UK Ltd.( Systat Software UK Ltd )</li> <li>4. Cranes Software International Pte. Ltd, Singapore</li> <li>5. Systat Software GmbH, Germany</li> <li>6. EMRC Engineering Mechanics Research (India) Ltd</li> <li>7. Cranes Software Inc., USA (NISA Software Inc., USA)</li> <li>8. Analytix Systems Private Ltd</li> <li>9. Tilak Autotech Private Ltd</li> <li>10. Dunn Solutions Group Inc., USA</li> </ol>
Key Management Personnel	<p>Mr.Asif Khader Mr.Mukkaram Jan Mr.Mueed Khader</p>
Relatives of Key Management Personnel	Nil
Associates	<p>Orca Infotech Private Limited K&amp;J Holdings Private Limited Jansons Jansons Telecom Private Limited Jansons Land &amp; Property Development Pvt Ltd SPSS South Asia Private Limited Keysoft Solutions Private Limited Spice Capital Fund Private Limited Sea Equity Enterprises Private Limited</p>

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

**19.2.20. Segment Reporting**

The Company has identified Geographic segments as its primary segment and Business segments as its secondary segment.

Primary Segments	– a) Exports and b) Domestic
Secondary Segments	– a) Proprietary Products and Services and b) Product Alliances

**Primary Segment Information – Geographical Segment**

(Rupees in Million)

SL.No.	Particulars	Current Year			Previous Year		
		Export	Domestic	Total	Export	Domestic	Total
1	<b>Segment Revenue</b>	1,882.01	583.33	2,465.34	1,415.39	454.81	1,870.20
2	<b>Segment Results</b>	994.13	94.10	1,088.23	855.54	46.24	901.78
	Other Income	-	-	10.73	-	-	0.05
	Operating Profit	-	-	1,098.96	-	-	901.83
	Interest Expenses	-	-	48.32	-	-	80.85
	Profit Before Tax	-	-	1,050.64	-	-	820.98
	Tax expenses	-	-	127.85	-	-	186.59
	<b>Profit after tax</b>	-	-	922.79	-	-	634.39
	Adjustments relating to earlier years	-	-	6.12	-	-	0.00
	<b>Net Profit</b>	-	-	928.91	-	-	634.39
3	<b>Segment Assets</b>	6,839.69	1,818.15	8,657.84	5,263.25	1,090.73	6,353.98
	Unallocated Corporate Assets	-	-	344.71	-	-	328.27
	Total Assets	-	-	9,002.55	-	-	6,682.25
	<b>Segment Liabilities</b>	174.45	59.25	233.70	305.03	93.56	398.59
	Unallocated Corporate Liabilities	-	-	5,054.70	-	-	3,634.47
	Total Liabilities	-	-	5,288.40	-	-	4,033.06
	<b>Segment Capital Employed</b>						
	(Segment Assets – Segment Liabilities)	6,665.24	1,758.90	8,424.14	4,958.22	997.17	5,955.39
4	<b>Segment Capital Expenditure</b>	983.38	261.14	1,244.52	511.68	104.80	616.48
5	<b>Segment Depreciation</b>	346.61	92.14	438.75	206.87	42.37	249.24



## Secondary Segment Information - Business Segment

(Rupees in Million)

Sl.No.	Particulars	Current Year		Previous Year	
		Proprietary products and services	Product Alliances	Proprietary products and services	Product Alliances
1.	Segment Revenue	1,983.19	482.15	1,471.50	398.70
2.	Segment Results	1,033.05	55.18	862.20	39.58
3.	Segment Assets	8,145.42	512.42	5,992.99	360.99
4.	Capital Expenditure	923.62	320.90	453.18	163.30

### 19.2.21. Previous year's figures have been regrouped and reclassified wherever necessary

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 : June 28, 2007

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I Registration Details

Registration # 31621

State code 08

Balance sheet date 310307

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

Public issue Nil

Rights issue Nil

Bonus issue Nil

Private placement/Preferential issue 110000

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

Total liabilities 8939572

Total assets 8939572

#### Sources of funds

Paid up capital 229336

Reserves & Surplus 3792343

Secured Loans 1265214

Unsecured loans 3348951

Deferred Tax Liability (Net) 303728

#### Application of funds

Net fixed assets 3798714

Investments 344720

Net current assets 4488617

Miscellaneous expenditure 307521

\* Including capital work in progress

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

Turnover 2476064

Total expenditure 1425428

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

Profit / Loss before tax 1050636

Profit / Loss after tax 928911

Earnings per share in Rs.

Dividend rate % 50%

- Basic 8.10

- Diluted 7.12

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

Item code # (ITC Code) 85249009

Product description Software

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 : June 28, 2007



## STATEMENT OF CASH FLOWS

PARTICULARS	Current Year (Rs.)	Previous Year (Rs.)
<b>Cash flows from operating activities</b>		
Net profit before taxation	1,050,635,517	820,977,806
<b>Adjustments for</b>		
Prior period adjustment	6,125,383	—
Profit / Loss on sale of Investments / Fixed assets	251,586	—
Exchange difference on translation of foreign currency cash & cash equivalents	(517,739)	6,561,793
Depreciation and amortization	438,748,975	249,245,288
Preliminary expenses / Deferred revenue expenditure	160,220,074	21,939,562
Dividend / interest income (Net)	(119,052,937)	(43,267,185)
Interest expense on borrowings	165,348,342	124,074,255
Operating profit before working capital changes	1,701,759,201	1,179,531,519
<b>Adjustments for working capital</b>		
Inventory	5,570,988	39,417,138
Debtors	(48,030,438)	46,832,644
Loans and advances	(176,479,188)	(898,939,929)
Current liabilities & provisions	(162,446,489)	372,616,475
Cash generated from operations	1,320,374,074	739,457,847
<b>Adjustments</b>		
Direct Taxes paid	(65,539,907)	(146,632,833)
<b>Net cash flow from Operating Activities</b>	<b>1,254,834,167</b>	<b>592,825,014</b>
<b>Cash flows from investing activities</b>		
Purchase of Investments	(60,379,258)	—
Investments in Subsidiaries	(18,162,487)	(57,409,125)
Dividend / Interest received	119,052,937	43,267,185
Proceeds from sale of Fixed assets	234,761	—
Acquisition of property, fixed assets (including advances)	(2,752,397,597)	(1,074,082,216)
<b>Net cash flow from Investing Activities</b>	<b>(2,711,651,644)</b>	<b>(1,088,224,156)</b>
<b>Cash flows from financing activities</b>		
Share Capital	2,000,000	12,000,000
Share Premium	108,000,000	1,068,000,000
Dividend and Dividend Tax	(155,536,478)	(57,884,836)
Interest on borrowed funds	(159,508,066)	(124,074,255)
Secured Loans / Borrowings	770,777,588	(661,147,618)
Unsecured Loans	600,232,873	2,742,877,998
<b>Net cash flow from Financing Activities</b>	<b>1,165,965,917</b>	<b>2,979,771,289</b>
Exchange difference on translation of foreign currency cash & cash equivalents.	517,739	(6,561,793)
Net increase/(decrease) in Cash and Cash Equivalents	<b>(290,333,821)</b>	<b>2,477,810,354</b>
Opening cash and cash equivalents	2,886,038,519	408,228,165
<b>Closing cash and cash equivalents</b>	<b>2,595,704,698</b>	<b>2,886,038,519</b>

