

ANNUAL REPORT

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Cranes Software International Limited

Enterprise Analytics and Engineering Simulation Software & Solutions





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 |
| Dr. Peter Ryser | - Director |

Company Secretary

P. Phaneendra

Bankers

Bank of India
The Jammu & Kashmir Bank Ltd.
State Bank of Travancore
IDBI Bank Ltd.
Yes Bank
State Bank of India
Canara Bank
Allahabad Bank
State Bank of Mysore

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.
29, 7th Cross, 14th Main
Vasanth nagar, Bangalore - 560 052.

Registrars

Integrated Enterprises India Pvt. Ltd.
39, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram, Bangalore - 560 003

Website

www.cranessoftware.com



CRANES SOFTWARE INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

2010 - 2011



REPORT OF THE BOARD OF DIRECTORS

To the Members of
Cranes Software International Limited,

Your Directors have pleasure in presenting to you the Twenty-Sixth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2011 by itself and its subsidiaries, viz.

1. Systat Software Inc., USA
2. Cranes Software Inc., USA.
3. Engineering Technology Associates Inc., USA (WOS of Cranes Software Inc., USA) Engineering Technology Associates (Shanghai) Inc.,
4. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA)
5. Systat Software GmbH, Germany
6. Cubeware GmbH (WOS of Systat Software GmbH), including its WOS in Austria and Switzerland
7. Cranes Software International Pte. Ltd., Singapore
8. Tilak Autotech Pvt. Ltd., India
9. Proland Software Pvt. Ltd., India
10. Caravel Info Systems Pvt. Ltd., India
11. Esqube Communication Solutions Pvt. Ltd., India
12. Systat Software Asia Pacific Ltd., India
13. Analytix Systems 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. in Million)

| Particulars | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
|------------------------------|---------|---------|--------------|---------|
| | | | Consolidated | |
| Sales and Operating Revenues | 281 | 317 | 2,433 | 2,404 |
| Profit before tax | (1,283) | (2,960) | (1,397) | (3,096) |
| Taxes | (59) | (1,020) | (88) | (1,054) |
| Profit after tax | (1,224) | (1,941) | (1,309) | (2,042) |

Business

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs.281 million, down from Rs.317 million. The after tax position was a loss of Rs.1,224 million, on Standalone basis.

On a consolidated basis, during the year, your Company together with its above named subsidiaries, achieved a Sales and Operating Revenue of Rs.2,433 million, again up from Rs. 2,404 million of the previous year.

Operations

The last fiscal year has been, perhaps, the most challenging from an operations and business perspective. Given that this Company had been fairly affected by the historic global economic unrest, while the management anticipated most operational challenges and clearly outlined initiatives to negotiate the same. In the past year, our endeavor has also been to improve operating efficiencies, cost control management and continue to optimize head count. This apart, the Company has also focused on launching new product solutions and better its existing product range by releasing new version upgrades. This has helped strengthen our position in the high growth avenues of engineering simulation and scientific analytics.

In the year gone by, the Company has increased its focus on business consolidation improving market impact through our overseas subsidiaries. This initiative has helped us find new grounds in the US markets in the BI



segment where the Company has recently opened direct offices of Cubeware. Cranes' ETA, engineering solutions subsidiary has expanded its base in China and helped increase the revenue from this region.

In the effort to improve our balance sheet position and bring the our debts to controllable levels the Company is currently working on restructuring its debts and other liabilities apart from finding ways to bring improved business opportunities and expand service offerings. This has been detailed out in the annexed management discussion and analysis section of this report.

Appropriation

In the absence of distributable profits in the year, the Directors have not recommended dividend for the year 2010-11, in order to conserve cash.

Subsidiary Companies / Joint Ventures.

In terms of Sec 212(1) of the Companies Act, 1956, the Directors' Reports, Profit and Loss Accounts and Balance Sheets of each of the Subsidiary Companies referred to above, are incorporated as per relevant regulations in the Consolidated Financial Statements, also being presented .

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.

Remarks of Auditors

In the course of audit of the Accounts, the Statutory auditors have raised comments, observations and qualifications. Their comments in respect of the Company's assumption of "Going Concern" along with the responses of the Board to each are given below :

| Auditors Opinion | Management Response |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Company has incurred a cash loss of Rs.76.37 Crores for the year under review.</p> <p>There has been a considerable erosion of staff strength for the year under review.</p> | <p>During the year under review, the Company has posted operational profits. The Company is currently working towards bring down its depreciation values and improving interest levels after negotiations with its lenders which has largely contributed towards the mentioned cash loss.</p> <p>Such employee reduction was largely on account of environmental reasons explained separately and organizational constraints arising out of liquidity reasons and consequential turmoil. With greater stability and working out arrangements with lenders in the recent months, as explained later it should soon be possible to attract additional needed talent to maintain and improve on operations.</p> |
| <p>A petition has been filed by the ex-principal supplier of the company 'The Mathworks Inc.' for Winding up of the company u/s.434 of the Companies Act, 1956 before the High Court of Karnataka for non-payment of dues. The Management has represented that a settlement arrangement has been executed with the Party. We are yet to be shown conclusive evidence of the same, and whether the terms of such settlement are being implemented by the Company, enabling adhere to the same.</p> | <p>An out - of - court settlement has been executed with the principal supplier, payments for the same will now be due.</p> |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The petition has been filed by the Trustees of Foreign Currency Convertible Bond holders for winding up of the company u/s 434 of the Companies Act,1956 before the high court of Karnataka for nonpayment of principal and the accrued interest thereon due for redemption in March, 2011. The Management has represented that admission of this matter is currently progressing before the Hon'ble High Court. Meanwhile, the Management also represents that discussions have been initiated with a large number of Bondholders to enable, explore and evolve a mutually acceptable course of action so that matters are not precipitated. Conclusive progress on these actions is yet to be evidenced to us.</p> | <p>The matter has not yet been admitted and is currently sub judice. Meantime, the Company is under active discussions with major Bondholders to enable explore and evolve a mutually acceptable course of action so that matters are not precipitated and to arrive at a negotiated settlement by rephrasing the liability discharge.</p> |
| <p>The several cases filed u/s.138 of the Negotiable Instruments Act against the Company are in various stages of disposal in the respective Hon'ble Courts .</p> | <p>Some of the 138 cases have been withdrawn after suitable negotiation and payment of settlement amount. With other entities the matter is under active discussion to reach an amicable negotiated phased settlement to meet this liability.</p> |
| <p>Some Banks and lending institutions have applied to the DRT / Hon'ble Courts, etc for recovery of dues and provisions of SARFAESI have also been invoked against the company. These cases are in various stages of disposal in the respective Hon'ble Courts.</p> | <p>No judgements adverse to the Company has been passed and the Company is in active discussion with all such entities. In some cases, settlements with revised schedule of payments are reached and are under documentation.</p> |
| <p>The Company has also fighting various legal cases from creditors and employees for non-payment of dues to them. We are told that these cases are in various stages of disposal in the respective Hon'ble Courts.</p> | <p>The Company has considered each of these cases and has negotiated settlements with the aggrieved parties.</p> |
| <p>The security provided to Banks and other lending institutions is not adequate to cover the amounts outstanding as appearing in the Balance Sheet.</p> | <p>In all cases we are negotiating the outstanding amount and certain cases have been successful in reducing the liability. Hence the Tangible security and the assets are adequate to cover the settled outstanding amounts.</p> |
| <p>The Book Debts and Trade Advances outstanding for more than one year, and even more are still being regarded as Company's good current assets in the financial statements as at 31/03/2011, and being classified as such in the reports. However, nothing has come to our knowledge to satisfy ourselves of these Current Assets continue to be 'good'. Moreover, we cannot opine that these current assets are good and in this connection we state that no provision for bad and doubtful debts to the extent of Rs. 310.67 Crores and Rs.236.95 Crores on account of the advances has been made in the accounts.</p> | <p>Needed steps to seek and obtain needed approvals under FEMA for extension of time is also being taken. During the year under review certain amounts have been recovered and Steps to recover the remaining dues have been initiated and under progress.</p> |
| <p>The Company has not carried out the exercise of assessing the value of intangible assets appearing in the books with a view to provide for any impairment.</p> | <p>It is believed that there is no impairment in value and the realizable value is atleast equal to the carrying value; any diminution on account of the global economic conditions are not of permanent nature.</p> |



| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The expenses incurred for the purposes of developing different version of software were capitalized and classified as "CAPITAL WORK IN PROGRESS" for preceding financial years are continued without any further development. In the absence of "TECHNICAL CERTIFICATE" about the viability of these versions of software, we are not able to express any favourable opinion on CAPITAL WORK IN PROGRESS. | 'Capital Work in Progress' represents the continual development of Intellectual Properties owned by the Company in the form of Intangible Assets. The Company continues to believe in the productive value of its IPs. Bearing this in mind, despite the current circumstances, the organization has continued to improve and released new versions of its flagship products. |
| The Company has defaulted in discharge of undisputed statutory dues like Provident Fund, ESI, VAT, Income Tax, including Tax deducted at source and Dividend Tax and Service Tax. | Despite the acute liquidity crisis; the Company has discharged considerable amount of these liabilities and has sought time to discharge the remaining liabilities in a phased manner. |
| Recognition of Deferred Tax asset in respect of the carried forward losses to the extent of Rs.590 Lakhs, in the absence of any reasonable certainty of future taxable income. | With the steps already taken to maintain and grow the business, there is no reason to presume that the Company will not have future taxable income to take advantage of the Deferred Tax Asset. Hence this is recognised. |
| Non payment of dividend declared in the Annual General meeting held on 29th September 2009 for the FY ending 31st March 2009. | Apart from being caused by the acute liquidity position, this was also postponed as a matter of good order. |

Deposits

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

Directorate

Dr. Rudra Pratap, Dr. Peter Ryser and Mr. Richard Gall retire by rotation in the forthcoming Annual General Meeting. Dr. Rudra Pratap has expressed his intention not to seek re-appointment and the Board places on records its deep appreciation for the services rendered by him during his tenure on the Board.

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

The Management of your Company is committed to building a strong R&D culture from day one and has set clear R&D goals. In order to achieve these goals, the Company has focused on furthering the efficacies of R&D activities as well as building synergies among multiple-impact technologies. 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 2010-11 is Rs. 117.91 million and foreign exchange outgo is Rs. 103.29 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, M/s. 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

Bangalore
September 07, 2011

Asif Khader
Managing Director

Mueed Khader
Director



ANNEXURE TO DIRECTORS' REPORT

Information as per Sec 217(2a) of the Companies Act, 1956 read with the Companies (Particulars of employee) Rules, 1975 and forming part of the Directors Report for the year ended March 31, 2010

| Sl No. | Age in Name | Designation | Total Exp. Qualifications | Date of Years | Remuneration | In Years | Joining | Particulars of the previous employment |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------|------------------------------------------------------------------|---------------|--------------|----------|---------------|------------------------------------------------------------------|
| a) Employed for the full Financial Year | | | | | | | | |
| 1 | Asif Khader | Managing Director | B.E., PG DIP IN Stat | 44 | 2,400,000 | 21 | 30-April-2002 | Erstwhile Cranes Software International Limited |
| 2 | Mukkaram Jan | Whole-Time Director | BCom | 44 | 24,00,000 | 21 | 30-April-2002 | Erstwhile Cranes Software International Limited |
| 3 | Mueed Khader | Whole-Time Director | BSc, DIP In Computer Science | 38 | 24,00,000 | 14 | 30-April-2002 | Erstwhile Cranes Software International Limited |
| 4 | Ashfaq Ibrahim | Senior Vice President | B.E. | 43 | 25,00,000 | 15 | 01-Mar-96 | - |
| 5 | Mehraj K Lanker | Vice President | B.E. | 38 | 25,00,000 | 13 | 01-Mar-96 | - |
| 6 | Rajiv Balaram Menon | Senior Vice President Development | BS (Univ. of Wisconsin) | 43 | 26,00,000 | 18 | 02-Jul-01 | Vice President - iQ Infotech Ltd. |
| 7 | Amuthukkiniyavel Manoharan | Assistant Vice President | MCA, MBA, MFT, DSADP, PGDCSM | 40 | 28,25,550 | 21 | 20-Oct-04 | Project Head - Kanrad Technologies |
| 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 | Shankar H | CEO - Analytics | B.Tech (IIT M) and PG Diploma (IIM A) in Business Administration | 62 | 3984750 | 36 | 10-May-04 | Managing Director - Saint Gobain Sepr Refractories India Limited |
| 2 | Ajay Singhal | Vice President | BE & MBA in marketing (IIM) | 41 | 2500000 | 19 | 02-Nov-04 | Lead Consultant - Satyam Computer Services Ltd. |

Note : Remuneration show above comprises basic salary, allowances and taxable value of perquisites
The above employees are not related to any Director of the company

for and on behalf of the Board

Bangalore
September 07, 2011

Asif Khader
Director

Mueed Khader
Director

**Form - B**

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2011.

Research & Development Activities and Technology Absorption:

During the year under review, your Company has been through a challenging phase when it comes to the research and development. In the technology space, every global meltdown since World War II has, if anything, only increased the demands on innovation and technical solutions. The current financial crisis is no exception. There is increased demand on analytical tools all over the world, in almost every sphere of human activity, for better assessment of risks, early detection of signatures of impending disasters, pattern recognition, scenario planning and incredible amounts of simulations. With three broad divisions of Cranes - Analytics, Engineering, and Technology - your Company has positioned itself really well to meet the increased demands from society in these difficult times and, in this process, deliver value for your investments as well.

You are aware that your Company has grown through a series of acquisitions. All our acquisitions have been, of course, in the chosen areas of our core business. These acquisitions have thus resulted in accumulation of quite a few technologies. Our fervent desire is to integrate these technologies and leverage cross fertilization. In the software technology space, this is typically a non trivial task as the basic architectures are many times incompatible. Bringing them on common architectural platforms requires quite a bit of R & D. Like in case of ETA where your Company has integrated ETA PreSys finite element modelling environment with NISA. This development allows NISA users to take advantage of its modern user interface, CAD interoperability, as well as its superb graphics capabilities. Hence expanding the markets for NISA and ETA.

The goal of Cranes' R&D initiatives is not about conjuring up pictures of the future, though that is part of what is done, but is more about systematic and continuous surveillance of future markets, identification of the discontinuities that are bound to crop up and the resultant technological requirements, and creation of technological models that we must come up with to cater to requirements across the globe. In turn, we are creating new business avenues to explore opportunities for products, systems and services for as diverse an industry spectrum as possible for your Company.

The outcome of this exercise has been the launch of three significant products. Your Company released SigmaPlot 12, the latest version of their most advanced scientific data analysis and graphing software package. SigmaPlot 12 provides researchers with a new modern user interface, increased ease of use and new features to quickly analyze data and create exact, publication-quality graphs that best present research results for presentation, publication or the web. Whereas, ETA also launched two new products for automobile and transportation sectors namely; PreSys R1 and DYNAFORM Version 5.8. PreSys R1 delivers new features which enhance the software's ability to quickly and efficiently create complex simulation models and visualize simulations results. DYNAFORM Version 5.8 offers many new and improved features, as well as enhanced Pre- and Post-Processing capabilities for a more streamlined and robust user experience.

for and on behalf of the Board

Bangalore
September 07, 2011

Asif Khader
Managing Director

Mueed Khader
Director



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.

I confirm that the Company has in respect of the financial year ended March 31, 2011, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Personnel means the employees in Executive Vice President Cadre as on March 31, 2011.

For Cranes Software International Ltd.,

Bangalore
September 07, 2011

Asif Khader
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

Annexure to Directors' Report

Note: This discussion covers the consolidated financial performance of Cranes Software International Limited and its subsidiaries.

Overview

Cranes Software International Limited (NSE: CRANESSOFT; BSE 512093), develops and globally markets engineering simulation and enterprise data analytics software and services. The Company has successfully accumulated a portfolio of proprietary products with deep domain knowledge in the areas of engineering simulation and statistical analytics. In doing so, Cranes has effectively established itself as a global IP driven products and solutions provider.

Global Business Environment

According to NASSCOM- Software Product Study report 2010, despite the unprecedented economic downturn, the industry is experiencing a sustainable growth. The market environment for software product businesses is beginning to witness several changes. These include an acceleration in software product business activity in India, improvements in the talent and support ecosystem, innovations in software product technology, delivery/business models, and changes in the Indian economy that are helping catalyze the development of the domestic market for software products. Indicators suggest that these changes could lead the Indian software product business into a phase of accelerated growth over the next decade.

As per the report, the next decade will play a crucial role in bringing about disruptive growth for the Indian Software Product segment, and the annual revenue aggregate of this segment is forecast to grow from USD 1.4 billion in FY2008 to USD 9.5 to 12 billion by FY2015. This is evident from the recent trends in market activity aided by a maturing ecosystem, which indicate that the Indian software product businesses are now approaching an inflection point in their evolution, and the time is right to bring about disruption. Enterprise application software will present the largest opportunities with BI, ERM with storage and security being the key priorities.

Though Cranes Software witnessed a loss in its businesses, the Company has, in the past one year, managed to be operationally profitable. Going forward the Company has its plans laid out to capitalize on this growing business demand and emerge as a leading global software product and solutions Company in the lucrative space of engineering simulation and enterprise data analytics.

The Year Under Review

In the year gone by the Company has increased its focus on business consolidation improving market impact through our overseas subsidiaries. This initiative has helped us find new grounds in the US markets in the BI segment where the Company has recently opened direct offices of Cubeware. Cranes' ETA, engineering solutions subsidiary has expanded its base in China and helped increase the revenue from this region.

The above business strategies adopted aided the Company to report Consolidated financials historically as under:

(Rs. In Crore)

| | 2009-10 | 2010-11 |
|--------------|---------------|---------------|
| Domestic | 13.63 | 14.92 |
| Training | 2.50 | 4.00 |
| Exports | 6.03 | 2.31 |
| Subsidiaries | 218.19 | 222.07 |
| TOTAL | 240.35 | 243.30 |

In the past year, our endeavor has also been to improve operating efficiencies, cost control management and continue to optimize head count. This apart, the Company has also focused on launching new product solutions and better its existing product range by releasing new version upgrades (this has been captured in the report on our subsidiaries below). This has helped strengthen our position in the high growth avenues of engineering simulation and scientific analytics.



As a standalone Company had lost substantial business in the last two years includes the third party business and other related businesses. The Company, in the year under review, has increased its thrust in the third party alliances business with leading Companies like National Instruments, IBM, ARM and Texas Instruments which has reflected in the increase of revenues through third party business from Rs. 54.5 million to Rs. 78.3 million. These alliances has also helped increase training opportunities in these areas and is reflected in the domestic training revenues for the year which has grown from Rs. 25 million to Rs 40.4 million.

The Company, in the mean while, is also constantly working on improving its balance sheet position. The Company has been in active discussions with financial investors to infuse long term funds into the Company enabling these objectives to be achieved. Operating surpluses and customer collections / advances enabled the Company to keep part of the borrowings serviced to some extent, ensuring that precipitative actions initiated by Lenders, were kept at bay. The Company will continue to pursue various means through which it can sustain operational profitability and reduce debt exposure through external funds infusion.

Operations, however, continue to be considerably squeezed in cash flows which also affected business expenses, lenders and statutory authorities highlighted in the auditors report. The Company is under active discussion with each such entity to reach an amicable negotiated phased settlement to meet such liabilities.

International Subsidiary Performances

ETA:

Engineering Technology Associates, provides computer aided engineering services and develops computer-engineering software. Under this Cranes expertise lies in three fields: safety, durability analysis (structural design), and NVH (noise, vibrations, and harshness).

Product Launches

PreSys R1

ETA announced the availability of the R1 update of its finite element modeling software, PreSys. This update delivers new features which enhance the software's ability to quickly and efficiently create complex simulation models and visualize simulations results. A core solution for finite element analysis engineers, PreSys is an efficient, cost-effective software tool, which interfaces with popular CAD software products such as CATIA, Unigraphics, ProEngineer, Solidworks and AutoCAD. It allows product development engineers and simulation specialists to access design data and quickly create simulation models.

DYNAFORM Version 5.8

Engineering Technology Associates, Inc. (ETA) announced the release of DYNAFORM Version 5.8. DYNAFORM is a simulation software solution which analyzes the entire die system and allows organizations to bypass soft tooling, reducing tryout time, lowering costs, and improving cycle times and productivity. This latest release offers many new and improved features, as well as enhanced Pre- and Post-Processing capabilities for a more streamlined and robust user experience.

PreSys FE Modeling Now Available for NISA

The Company was pleased to announce that it had made the user-friendly PreSys™ finite element modeling environment available to NISA users world-wide. This development allows NISA users to take advantage of its modern user interface, CAD interoperability, as well as its superb graphics capabilities.

On Going activities

During the year under review ETA continued to market and grow existing products VPG and Dynaform World-Wide.

The Company continued to focus on

- Mid-sized companies (Truck, Bus, and Military) for acquiring full vehicle programs,
- Large OEM's for Software Sales
- Solicit Staffing Business
- Government and Steel company based programs

Going forward...

The Company plans to expand ETA business in China, Germany and Japan to market the services and software in Europe and Asia Pac markets. The Company plan to hire expert in CFD to get market share in this fast growth engineering business.

Dunn Solutions Group (DSG):

Dunn Solutions Group is an information technology consulting firm with exceptional strategic experience, design skills and technologic expertise. Focused on the business intelligence, application development and web/portal spaces, the Company delivers services through offices in Chicago, Minneapolis, Raleigh, Fort Lauderdale, and Bangalore, India.

New Initiatives and Launches

Dunn Solutions Group extended its practice to include mobile application development

Dunn Solutions Group now has a team dedicated to mobile application development. These custom solutions transform the online experience into a mobile one and generate increased efficiencies, higher customer satisfaction and greater revenues. Dunn is committed to developing quality mobile business applications for business intelligence and transactional purposes, supported across multiple platforms including iPad, iPhone and Android.

Dunn Solutions Group launched BO navigator reporting application for SAP BusinessObjects

BO Navigator is a Dunn Solutions Group product that delivers SAP BusinessObjects web intelligence (webI) reports to your Android device.

BO Navigator Reporting App for SAP BusinessObjects allows you to :

- Browse reports in your BusinessObjects folders
- Select your preferred reporting format (PDF, WebI, Excel)
- Report immediately delivered to your preferred email

Going Forward...

Looking ahead the Company plans to acquire and integrate other geographically desirable IT consultancies in the areas of

- a. Business Intelligence
- b. Data Mining / Predictive Analytics in marketing
- c. BPM and Portal technology

The Company also plans to help introduce Cubeware operations in the US and leverage its professional services in the above said areas.

CubeWare:

Cubeware provides the best technology and services for building Business Intelligence and Performance management solutions that bring analysis, planning, reporting and dashboarding to business professionals.

New Initiatives

Cubeware expands its activities in the US

The Company established its new branch, located in Houston, Texas (USA). With this business intelligence (BI) specialist Cubeware is represented in the United States through a branch office of its own. This is the eighth Cubeware office including the head office in Rosenheim and additional branch offices located in Germany, Austria and Switzerland.

iVedix and Cubeware Partner to Develop Business Intelligence Technologies

During the year under review, iVedix partnered with Cubeware GmbH. The partnership enables iVedix to provide Cubeware's newest technologies, which leverage existing data assets to drive efficiencies and improve customer engagement, to companies across North America



Going forward...

The Company plans to Build up the international sales structure by focusing on partner business and growing the existing sales structure. The Company plans to have a very strong technology focus around Cubeware Cockpit and Cubeware Importer - both can be components as Cubeware inside with several ISVs and OEMs. The Company also plans to help introduce Cubeware businesses in the US and leverage Dunn Solutions Group for Professional Services.

Systat Software Inc. (SSI)

Headquartered in San Jose, California, USA, Systat Software Inc. (SSI) provides specialized scientific software products and services for the environment sciences, life sciences, behavioral sciences, medical research and engineering. SSI is dedicated to providing effective solutions to the scientific and engineering community to compress the time intensive process of data analysis and presentation, thus enhancing productivity.

Product launches

Systat Software Inc Released SigmaPlot 12

During the year under review the Company released SigmaPlot 12, the latest version of their most advanced scientific data analysis and graphing software package. SigmaPlot 12 provides researchers with a new modern user interface, increased ease of use and new features to quickly analyze data and create exact, publication-quality graphs that best present research results for presentation, publication or the web. Unlike spreadsheets, business graphing and other data analysis software packages, SigmaPlot 12 is specifically designed to meet the needs of professional researchers. This latest version contains many workflow efficiency improvements, new enhancements to SigmaPlot's curve fitting features and a wider range of graphing options including radar and dot density graphs. Every detail of their graphs may be easily customized for effectively communicating the most important elements of their research.

Going Forward...

The Company plans to apply Systat's Technical, marketing and infrastructural strengths to jointly develop solutions with partners and go to Market. The Company in the past year has already established such relationships to provide new technology solutions such as Sigmacerf ELN (An Electronic Lab Notebook for biology) and LISA.Lims (Laboratory Information Management System). It also plans for long term partnerships with non-competitive major alliances which cannot be acquired. This would allow the Company to augment its growth and expand into newer areas in the larger pool of business.

SWOT Analysis Overview

Strengths

Cranes Software's principal strengths are its expertise, experience and deep domain knowledge in the niche field of engineering simulations and enterprise data analytics. Over the years, Cranes has accumulated a vast resource of intellectual property and acquired the skills to innovate on IPs and render them commercially viable. By anticipating and addressing the needs of scientists and engineers, the Company has built a dominant position in sectors of automotive, life sciences, pharma, telecom, and consumer research.

Threats

The recent global economic turmoil has left the Company vulnerable to the economic uncertainties that accompany it. The Company's export revenues have drastically fallen due to its high dependency on distribution trade. During the year the Company has stream lined these operations by establishing direct contact with customers or by dealing with resellers. Thereby, reducing its exposure to distributors. Initiatives of consolidation and rationalization in operations are being taken to enhance efficiencies across geographies which include optimisation of employees, cutting operational overheads etc.

Opportunities

Opportunities lie in abundance as the software industry is witnessing a fundamental shift from IT enabled business automation to IT enabled real time decision support systems. A new paradigm is emerging where instead of merely routing data and information to users, the analytics platform will provide intelligent decision criteria based on real-time, quick analysis of reams of stored data residing in data warehouses, disparate data bases. Cranes is well positioned and equipped with deep domain knowledge to exploit the wave of opportunities in this space.



The Company will continue to engage with leading technology players across the world and will leverage its recognized brand value and extensive sales network to form strategic alliances in niche areas of engineering simulation and scientific analytics.

The Road Ahead

Having streamlined its product offerings into revenue centric groups of Engineering, Analytics and Technology, Cranes will continue to monetize the product asset base of software components while expanding solutions segment of the business through a larger network of partnerships and third party alliances.

On a more positive note, the Company has already taken necessary steps to improve the operational position of the organization and to grow the business. Additionally, we are also actively pursuing various means to infuse funds into the business including induction of Strategic Alliance Partners. This, it is felt, will facilitate fresh investments into the business and accelerate the process of business turn around and profitability.

Financial Perspective

Analysis of movements in significant heads are given below :

Source of Funds:

Share Capital

The Company's authorized share capital is Rs. 350 million constituting of 165 million equity shares of Rs. 2/- each and 200,000 preference shares of Rs. 100/- each. There were no capital structure changes during the period under review.

Reserves and Surplus

The Company's total reserves and surplus for fiscal 2010-11 stood at Rs. 3130 million, decreasing by Rs. 1,278 million from Rs. 4,408 million in the previous fiscal year. The major contributors to such a decrease were the losses suffered in the year.

Loan Funds

Total loan funds outstanding at the end of fiscal 2010-11 amounted to Rs. 9,219 million from Rs. 8,821 million at the end of FY2010. Total loan funds comprise of Rs. 4,595 million of secured loans and Rs. 4,623 million of unsecured loans.

Out of total increase of Rs. 398 million in loan funds at the close of the year, significant part was really contributed by continued interest and related provisioning in the bank borrowings since in many cases, final documentation on rescheduling / rephasing, etc is still in progress.

Application of Funds:

Fixed Assets

There was only marginal movement in Fixed Assets, there being not too much of product launches, etc, in the context of the business condition. Significant part of the change is only on account of depreciation charged on the higher asset base (FY 2010 Rs. 886 million to FY 2011 Rs. 614 million).

Investments

The Company's investments were curtailed due to the squeeze in cashflows and had substantially dropped to Rs 1.7 million during the year.

Inventories

The Company's inventory position was marginally higher at Rs. 26 million compared to Rs. 21 million at the close of last year. This represents stock of goods traded by the Company.

Sundry Debtors

Sundry debtors at the close of FY 2011 were at Rs. 3,691 million compared to Rs 3,676 million a year ago. Debtors' outstanding days and issues in collection, particularly from Distributors of own Products continues to be of major concern.

**Cash and Bank Balances**

Cash and Bank balances were at Rs. 119 million compared to Rs. 135 million last year.

Loans and Advances

Loans and advances reduced marginally from Rs. 2,816 million to Rs. 2,812 million in the current year.

Current Liabilities

Sundry creditors increased marginally by Rs. 190 million to Rs. 2,127 million from Rs. 1,937 million at close of the previous year. Apart from this being reflective of the liquidity position, it also includes advance received from customers for business to be executed, subsequent to the close of the fiscal year (which is currently in progress).

Operating Results**Income**

The Company on a consolidated basis, reported a total revenue of Rs 2,433 million. Overseas revenues were at Rs. 2,215 million and constitute 92% of total revenues and Domestic revenues were at Rs. 189 million for the period under review. Other Income constituted the balance of Rs 29 million.

Expenditure

Cost of goods stood at Rs 997 million largely 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 products.

Personnel costs were down 21% at Rs. 854 million and represented 35% of total revenues. Administrative expenses decreased substantially by 71% to Rs. 575 million and were 24% of total revenues. These decreases were largely attributed to the various reforms and operational optimization efforts put in by the management during the year under review.

Depreciation charged during FY2011 amounted to Rs. 614 million, a decrease of 31% as there was negligible capital expense during the year.

Profit Analysis

The total loss for the year under review stood at Rs 1309 million this was primarily due to the increase of 22% in the interest accrued during the year.

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 SEICMM Level 5 during FY 2005. The Company has also obtained certification under ISO 27001 Information Security Management System in FY 2006 and was also awarded SEI-CMMi Level 5 assessment for its processes.

Safe Harbor

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.

CORPORATE GOVERNANCE REPORT 2010-11.

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 : | Non- Executive Directors : |
| Asif Khader | Dr. Rudra Pratap |
| Mukkaram Jan | Richard Gall |
| Mueed Khader | Dr. Peter Ryser |
| | Mirza Yawar Baig ¹ |
| | Dr. Manju Bansal ² |
| | Ronald Brown ³ |

Details of Board Meetings held during the year:

The Board met 7 times during the year, as follows :

| | |
|---------------------------------------------|--------------------|
| During the quarter ended June 30, 2010 | April 26, 2010 |
| During the quarter ended September 30, 2010 | September 30, 2010 |
| During the quarter ended December 31, 2010 | October 14, 2010 |
| | October 28, 2010 |
| | November 8, 2010 |
| | November 18, 2010 |
| During the quarter ended March 31, 2011 | February 14, 2011 |

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

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 ⁴ | Whether attended last AGM | Membership in other Boards ⁵ | Committees ⁶ | |
|----------------------|---------------------|---------------------------------------------|---------------------------|-----------------------------------------|-------------------------|--------------|
| | | | | | Membership | Chairmanship |
| Dr. Rudra Pratap | June 21, 2002 | 4 | Y | - | 1 | 1 |
| Asif Khader | April 30, 2002 | 7 | Y | 6 | 2 | - |
| Mukkaram Jan | April 30, 2002 | 4 | N | 7 | 1 | - |
| Mueed Khader | April 30, 2002 | 7 | Y | 6 | - | - |
| Richard Gall | May 16, 2002 | 6 | Y | - | 1 | 1 |
| Dr. Peter Ryser | March 29, 2005 | 6 | N | - | 1 | - |
| Mirza Yawar Baig | March 31, 2003 | - | - | - | - | - |
| Dr. Manju Bansal | March 31, 2004 | - | - | - | - | - |
| Ronald Brown | November 21, 2002 | - | - | - | - | - |

¹Resigned from the Board on October 28, 2010

²Retired by rotation; did not offer herself for re-appointment at the AGM

³Retired by rotation; did not offer himself for re-appointment at the AGM

⁴Attendance via WebEx presentation and Telephone call has been considered as having attended the Board Meeting.