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 : June 28, 2007

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES**

Name of the Subsidiary Company	Systat Software GmbH, Germany	Systat Software Inc. USA (Consolidated with Cranes Software UK Ltd)	Systat Software Asia Pacific Ltd	Cranes Software International Pte. Ltd, Singapore	EMRC Engineering Mechanics Research (India) Ltd	Cranes Software Inc., USA (NISA Software Inc. USA) (Consolidated with Dunn solutions Goup Inc., USA)	Tilak Autotech Pvt.Ltd	Analytix Systems Pvt.Ltd
Financial period ended	<b>31.3.2007</b>	<b>31.3.2007</b>	<b>31.3.2007</b>	<b>31.3.2007</b>	<b>31.3.2007</b>	<b>31.3.2007</b>	<b>31.3.2007</b>	<b>31.3.2007</b>
a) No. of shares held	1	974,166	380,000	165,692	5,000	316,885	100,000	20,000
b) Face value per share	EURO 25,000	USD 1	INR 10	SGD 1	INR 100	USD 1	INR 10	INR 10
c) Extent of interest as at year end	100%	100%	100%	100%	100%	100%	100%	100%
The Net aggregate amount of Profits /(losses) of the subsidiary for the current period so far as it concerns the members of the holding company								
a) Dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-
b) Not dealt with or provided for in the accounts of the holding company	EURO (42,126)	USD (772,600)	INR (1,692,766)	SGD 11333	INR (1,143,502)	USD 122,641	INR (1,464,102)	INR (37,115)
The Net aggregate amount of Profits / (losses) for the previous financial years of the Subsidiary so far as it concerns the members of the holding company								
a) Dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-
b) Not dealt with or provided for in the accounts of the holding company	EURO (137,163)	USD 691,815	INR 4,883,607	SGD (17,611)	INR (839,846)	USD (257,176)	-	-

For and on behalf of the Board

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Place : Bangalore  
Date : June 28, 2007





# **CONSOLIDATED FINANCIAL STATEMENTS**

2006-07

## Auditors' Report on Consolidated Financial Statements

We have examined the attached Consolidated Balance Sheet of M/s Cranes Software International Limited, Bangalore and its subsidiaries as at 31st March, 2007, and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. 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 report that the consolidated financial statements have been prepared by the Company's management 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, 2007).

Based on our audit and on consideration of reports of other auditors on separate financial statements and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2007;
- b. in the case of Consolidated Profit and Loss Account, of the consolidated profits of the Company and its subsidiaries for the year ended on that date; and
- c. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

for S.JANARDHAN & ASSOCIATES  
CHARTERED ACCOUNTANTS

Place : Bangalore  
Date : 28.06.2007

**Balakrishna S. Bhat**  
Partner  
Membership No.202976





## CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2007

PARTICULARS	Sch. No.	Current Year Rs	Previous Year Rs
<b>SOURCES OF FUNDS</b>			
<b>1 Shareholders' Funds</b>			
Share Capital	1	229,335,940	227,335,940
Reserves and Surplus	2	3,733,365,415	2,897,056,317
		<b>3,962,701,355</b>	<b>3,124,392,257</b>
<b>2 Loan Funds</b>			
Secured Loans	3	1,265,214,040	494,436,452
Unsecured Loans	4	3,348,951,148	2,742,877,998
		<b>4,614,165,188</b>	<b>3,237,314,450</b>
<b>3 Deferred Tax Liability (Net)</b>		<b>332,812,237</b>	<b>259,561,106</b>
<b>TOTAL</b>		<b>8,909,678,780</b>	<b>6,621,267,813</b>
<b>APPLICATION OF FUNDS</b>			
<b>4 Fixed Assets</b>			
Gross Block	5	3,472,866,338	2,221,666,225
Less : Accumulated Depreciation		1,145,130,207	696,993,354
Less : Impairment Loss		89,503	—
Net Block		2,327,646,628	1,524,672,871
Capital Work in Progress		2,308,834,542	698,281,387
		<b>4,636,481,170</b>	<b>2,222,954,258</b>
<b>5 Goodwill on consolidation</b>		<b>319,838,689</b>	<b>6,204,777</b>
<b>6 Investments</b>	6	<b>72,165,430</b>	<b>11,886,172</b>
<b>7 Current Assets, Loans &amp; Advances</b>			
Inventories	7	17,796,462	24,517,495
Sundry Debtors	8	1,068,917,656	1,055,693,135
Cash and Bank Balances	9	2,809,618,742	2,905,235,528
Loans and Advances	10	278,959,305	498,722,743
		<b>4,175,292,165</b>	<b>4,484,168,901</b>
<b>8 Less : Current Liabilities &amp; Provisions</b>	11		
Current Liabilities		463,782,229	416,042,299
Provisions		139,704,581	159,379,406
		<b>603,486,810</b>	<b>575,421,705</b>
<b>9 Net Current Assets</b>		<b>3,571,805,355</b>	<b>3,908,747,196</b>
<b>10 Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	12	<b>309,388,136</b>	<b>471,475,410</b>
<b>11 Significant Accounting Policies and Notes to Consolidated Accounts</b>	19		
<b>TOTAL</b>		<b>8,909,678,780</b>	<b>6,621,267,813</b>