⁵Excludes companies exempted under Sec 278 of the Companies Act, 1956 and Foreign Companies.

⁶Membership in Audit Committee, Remuneration Committee and Investor Grievance Committee only considered.



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 :

| | | |
|-----------------|---|----------|
| Richard Gall | - | Chairman |
| Asif Khader | - | Member |
| Dr. Peter Ryser | - | Member |

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

| Name of the Director | September 30, 2010 | November 8, 2010 | November 18, 2010 | February 14, 2011 |
|----------------------|-----------------------|---------------------|----------------------|----------------------|
| Richard Gall | Yes | Yes | Yes | Yes |
| Asif Khader | Yes | Yes | Yes | Yes |
| Dr. Peter Ryser | Yes | Yes | Yes | Yes |

The Statutory Auditors attended all the meetings.

Share Holder Grievance Committee:

The Company has a Shareholder Grievance Committee consisting of Dr. Rudra Pratap, Mukkaram Jan and Asif Khader to look into the grievances of investors. There were no unresolved grievances from the investors / shareholders as on March 31, 2011.

The Company has designated an email id exclusively for redressal of Investor Grievances, viz., investor.grievances@cranessoftware.com in compliance with clause 47(f) of the listing agreement for speedy redressal of investor grievances.

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 |
|--------------------|-----------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| September 29, 2008 | 3.00 p.m. | Hotel Le Meridian 28, Sankey Road, Bangalore - 560 052 | Issue of shares on Preferential basis for consideration other than Cash as part consideration for the acquisition of Cubeware GmbH. |
| September 29, 2009 | 3.00 p.m. | Hotel Capitol, Raj Bhavan Road, Bangalore - 560 001 | NIL |
| December 30, 2010 | 9.30 a.m. | Dr. B.R. Ambedkar Bhavana, Millers Road, Vasanthanagar, Bangalore - 560 052 | Raising of additional long-term funds through further issuance of securities in the Company. |

For AGM 2011, the Company does not have any proposal for postal ballot.



Disclosures :

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 “The Hindu - Business Line” & “Sanjevani” (Kannada). The results are also updated on the corporate website (www.cranesssoftware.com). The quarterly results and the shareholding pattern are uploaded in the website of the Stock Exchanges.

GENERAL SHAREHOLDER INFORMATION

| | | |
|----------|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A | 26th Annual General Meeting | |
| | Date and Time | November 14, 2011 at 10.00 a.m. |
| | Venue | Sri Devaraj Urs Bhavan, No. 16-D, Miller Tank Bund Area, Vasanthnagar, Bangalore - 52 |
| B | Financial Calendar | |
| | Audited Annual Results - 2010-11 | September 7, 2011 |
| | Unaudited results for the quarter ending June 30, 2011 | August 12, 2011 |
| | Unaudited results for the quarter ending September 30, 2011 | Second week of November, 2011 |
| | Unaudited results for the quarter ending December 31, 2011 | Second week of February, 2012 |
| | Audited Annual Results - 2011-12 | Last week of May, 2012 |
| C | Book closure date | |
| D | Dividend payment date | No Dividend declared |
| E | Listing of Equity shares | |
| | Name and Address of Stock Exchange | Stock Code |
| | Bombay Stock Exchange Ltd. (BSE) | 512093 |
| | P J Towers, Dalal Street, Mumbai - 400001 | |
| | National Stock Exchange Ltd. (NSE) | CRANESSOFT - EQ |
| | Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 | Trading of shares currently suspended |
| | The Listing Fee has been paid to all the Stock Exchanges | |
| F | Website of the Company | www.cranesssoftware.com |
| G | Registrar and Transfer Agents | M/s Integrated Enterprises (India) Ltd (formerly known as Alpha Systems Pvt Ltd - since merged), No.30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 |
| H | Demat ISIN Number allotted to the Company | INE234B01023 |



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 Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) during the year 2010-11 is given below :

| Month | BSE | | NSE | |
|--------|------------|-----------|------------|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| Apr-10 | 17.50 | 15.70 | 17.45 | 15.65 |
| May-10 | 15.55 | 11.70 | 15.55 | 11.65 |
| Jun-10 | 15.53 | 11.29 | 15.55 | 11.35 |
| Jul-10 | 14.43 | 12.66 | 14.45 | 12.70 |
| Aug-10 | 13.22 | 8.98 | 13.20 | 8.95 |
| Sep-10 | 9.26 | 5.75 | 7.40 | 6.95 |
| Oct-10 | 8.28 | 7.09 | | |
| Nov-10 | 7.39 | 5.56 | | |
| Dec-10 | 6.51 | 4.97 | | |
| Jan-11 | 5.20 | 4.77 | | |
| Feb-11 | 5.08 | 4.41 | | |
| Mar-11 | 5.24 | 4.69 | | |

Trading of shares was suspended on the NSE effective September 2, 2010, due to non-compliances by the Company during the year, which have largely been addressed by the Company.

Registrar & Transfer Agents :

Share Transfer work is being done by M/s Integrated Enterprises (India) Ltd. (formerly known as Alpha Systems Pvt Ltd - since merged), No.30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 who are SEBI registered Registrars & Transfer Agents for both physical and demat shares.

Share Transfer System :

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

Secretarial Audit :

As required by SEBI Circular No. D&CC/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.

A Certificate from the Managing Director on the Financial Statements was placed before the Board.

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, 2011:

| No. of shares held | Folios | | Shares | |
|--------------------|---------------|---------------|--------------------|---------------|
| | Number | % to Total | Number | % to Total |
| (1) | (2) | (3) | (4) | (5) |
| upto 500 | 30,717 | 62.52 | 6,818,301 | 5.79 |
| 501 - 1000 | 7,993 | 16.27 | 6,882,330 | 5.84 |
| 1001 -2000 | 4,813 | 9.80 | 7,739,807 | 6.57 |
| 2001 -3000 | 1,854 | 3.77 | 4,882,744 | 4.15 |
| 3001 -4000 | 875 | 1.78 | 3,197,846 | 2.72 |
| 4001 -5000 | 791 | 1.61 | 3,800,208 | 3.23 |
| 5001 -10000 | 1,179 | 2.40 | 8,827,604 | 7.50 |
| 10001 & above | 908 | 1.85 | 75,618,010 | 64.21 |
| | 49,130 | 100.00 | 117,766,850 | 100.00 |

Pattern of Share Holding as on March 31, 2011

| Holders | % of Holding |
|--------------------------------|--------------|
| Promoters | 5.99% |
| FII's | 3.45% |
| Financial Institutions / Banks | 15.73% |
| Insurance | 0.76% |
| Bodies Corporate | 16.13% |
| Individual / Others | 57.93% |

Dematerialisation of Shares : The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors. As of March 31, 2011 about 97% of the Company's shares are held in dematerialised form.

Office Locations : The Company has its product development center, corporate office and various branches at Bangalore.

Address for Communication :

- To the Company:**
 Mr. P. Phaneendra
 Compliance Officer,
 Cranes Software International Ltd.
 # 29, 7th Cross, 14th Main, Vasanth Nagar
 Bangalore – 560052.
- To the Registrar & Transfer Agent – for Share Transfers / Transmissions..etc**
 Mr. Vijay Gopal
 Vice President
 Integrated Enterprises (India) Ltd
 (formerly known as Alpha Systems Pvt Ltd - since merged)
 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 31.3.2011, 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 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
FRN : 005310S

Bangalore
September 7, 2011

Balakrishna S. Bhat
Partner
Membership No.202976

AUDITORS' REPORT

To
The members of
CRANES SOFTWARE INTERNATIONAL LIMITED

1. We have audited the attached Balance Sheet of Cranes Software International Limited as at 31st March 2011, 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. The attached Balance Sheet as at 31st March, 2011 is drawn on the basis of the Principle of 'Going Concern'. We opine as follows in this connection :
 - 3.1 ***A petition has been filed by the ex-principal supplier of the company 'The Mathworks Inc.' for Winding up of the company u/s.434 of the Companies Act, 1956 before the High Court of Karnataka for non-payment of dues. The Management has represented that a settlement arrangement has been executed with the Party. We are yet to be shown conclusive evidence of the same, and whether the terms of such settlement are being implemented by the Company, enabling adhere to the same.***
 - 3.2 ***The petition has been filed by the Trustees of Foreign Currency Convertible Bond holders for winding up of the company u/s 434 of the Companies Act,1956 before the High Court of Karnataka for nonpayment of principal and the accrued interest thereon due for redemption in March, 2011. The Management has represented that admission of this matter is currently progressing before the Hon'ble High Court. Meanwhile, the Management also represents that discussions have been initiated with a large number of Bondholders to enable, explore and evolve a mutually acceptable course of action so that matters are not precipitated. Conclusive progress on these actions is yet to be evidenced to us.***
 - 3.3 ***There are several cases filed u/s.138 of the Negotiable Instruments Act against the company are in various stages of disposal in the respective Hon'ble Courts.***
 - 3.4 ***Some Banks and lending institutions have applied to the DRT / Hon'ble Courts, etc for recovery of dues and provisions of SARFAESI have also been invoked against the company. These cases are in various stages of disposal in the respective Hon'ble Courts.***
 - 3.5 ***The Company is also fighting various legal cases from creditors and employees for non-payment of dues to them. We are told that these cases are in various stages of disposal in the respective Hon'ble Courts.***
 - 3.6 ***The security provided to Banks and other lending institutions is not adequate to cover the amounts outstanding as appearing in the Balance Sheet.***
 - 3.7 ***There has been a further reduction in staff strength, though marginal, in the year under review.***
 - 3.8 ***The Book Debts and Trade Advances outstanding for more than one year, and even more are still being regarded as Company's good current assets in the financial statements as at 31/03/2011, and being classified as such in the reports. However, nothing has come to our knowledge to satisfy ourselves of these Current Assets continue to be 'good'. In this***



connection we state that no provision for bad and doubtful debts to the extent of Rs.310.67 Crores and Rs.236.95 Crores on account of the advances has been made in the accounts.

3.9 The company has not carried out the exercise of assessing the value of intangible assets appearing in the books with a view to provide for any impairment.

3.10 The expenses incurred for the purposes of developing different version of software were capitalized and classified as "CAPITAL WORK IN PROGRES" for preceding financial years are continued without any further development. In the absence of further development and "TECHNICAL CERTIFICATE" about the viability of these versions of software, we are not able to express any favourable opinion on CAPITAL WORK IN PROGRESS.

3.11 The Company has incurred a cash loss of Rs. 76.37Crore for the year under review.

In the light of the above, we are unable to give an opinion on the reasonableness and applicability of the principle of 'Going Concern'. Nevertheless, in the absence of any conclusive evidence to indicate the contrary, the statements and Accounts thereon are prepared based on the principles of 'Going Concern' and our opinion is based on the same as well.

4. Further to the above, we additionally opine as follows :

4.1 The Company has defaulted in discharge of undisputed statutory dues like Provident Fund, ESI, VAT, Income Tax, including Tax deducted at source and Dividend Tax and Service Tax.

4.2 The Company has recognized Deferred Tax asset in respect of the carried forward losses to the extent of Rs.590/- Lakhs; in the absence of any reasonable certainty of future taxable income, consideration of this Asset may be 'Doubtful'.

4.3 The Company has not paid dividend declared in the Annual General meeting held on 29th September 2009 for the FY ending 31st March 2011.

5. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) order, 2004 issued by 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.

6. 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the 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, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;



- vi) in our opinion and to the best of our information and according to the explanations given to us, subject to Para nos (3) and (4) above the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
 - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for S.JANARDHAN & ASSOCIATES

Chartered Accountants
FRN : 005310S

Balakrishna S. Bhat

Partner
Membership No.202976

Bangalore
September 7, 2011



ANNEXURE

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

- (i) (a) The Company has generally maintained records showing particulars including quantitative details and situation of fixed assets. Movements of fixed assets took place in the immediately preceding financial year resulting incomplete records, updations are under progress.
(b) Not all the Fixed Assets have been physically verified by the management during the year.
(c) The Company has not disposed off substantial part of fixed assets during the year and therefore do not affect the going concern assumption on this account.
- (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 or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the above, clause 4 (iii) (b), (c), (d), (f) and (g) of the said order 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 control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts and arrangements referred to in section 301 of the Companies Act 1956 have been entered in the register required to be maintained under that section.
(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's in house internal audit system needs to be further streamlined to render it 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, there have been delays and defaults in depositing of undisputed statutory dues including, Provident Fund, Employees' state Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Customs duty, and Cess with the appropriate authorities. As of 31st March, 2011, the following amounts are still to be deposited out of the total liabilities:**

(Rs. in Lakhs)

| Name of the Statute | Nature of dues | Amount to be Deposited |
|----------------------------------------------------------|--------------------|------------------------|
| Employee`s Provident Fund & Miscellaneous Provisions Act | Provident Fund | 77.46 |
| Commercial Taxes Act | Professional Tax | 9.88 |
| Employee State Insurance Act | ESI | 0.73 |
| Income Tax Act | TDS | 537.44 |
| Service Tax Act | Service Tax | 328.10 |
| Sales Tax / Value Added Tax | Value Added Tax | 11.47 |
| Income Tax Act | SelfAssessment Tax | 607.90 |
| Wealth Tax Act | Wealth Tax | 0.88 |

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Sales Tax and Cess were in arrears as at 31st March 2011 for a period of more than six months from the date they became payable except in the below case which is still due for payment:

(Rs. in Lakhs)

| Name of the Statute | Nature of dues | Amount Due |
|---------------------------------------------------------|------------------------|------------|
| Income Tax Act | Corporate Dividend Tax | 373.88 |
| Employee`s Provident Fund & Miscellaneous Provision Act | Provident Fund | 68.46 |
| Commercial Taxes Act | Professional Tax | 8.01 |
| Employee State Insurance Act | ESI | 0.34 |
| Income Tax Act | TDS | 471.93 |
| Service Tax Act | Service Tax | 326.65 |
| Sales Tax / Value Added Tax | Value Added Tax | 10.28 |
| Income Tax Act | Self Assessment Tax | 607.90 |
| Wealth Tax Act | Wealth Tax | 0.88 |

(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, and Cess, which have not been deposited on account of any dispute except in the below said cases:

(Rs. in Lakhs)

| Name of the Statute | Nature of dues | Disputed Amount | Assessment Year | Forum where dispute is pending |
|-----------------------|----------------|-----------------|----------------------|----------------------------------------------------|
| Income Tax Act, 1961 | Income Tax | 3849.18 | 2003-2004 to 2007-08 | Commissioner of Income Tax, Appeals |
| Sales Tax Act, 1956 | Sales Tax | 34.21 | 2005-06 to 2007-08 | Commissioner of Commercial Taxes Appeal |
| Service Tax Act, 1994 | Service Tax | 523.34 | 2004-05 to 2007-08 | Customs, Excise and Service Tax Appellate Tribunal |

(x) The Company has accumulated losses, as at March 31, 2011. The Company has also incurred cash losses of Rs.76.37crores in the financial year ended on that date and Rs.220crores cash losses in the immediate preceding financial year.



- (xi) *There are defaults in repayment of dues to some financial institution and banks although there are no dues to debenture holders as at the balance sheet date. The amount of defaults and the period are tabulated below:*

(Rs. in Lakhs)

| <i>Name of the Banks & Financial Institutions</i> | <i>Amount of default (including accrued interest)</i> | <i>Period of default / delay</i> |
|-------------------------------------------------------|-------------------------------------------------------|----------------------------------|
| Bank of India | 18,493.26 | From 2009 till date |
| State Bank of Travancore | 3,212.31 | From 2009 till date |
| Jammu & Kashmir Bank Limited | 5,597.54 | From 2009 till date |
| Hongkong and Shanghai Banking Corporation Limited | 17,642.23 | From 2009 till date |
| Allahabad Bank | 2,859.03 | From 2009 till date |
| Canara Bank | 3,451.61 | From 2009 till date |
| Industrial Development Bank of India | 2,492.51 | From 2009 till date |
| Indiabulls Financial Services Limited | 230.00 | From 2009 till date |
| State Bank of Mysore | 2,789.76 | From 2009 till date |
| State Bank of India | 8,021.22 | From 2009 till date |
| Yes Bank | 3,255.66 | From 2009 till date |

- (xii) According to information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanation given to us, the Company is not a chit fund or a Nidhi /mutual benefit fund/ society.
- (xiv) In our opinion 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, there are no guarantees outstanding as at 31/03/2011.
- (xvi) In our opinion and according to the information and explanations given to us, a categorical examination of the application of financing received by the Company compared to the purposes as stipulated in the terms of the sanction has not been possible.
- (xvii) According to the information and explanations given to us during this audit, we have not come across situations of funds raised on short-term basis being 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.
- (xx) During the year under review the Company has not raised any money through public issue and hence the provisions of this para is not applicable.
- (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, no fraud on or by the Company, has been noticed or reported during the course of our audit.

for S.JANARDHAN & ASSOCIATES

Chartered Accountants
FRN : 005310S

Balakrishna S. Bhat

Partner

Membership No.202976

Bangalore
September 7, 2011

**BALANCE SHEET**

AS AT MARCH 31, 2011

(In Rupees)

| PARTICULARS | Sch.No. | Current Year | Previous Year |
|----------------------------------------------------|----------------|-----------------------|-----------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 235,533,700 | 235,533,700 |
| Reserves and Surplus | 2 | 2,894,125,826 | 4,147,851,260 |
| | | 3,129,659,526 | 4,383,384,960 |
| Loan Funds | | | |
| Secured Loans | 3 | 4,495,148,179 | 4,078,686,024 |
| Unsecured Loans | 4 | 4,622,910,160 | 4,560,213,565 |
| | | 9,118,058,339 | 8,638,899,589 |
| TOTAL | | 12,247,717,865 | 13,022,284,549 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 4,905,207,251 | 4,930,272,413 |
| Less : Accumulated Depreciation | | 3,455,252,491 | 2,975,363,075 |
| Net Block | | 1,449,954,760 | 1,954,909,338 |
| Capital Work in Progress | | 2,753,366,066 | 2,753,366,066 |
| | | 4,203,320,826 | 4,708,275,404 |
| Good Will | | 387,360,000 | 387,360,000 |
| Investments | 6 | 800,917,790 | 800,917,790 |
| Deferred Tax Assets (Net) | | 569,486,843 | 510,486,843 |
| Current Assets, Loans & Advances | | | |
| Inventories | 7 | 9,390,666 | 2,563,840 |
| Sundry Debtors | 8 | 3,755,126,778 | 3,729,549,589 |
| Cash and Bank Balances | 9 | 9,547,184 | 16,766,728 |
| Loans and Advances | 10 | 5,068,268,837 | 4,752,075,038 |
| | | 8,842,333,465 | 8,500,955,195 |
| Less : Current Liabilities & Provisions | 11 | | |
| Current Liabilities | | 1,938,246,652 | 1,268,256,276 |
| Provisions | | 617,454,407 | 617,454,407 |
| | | 2,555,701,059 | 1,885,710,683 |
| Net Current Assets | | 6,286,632,406 | 6,615,244,512 |
| Miscellaneous Expenditure | 12 | - | - |
| (To the extent not written off or adjusted) | | | |
| Significant Accounting Policies | 20 | | |
| Notes to Accounts | 21 | | |
| TOTAL | | 12,247,717,865 | 13,022,284,549 |

Schedules Nos. 1 to 12 and 20 & 21 form an integral part of Balance Sheet

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 7, 2011

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mueed Khader
Director

P. Phaneendra
Company Secretary



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2011

(In Rupees)

| PARTICULARS | Sch. No. | Current Year | Previous Year |
|-----------------------------------------------------|----------|------------------------|------------------------|
| INCOME | | | |
| Sales | 13 | 279,067,845 | 286,792,713 |
| Other Income | 14 | 1,723,793 | 235,556 |
| | | 280,791,638 | 287,028,269 |
| EXPENDITURE | | | |
| Cost of Goods Sold | 15 | 55,839,026 | 71,227,910 |
| Personnel Expenses | 16 | 111,189,612 | 298,908,531 |
| Administrative Expenses | 17 | 144,909,805 | 1,493,346,336 |
| Interest and Financial Charges (Net) | 18 | 761,511,302 | 624,358,108 |
| Depreciation | | 490,047,520 | 759,034,734 |
| | | 1,563,497,265 | 3,246,875,619 |
| PROFIT BEFORE TAX | | (1,282,705,627) | (2,959,847,350) |
| Provision for Taxation | 19 | (59,000,000) | (1,019,957,000) |
| PROFIT AFTER TAX | | (1,223,705,627) | (1,939,890,350) |
| Add /(Less) : Adjustments relating to earlier years | | 30,019,807 | 899,780 |
| NET PROFIT | | (1,253,725,434) | (1,940,790,130) |
| Add : Balance brought forward from previous year | | 275,024,886 | 2,215,815,016 |
| Profit available for appropriation | | (978,700,548) | 275,024,886 |
| Appropriations | | | |
| Balance carried to Balance Sheet | | (978,700,548) | 275,024,886 |
| | | (978,700,548) | 275,024,886 |
| Earnings Per Share (Rs.) | | | |
| - Basic | | (10.65) | (16.48) |
| - Diluted | | (8.64) | (13.80) |
| Significant Accounting Policies | 20 | | |
| Notes to Accounts | 21 | | |

Schedule Nos 13 to 19 and 20 & 21 form an integral part of the Profit and Loss Account

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 7, 2011

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mueed Khader
Director

P. Phaneendra
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| SCHEDULE NO.1: SHARE CAPITAL: | | |
| AUTHORISED: | | |
| 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 |
| TOTAL | 350,000,000 | 350,000,000 |
| ISSUED, SUBSCRIBED & PAID-UP | | |
| 117,766,850 (Previous year 117,766,850) Equity shares of Rs.2/- each fully paidup. [Of the above - | | |
| i) 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. | 235,533,700 | 235,533,700 |
| ii) 56,833,985 (Previous year 56,833,985) were issued & allotted as fully paidup Bonus shares by capitalisation of Reserves. | | |
| iii) 30,98,880 (previous year 3,098,850) equity shares of Rs. 2/- each fully paid-up were issued for consideration other than Cash as part consideration for the acquisition of Cubeware GmbH, by its wholly owned subsidiary Systat Software GmbH.] | | |
| TOTAL | 235,533,700 | 235,533,700 |
| SCHEDULE NO.2: RESERVES AND SURPLUS: | | |
| (a) Securities Premium Account | | |
| Opening Balance | 1,789,826,374 | 1,849,826,374 |
| Less: Transfer to FCCB Premium Redemption Reserve | - | 60,000,000 |
| | 1,789,826,374 | 1,789,826,374 |
| (b) FCCB Premium Redemption Reserve | | |
| Opening Balance | 240,000,000 | 180,000,000 |
| Add: Transfer from Share Premium account | - | 60,000,000 |
| | 240,000,000 | 240,000,000 |
| (c) General Reserve | | |
| Opening Balance | 1,843,000,000 | 1,843,000,000 |
| | 1,843,000,000 | 1,843,000,000 |
| (d) Balance in profit and loss account | | |
| | (978,700,548) | 275,024,886 |
| TOTAL | 2,894,125,826 | 4,147,851,260 |
| SCHEDULE NO.3: SECURED LOANS | | |
| From Banks | | |
| Working Capital Loans | 671,796,306 | 860,173,978 |
| Term Loans | 3,822,736,717 | 3,216,367,993 |
| Vehicle Loans | 615,156 | 2,144,053 |
| (For Security, refer Note No.21.1.6) | | |
| TOTAL | 4,495,148,179 | 4,078,686,024 |



(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| SCHEDULE NO.4: UNSECURED LOANS | | |
| Short Term Loans | | |
| From Banks | 2,309,979,409 | 2,248,496,873 |
| From Others | 2,312,930,751 | 2,311,716,692 |
| TOTAL | 4,622,910,160 | 4,560,213,565 |
| SCHEDULE NO.6: INVESTMENTS | | |
| Long-Term - Investment (Unquoted - at cost) | | |
| Subsidiaries: | | |
| 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 paidup (Previous year 380,000 Equity shares of Rs.10/- each fully paidup) | 3,800,000 | 3,800,000 |
| Systat Software Gmbh-Germany | | |
| 1 Equity Share of 25,000 Euros fully paidup (Previous year 1 Equity share of 25,000 Euros fully paidup) | 1,447,500 | 1,447,500 |
| Cranes Software International Pte Limited - Singapore | | |
| 165,692 Equity shares of Singapore Dollars 1/- each fully paidup. (Previous year 165,692 Equity shares of Singapore Dollars 1/- each fully paid up) | 4,430,582 | 4,430,582 |
| Cranes Software Inc (erstwhile NISA Software Inc) | | |
| 26,91,855 Equity shares of USD 1 each fully paid up (Previous year 26,91,855 Equity shares of USD 1 each fully paid up) | 450,072,825 | 450,072,825 |
| Tilak Auto Tech Private Limited | | |
| 1,000 Equity Shares of Rs. 100/- each fully paid up (Previous Year - 1,000 Equity shares of Rs.100/- each fully paid up) | 5,162,487 | 5,162,487 |
| Analytix Systems Private Limited | | |
| 20,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year - 20,000 Equity shares of Rs.10/- each fully paid up) | 63,000,000 | 63,000,000 |
| Caravel Info Systems Pvt Ltd | | |
| 1,20,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year - 1,20,000 Equity shares of Rs.10/- each fully paid up) | 36,233,187 | 36,233,187 |
| Proland Software Pvt Ltd | | |
| 4,840 Equity Shares of Rs. 100/- each fully paid up (Previous Year - 4,840 Equity shares of Rs.100/- each fully paid up) | 31,889,280 | 31,889,280 |
| Esqube Communication Solutions Private Limited | | |
| 8,942 Equity shares of Rs.10/- each fully paid up (Previous Year -8,942 Equity shares of Rs.10/- each fully paid up) | 17,977,989 | 17,977,989 |
| Others | | |
| 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 |
| TOTAL | 800,917,790 | 800,917,790 |

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET
AS AT MARCH 31, 2011

SCHEDULE NO 5 : FIXED ASSETS

(In Rupees)

| PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|----------------------|-------------------------------|------------------|-------------------|---------------------------------|-------------------------|--------------------|-------------------|--------------------------------|---------------------------|---------------------------|
| | COST AS ON April 1 2010 | ADDITIONS | DELETIONS | TOTAL AS ON March 31 2011 | UPTO April 1 2010 | FOR THE YEAR | WITHDRAWN | TOTAL UPTO March 31 2011 | AS ON March 31 2011 | AS ON March 31 2010 |
| LAND & BUILDING | 111,086,383 | - | 16,374,225 | 94,712,158 | 1,603,166 | 801,583 | - | 2,404,749 | 92,307,409 | 109,483,217 |
| FURNITURE & FIXTURES | 66,784,269 | 39,589 | - | 66,823,858 | 21,661,994 | 4,146,385 | - | 25,808,379 | 41,015,479 | 45,122,275 |
| COMPUTERS | 134,520,679 | 346,523 | 11,492,615 | 123,374,587 | 97,231,321 | 9,344,825 | 10,158,104 | 96,418,042 | 26,956,545 | 37,289,358 |
| COMPUTER SOFTWARE | 4,534,802,839 | 2,227,229 | - | 4,537,030,068 | 2,835,494,208 | 471,016,540 | - | 3,306,510,748 | 1,230,519,320 | 1,699,308,631 |
| PLANT & MACHINERY | 63,829,015 | 188,337 | - | 64,017,352 | 11,285,770 | 3,042,573 | - | 14,328,343 | 49,689,009 | 52,543,245 |
| VEHICLE | 19,148,149 | - | - | 19,148,149 | 8,056,806 | 1,690,813 | - | 9,747,619 | 9,400,530 | 11,091,343 |
| TECHNICAL BOOKS | 101,079 | - | - | 101,079 | 29,810 | 4,801 | - | 34,611 | 66,468 | 71,269 |
| TOTAL | 4,930,272,413 | 2,801,678 | 27,866,840 | 4,905,207,251 | 2,975,363,075 | 490,047,520 | 10,158,104 | 3,455,252,491 | 1,449,954,760 | 1,954,909,338 |
| PREVIOUS YEAR | 4,927,529,005 | 2,743,408 | - | 4,930,272,413 | 2,216,328,341 | 759,034,734 | - | 2,975,363,075 | 1,954,909,338 | 2,711,200,664 |



(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|-----------------------------------------------------------------------|----------------------|----------------------|
| SCHEDULE NO.7: INVENTORIES | | |
| (Valued at lower of cost or net realisable value) | | |
| Stock - in - trade | 9,390,666 | 2,563,840 |
| TOTAL | 9,390,666 | 2,563,840 |
| SCHEDULE NO.8:SUNDRY DEBTORS | | |
| (Unsecured - Considered Good) | | |
| (a) Debts outstanding for a period exceeding six months | 3,686,792,397 | 3,643,321,021 |
| (b) Others debts | 68,334,381 | 86,228,568 |
| TOTAL | 3,755,126,778 | 3,729,549,589 |
| SCHEDULE NO.9: CASH AND BANK BALANCES | | |
| (a) Balances with Scheduled Banks in Indian Rupees | | |
| (i) Current Accounts | 3,490,368 | 1,886,744 |
| (ii) Deposit Accounts | 3,608,832 | 12,363,773 |
| (iii) Dividend Accounts | 974,408 | 974,878 |
| (b) Balances with Scheduled Banks in Foreign Currency | | |
| (ii) Current Accounts | 1,459,622 | 1,541,333 |
| (c) Cash on Hand | | |
| | 13,954 | - |
| TOTAL | 9,547,184 | 16,766,728 |
| SCHEDULE NO.10: LOANS AND ADVANCES | | |
| (unsecured, considered good) | | |
| (a) Loans and Advances to subsidiaries | 1,863,016,798 | 1,701,760,084 |
| (b) Advances recoverable in cash or kind or for value to be received | 2,511,799,830 | 2,372,360,153 |
| (c) Deposits | 18,745,865 | 19,491,976 |
| (e) MAT Credit Entitlement and Advance Income Tax | 674,706,344 | 658,462,826 |
| TOTAL | 5,068,268,837 | 4,752,075,038 |
| SCHEDULE NO.11: CURRENT LIABILITIES & PROVISIONS | | |
| CURRENT LIABILITIES | | |
| (i) Sundry Creditors | | |
| Dues of Micro, Small and Medium enterprises (Refer Note No.21.1.8) | - | - |
| Dues of Others | 1,922,224,183 | 1,252,233,807 |
| Current Account with Directors | 15,000,000 | 15,000,000 |
| (ii) Unclaimed Dividend | 1,022,469 | 1,022,469 |
| TOTAL | 1,938,246,652 | 1,268,256,276 |
| PROVISIONS | | |
| (a) Proposed Equity Dividend (including tax) | 50,941,651 | 50,941,651 |
| (b) Income Tax | 496,187,756 | 496,187,756 |
| (c) Wealth Tax | 43,000 | 43,000 |
| (d) Fringe Benefit Tax (net) | 282,000 | 282,000 |
| (e) Provision for Warranty Claims | 70,000,000 | 70,000,000 |
| TOTAL | 617,454,407 | 617,454,407 |
| SCHEDULE NO.12 : MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Deferred Revenue Expenditure | - | 426,420 |
| Less : Written off during the year | - | 426,420 |
| TOTAL | - | - |

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|-----------------------------------------------------------|---------------------|----------------------|
| SCHEDULE - 13: SALES: | | |
| Software Sales & Services: | | |
| Gross Sales: | | |
| Exports | 117,907,445 | 135,591,604 |
| Domestic | 120,726,223 | 126,262,172 |
| | 238,633,668 | 261,853,776 |
| Software Training | 40,434,177 | 24,938,938 |
| TOTAL | 279,067,845 | 286,792,713 |
| SCHEDULE - 14: OTHER INCOME : | | |
| Misc Income | 1,723,793 | 235,556 |
| TOTAL | 1,723,793 | 235,556 |
| SCHEDULE -15: COST OF GOODS SOLD: | | |
| Opening Stock | 2,563,840 | 13,816,078 |
| ADD: Purchases | 50,572,808 | 52,072,933 |
| ADD: Direct Expenses | 12,093,044 | 7,902,739 |
| | 65,229,692 | 73,791,750 |
| LESS: Closing Stock | 9,390,666 | 2,563,840 |
| TOTAL | 55,839,026 | 71,227,910 |
| SCHEDULE -16: PERSONNEL EXPENSES: | | |
| Salaries and Other Allowances | 100,373,388 | 263,361,612 |
| Contribution to Provident and other funds | 845,445 | 5,883,861 |
| Consultancy Charges | 8,596,725 | 20,474,727 |
| Staff Welfare | 1,374,054 | 9,188,332 |
| TOTAL | 111,189,612 | 298,908,531 |
| SCHEDULE -17: ADMINISTRATIVE EXPENSES: | | |
| Auditor's Remuneration | 485,484 | 485,484 |
| Bad debts | 131,197 | 814,663,005 |
| General Expenses | 74,516,875 | 29,191,834 |
| Exchange Fluctuation | 32,972,608 | 547,738,218 |
| Sales Commission | 546,510 | 50,000 |
| Insurance | 449,307 | 1,010,754 |
| Office Rent | 9,315,136 | 23,360,083 |
| Electricity and Water Charges | 4,995,949 | 8,578,034 |
| Rates and Taxes | 238,595 | 12,334,551 |
| Travelling and Conveyance | 9,812,380 | 45,834,639 |
| Repairs and Maintenance | 813,836 | 2,473,314 |
| Director's Remuneration | 7,200,000 | 7,200,000 |
| Deferred Revenue and Amalgamation Expenditure written off | - | 426,420 |
| Loss on Sale of Asset | 3,431,927 | - |
| TOTAL | 144,909,804 | 1,493,346,336 |



(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|-----------------------------------------------------------------------------------------------------|---------------------|------------------------|
| SCHEDULE -18: INTEREST & FINANCIAL CHARGES (Net) | | |
| Fixed Loans | 656,750,183 | 342,735,169 |
| Others | 105,510,288 | 413,900,800 |
| TOTAL | 762,260,471 | 756,635,969 |
| Less : Interest received on Fixed Deposit [TDS :Rs. 55,733] [Previous Year TDS : Rs.25,195,705] | 749,169 | 132,277,861 |
| TOTAL | 761,511,302 | 624,358,108 |
| SCHEDULE -19: Provision for Taxation | | |
| Deferred Tax | (59,000,000) | (1,020,000,000) |
| Wealth Tax | - | 43,000 |
| TOTAL | (59,000,000) | (1,019,957,000) |

SCHEDULE NO. 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.