Schedules Nos. 1 to 12 and 19 form an integral part of Balance Sheet

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

For and on behalf of the Board

**Balakrishna S. Bhat**  
Partner

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

**Parasuram B**  
Company Secretary

Place : Bangalore

Date : June 28, 2007

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2007

PARTICULARS	Sch. No.	Current Year Rs		Previous Year Rs	
<b>INCOME</b>					
Sales	13	2,837,280,774		2,108,722,384	
Other Income	14	11,291,258	<b>2,848,572,032</b>	1,154,535	<b>2,109,876,919</b>
<b>EXPENDITURE</b>					
Cost of Goods Sold	15	482,791,669		400,311,636	
Personnel Expenses	16	403,977,692		263,469,995	
Administrative Expenses	17	455,667,153		266,280,535	
Interest and Financial Charges	18	48,349,282		81,512,419	
Depreciation		448,572,851		285,791,990	
Impairment Loss		89,503	<b>1,839,448,150</b>	–	<b>1,297,366,575</b>
<b>PROFIT BEFORE TAX</b>			<b>1,009,123,882</b>		<b>812,510,344</b>
Less: Provision for					
(i) Income Tax			83,494,142		63,366,162
(ii) Deferred Tax			57,663,915		125,225,362
(iii) Fringe Benefit Tax			2,872,926		1,924,825
<b>PROFIT AFTER TAX</b>			<b>865,092,899</b>		<b>621,993,995</b>
Add: Depreciation writtenback			–		2,769,516
Add/(Less): Adjustments relating to earlier years			6,137,607		112,450
<b>NET PROFIT</b>			<b>871,230,506</b>		<b>624,875,961</b>
Add: Balance brought forward from previous year			409,698,796		237,747,161
Add: Transfer to goodwill on consolidation			–		3,964,777
Less: Revenue loss on consolidation			–		(1,357,220)
<b>Profit available for appropriation</b>			<b>1,280,929,302</b>		<b>865,230,679</b>
<b>Appropriations</b>					
Proposed Equity Dividend			114,667,970		136,401,564
Tax on Dividend			19,487,822		19,130,319
General Reserve - Transfer			300,000,000		300,000,000
Balance carried to Balance Sheet			846,773,510		409,698,796
			<b>1,280,929,302</b>		<b>865,230,679</b>
<b>Earnings Per Share</b>					
–Basic			7.60		5.80
–Diluted			6.69		5.77
<b>Significant Accounting Policies and Notes to Consolidated Accounts</b>	19				

Schedule Nos 13 to 19 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 : June 28, 2007



## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2007

PARTICULARS	Current Year Rs	Previous Year Rs
<b>SCHEDULE NO.1 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
165,000,000 Equity Shares of Rs.2/- each [Previous year 165,000,000 Equity Shares of Rs.2/- each]	330,000,000	330,000,000
200,000 Preference Shares of Rs.100/- each [Previous year 200,000 Preference Shares of Rs.100/- each]	20,000,000	20,000,000
<b>TOTAL</b>	<b>350,000,000</b>	<b>350,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
114,667,970 [Previous year 113,667,970] Equity shares of Rs.2/- each fully paid up. (Of the above 40,912,200 (Previous year 40,912,200) Equity shares of of Rs. 2/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited with the Company and nil (Previous year 56,833,985) shares are allotted as fully paid up by way of bonus shares.]	229,335,940	227,335,940
<b>TOTAL</b>	<b>229,335,940</b>	<b>227,335,940</b>
<b>SCHEDULE NO.2: RESERVES AND SURPLUS</b>		
<b>(a) Capital Reserve</b>	<b>576,353</b>	<b>576,353</b>
<b>(b) Capital Redemption Reserve</b>		
Opening Balance	–	20,000,000
Less: Capitalised for issue of bonus shares	–	20,000,000
	–	–
<b>(c) Share Premium Account</b>		
Opening Balance	1,540,664,134	566,332,104
Add: Receipts on issue of preferential allotment	108,000,000	1,068,000,000
	1,648,664,134	1,634,332,104
Less: Capitalised for Issue of bonus shares	–	93,667,970
Less: Transfer to FCCB Premium Redemption Reserve	60,000,000	–
	<b>1,588,664,134</b>	<b>1,540,664,134</b>
<b>(d) FCCB Premium Redemption Reserve</b>		
Opening Balance	–	–
Add: Transfer from Share Premium account	60,000,000	–
	<b>60,000,000</b>	–
<b>(e) General Reserve</b>		
Opening Balance	943,000,000	643,000,000
Add: Transfer from Profit and Loss Account	300,000,000	300,000,000
	<b>1,243,000,000</b>	<b>943,000,000</b>
<b>(f) Foreign Currency Translation Reserve</b>	<b>(5,648,582)</b>	<b>3,117,054</b>
<b>(g) Balance in profit and loss account</b>	<b>846,773,510</b>	<b>409,698,776</b>
<b>TOTAL</b>	<b>3,733,365,415</b>	<b>2,897,056,317</b>
<b>SCHEDULE NO.3: SECURED LOANS</b>		
<b>Jammu &amp; Kashmir Bank Limited</b>		
Cash Credit Account	132,923,274	155,005,290
Term Loan Account (For Security, refer Note No 19.2.3 (i))	239,885,100	333,317,400
<b>Short Term Loan</b>		
<b>Vehicle Loan</b>		
HDFC Bank Limited	4,527,545	6,113,762
Kotak Mahindra Prime Limited (For Security, refer Note No 19.2.3 (ii))	4,051,125	–
<b>Others</b>		
Bank of India	297,981,274	–
Hongkong and Shanghai Banking Corporation Limited (For Security, refer Note No 19.2.3 (i))	585,845,722	–
<b>TOTAL</b>	<b>1,265,214,040</b>	<b>494,436,452</b>
<b>SCHEDULE NO.4: UNSECURED LOANS</b>		
<b>Short Term Loan</b>		
<b>From Scheduled Banks</b>		
State Bank of India	558,369,816	–
State Bank of Indore	250,000,000	–
State Bank of Travancore	201,710,451	200,000,000
Hongkong and Shanghai Banking Corporation Limited (Refer Note No 19.2.3 (iii))	–	266,477,998
<b>From others</b>		
UPS Capital Business Credit (Refer Note No 19.2.3 (iii))	68,770,881	–
Foreign Currency Convertible Bonds (Refer Note No 19.2.7)	2,270,100,000	2,276,400,000
<b>TOTAL</b>	<b>3,348,951,148</b>	<b>2,742,877,998</b>