20.1. SIGNIFICANT ACCOUNTING POLICIES

20.1.1. Basis of Preparation of financial statements

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), Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India.

20.1.2. 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.

20.1.3. 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.

20.1.4. 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.

20.1.5. 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. During the year exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are recognized in Profit and Loss a/c.
- 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.

20.1.6. 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.

20.1.7. 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.

20.1.8. 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.

20.1.9. 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 more than of a temporary nature. 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 the current year, in view of various reasons already covered elsewhere in this Report, it has not been possible to conduct this detailed review.

20.1.10. Inventories

Inventories of the company comprises of Third Party software products. Such 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.

20.1.11. 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.

20.1.12. 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 recognized in Profit and Loss a/c.

20.1.13. Employees' Retirement Benefits

- i) Post-employment benefit plans

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

- ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.



iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

20.1.14. 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 charge. 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. Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.
- iv. 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.
- v. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

20.1.15. 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.

20.1.16. 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.

20.1.17. 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.

20.1.18. Derivative Instruments and Hedge Accounting

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30).

The use of hedging instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

21.1 NOTES ON ACCOUNTS

21.1.1 Contingent liabilities not provided for and Capital commitments -

(Rupees in Million)

| Particulars | Current Year | Previous Year |
|------------------------------------------------------------------------------------------------|--------------|---------------|
| a. Contingent liabilities not provided for | | |
| Outstanding guarantees and counter guarantees | 3.38 | 105.73 |
| b. Claims against the Company not acknowledged as debts on Tax matters in dispute under appeal | 440.67 | 447.66 |



21.1.2 Undisputed Statutory Dues

(Rupees in Million)

| Name of the Statute | Nature of dues | Total Liability as at 31st March, 2011 | Total Liability as at 31st March, 2010 |
|----------------------------------------------------------|-----------------------------|----------------------------------------|----------------------------------------|
| Employee's Provident Fund & Miscellaneous Provisions Act | Provident Fund | 7.75 | 26.53 |
| Commercial Taxes Act | Professional Tax | 0.99 | 0.57 |
| Employee State Insurance Act | ESI | 0.07 | 0.02 |
| Income Tax Act | TDS | 53.74 | 45.30 |
| Service Tax Act | Service Tax | 32.81 | 27.42 |
| Commercial Tax | Sales Tax / Value Added Tax | 1.15 | 1.65 |
| Income Tax Act | Self Assessment Tax | 60.79 | 60.79 |
| Wealth Tax Act | Wealth Tax | 0.08 | 0.08 |
| Income Tax Act | Dividend Distribution Tax | 27.39 | 27.39 |

21.1.3 Claims against the Company provided for and Sub Judice

(Rupees in Million)

| Sl. No. | Name of Institution | Amount of Claim | In which Forum | Current Status |
|---------------------------------------------|----------------------|-----------------|-----------------------|--------------------------------------------------------------------|
| A UNDER SECTION 434 OF COMPANIES ACT | | | | |
| 1 | The Math Works Inc., | 130.63 | High Court, Karnataka | Negotiated. Settlement reached. |
| 2 | Bank of New York | 2379.98 | High Court, Karnataka | Out of court settlement being worked on directly with Bond Holders |
| Total | | 2510.61 | | |

B UNDER SECTION 138 OF NEGOTIABLE INSTRUMENTS ACT

| | | | | |
|----|-----------------------------------|--------|-------------------------------|-------------------------------------------------|
| 1 | Allahabad Bank | 80.00 | Metropolitan Court, Bangalore | } Out of Court settlement being worked directly |
| 2 | Canara Bank | 160.00 | Metropolitan Court, Bangalore | |
| 3 | IDBI Bank Ltd | 43.20 | Metropolitan Court, Bangalore | |
| 4 | State Bank of India | 60.00 | Metropolitan Court, Bangalore | |
| 5 | State Bank of Mysore | 250.00 | Metropolitan Court, Bangalore | |
| 6 | Shreyas Offset Printers | 0.29 | Metropolitan Court, Bangalore | |
| 7 | HSBC Bank Ltd. | 50.00 | Metropolitan Court, Bangalore | } Case withdrawn |
| 8 | HSBC Bank Ltd. | 400.00 | Metropolitan Court, Bangalore | |
| 9 | HSBC Bank Ltd. | 450.00 | Metropolitan Court, Bangalore | |
| 10 | Yes Bank | 11.00 | Metropolitan Court, Bangalore | |
| 11 | Indiabulls Financial Service Ltd. | 50.00 | Metropolitan Court, Bangalore | |



21.1.4 Managerial Remuneration

The aggregate managerial remuneration under Section 198 of the Companies Act, 1959 to the Directors including Managing Director is :

(Rupees in Million)

| Particulars | Current Year | Previous Year |
|----------------------------------------------|--------------|---------------|
| Managing Director | | |
| - Basic Salary | 1.20 | 1.20 |
| - House Rent Allowance | 0.48 | 0.48 |
| - Special Allowance | 0.56 | 0.56 |
| - Contribution to Provident Fund | 0.14 | 0.14 |
| - Commission | - | - |
| Total Remuneration (a) | 2.38 | 2.38 |
| Whole-time Directors | | |
| - Basic Salary | 2.40 | 2.40 |
| - House Rent Allowance | 0.96 | 0.96 |
| - Special Allowance | 1.17 | 1.17 |
| - Contribution to Provident Fund | 0.29 | 0.29 |
| - Commission | - | - |
| Total Remuneration (b) | 4.82 | 4.82 |
| Total Managerial Remuneration (a + b) | 7.20 | 7.20 |

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 Section 309(4) of the Companies Act, 1956.

(Rupees in Million)

| Particulars | Current Year |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Profit before taxation | (1,282.71) |
| Add: | |
| Directors remuneration | 7.20 |
| Provision for commission payable to Directors | - |
| Loss on sale of fixed assets (net) as per Sec. 350 of the Companies Act 1956 | 3.41 |
| Add: Depreciation as per profit and loss account | 490.05 |
| Less: | |
| Profit on sale of Mutual Fund | - |
| Profit on sale of interest in subsidiary | - |
| Depreciation as per Sec. 350 of the Companies Act 1956 | 490.05 |
| Net profit as per Sec 349 of the Companies Act, 1956 | (1,272.10) |
| Maximum Commission allowed to non-whole-time directors as per Sec 309 of the Companies Act, 1956: @ 1% of Net profit u/s 359 of the Companies Act 1956. | NIL |

**21.1.5. Activities in foreign currency**

(Rupees in Million)

| Particulars | Current Year | Previous Year |
|------------------------------------------------------------|---------------|---------------|
| Earnings in Foreign Currency - FOB value of exports | 117.91 | 135.59 |
| Expenditure incurred in Foreign Currency | 103.29 | 186.11 |
| Capital Goods (valued on CIF basis) | - | 50.69 |
| Trading Goods (valued on CIF basis) | 32.76 | 34.56 |
| Travelling, Boarding & Lodging Expenses | - | 17.18 |
| Marketing Expenses | - | 0.34 |
| Legal/Professional/Consultancy Expenses | - | 5.95 |
| Interest | 70.27 | 76.45 |
| Others | 0.26 | 0.94 |

21.1.6. Security for borrowings

- i) **Working Capital and Term Loans:** 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) **Vehicle Loans:** Finance for purchase of vehicles are secured by hypothecation of respective vehicles.
- iii) There are other borrowings, some of which are personally guaranteed by whole time Directors.

21.1.7. 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.

21.1.7.1. Debtors include, dues from Subsidiary Companies as under:

(Rupees in Million)

| Particulars | Current Year | Previous Year |
|---------------------------------------------|---------------|---------------|
| Caravel Info Systems Pvt. Ltd., | - | 1.01 |
| Cranes Software International Pte. Ltd., | 0.53 | 1.47 |
| Dunn Solutions Group Inc., | 5.40 | 13.71 |
| Esqube Communication Solutions Pvt Ltd | 0.03 | 0.03 |
| Engineering Technology Associates Inc., USA | 6.02 | 6.13 |
| Proland Software Pvt Ltd | 0.31 | 0.31 |
| Systat Software GmbH, Germany | 28.09 | 23.57 |
| Systat Software Inc, USA | 430.84 | 391.62 |
| TOTAL | 471.22 | 437.85 |

21.1.7.2. Loans & advance includes, dues 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 | 18.88 | 18.88 | 26.12 | 26.12 |
| Cranes Software Inc (Earlier known as NISA Software Inc) | 274.73 | 277.27 | 277.27 | 277.27 |
| Tilak Auto Tech Pvt. Ltd | 19.53 | 19.53 | 22.13 | 22.13 |
| Systat Software GmbH | 711.99 | 711.99 | 702.30 | 709.40 |
| Systat Software Inc USA | 393.62 | 579.31 | 579.31 | 579.31 |
| Proland Software Pvt Ltd | 6.70 | 13.66 | 13.66 | 13.66 |
| Esqube Communication Solutions Pvt. Ltd. | 23.87 | 23.90 | 23.90 | 23.90 |
| Caravel Info System Pvt Ltd | 9.09 | 9.48 | 8.45 | 8.45 |
| Systat Software Asia Pacific Limited | 16.08 | 27.70 | 8.99 | 8.99 |
| Total | 1473.48 | 1681.69 | 1,662.13 | 1,669.23 |

21.1.8. Dues to Small-scale industrial undertakings

- As at March 31, 2010 and March 31, 2011, 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.
- There are no micro and small enterprises, to whom the Company owes dues, for more than 45 days as at 31st March, 2011. This information as required to be disclosed under the Micro, Small & Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

21.1.9. 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 (In Numbers)

| Item Description | Opening Stock April 1, 2010 | Receipts | Issues | Balance as on March 31,2011 |
|------------------|-----------------------------|----------|--------|-----------------------------|
| DSP Starter kits | 97 | 863 | 811 | 149 |
| Calculators - TI | 90 | 690 | 642 | 138 |
| BWD | 6386 | - | 1282 | 5104 |

**Previous Year**

(In Numbers)

| Item Description | Opening Stock April 1, 2009 | Receipts | Issues | Balance as on March 31,2010 |
|----------------------|--------------------------------|----------|--------|--------------------------------|
| Matlab Media CD Kits | 2 | - | 2 | - |
| Dongles | 11 | - | 11 | - |
| Matlab | 62 | - | 62 | - |
| Simulink | 43 | - | 43 | - |
| Toolboxes | 338 | - | 338 | - |
| DSP Starter kits | 234 | 573 | 710 | 97 |
| Calculators - TI | 158 | 1,172 | 1240 | 90 |
| BWD | 6,987 | - | 601 | 6,386 |
| Dspace | - | - | - | - |
| Maple Soft | 20 | - | 20 | - |

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

21.1.10. Repairs and Maintenance includes

(Rupees in Million)

| Particulars | Current Year | Previous Year |
|----------------|--------------|---------------|
| (i) Building | 0.08 | 1.82 |
| (ii) Machinery | 0.54 | 0.04 |
| (iii) Others | 0.19 | 0.62 |
| Total | 0.81 | 2.47 |

21.1.11. Details of Auditors remuneration

(Rupees in Million)

| Particulars | Current Year | Previous Year |
|------------------------|--------------|---------------|
| Statutory Audit | 0.48 | 0.48 |
| Out of Pocket Expenses | 0.05 | 0.04 |
| Total | 0.53 | 0.52 |

21.1.12. Dividends remitted in foreign currencies - NIL

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

(Rupees in Million)

| Particulars | Current Year | Previous Year |
|-------------------------------------------------------------------------------------------------------------|--------------|---------------|
| Net Profit for the period attributable to equity shareholders (A) | (1253.73) | (1,940.79) |
| Adjustment for interest on Foreign Currency convertible Bonds(FCCB) net of Taxes (B) | 70.74 | 50.00 |
| Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B) | 1182.99 | (1,890.79) |
| Number of shares considered as basic weighted average shares outstanding (C) | 117.77 | 117.77 |
| Add: Effect of dilutive issues of shares (D) | 19.24 | 19.24 |
| Number of shares considered as weighted average shares and potential shares outstanding (C+D) | 137.01 | 137.01 |
| Basic Earnings per share (A/C) (Rs) | (10.65) | (16.48) |
| Diluted Earnings per share (A+B)/(C+D) (Rs) | (8.64) | (13.80) |
| Nominal Value per share (Rs) | 2.00 | 2.00 |

21.1.14. Deferred Tax Liability

Deferred taxes has been recognized for the following items :

(Rupees in Million)

| | Current Year | Previous Year |
|----------------------------------------------|-----------------------|-----------------|
| Deferred Tax Asset | | |
| Provision for Retirement Benefits | - | (0.42) |
| Carried forward Business Loss | (343.03) | (675.18) |
| Carried forward Depreciation Loss | (200.73) | (163.55) |
| Others | (14.15) | (55.31) |
| (A) Total | (957.91) | (894.46) |
| Deferred Tax Liabilities | | |
| Difference between Book and Tax Depreciation | 388.42 | 383.98 |
| (B) Total | 388.42 | 383.98 |
| Deferred Tax Asset (Net) | (A-B) (569.49) | (510.48) |



21.1.15. Gratuity

| Particulars | Current Year |
|----------------------------------------------------------------------------|--------------|
| (i) Change in Benefit Obligations: | |
| Projected Benefit Obligation, beginning of the year (April 1, 2010) | 6.94 |
| Service Cost | 1.48 |
| Interest Cost | 0.56 |
| Actuarial (gain) / loss on obligations | (2.29) |
| Benefit paid | (8.70) |
| Projected Benefit Obligation, at the end of the year | 3.03 |
| (ii) Change in Plan Assets: | |
| Fair value of Plan Assets, beginning of the year (April 1,2010) | 15.60 |
| Expected return on Plan Assets | 1.25 |
| Employer's contributions | - |
| Benefit paid | (8.70) |
| Actuarial (gain) / loss on Plan Assets | (0.38) |
| Fair value of Plan Assets, at the end of the year | 7.77 |
| Excess of (obligation over plan assets) / plan assets over obligation | 4.74 |
| (Accrued Liability) / Prepaid Benefit | 4.74 |
| (iii) Net Gratuity and other cost for the year ended March 31, 2011 | |
| Service Cost | 1.94 |
| Interest on Defined Benefit Obligation | 0.56 |
| Expected return on Plan Assets | (1.25) |
| Net Actuarial (gain) / loss recognized in the year | 2.67 |
| Net Gratuity and other cost | 3.92 |
| Actual Return on Plan Assets | 0.87 |
| (iv) Category of Assets as at March 31, 2011 | |
| Insurer Managed Funds | 7.77 |
| Total | 7.77 |
| v) Assumptions used in accounting for the Gratuity Plan | |
| Discount Rate | 8.25% |
| Salary escalation rate | 4% |
| Expected rate of return on Plan Assets | 8.25% |

21.1.16. Obligations towards long term, non-cancellable operating leases

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

The rental expenses in respect of operating leases recognized in the profit and loss account are Rs.9.32 Million for the year ended March 31, 2011. (Previous year Rs.23.36 Million).