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2007

### SCHEDULE NO 5: FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	COST AS ON 01.04.2006	ADDITIONS	DELETIONS	TOTAL AS ON 31.03.2007	UPTO 01.04.2006	FOR THE YEAR	WITHDRAWN	IMPAIRMENT LOSS	TOTAL UPTO 31.03.2007	AS ON March 31, 2007	AS ON March 31, 2006
LAND & BUILDINGS	31,205,189	—	—	31,205,189	820,376	56,644	—	—	877,020	30,328,169	30,384,813
FURNITURE & FIXTURES	37,694,130	7,327,575	107,317	44,914,388	9,858,937	3,028,231	4,427	—	12,882,741	32,031,647	27,835,193
COMPUTERS	80,408,058	21,739,332	117,853	102,029,537	50,358,747	11,114,299	22,890	—	61,450,156	40,579,381	30,049,312
COMPUTER SOFTWARE	2,028,592,253	1,211,981,348	—	3,240,573,601	628,767,108	430,217,483	—	—	1,058,984,591	2,181,589,010	1,399,825,144
PLANT & MACHINERY	26,399,818	4,876,724	136,241	31,140,301	4,468,202	2,268,910	76,590	89,503	6,750,025	24,390,276	21,931,616
VEHICLE	17,366,777	6,257,130	620,585	23,003,322	2,719,984	1,887,284	332,091	—	4,275,177	18,728,145	14,646,793
<b>TOTAL</b>	<b>2,221,666,225</b>	<b>1,252,182,109</b>	<b>981,996</b>	<b>3,472,866,338</b>	<b>696,993,354</b>	<b>448,572,851</b>	<b>435,998</b>	<b>89,503</b>	<b>1,145,219,710</b>	<b>2,327,646,628</b>	<b>1,524,672,871</b>
PREVIOUS YEAR	1,652,717,369	568,948,856	—	2,221,666,225	413,970,880	285,791,990	2,769,516	—	696,993,354	1,524,672,871	1,238,746,489





## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2007

PARTICULARS	CURRENT YEAR RS	PREVIOUS YEAR Rs
<b>SCHEDULE NO.6: INVESTMENTS</b>		
<b>Long-Term Investment</b> (NonTrade - Unquoted) (Valued at Cost)		
Esqube Communication Solutions Private Limited 1,765 Equity shares of Rs.10/- each fully paid up [Previous Year - 1,765 Equity shares of Rs.10/- each fully paid up]	10,000,000	10,000,000
Cranes Software Middle East LLC UAE 147 Equity Shares of UAE Dirham 1,000/- each fully paid up [Previous year 147 Equity shares of UAE Dirhams 1000 each fully paid]	1,786,172	1,786,172
S.Wave Systems Private Limited 10,000 Equity Shares of Rs 10/- each fully paid [Previous Year 10,000 Equity shares of Rs. 10/- each fully paid]	100,000	100,000
<b>Current Investment</b> (Quoted) (Valued at lower of cost or fair value)		
Mutual Funds (Refer Note No: 19.2.5.)	60,279,258	—
<b>TOTAL</b>	<b>72,165,430</b>	<b>11,886,172</b>
<b>SCHEDULE NO.7: INVENTORIES</b>		
(Valued at lower of cost or net realisable value)		
Stock - in - trade	17,796,462	24,517,495
<b>TOTAL</b>	<b>17,796,462</b>	<b>24,517,495</b>
<b>SCHEDULE NO.8: SUNDRY DEBTORS</b>		
(Unsecured - Considered Good)		
(a) Debts outstanding for a period exceeding six months	47,387,325	184,062,906
(b) Other debts	1,021,530,331	871,630,229
<b>TOTAL</b>	<b>1,068,917,656</b>	<b>1,055,693,135</b>
<b>SCHEDULE NO.9: CASH AND BANK BALANCES</b>		
<b>(a) Balances with Scheduled Banks in Indian Rupees:</b>		
(i) Current Accounts	104,327,168	27,571,996
(ii) Deposit Accounts	2,465,713,387	1,504,358,888
(iii) Dividend Accounts	140,044	144,859
<b>(b) Balances with Scheduled Banks in Foreign Currency</b>		
(i) Current Accounts	51,003,838	343,021,859
(ii) Deposit Account	14,900,098	1,030,075,065
	2,636,084,535	2,905,172,667
<b>(c) Cash on Hand</b>	113,007	62,861
<b>(d) Money in Transit</b>	173,421,200	
<b>TOTAL</b>	<b>2,809,618,742</b>	<b>2,905,235,528</b>
<b>SCHEDULE NO.10: LOANS AND ADVANCES</b>		
(Unsecured - Considered Good)		
(a) Advances recoverable in cash or kind or for value to be received	210,885,291	457,895,261
(b) Deposits	68,074,014	40,827,482
<b>TOTAL</b>	<b>278,959,305</b>	<b>498,722,743</b>
<b>SCHEDULE NO.11: CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
(a) Sundry Creditors	463,098,148	415,903,358
(b) Due to Directors	549,735	—
(c) Unclaimed Dividend	134,346	138,941
<b>TOTAL</b>	<b>463,782,229</b>	<b>416,042,299</b>
<b>PROVISIONS</b>		
(a) Proposed Equity Dividend(including tax)	134,155,792	155,531,883
(b) Income Tax (net of advances)	4,571,129	3,402,192
(c) Fringe Benefit Tax	977,660	445,331
<b>TOTAL</b>	<b>139,704,581</b>	<b>159,379,406</b>
<b>SCHEDULE NO.12: MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Amalgamation Expenses	321,558	949,894
Deferred Revenue Expenditure	471,153,852	35,006,790
	471,475,410	35,956,684
Additions during the year	—	459,352,988
	471,475,410	495,309,672
Less : Written off during the year	162,087,274	23,834,262
<b>TOTAL</b>	<b>309,388,136</b>	<b>471,475,410</b>