21.1.17. Research & Development

Research & Development expenditure recognized as expenses during the year amounted to Rs. Nil.
(Previous year Rs. NIL)

21.1.18. Related Party Disclosures as ascertained by the Management

Current Year (Rupees in Million)

| Particulars | Subsidiaries | Key Management Personnel | Total Related Parties |
|-------------------------------------------|---------------------|---------------------------------|------------------------------|
| Purchases of Goods/software | 19.19 | - | 19.19 |
| Sales of Goods/Software | 69.38 | - | 69.38 |
| Purchase of Fixed Assets | - | - | - |
| Sale of Fixed Assets | 0.02 | - | - |
| Investment in Subsidiary | - | - | - |
| Rendering of Services | 25.41 | - | 25.41 |
| Receiving of Services | 48.86 | - | 48.86 |
| Loans/advances/equity contributions given | 221.20 | - | 108.69 |
| Loans/advances/equity contributions taken | 180.97 | - | 103.72 |
| Directors Remuneration | - | 7.20 | 7.20 |
| Commission to Directors | - | - | - |
| Balance as on 31.03.11 receivable | 2,237.02 | - | 2,162.34 |
| Balance as on 31.03.11 payable | 259.35 | 7.20 | 229.64 |

Previous Year (Rupees in Million)

| Particulars | Subsidiaries | Key Management Personnel | Total Related Parties |
|-------------------------------------------|---------------------|---------------------------------|------------------------------|
| Purchases of Goods/software | 15.08 | - | 15.08 |
| Sales of Goods/Software | 19.23 | - | 19.23 |
| Purchase of Fixed Assets | - | - | - |
| Sale of Fixed Assets | - | - | - |
| Investment in Subsidiary | - | - | - |
| Rendering of Services | 9.86 | - | 9.86 |
| Receiving of Services | 50.69 | - | 50.69 |
| Loans/advances/equity contributions given | 81.06 | - | 81.06 |
| Loans/advances/equity contributions taken | 776.96 | - | 776.96 |
| Directors Remuneration | - | 7.20 | 7.20 |
| Commission to Directors | - | - | - |
| Balance as on 31.03.10 receivable | 2,073.86 | - | 2,073.86 |
| Balance as on 31.03.10 payable | 33.44 | 3.30 | 36.74 |

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

Holding Company Nil

Subsidiaries:

1. Systat Software Inc., USA
2. Systat Software Asia Pacific Limited
3. Cranes Software International Pte. Ltd, Singapore
4. Systat Software GmbH, Germany
5. Cranes Software Inc (Earlier known as NISA Software Inc., USA)
6. Analytix Systems Private Ltd
7. Tilak Autotech Private Ltd
8. Caravel Info Systems Pvt. Ltd.,
9. Proland Software Pvt. Ltd.,
10. Esqube Communication Solutions Pvt. Ltd.,

Step Down Subsidiaries:

1. Dunn Solutions Group Inc.
2. Engineering Technology Associates Inc with its Subsidiary, Engineering Technology Associates (Shanghai) Inc., China
3. Cubeware GmbH and its Subsidiaries in Austria and Switzerland

Key Management Personnel Mr.Asif Khader
Mr.Mukkaram Jan
Mr.Mueed Khader

Relatives of Key Management Personnel Nil

Other Related Parties

Orca Infotech Private Limited
K&J Holdings Private Limited
K &J 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 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.

21.1.19. 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 | Segment Revenue: | 117.91 | 161.16 | 279.07 | 135.59 | 151.20 | 286.79 |
| 2 | Segment Results | (220.93) | (301.98) | (522.92) | (1,088.50) | (1,247.22) | (2,335.72) |
| | Other Income | | | 1.72 | | | 0.24 |
| | Operating Profit | | | (521.19) | | | (2,335.49) |
| | Interest Expenses | | | 761.51 | | | 624.36 |
| | Profit before Tax | | | (1,282.70) | | | (2,959.85) |
| | Tax expenses | | | (59.00) | | | (1,019.96) |
| | Profit after tax | | | (1,223.71) | | | (1,939.89) |
| | Adjustments relating to earlier years | | | 30.01 | | | 0.90 |
| | Net Profit | | | (1,253.73) | | | (1,940.79) |
| 3 | Segment Assets | 6,631.75 | 2,210.58 | 8,842.33 | 6,004.50 | 2,001.45 | 8,005.95 |
| | Total Assets | | | 8,842.33 | | | 8,005.95 |
| | Segment Liabilities | 1,917.70 | 638.00 | 2,555.70 | 1,415.59 | 470.12 | 1,885.71 |
| | Total Liabilities | | | 2,555.70 | | | 1,885.71 |
| | Segment Capital Employed (Segment Assets - Segment Liabilities) | 4,714.05 | 1,572.58 | 6,286.63 | 4,588.91 | 1,531.33 | 6,120.24 |
| 4 | Capital Expenditure | 1.11 | 1.69 | 2.80 | 1.30 | 1.45 | 2.74 |
| 5 | Depreciation | 230.32 | 259.73 | 490.05 | 358.87 | 400.16 | 759.03 |

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 | 200.74 | 78.33 | 232.32 | 54.47 |
| 2. | Segment Result | (424.09) | (98.83) | (1,886.48) | (449.24) |
| 3. | Segment Assets | 7,957.91 | 884.42 | 7,181.33 | 824.62 |
| 4 | Capital Expenditure | 2.01 | 0.79 | 2.22 | 0.52 |

**21.1. 20 Payment of Dividend declared in Members' meeting held on 29th September, 2009**

At the meeting of the Members of the Company held on 29th September, 2009, it was resolved that Dividend on Ordinary Shares at the rate of Rs 0.20 per share will be distributed to Members in the rolls as on the Record Date, 23rd September, 2009. Owing to the liquidity position of the Company, it has not been possible to make this payment. Liability of this amount continues to exist as on 31st March, 2011.

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

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

| | | | | |
|--------------------------------|----------------------------------------------------------------|-----------------------------------------|---------------------------------|-------------------------------------------|
| Bangalore September 7, 2011 | Balakrishna S. Bhat Partner Membership No. 202976 | Asif Khader Managing Director | Mueed Khader Director | P. Phaneendra Company Secretary |
|--------------------------------|----------------------------------------------------------------|-----------------------------------------|---------------------------------|-------------------------------------------|

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

| | | | |
|--------------------|----------|------------|----|
| Registration # | 31621 | State Code | 08 |
| Balance sheet date | 31032011 | | |

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

| | | | |
|--------------|-----|--------------------------------------|-----|
| Public issue | NIL | Rights issue | NIL |
| Bonus issue | NIL | Private placement/Preferential issue | NIL |

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

| | | | |
|-------------------|----------|--------------|----------|
| Total Liabilities | 12247718 | Total Assets | 12247718 |
|-------------------|----------|--------------|----------|

Sources of funds

| | | | |
|------------------------------|---------|--------------------|---------|
| Paid up capital | 235534 | Reserves & Surplus | 2894126 |
| Secured Loans | 4495148 | Unsecured Loans | 4622910 |
| Deferred Tax Liability (Net) | NIL | | |

Application of funds

| | | | |
|---------------------------|---------|-------------------------------------|--------|
| Net fixed assets | 4590681 | Investments | 800918 |
| Net current assets | 6286632 | Miscellaneous expenditure | NIL |
| Deferred Tax Assets (Net) | 569487 | *Including capital work in progress | |

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

| | | | |
|---------------------------|----------|-------------------------|----------|
| Turnover | 280792 | Total expenditure | 1563497 |
| Profit / Loss before tax | -1282706 | Profit / Loss after tax | -1253725 |
| Earnings per share in Rs. | | Dividend rate % | NIL |
| Basic | -10.65 | Diluted | -08.64 |

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
 FRN : 005310S

For and on behalf of the Board

| | | | | |
|--------------------------------|----------------------------------------------------------------|-----------------------------------------|---------------------------------|-------------------------------------------|
| Bangalore September 7, 2011 | Balakrishna S. Bhat Partner Membership No. 202976 | Asif Khader Managing Director | Mueed Khader Director | P. Phaneendra Company Secretary |
|--------------------------------|----------------------------------------------------------------|-----------------------------------------|---------------------------------|-------------------------------------------|



STATEMENT OF CASH FLOWS AS AT MARCH 31, 2011

(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|-------------------------------------------------------------|----------------------|------------------------|
| Cash flows from operating activities | | |
| Net profit before taxation | (1,282,705,626) | (2,959,847,350) |
| Adjustments for: | | |
| Prior period adjustment | (30,019,807) | (899,780) |
| Wealth Tax Provision | - | (43,000) |
| Depreciation and amortization | 490,047,520 | 759,034,734 |
| Preliminary expenses | - | 426,420 |
| Dividend / interest income (Net) | (285,714) | (235,556) |
| Interest expense on borrowings | 761,511,302 | 624,358,108 |
| Operating profit before working capital changes | (61,452,325) | (1,577,206,423) |
| Adjustments for working capital | | |
| Inventory | (6,826,826) | 11,252,238 |
| Debtors | (25,577,189) | 184,343,162 |
| Loans and advances | (316,193,799) | (2,746,354,391) |
| Current liabilities | 669,990,375 | 1,211,288,382 |
| Cash generated from operations | 259,940,237 | (2,916,677,032) |
| Net cash from Operating Activities | 259,940,237 | (2,916,677,032) |
| Cash flows from investing activities | | |
| Purchase of Fixed Assets / Increase in Work In Progress | (10,158,104) | (59,619,838) |
| Proceeds from sale of Investments | - | 353,523 |
| Dividend / Interest received | 285,714 | 235,556 |
| Proceeds from sale of Fixed assets | 25,065,162 | - |
| Net cash from Investing Activities | 15,192,772 | (59,030,760) |
| Cash flows from financing activities | | |
| Interest on borrowed funds | (761,511,302) | (624,358,108) |
| Secured Loans / Borrowings | 416,462,155 | 809,463,182 |
| Unsecured Loans | 62,696,595 | 396,955,987 |
| Net cash from Financing Activities | (282,352,552) | 582,061,061 |
| Net increase/(decrease) in Cash and Cash Equivalents | (7,219,544) | (2,393,646,736) |
| Opening cash and cash equivalents | 16,766,728 | 2,410,413,464 |
| Closing cash and cash equivalents | 9,547,184 | 16,766,728 |

As per our report of even date
For S.Janardhan & Associates
 Chartered Accountants
 FRN : 005310S

For and on behalf of the Board

| | | | | |
|-------------------|---------------------------------------|-----------------------------------------|---------------------------------|-------------------------------------------|
| Bangalore | Balakrishna S. Bhat Partner | Asif Khader Managing Director | Mueed Khader Director | P. Phaneendra Company Secretary |
| September 7, 2011 | Membership No. 202976 | 55 | | |



STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANYS' INTEREST IN SUBSIDIARY COMPANIES:

| Name of the Subsidiary Company | Systat Software GmbH (Consolidated with Cubeware GmbH) | Systat Software Inc | Systat Software Asia Pacific Ltd. | Cranes Software International Pte. Ltd. | Caravel Info Systems Pvt. Ltd. | Cranes Software Inc (Consolidated with Dunn Solutions Group Inc, Engg. Technology Associates Inc & China) | Tilak Autotech Pvt. Ltd. | Analytix Systems Pvt. Ltd. | Proland Software Pvt. Ltd. | Esquire Communication Solutions Pvt. Ltd. |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------|-----------------------------------|-----------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|----------------------------|-------------------------------------------|
| Financial period ended | 31.3.2011 | 31.3.2011 | 31.3.2011 | 31.3.2011 | 31.3.2011 | 31.3.2011 | 31.3.2011 | 31.3.2011 | 31.3.2011 | 31.3.2011 |
| a) No. of shares held | 1 | 974,166 | 380,000 | 165,692 | 120,000 | 2,691,855 | 1,000 | 20,000 | 4,840 | 8,942 |
| b) Face value of per share | EURO 25,000 | USD 1 | INR 10 | SGD 1 | INR 10 | USD 1 | INR 100 | INR 10 | INR 100 | INR 10 |
| c) Extent of interest as at year end | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 76% |
| 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 | EURO (531,421) | USD (540,134) | INR (95,262) | SGD (104,907) | INR (3,676,721) | USD (377,848) | INR (1,344,603) | INR (41,912) | INR (1,981,581) | INR (658,259) |
| 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 (776,307) | USD (4,306,655) | INR 1,749,492 | SGD (991,503) | INR (15,645,774) | USD (946,982) | INR (16,194,516) | INR (351,609) | INR (6,891,865) | INR (8,705,784) |
| Net aggregate 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 | - | - | - | - | - | - | - | - | - | - |

For and on behalf of the Board

Bangalore
September 7, 2011

Asif Khader
Managing Director

Mueed Khader
Director



CRANES SOFTWARE INTERNATIONAL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

2010-2011



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 2011, and Consolidated Profit and Loss account and 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 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 consolidated financial statements have been prepared by the Company's management in accordance with 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.21.1 in Notes forming part of Account for the year ended March 31, 2011).

In preparing this report on the Consolidated Financial Statements, we have relied on audits undertaken by other firms and their reports, as detailed below:

| Name of Company | Country | Name of Auditor |
|-----------------------------|-----------|---------------------------------------|
| Systat Software Inc | USA | Continental Accounting Solutions Inc. |
| Cranes Software Inc # | USA | Premier Accounting Solutions |
| Systat Software GmbH | Germany | PriceWater House Coopers |
| Cubeware GmbH@ | Germany | Stenuerberater Sozietat |
| Cranes Software Pte Limited | Singapore | NG, Vun & Company |

: Includes its Wholly Owned Subsidiaries Dunn Solutions Group Inc and ETA Inc and also ETA Inc's Wholly Owned Subsidiary in China.

@ : Includes its Wholly Owned Subsidiaries in Austria and Switzerland.