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2007

PARTICULARS	CURRENT YEAR RS	PREVIOUS YEAR Rs
<b>SCHEDULE - 13: SALES</b>		
<b>Software Sales &amp; Services</b>		
Exports	2,251,425,133	1,626,007,164
Domestic	512,913,868	427,538,010
	2,764,339,001	2,053,545,174
<b>Software Training</b>	72,941,773	55,177,210
<b>TOTAL</b>	<b>2,837,280,774</b>	<b>2,108,722,384</b>
<b>SCHEDULE - 14: OTHER INCOME</b>		
Dividend received	2,026,575	52,683
Commission Received	5,665,181	-
Miscellaneous Income	3,599,502	1,101,852
<b>TOTAL</b>	<b>11,291,258</b>	<b>1,154,535</b>
<b>SCHEDULE - 15: COST OF GOODS SOLD</b>		
Opening Stock	24,608,274	61,548,795
ADD: Purchases	451,814,320	351,702,226
ADD: Direct Expenses	24,165,537	11,668,889
	500,588,131	424,919,910
LESS: Closing Stock	17,796,462	24,608,274
<b>TOTAL</b>	<b>482,791,669</b>	<b>400,311,636</b>
<b>SCHEDULE - 16: PERSONNEL EXPENSES</b>		
Salaries & Other Allowances	355,927,054	246,444,442
Contribution to Provident and other Funds	27,829,782	7,821,563
Staff Welfare	20,220,856	9,203,990
<b>TOTAL</b>	<b>403,977,692</b>	<b>263,469,995</b>
<b>SCHEDULE - 17: ADMINISTRATIVE EXPENSES</b>		
Auditors Remuneration	2,297,002	1,101,285
General Expenses	88,878,523	72,885,380
Sales Commission	37,044,884	12,212,376
Insurance	9,207,720	2,046,930
Office Rent	47,441,487	42,009,901
Advertisement	34,276,202	38,367,285
Electricity & Water Charges	8,090,584	7,062,863
Rates and Taxes	1,003,586	2,888,601
Directors Remuneration	4,642,800	4,642,800
Travelling and Conveyance	44,810,487	39,650,023
Repairs & Maintenance	3,964,576	5,076,760
Commission to Non-Whole Time Directors	4,900,000	-
Directors Sitting Fees	-	78,000
Deferred Revenue & Amalgamation Expenses Written Off	162,087,274	23,834,262
Loss on sale of Asset	265,237	-
Legal & Professional Charges	6,139,127	14,086,708
Bad debts	617,664	337,361
<b>TOTAL</b>	<b>455,667,153</b>	<b>266,280,535</b>
<b>SCHEDULE - 18: INTEREST &amp; FINANCIAL CHARGES (Net)</b>		
Fixed Loans	68,415,198	36,020,351
Others	96,960,446	88,706,570
	<b>165,375,644</b>	<b>124,726,921</b>
Less : Interest received on Fixed Deposit [TDS : Rs 23,858,403] [Previous Year TDS : Rs.9,493,294]	<b>117,026,362</b>	<b>43,214,502</b>
<b>TOTAL</b>	<b>48,349,282</b>	<b>81,512,419</b>



## SCHEDULE NO. 19

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### 19.1. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

##### 19.1.1. Basis of Consolidation

The Consolidated Financial statements of the Company and its Subsidiaries are prepared under historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

The Financial Statements of the Subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

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 Consolidation of the financial statements of the holding company and its Subsidiaries is done to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses; inter group transactions, balances and un realized inter company profits have been eliminated in the process of consolidation.

The excess of cost to the Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognized as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statement.

The Accounts of foreign Subsidiaries are classified as non-integral foreign operations and are translated into Indian Rupees (reporting currency) for Balance Sheet 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 has been used.

##### 19.1.2. Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as on the date of the financial statements and the reported amounts of revenue and expenses of the year. Actual results could differ from these estimates. Any revision to accounting estimate is recognized prospectively in current and future periods.

##### 19.1.3. Revenue Recognition

- i. Revenue from sale of products is recognized, in accordance with the sales contract, on delivery of goods to the Customer. Revenue from product sales are shown net of taxes.
- ii. Revenue on Software Development services comprises revenue priced on a time and material and fixed-price contracts. Revenue priced on a time and material contracts are recognized as related services are performed. Revenue from fixed-price, fixed time-frame contracts is recognized in accordance with the percentage of completion method.
- iii. Revenue from Technical Service, Training, support and other services is recognized as the related services are performed over the duration of the contract/course.
- iv. Dividend is recognized when the right to receive the dividend is established at the balance sheet date.

##### 19.1.4. Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and the changes during the period in inventories and operating receivables and payables. The cash flows from regular revenue generating, investing and financing activities of the Company are shown separately.

##### 19.1.5. Fixed Assets

###### (a) Tangible Fixed Assets

- i. Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its present location and condition. Exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are adjusted in the cost of such assets.
- ii. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date the fixed asset is ready for its intended use is capitalized.
- iii. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date and the cost of fixed assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

###### (b) Intangible Assets

- i. All intangible assets are stated at cost less accumulated amortization.
- ii. The cost of acquired intangible assets is the consideration paid for acquisition and other incidental costs incurred in bringing the intangible asset for its intended use.

- iii. Internally generated intangible assets are valued at cost which were incurred during the development phase of intangibles which comprises of expenditure on materials and services used or consumed, salaries and other employment related cost of personnel engaged in development of intangible asset, other direct expenditures and overheads that are necessary for the generation of the intangible asset and that can be allocated on a reasonable basis.
- iv. Interest on borrowed money allocated to and utilized for intangible assets, pertaining to the period up to the date the intangible asset is ready for its intended use is capitalized.
- v. Amount paid towards the acquisition of intangible assets, which is not put to use as at reporting date and the cost of intangible assets not ready for its intended use before such date is disclosed under Capital Work-in-progress.

#### **(c) Impairment of Assets**

The Company assesses at each balance sheet date using internal and external sources, whether there is any indication that an asset (both tangible and intangible) including goodwill may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

#### **19.1.6. Research and Development**

Research cost are charged to Profit and Loss account and the expenditure incurred relating to the Development phase are treated as advances in Capital Work in progress and will be capitalized when the intangible asset is ready for use.

#### **19.1.7. Depreciation and Amortization**

- i. Depreciation on tangible assets has been provided on Straight Line method at the rates prescribed under the respective applicable laws in case of each subsidiaries.
- ii. Other Intangible assets (other than goodwill) are amortized over their respective individual estimated useful lives on straight-line basis, commencing from the date the asset is available to the Company for its use as estimated by the management.
- iii. After recognition of impairment loss, the depreciation charge for the asset is on the revalued amount prospectively over the remaining useful life of the asset.

#### **19.1.8. Inventories**

The Companies Inventories comprises of Third Party software products and Own software products

- i. Own software products which are developed/being developed are valued at allocated cost on specific identification method or the net realizable value whichever is lower.
- ii. Third party software products are valued at cost or net realizable value, whichever is lower. The cost formula used is on weighted average basis.

Net realizable value is the estimated selling price in ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale. The cost of inventories is net of VAT credit.

#### **19.1.9. Investments**

Investments are either classified as current or long term based on the management's intention at the time of purchase.

- i. Long term investments are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.
- ii. Current investments are valued at lower of cost or fair value.

#### **19.1.10. Effect of Exchange Fluctuation on Foreign Currency Transactions**

- i. Foreign currency transactions are recorded at exchange rate prevailing on the date of the transaction. Exchange differences are recorded when the amount actually received on sales or actually paid when the expenditure is incurred, is converted into Indian Rupees. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.
- ii. Non – Monetary assets and liabilities are translated at the rate prevailing on the date of transaction.
- iii. Period-end balances of monetary foreign currency assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. The resulting exchange difference is recorded in the profit and loss account.
- iv. For the purpose of the translation of financial statement of foreign subsidiaries, the same are classified as non-integral foreign operations. In case of non-integral foreign operation accounts, all assets and liabilities both monetary and non-monetary are translated at the closing rate. Items of income and expenses are translated at the average exchange rate for the period. Resulting exchange rate difference is accumulated in 'Foreign currency translation reserve' as a separate component of shareholders' funds, until the disposal of "Net investment in non-integral foreign operation".



#### 19.1.11. Employees' Benefits

Retirement benefit plans, pension schemes and defined contribution plans, or funds are governed by the statutes of the countries in which the holding and subsidiaries are located and also as per the rules of the respective companies. Such contribution to the funds or future liability on actuarial valuation is charged to Profit and Loss Account. In case of leave encashment, the Accrued liability is provided based on the unavailed leave to the credit of employees in accordance with the rules of the respective subsidiary companies wherever applicable. Whereas the holding company provides on the basis of actuarial valuation.

#### 19.1.12. Income Tax / Deferred Tax

- i. Current Income tax expense comprises of taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.
- ii. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet dates.
- iii. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction.
- iv. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

#### 19.1.13. Earnings per Share

- i. Basic 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. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares (FCCB). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

#### 19.1.14. Leases

- i. Lease arrangements where substantial risk and rewards incidental to ownership vests with the lessor, such leases are recognized as operating leases.
- ii. Lease payments under operating lease are recognized as an expense in the profit and loss account.

### 19.2. NOTES ON ACCOUNTS

#### 19.2.1. Particulars of the Subsidiary Companies considered in the consolidated financial statements and their reporting dates

Sl. No.	Name of Company	Country of incorporation	Extent of holding %	Reporting date as at
i.	Systat Software Inc., USA	USA	100%	March 31, 2007
ii.	Cranes Software UK Limited (Earlier known as Systat Software UK Limited)	UK	Wholly Owned step down subsidiary of Systat Software Inc	March 31, 2007
iii.	Systat Software Asia Pacific Limited	India	100%	March 31, 2007
iv.	Systat Software GmbH, Germany	Germany	100%	March 31, 2007
v.	Cranes Software International Pte Limited	Singapore	100%	March 31, 2007
vi.	EMRC Engineering Mechanics Research (India) Limited	India	100%	March 31, 2007
vii.	Cranes Software Inc., USA (Earlier known as Nisa Software Inc., USA)	USA	100%	March 31, 2007
viii.	Analytix Systems Private Limited *	India	100%	March 31, 2007
ix.	Tilak Autotech Pvt Ltd *	India	100%	March 31, 2007
x.	Dunn Solutions Group Inc *	USA	Wholly Owned step down subsidiary of Cranes Software Inc.	March 31, 2007

\* Acquired during the year

During the period under review,

- i. The Company subscribed to 100% share capital of Analytix Systems Private Limited, a private limited company offering solutions in Analytics and also took over their business.
- ii. The Company through its wholly owned subsidiary Cranes Software Inc, USA, (earlier known as NISA Software Inc., USA) subscribed

- to 100% share capital of Dunn Solutions Group Inc., USA, a technology consultancy company specializing in business intelligence, transactional and knowledge solutions.
- iii. The Company has subscribed to 100% share capital of Tilak Autotech Private Limited, a private limited company based in Pune offering solutions in automotive controls.
  - iv. The company took over the business of development of computer aided engineering software (NISA suite of products) and consulting services of EMRC Engineering Mechanics Research (India) Limited, a wholly owned subsidiary.
  - v. The company acquired the businesses of Ariel Corporation Ltd and Ariel Business Information Systems Ltd.

#### 19.2.2. Contingent liabilities not provided for and Capital commitments -

(Rupees in Million)

Particulars	Current Year	Previous Year
Contingent liabilities not provided for		
(a) Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favor of various government authorities and others	2.40	2.45
(b) Claims against the Company not acknowledged as debts Tax matters in dispute under appeal	3.65	5.80
Estimated amount of contracts remaining to be executed on capital account and not provided for	130.34	1.67

#### 19.2.3. Security for borrowings

- i) Bank finances are secured by hypothecation of stocks of software, book debts, document of title to goods and collaterally secured by properties; personally guaranteed by Whole time Directors and also have additional collateral security by way of pledge of promoters share for part amount.
- ii) Finance for purchase of vehicles are secured by hypothecation of respective vehicles.
- iii) Finances availed from State Bank of India, State Bank of Indore, State Bank of Travancore and UPS Capital Business Credit are personally guaranteed by whole time Directors and also have additional collateral security by way of pledge of promoters share for part amount.

#### 19.2.4. Reconciliation of basic and diluted shares used in computing earnings per share

(Rupees in Million except share data)

Particulars	Current Year	Previous Year
Net Profit for the period attributable to equity shareholders (A)	871.23	624.88
Adjustment for interest on Foreign Currency convertible Bonds(FCCB) net of Taxes (B)	24.71	1.60
Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B)	895.94	626.48
Number of shares considered as basic weighted average shares outstanding (C)	114.67	107.82
Add: Effect of dilutive issues of shares (D)	19.24	0.70
Number of shares considered as weighted average shares and potential shares outstanding (C+D)	133.91	108.52
Basic Earnings per share (A/C)	7.60	5.80
Diluted Earnings per share (A+B)/(C+D)	6.69	5.77
Nominal Value per share	2.00	2.00

#### 19.2.5. Current Investments (Quoted) - In Money market Mutual Funds

(Rupees in Million)