We would additionally like to opine as follows :

- 1. We have made a number of observations in our Report of even date on the Accounts of the Parent Company, Cranes Software International Limited. These observations and qualifications need to be referred to, while perusing through the Consolidated Financial Statements as well.***
- 2. In line with the size and nature of operations of Systat Software GmbH, Germany and in keeping with German legal requirement, the auditor of that Subsidiary Company is not required to express an opinion regarding the financial statements through an audit process. After compiling and review of the statements, they opined that, "nothing has come to our notice that causes to believe that the accompanying statement of financial results prepared in accordance with the accounting standards and other recognized accounting practices and policies contains any material misstatement".***

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, **subject to note nos. [1] and [2] above**, 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, 2011;



- b. In the case of Consolidated Profit and Loss Account, of the consolidated loss of the Company and its subsidiaries for the year ended on that date; and
- c. In the case of Consolidated Cash Flow Statements, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

for S.JANARDHAN & ASSOCIATES

Chartered Accountants

FRN : 005310S

Balakrishna S. Bhat

Partner

Membership No.202976

Bangalore
September 7, 2011



CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2011

(In Rupees)

| PARTICULARS | Sch. No. | Current Year | Previous Year |
|----------------------------------------------------|-----------------|-----------------------|-----------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds: | | | |
| Share Capital | 1 | 235,533,700 | 235,533,700 |
| Reserves and Surplus | 2 | 3,130,445,462 | 4,407,786,703 |
| | | 3,365,979,162 | 4,643,320,403 |
| Minority Interest | | (1,084,789) | (926,807) |
| Loan Funds | | | |
| Secured Loans | 3 | 4,595,978,899 | 4,156,531,954 |
| Unsecured Loans | 4 | 4,623,330,810 | 4,664,916,628 |
| | | 9,219,309,709 | 8,821,448,582 |
| TOTAL | | 12,584,204,082 | 13,463,842,178 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 6,567,848,320 | 6,547,811,092 |
| Less : Accumulated Depreciation | | 4,109,722,959 | 3,496,078,264 |
| Net Block | | 2,458,125,361 | 3,051,732,828 |
| Add : Capital Work in Progress | | 3,236,657,052 | 3,242,605,176 |
| | | 5,694,782,413 | 6,294,338,004 |
| Goodwill on consolidation | | 1,942,279,850 | 2,155,438,237 |
| Investments | 6 | 1,786,172 | 4,759,024 |
| Deferred Tax Asset (Net) | | 509,055,086 | 445,846,868 |
| Current Assets, Loans & Advances: | | | |
| Inventories | 7 | 26,074,572 | 21,275,816 |
| Sundry Debtors | 8 | 3,691,467,495 | 3,676,806,607 |
| Cash and Bank Balances | 9 | 119,275,404 | 135,049,552 |
| Loans and Advances | 10 | 2,812,270,938 | 2,816,629,803 |
| | | 6,649,088,409 | 6,649,761,778 |
| Less : Current Liabilities & Provisions | 11 | | |
| Current Liabilities | | 2,127,478,046 | 1,937,678,175 |
| Provisions | | 111,208,265 | 173,742,542 |
| | | 2,238,686,311 | 2,111,420,717 |
| Net Current Assets | | 4,410,402,098 | 4,538,341,061 |
| Miscellaneous Expenditure | 12 | 25,898,463 | 25,118,984 |
| (To the extent not written off or adjusted) | | | |
| Significant Accounting Policies | 20 | | |
| Notes to Consolidated Accounts | 21 | | |
| TOTAL | | 12,584,204,082 | 13,463,842,178 |

Schedule Nos. 1 to 12 and 20 & 21 form an integral part of Balance Sheet

As per our report of even date
For S.Janardhan & Associates
 Chartered Accountants
 FRN : 005310S

For and on behalf of the Board

Bangalore
 September 7, 2011

Balakrishna S. Bhat
 Partner
 Membership No. 202976

Asif Khader
 Managing Director

Mueed Khader
 Director

P. Phaneendra
 Company Secretary



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2011

(In Rupees)

| PARTICULARS | Sch. No. | Current Year | Previous Year |
|-----------------------------------------------------|----------|------------------------|------------------------|
| INCOME | | | |
| Sales | 13 | 2,403,913,172 | 2,353,081,100 |
| Other Income | 14 | 29,037,256 | 20,503,859 |
| | | 2,432,950,428 | 2,373,584,959 |
| EXPENDITURE | | | |
| Cost of Goods Sold | 15 | 996,957,975 | 971,463,961 |
| Personnel Expenses | 16 | 854,230,447 | 1,030,591,955 |
| Administrative Expenses | 17 | 575,752,296 | 1,933,904,648 |
| Interest and Financial Charges | 18 | 785,832,469 | 647,603,344 |
| Depreciation | | 614,220,261 | 886,504,777 |
| | | 3,826,993,448 | 5,470,068,685 |
| PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS | | (1,394,043,020) | (3,096,483,726) |
| Less\ (Add) : Extraordinary Items | | 3,052,201 | - |
| PROFIT BEFORE TAX | | (1,397,095,221) | (3,096,483,726) |
| Less : Tax Expenses | 19 | (88,437,946) | (1,054,190,430) |
| Income Tax | | (2,436,096) | (1,618,673) |
| MAT Credit Entitlement | | (59,000,000) | - |
| Wealth Tax | | - | 43,000 |
| Deferred Tax | | (27,001,850) | (1,052,614,757) |
| PROFIT AFTER TAX | | (1,308,657,275) | (2,042,293,296) |
| Less\ (Add) : Prior period adjustments | | 30,308,107 | (3,878,336) |
| PROFIT AFTER TAX AND PRIOR PERIOD ITEMS | | (1,338,965,382) | (2,038,414,960) |
| Add\ (Less) : Share of Minority interests | | (157,982) | - |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | (1,338,807,400) | (2,038,414,960) |
| Add : Balance brought forward from previous year | | 383,801,342 | 2,422,216,302 |
| PROFIT AVAILABLE FOR APPROPRIATION | | (955,006,058) | 383,801,342 |
| Appropriations | | | |
| Balance carried to Balance Sheet | | (955,006,058) | 383,801,342 |
| | | (955,006,058) | 383,801,342 |
| Earnings Per Share (Face Value of Rs. 2 /- each) | | | |
| - Basic | | (11.37) | (17.31) |
| - Diluted | | (9.26) | (14.51) |
| Significant Accounting Policies | 20 | | |
| Notes on Consolidated Accounts | 21 | | |

Schedule Nos 13 to 19 and 20 & 21 form an integral part of the Profit and Loss Account

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 7, 2011

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mueed Khader
Director

P. Phaneendra
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2011

(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| SCHEDULE NO.1 SHARE CAPITAL: | | |
| AUTHORISED: | | |
| 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 |
| TOTAL | 350,000,000 | 350,000,000 |
| ISSUED, SUBSCRIBED & PAID-UP | | |
| 117,766,850 (Previous year 117,766,850) 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 issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited] (Of the above 56,833,985 were issued & allotted as fully paidup Bonus share by Capitalisation of Reserves) | 235,533,700 | 235,533,700 |
| TOTAL | 235,533,700 | 235,533,700 |
| SCHEDULE NO.2: RESERVES AND SURPLUS | | |
| Capital Reserve | 576,353 | 576,353 |
| Share Premium Account | | |
| Opening Balance | 1,789,826,374 | 1,849,826,374 |
| Less: Transfer to FCCB Premium Redemption Reserve | - | 60,000,000 |
| | 1,789,826,374 | 1,789,826,374 |
| FCCB Premium Redemption Reserve | | |
| Opening Balance | 240,000,000 | 180,000,000 |
| Add: Transfer from Share Premium account | - | 60,000,000 |
| | 240,000,000 | 240,000,000 |
| General Reserve | | |
| Opening Balance | 1,843,000,000 | 1,843,000,000 |
| Add : Transfer from Profit and Loss Account | - | - |
| | 1,843,000,000 | 1,843,000,000 |
| Foreign Currency Translation reserve | 212,048,794 | 150,582,634 |
| Balance in profit and loss account | (955,006,059) | 383,801,342 |
| TOTAL | 3,130,445,462 | 4,407,786,703 |
| SCHEDULE NO.3: SECURED LOANS: | | |
| From Banks | | |
| Working Capital Loans | 671,796,306 | 860,173,978 |
| Term Loans | 3,923,377,423 | 3,293,974,469 |
| Vehicle Loans | 805,170 | 2,383,507 |
| TOTAL | 4,595,978,899 | 4,156,531,954 |
| SCHEDULE NO.4: UNSECURED LOANS: | | |
| From Banks | | |
| Short Term Loans | 2,309,979,409 | 2,248,496,873 |
| From Others | 2,313,351,401 | 2,416,419,755 |
| TOTAL | 4,623,330,810 | 4,664,916,628 |



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2011

SCHEDULE NO.5 FIXED ASSETS

(In Rupees)

| PARTICULARS | GROSS BLOCK | | | | | DEPRECIATION | | | | NET BLOCK | | |
|----------------------|-------------------------------|-------------------|-------------------|-------------------|--------------------------------|-------------------------|--------------------|------------------|-------------------|-------------------------------|--------------------------|--------------------------|
| | COST AS ON April 1 2010 | ADDITIONS | TRANSFER | DELETIONS | TOTAL AS ON MAR. 31 2011 | Upto April 1 2010 | FOR THE YEAR | TRANSFER | WITHDRAWN | TOTAL Upto MAR. 31 2011 | AS ON MAR. 31 2011 | AS ON MAR. 31 2010 |
| LAND & BUILDINGS | 111,086,383 | - | - | 16,374,225 | 94,712,158 | 1,603,166 | 801,583 | - | - | 2,404,749 | 92,307,409 | 109,483,217 |
| FURNITURE & FIXTURES | 83,772,929 | 39,589 | (1,917) | - | 83,810,601 | 35,356,373 | 4,544,269 | 1,026,925 | - | 40,927,567 | 42,883,034 | 48,416,556 |
| COMPUTERS | 181,616,851 | 2,527,099 | (56,100) | 11,492,615 | 172,595,235 | 135,212,393 | 13,584,075 | 266,051 | 10,158,104 | 138,904,415 | 33,690,820 | 46,404,459 |
| COMPUTER SOFTWARE | 6,061,807,009 | 27,178,300 | 12,073,371 | - | 6,101,058,680 | 3,290,318,321 | 584,037,187 | 8,276,071 | - | 3,882,631,579 | 2,218,427,101 | 2,771,488,688 |
| PLANT & MACHINERY | 88,025,821 | 6,196,855 | (53,129) | - | 94,169,547 | 24,339,436 | 9,338,709 | 13,491 | - | 33,691,636 | 60,477,911 | 63,686,385 |
| VEHICLES | 21,502,099 | - | - | - | 21,502,099 | 9,248,575 | 1,914,438 | - | - | 11,163,013 | 10,339,086 | 12,253,524 |
| TOTAL | 6,547,811,092 | 35,941,843 | 11,962,225 | 27,866,840 | 6,567,848,320 | 3,496,078,264 | 614,220,261 | 9,582,538 | 10,158,104 | 4,109,722,959 | 2,458,125,361 | 3,051,732,828 |
| PREVIOUS YEAR | 6,364,891,988 | 211,357,542 | - | 28,438,436 | 6,547,811,092 | 2,515,170,822 | 886,504,777 | 115,740,512 | 21,337,847 | 3,496,078,264 | 3,051,732,828 | 3,849,721,166 |

(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| SCHEDULE NO.6: INVESTMENTS: | | |
| Long-Term Investment (unquoted) (valued a cost) | | |
| (i) in Government Securities | | |
| National Savings Certificate | - | 5,500 |
| (ii) in trade | | |
| Cranes Software Middle East LLC UAE | 1,786,172 | 1,786,172 |
| 147 Equity Shares of UAE Dirham 1,000/- each fully paid up [Previous year 147 Equity shares of UAE Dirhams 1000 each fully paid] | | |
| Current Investment (Quoted) (Valued at lower of cost or fair value) | | |
| Investments - Germany | - | 2,967,352 |
| TOTAL | 1,786,172 | 4,759,024 |
| SCHEDULE NO.7: INVENTORIES: | | |
| (Valued at lower of cost or net realisable value) | | |
| Stock - in - trade | 26,074,572 | 21,275,816 |
| TOTAL | 26,074,572 | 21,275,816 |
| SCHEDULE NO.8:SUNDRY DEBTORS: | | |
| (Unsecured - Considered Good) | | |
| Outstanding for period exceeding six months | 3,228,343,868 | 3,188,179,654 |
| Other debts | 463,123,627 | 488,626,953 |
| TOTAL | 3,691,467,495 | 3,676,806,607 |
| SCHEDULE NO.9: CASH AND BANK BALANCES: | | |
| (i) Balances with Scheduled Banks in Indian Rupees: | | |
| Current Accounts | 6,948,382 | 4,655,819 |
| Deposit Accounts | 8,187,688 | 17,628,694 |
| Dividend Accounts | 888,123 | 974,878 |
| (ii) Balances with Scheduled Banks in Foreign Currency | | |
| Current Accounts | 103,198,746 | 111,734,492 |
| | 119,222,939 | 134,993,883 |
| (iii) Cash on Hand | 52,465 | 55,669 |
| TOTAL | 119,275,404 | 135,049,552 |
| SCHEDULE NO.10: LOANS AND ADVANCES: | | |
| (unsecured, considered good) | | |
| (i) Advances recoverable in cash or kind or for value to be received | 2,629,303,819 | 2,630,990,933 |
| (ii) Deposits | 19,467,119 | 22,138,870 |
| (iii) MAT Credit Entitlement | 163,500,000 | 163,500,000 |
| TOTAL | 2,812,270,938 | 2,816,629,803 |



(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|--------------------------------------------------------------|----------------------|----------------------|
| SCHEDULE NO.11: CURRENT LIABILITIES & PROVISIONS: | | |
| CURRENT LIABILITIES: | | |
| (i) Sundry Creditors | | |
| Dues of Micro, Small and medium enterprises | - | - |
| Dues of Other Creditors | 2,112,478,046 | 1,921,655,706 |
| (ii) Current Account with to Directors | 15,000,000 | 15,000,000 |
| (iii) Unclaimed Dividend | - | 1,022,469 |
| TOTAL | 2,127,478,046 | 1,937,678,175 |
| PROVISIONS: | | |
| (i) Proposed Equity Dividend(including tax) | 50,941,651 | 50,941,651 |
| (ii) Income Tax (net of advances) | (11,660,978) | 50,752,532 |
| (iii) Provision for Warranty Claims | 70,000,000 | 70,000,000 |
| (iv) Gratuity and other employee related provision | 1,602,592 | 1,723,359 |
| (v) Fringe Benefit Tax | 282,000 | 282,000 |
| (vi) Wealth Tax | 43,000 | - |
| TOTAL | 111,208,265 | 173,699,542 |
| SCHEDULE NO.12 : MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Deferred Revenue Expenditure | 25,898,463 | 25,545,404 |
| Add : Additions during the year | - | - |
| | 25,898,463 | 25,545,404 |
| Less : Written off during the year | - | 426,420 |
| TOTAL | 25,898,463 | 25,118,984 |

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR

THE YEAR ENDED MARCH 31, 2011

(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|--------------------------------------------------------|----------------------|----------------------|
| SCHEDULE - 13: SALES: | | |
| Software Sales & Services: | | |
| Exports | 2,214,689,821 | 2,166,181,353 |
| Domestic | 148,789,174 | 161,960,809 |
| | 2,363,478,995 | 2,328,142,162 |
| Software Training | 40,434,177 | 24,938,938 |
| TOTAL | 2,403,913,172 | 2,353,081,100 |
| SCHEDULE - 14: OTHER INCOME : | | |
| Miscellaneous Income | 29,037,256 | 20,503,859 |
| TOTAL | 29,037,256 | 20,503,859 |
| SCHEDULE -15: COST OF GOODS SOLD: | | |
| Opening Stock | 21,275,816 | 37,015,765 |
| ADD: Purchases | 987,633,240 | 947,180,721 |
| ADD: Direct Expenses | 14,123,491 | 8,543,291 |
| | 1,023,032,547 | 992,739,777 |
| LESS: Closing Stock | 26,074,572 | 21,275,816 |
| TOTAL | 996,957,975 | 971,463,961 |
| SCHEDULE -16: PERSONNEL EXPENSES: | | |
| Salaries | 834,787,455 | 1,007,714,330 |
| Contribution to Provident and other Funds | 2,257,710 | 5,676,802 |
| Staff Welfare | 5,993,233 | 17,200,823 |
| Manpower Outsourcing | 11,192,049 | - |
| TOTAL | 854,230,447 | 1,030,591,955 |
| SCHEDULE -17: ADMINISTRATIVE EXPENSES: | | |
| General Expenses | 304,249,192 | 230,476,477 |
| Auditors Remuneration | 1,432,804 | 1,431,683 |
| Sales Commission | 66,685,780 | 69,598,937 |
| Exchange Fluctuation | 33,014,944 | 547,811,847 |
| Insurance | 12,704,291 | 14,282,805 |
| Office Rent | 56,252,610 | 77,918,195 |
| Advertisement | 23,373,213 | 33,339,671 |
| Electricity & Water Charges | 8,252,571 | 8,747,671 |
| Rates and Taxes | 3,504,569 | 13,490,661 |
| Directors Remuneration | 7,337,673 | 7,333,800 |
| Travelling and Conveyance | 38,050,980 | 68,155,535 |
| Repairs & Maintenance | 1,508,696 | 21,134,343 |
| Deferred Revenue and Amalgamation Expenses Written Off | - | 426,420 |
| Loss on sale of Asset | 3,446,493 | 1,531,697 |



(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|--------------------------------------------------------------------------------------------------------|---------------------|------------------------|
| Legal, Professional & Consultancy Charges | 12,450,415 | 15,237,497 |
| Bad debts | 3,488,065 | 822,987,409 |
| TOTAL | 575,752,296 | 1,933,904,648 |
| SCHEDULE -18: INTEREST & FINANCIAL CHARGES (Net) | | |
| Fixed Loans | 656,750,184 | 342,735,169 |
| Others | 129,930,484 | 437,584,193 |
| | 786,680,668 | 780,319,362 |
| Less : Interest received on Fixed Deposit [TDS : Rs. 57,010.00] [Previous Year TDS : Rs.25,195,705] | 848,199 | 132,716,018 |
| TOTAL | 785,832,469 | 647,603,344 |
| SCHEDULE -19: TAX EXPENSES | | |
| Income Tax | (2,436,096) | (1,618,673) |
| Deferred Tax | (27,001,850) | (1,052,614,757) |
| Wealth Tax | - | 43,000 |
| MAT Credit Entitlement | (59,000,000) | - |
| TOTAL | (88,437,946) | (1,054,190,430) |

SCHEDULE NO. 20

SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

20.1 Basis of Preparation

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 prescribed in the Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India.