PARTICULARS	No. of Units	Face value Rs	Current year	Previous year
HDFC Liquid Fund –Dividend - Daily reinvestment	61,124	10	0.62	-
HDFC Cash Management Fund - Savings Plan -Daily Dividend Re-investment	11,821	10	0.13	-
ING Vysya Liquid Fund Institutional - Daily Dividend Reinvestment	23,277	10	0.23	-
ING Vysya Liquid Fund - Daily Dividend Option	5,040	10	0.05	-
ING Vysya Floating Rate Fund - Daily Dividend	129	10	0.00	-
LICMF Liquid Fund – Dividend Plan	12,894	10	0.14	-
HSBC Cash Fund - Institutional Plus- Daily Dividend	69,961	10	0.70	-
SBI Insta Cash Fund-reinvestment	11,932	10	0.20	-
HDFC Liquid Fund – Dividend – Daily Reinvestment	1,098,233	10	11.20	-
HDFC Liquid Fund – Dividend – Daily Reinvestment	245,141	10	2.50	-
HDFC Cash Management Fund - Savings Daily Dividend	188,034	10	2.00	-
SBI Magnum Insta Cash Fund – Daily Dividend Option	2,537,268	10	42.50	-
Aggregate Fair value of quoted investments			60.27	
Aggregate cost of quoted investments			60.27	

### 19.2.6. Preferential Issue:

The Company issued 1,000,000 Equity shares of Rs.2 each at a premium of Rs. 108 on preferential basis to the strategic investors on September 22, 2006 amounting to Rs. 110 million. During October 2005 the company raised 1,200,000 equity shares of Rs.10 each at a premium of Rs.890 per share to promoters and strategic investors. Pending utilization, the aggregate amount of Rs.1190.00 Million is forming part of Balances with Scheduled Banks in Indian Rupees – Deposit Accounts as on March 31, 2007

### 19.2.7. Foreign currency convertible Bonds

The Company issued and allotted on March 17, 2006 Foreign Currency Convertible Bonds (Considered as non-Monetary liability) for Euro 42 Million (Equivalent for Rs. 2,270.10 Million) bearing an interest at 2.5% per annum payable half yearly. The bonds are convertible at any time on and after April 27, 2006 and till close of business on March 11, 2011 and were convertible into shares or GDRs at an initial conversion price of Rs. 143.293 per share with a fixed rate of exchange on conversion of Euro 1.00 = Rs. 52.6828. The outstanding bonds are redeemable at a premium of 12.833% on 18<sup>th</sup> March 2011. Further, based on the relevant clause of the issue document, conversion price has now been refixed at Rs.115. During the year ended 31 March 2007 there has been no conversion of the Bonds into Shares. If the outstanding bonds as on March 31, 2007 are converted into equity shares or GDRs, then the share capital of the Company will increase by 19,240,675 shares.

Proportionate Premium payable on redemption of FCCB Rs 60 Million has been transferred to FCCB Redemption reserve during the year out of share premium account. In the event that the conversion option is exercised by the holders of FCCB in the future, the amount of premium charged to the share premium account will be suitably adjusted in the respective years.

The use of the proceeds of the FCCB issue as at the end of the year is as under:

Particulars	(Rupees In Million)	
	Current Year	Previous Year
Issue expenses	63.86	62.37
Capital expenditure	2,015.11	705.93
Term Loan repayment to Jammu & Kashmir Bank Limited	97.36	79.81
Software Imports	123.24	59.26
Others (Exchange Variation)	(75.84)	(70.44)
Interest	30.90	–
<b>Total</b>	<b>2,254.63</b>	<b>836.93</b>

Balance amount of Rs.15.47 Million is forming part of Balances with Scheduled Bank in foreign Currency as on March 31,2007 (Previous year Rs. 1,370.80 Million)

### 19.2.8. Related Party Disclosures as ascertained by the Management

#### Current Year

(Rupees in Million)

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Directors Remuneration	–	–	4.64	–	4.64
Balance as on 31.03.07 receivable	–	–	–	–	–
Balance as on 31.03.07 payable	–	–	–	–	–

#### Previous Year

(Rupees in Million)

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Directors Remuneration	–	–	4.64	–	4.64
Balance as on 31.03.06 receivable	–	–	–	–	–
Balance as on 31.03.06 payable	–	–	–	–	–

#### Note:

#### Names of related parties and description of relationship

Key Management Personnel

Mr.Asif Khader  
Mr.Mukkaram Jan  
Mr.Mueed Khader

Relatives of Key Management Personnel

Nil

Associates

Orca Infotech Private Limited  
K&J Holdings Private Limited  
Jansons  
Jansons Telecom Private Limited  
Jansons Land & Property Development Pvt Ltd  
SPSS South Asia Private Limited

Keysoft Solutions Private Limited  
Spice Capital Fund Private Limited  
Sea Equity Enterprises Private Limited

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

### 19.2.9. Segment Reporting

The Company has identified Geographic segments as its primary segment and Business segments as its secondary segment.

Primary Segments- a) Exports and b) Domestic  
Secondary Segments- a) Proprietary Products and Services and b) Product Alliances

#### Primary Segment Information - Geographical Segment

(Rupees in Million)

SL.No.	Particulars	Current Year			Previous Year		
		Export	Domestic	Total	Export	Domestic	Total
1	<b>Segment Revenue</b>	2,251.42	585.86	2,837.28	1,626.01	482.72	2,108.73
2	<b>Segment Results</b>	981.31	64.87	1,046.18	839.36	53.52	892.88
	Other Income	-	-	11.29	-	-	1.15
	Operating Profit	-	-	1,057.47	-	-	894.03
	Interest Expenses	-	-	48.35	-	-	81.51
	Profit Before Tax	-	-	1,009.12	-	-	812.52
	Tax expenses	-	-	144.03	-	-	190.52
	<b>Profit After Tax</b>	-	-	865.09	-	-	622.00
	Adjustments relating to earlier year	-	-	6.14	-	-	2.88
	<b>Net Profit</b>	-	-	871.23	-	-	624.88
3	<b>Segment Assets</b>	6,480.54	2,365.09	8,845.63	5,267.16	1,129.04	6,396.20
	Unallocated Corporate Assets	-	-	358.15	-	-	329.01
	Total Assets	-	-	9,203.78	-	-	6,725.21
	<b>Segment Liabilities</b>	114.05	63.72	177.77	132.46	44.29	176.75
	Unallocated Corporate Liabilities	-	-	5,372.70	-	-	3,895.54
	Total Liabilities	-	-	5,550.47	-	-	4,072.29
	<b>Segment Capital Employed</b> (Segment Assets – Segment Liabilities)	6,366.49	2,301.37	8,667.86	5,134.70	1,084.75	6,219.45
4	<b>Segment Capital Expenditure</b>	990.58	261.54	1,252.12	455.05	113.90	568.95
5	<b>Segment Depreciation</b>	348.17	100.49	448.66	207.19	78.60	285.79

#### Secondary Segment Information - Business Segment

(Rupees in Million)

SL.No.	Particulars	Current Year		Previous Year	
		Proprietary products and services	Product Alliances	Proprietary products and services	Product Alliances
1.	Segment Revenue	2,346.70	490.58	1,718.30	390.43
2.	Segment Results	992.98	53.20	856.19	36.69
3.	Segment Assets	8,330.20	515.43	6,030.48	365.72
4.	Capital Expenditure	930.16	321.96	404.36	164.59

### 19.2.10. Previous year's figures have been regrouped and reclassified wherever necessary

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 : June 28, 2007



## STATEMENT OF CASH FLOWS

PARTICULARS	Current Year (Rs.)	Previous Year (Rs.)
<b>Cash flows from operating activities</b>		
Net profit before taxation	1,009,123,882	812,510,344
<b>Adjustments for</b>		
Prior period adjustment	6,137,607	112,450
Profit / Loss on sale of Investments / Fixed assets	265,237	
Exchange difference on translation of foreign currency cash & cash equivalents	(9,499,745)	6,852,289
Depreciation and amortization	448,572,851	283,022,474
Preliminary expenses	162,087,274	23,834,262
Dividend / interest income (Net)	(119,052,937)	(43,267,185)
Interest expense on borrowings	165,375,644	124,726,921
Operating profit before working capital changes	1,663,009,813	1,207,791,555
<b>Adjustments for working capital</b>		
Inventory	6,721,033	37,031,300
Debtors	(13,224,521)	107,704,412
Loans and advances	219,763,438	(380,104,257)
Provisions for liabilities	73,251,131	(1,525,691)
Current liabilities	47,744,526	331,713,826
Cash generated from operations	1,997,265,420	1,302,611,145
<b>Adjustments</b>		
Direct Taxes paid	(142,329,717)	(127,872,361)
<b>Net cash flow from Operating Activities</b>	<b>1,854,935,703</b>	<b>1,174,738,784</b>
<b>Cash flows from investing activities</b>		
Purchase of Investments	(60,279,258)	–
Dividend / Interest received	119,052,937	43,267,185
Proceeds from sale of Fixed assets	280,761	–
Acquisition of property, fixed assets (including advances)	(3,176,279,673)	(1,704,865,353)
<b>Net cash flow from Investing Activities</b>	<b>(3,117,225,233)</b>	<b>(1,661,598,168)</b>
<b>Cash flows from financing activities</b>		
Share Capital	2,000,000	12,000,000
Share Premium	108,000,000	1,068,000,000
Dividend and Dividend Tax	(155,536,478)	(57,884,836)
Interest on borrowed funds	(159,535,368)	(122,487,694)
Secured Loans / Borrowings	770,777,588	(661,147,618)
Unsecured Loans	600,232,874	2,742,877,998
<b>Net cash flow from Financing Activities</b>	<b>1,165,938,616</b>	<b>2,981,357,850</b>
Exchange difference on translation of foreign currency cash & cash equivalents	734,128	(6,852,289)
Net increase/(decrease) in Cash and Cash Equivalents	<b>(95,616,786)</b>	<b>2,487,646,177</b>
Opening cash and cash equivalents	2,905,235,528	417,589,351
<b>Closing cash and cash equivalents</b>	<b>2,809,618,742</b>	<b>2,905,235,528</b>

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 : June 28, 2007

## STATEMENT REGARDING SUBSIDIARY COMPANIES

FOR THE YEAR ENDED MARCH 31, 2007

(Pursuant to approval No. 47/131/2007-CL-III dated April 10, 2007 & July 6, 2007, received from the Ministry of Company Affairs under Section 212 (8) of the Companies Act, 1956.

(Rupees in Million)

Wholly Owned Subsidiaries	Systat Software GmbH, Germany	Systat Software Inc., USA (Consolidated with Cranes Software UK. Ltd)	Systat Software Asia Pacific Ltd	Cranes Software International Pte Ltd, Singapore	EMRC Engineering Mechanics Research (India) Ltd	Cranes Software Inc., USA (NISA Software Inc) (Consolidated with Dunn Solutions Group Inc., USA)	Tilak Autotech Pvt. Ltd	Analytix Systems Pvt. Ltd
Reporting Currency	EURO	USD	INR	SGD	INR	USD	INR	INR
Exchange Rate in Rupees as on March 31, 2007	58.14	43.59	1	28.73	1	43.59	1	1
Issued & Subscribed capital	1.45	46.66	3.80	4.43	0.50	14.22	0.10	0.20
Reserves	(8.72)	(3.52)	3.19	(0.17)	(5.95)	(4.69)	(1.18)	1.39
Total Assets	32.67	959.05	7.62	8.45	10.83	544.26	3.30	1.59
Total Liabilities	32.67	959.05	7.62	8.45	10.83	544.26	3.30	1.59
Investments	–	–	–	–	–	–	–	–
Turnover	67.63	349.76	–	21.81	0.06	477.91	4.75	–
Profit/(loss) before taxation	(1.73)	(18.38)	(1.92)	0.33	(0.46)	6.00	(1.40)	(0.04)
Provision for taxation	–	16.61	(0.23)	–	0.68	(0.96)	0.06	–
Profit/(loss) after taxation	(1.73)	(34.99)	(1.69)	0.33	(1.14)	6.96	(1.46)	(0.04)
Proposed dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Country	Germany	USA	India	Singapore	India	USA	India	India

For and on behalf of the Board

**Asif Khader**  
Managing Director

**Mukkaram Jan**  
Director

Place : Bangalore  
Date : June 28, 2007









# **Cranes Software International Limited**

4th Floor, Block 1, Shankar Narayana Building, #25, MG Road, Bangalore-560001, Karnataka, INDIA  
Phone: +91 80 41120000 Fax: +91 80 41231274 Email: [info@cranessoftware.com](mailto:info@cranessoftware.com)  
[www.cranessoftware.com](http://www.cranessoftware.com)