20.2 Principles of consolidation

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 on the following basis:

- i. 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.
- ii. 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 eliminated in the process of consolidation.
- iii. 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.
- iv. 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 currency 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.
- v. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net asset and net income.

20.3 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 those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

20.4. 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.

20.5. 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.

20.6. 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. During the year, exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are recognized in Profit and Loss a/c.
- 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 assets 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 assets 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.

(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) 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 its 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.

20.7. 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 assets is ready for use.

20.8. 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 assets is available to the Company for its use as estimated by the management.
- iii) After recognition of impairment loss, the depreciation charge for the assets is on the revalued amount prospectively over the remaining useful life of the assets.

20.9. 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.

20.10. 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. Any reduction in carrying amount and any reversals of such reduction are charged or credited to the profit and loss account.

20.11. Effect of Exchange Fluctuation on foreign currency transactions

- i. Foreign currency translations 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"

20.12. 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 unveiled leave to the credit of employees in accordance with the rules of respective subsidiary companies wherever applicable. Whereas the holding company provides on the basis of actuarial valuations.

i) Post-employment benefit plans

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

20.13. Income Tax

- i. Current income tax expenses comprised of taxes 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 expenses 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. 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 charge. 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 date.
- iii. Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is

convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

- iv. 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.
- v. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

20.14. 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.

20.15. Leases

- i. Lease arrangements where substantial risk and rewards incidental to ownership of an asset 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.

20.16 Derivative Instruments and Hedge Accounting

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30).

The use of hedging instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in shareholders' funds and the ineffective portion is recognized immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholders' funds is transferred to the profit and loss account for the period.



21 NOTES ON ACCOUNTS

21.1 Particulars of the Subsidiary Companies considered in the consolidated financial statements and their reporting dates

| Sl. No. | Name of Company | Country of incorporation | % of voting power held | Reporting date as at |
|---------|------------------------------------------------------------------------------|--------------------------|-----------------------------------------------------------------------|----------------------|
| i. | Systat Software Inc., USA | USA | 100% | March 31, 2011 |
| ii. | Systat Software Asia Pacific Limited | India | 100% | March 31, 2011 |
| iii. | Systat Software GmbH | Germany | 100% | March 31, 2011 |
| iv. | Cranes Software international Pte. Ltd. | Singapore | 100% | March 31, 2011 |
| v. | Cranes Software Inc., (Earlier known as NISA Software Inc) | USA | 100% | March 31, 2011 |
| vi. | Analytix Systems Private Limited | India | 100% | March 31, 2011 |
| vii. | Tilak Autotech Pvt Ltd | India | 100% | March 31, 2011 |
| iviii. | Dunn Solutions Group Inc., | USA | Wholly Owned subsidiary of Cranes Software Inc | March 31, 2011 |
| ix. | Caravel Info Systems Pvt Ltd | India | 100% | March 31, 2011 |
| x | Proland Software Pvt Ltd | India | 100% | March 31, 2011 |
| xi | Engineering Technology Associates Inc. USA | USA | Wholly Owned subsidiary of Cranes Software Inc | March 31, 2011 |
| xii | Engineering Technology Associates Inc. (Shanghai)Inc | China | Wholly Owned subsidiary of Engineering Technology Associates Inc, USA | March 31, 2011 |
| xiii | Esqube Communicaton Solutions Pvt Ltd | India | 76% | March 31, 2011 |
| xiv | Cubeware GmbH, with its Wholly owned subsidiaries in Austria and Switzerland | Germany | Wholly owned subsidiary of Systat Software GmbH | March 31, 2011 |

21.2 Contingent liabilities not provided for and Capital commitments -

(Rs in Million)

| Particulars | Current Year | Previous Year |
|---------------------------------------------------------------------------------------------------|---------------------|----------------------|
| a. Contingent liabilities not provided for Outstanding guarantees and counter guarantees | 4.49 | 105.73 |
| b. Claims against the Company not acknowledged as debts on Tax matters in dispute under appeal | 440.67 | 447.66 |

21.3 Security for borrowings.

- i) **Working Capital and Term Loans:** Bank finances are secured by hypothecation of stocks of software, book debts, document of title of 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) **Vehicle Loans:** Finance for purchase of vehicles is secured by hypothecation of respective vehicles.
- iii) There are other borrowings, some of which are personally guaranteed by whole time Directors.

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

(Rs in Million)

| Particulars | Current Year | Previous Year |
|----------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Net Profit for the period attributable to equity shareholders (A) | (1,338.97) | (2,038.41) |
| Adjustment for interest on Foreign Currency convertible Bonds(FCCB) net of Taxes (B) | 70.74 | 50.00 |
| Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B) | (1,268.23) | (1,988.41) |
| Number of shares considered as basic weighted average shares outstanding (C) | 117.77 | 117.77 |
| Add: Effect of dilutive issues of shares (D) | 19.24 | 19.24 |
| Number of shares considered as weighted average shares and potential shares outstanding (C+D) | 137.01 | 137.01 |
| Basic Earnings per share (A/C) (Rs) | (11.37) | (17.31) |
| Diluted Earnings per share (A+B)/(C+D) (Rs) | (9.26) | (14.51) |
| Nominal Value per share (Rs.) | 2.00 | 2.00 |

21.5. Related Party Disclosures as ascertained by the Management
Current Year

(Rupees in Million)

| Particulars | Key Management Personnel | Total Related Parties |
|--------------------------------|-----------------------------------------|--------------------------------------|
| Directors Remuneration | 7.20 | 7.20 |
| Balance as on 31.03.11 payable | 7.20 | 7.20 |

Previous Year

(Rupees in Million)

| Particulars | Key Management Personnel | Total Related Parties |
|--------------------------------|-----------------------------------------|--------------------------------------|
| Directors Remuneration | 7.20 | 7.20 |
| Balance as on 31.03.10 payable | 3.30 | 3.30 |

**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 |
| Other Related Parties | Orca Infotech Private Limited K&J Holdings Private Limited K&J 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 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.

21.6. 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

(Rs.in Million)

| SL. No. | Particulars | Current Year | | | Previous Year | | |
|---------|--------------------------------------|--------------|----------|------------|---------------|----------|------------|
| | | Export | Domestic | Total | Export | Domestic | Total |
| 1 | Segment Revenue: | 2,214.69 | 189.22 | 2,403.91 | 2,166.18 | 186.90 | 2,353.08 |
| 2 | Segment Results | (589.89) | (50.39) | (640.28) | (2,270.86) | (198.52) | (2,469.38) |
| | Other Income | | | 29.01 | | | 20.50 |
| | Operating Profit | | | (611.27) | | | (2,448.88) |
| | Interest Expenses | | | 785.83 | | | 647.60 |
| | Profit before Tax | | | (1,397.10) | | | (3,096.48) |
| | Tax expenses | | | (88.44) | | | (1,054.19) |
| | Extraordinary items | | | - | | | - |
| | Net Profit after Tax | | | (1,308.66) | | | (2,042.29) |
| | Adjustments relating to earlier year | | | 30.31 | | | (3.88) |
| | Net Profit | | | (1,338.97) | | | (2,038.42) |
| 3 | Segment Assets | 4,986.82 | 1,662.27 | 6,649.09 | 4,987.32 | 1,662.44 | 6,649.76 |
| | Unallocated Corporate Assets | | | - | | | - |
| | Total Assets | | | 6,649.09 | | | 6,649.76 |



| SL. No. | Particulars | Current Year | | | Previous Year | | |
|---------|---------------------------------------------------------|--------------|----------|----------|---------------|----------|----------|
| | | Export | Domestic | Total | Export | Domestic | Total |
| | Segment Liabilities | 1,679.01 | 559.67 | 2,238.68 | 1,582.89 | 527.53 | 2,110.42 |
| | Unallocated Corporate Liabilities | | | - | | | - |
| | Total Liabilities | | | 2,238.68 | | | 2110.42 |
| | Capital Employed (Segment Assets - Segment Liabilities) | 3,307.81 | 1,102.60 | 4,410.41 | 3,404.43 | 1,134.91 | 4,539.34 |
| 4 | Capital Expenditure | 33.06 | 2.87 | 35.94 | 168.40 | 14.92 | 182.92 |
| 5 | Depreciation | 568.78 | 45.44 | 614.22 | 903.03 | 77.88 | 980.91 |

Secondary Segment Information - **Business Segment**

(Rs.in Million)

| SI.No. | Particulars | Current Year | | Previous Year | |
|--------|---------------------|-----------------------------------|-------------------|-----------------------------------|-------------------|
| | | Proprietary Products and Services | Product Alliances | Proprietary Products and Services | Product Alliances |
| 1. | Segment Revenue | 2,326.58 | 77.33 | 2,298.61 | 54.47 |
| 2. | Segment Result | (625.35) | (14.79) | (2,441.61) | (57.73) |
| 3. | Segment Assets | 5,990.83 | 658.26 | 5,991.44 | 658.32 |
| 4 | Capital Expenditure | 35.11 | 0.83 | 178.69 | 4.23 |

21.7. 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
Bangalore
September 07, 2011
Membership No. 202976

Asif Khader
Managing Director

Mueed Khader **P. Phaneendra**
Director Company Secretary



STATEMENT OF CASH FLOWS

(In Rupees)

| PARTICULARS | Current Year | Previous Year |
|---------------------------------------------------------------------------------|----------------------|------------------------|
| Cash flows from operating activities | | |
| Net profit before taxation, minority interest and exceptional items | (1,397,095,221) | (3,096,483,726) |
| Adjustments for: | | |
| Prior period adjustment | 30,308,107 | - |
| Share of minority loss | (157,982) | - |
| Loss on sale of assets | 3,446,493 | 1,531,697 |
| Profit on sale of Investments | - | - |
| Exchange difference on translation of foreign currency cash & cash equivalents. | 63,303,485 | - |
| Depreciation and amortization | 614,220,261 | 886,504,777 |
| Preliminary expenses | - | 426,420 |
| Dividend / interest income (Net) | 848,199 | (50,456,675) |
| Interest expense on borrowings | 786,680,668 | 647,603,344 |
| Operating profit before working capital changes | 101,554,010 | (1,610,874,162) |
| Adjustments for working capital | | |
| Inventory | (4,798,756) | 15,739,949 |
| Debtors | (14,660,888) | 118,162,931 |
| Loans and advances | 4,358,865 | (1,457,756,161) |
| Other current assets | (63,208,218) | - |
| Provisions for liabilities | (157,982) | - |
| Current liabilities | 127,265,594 | 491,410,218 |
| Cash generated from operations | 150,352,625 | (2,443,317,225) |
| Adjustments | | |
| Direct Taxes paid | - | 48,524,659 |
| Net cash flow from Operating Activities | 150,352,625 | (2,394,792,567) |
| Cash flows from investing activities | | |
| Purchase of Investments | 2,972,852 | (865,458) |
| Proceeds from sale of Investments | - | - |
| Dividend / Interest received | (848,199) | 50,456,675 |
| (Increase)/Decrease in deferred revenue expenditure | (779,479) | (15,984,018) |
| Proceeds from sale of Fixed assets | 14,262,243 | 64,432,533 |
| Acquisition of property, fixed assets (including advances) | 180,784,981 | (32,873,297) |
| Net cash flow from Investing Activities | 196,392,398 | 65,166,435 |
| Cash flows from financing activities | | |
| Dividend and Dividend Tax | - | - |
| Interest on borrowed funds | (786,680,668) | (647,603,344) |
| Secured Loans / Borrowings | 439,446,945 | 199,202,249 |
| Unsecured Loans | (41,585,818) | 383,791,484 |
| Net cash flow from Financing Activities | (388,819,541) | (64,609,612) |
| Proceeds from issue of Share Capital | - | - |
| Net increase/(decrease) in Cash and Cash Equivalents | (42,074,518) | (2,394,235,744) |
| Opening cash and cash equivalents | 135,049,552 | 2,500,985,180 |
| Exchange difference on translation of Foreign Currency cash & Cash equivalents. | 26,300,370 | 28,300,116 |
| Closing cash and cash equivalents | 119,275,404 | 135,049,552 |

As per our report of even date
For S.Janardhan & Associates
 Chartered Accountants
 FRN : 005310S

For and on behalf of the Board

Bangalore
 September 7, 2011

Balakrishna S. Bhat
 Partner
 Membership No. 202976

Asif Khader
 Managing Director

Mueed Khader
 Director

P. Phaneendra
 Company Secretary

STATEMENT REGARDING SUBSIDIARY COMPANIES UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956
FOR THE YEAR ENDED MARCH 31, 2011

(Pursuant to approval received from the ministry of Company Affairs under Section 212 (8) of the Companies Act, 1956)

| Wholly Owned Subsidiaries | (Rupees in Million except exchange rate and reporting Currency) | | | | | | | | | |
|----------------------------------------------|-----------------------------------------------------------------|---------------------|----------------------------------|---------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|----------------------------|-------------------------------------------|
| | Systat Software GmbH (Consolidate with Cubeware GmbH) | Systat Software Inc | Systat Software Asia Pacific Ltd | Cranes Software International Pte Ltd | Caravel Info Systems Pvt. Ltd. | Cranes Software Inc (Consolidated with Dunn Solutions Group Inc, Engineering Technology Associate Inc & China) | Tilak Autotech Pvt. Ltd. | Analytic Systems Pvt. Ltd. | Proland Software Pvt. Ltd. | Esquire Communication Solutions Pvt. Ltd. |
| Reporting Currency | EURO | USD | INR | SGD | INR | USD | INR | INR | INR | INR |
| Exchange Rate in rupees as on March 31, 2011 | 63.24 | 44.65 | 1 | 35.88 | 1 | 44.65 | 1 | 1 | 1 | 1 |
| Issued & Subscribed capital | 1.45 | 185.61 | 3.80 | 4.43 | 1.20 | 477.39 | 0.10 | 0.20 | 0.48 | 0.12 |
| Reserves | (52.04) | (151.38) | 1.65 | (94.59) | (10.87) | (58.92) | (17.26) | 1.03 | (3.50) | (14.65) |
| Total Assets | 1,393.87 | 955.66 | 28.81 | 177.77 | 9.90 | 1,016.41 | 19.65 | 1.31 | 7.68 | 33.99 |
| Total Liabilities | 1,393.87 | 955.66 | 28.81 | 177.77 | 9.90 | 1,016.41 | 19.65 | 1.31 | 7.68 | 33.99 |
| Investments | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Turnover | 733.32 | 271.97 | 0 | 24.66 | 19.21 | 1,218.07 | 13.32 | 0 | 2.75 | 1.19 |
| Profit / (loss) before taxation | (32.02) | (50.64) | (0.10) | (2.84) | (3.65) | (21.86) | (1.36) | (0.04) | (2.04) | (1.36) |
| Provision for taxation | (0.01) | 26.03 | 0.00 | 0.77 | (0.02) | 4.65 | 0.01 | 0 | 0.06 | 0.70 |
| Profit / (loss) after taxation | (32.02) | (24.61) | (0.10) | (3.61) | (3.68) | (17.21) | (1.34) | (0.04) | (1.98) | (0.66) |
| Proposed dividend | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Country | Germany | USA | India | Singapore | India | USA | India | India | India | India |

For and on behalf of the Board

Asif Khader
Managing Director

Mueed Khater
Director

Bangalore
September 7, 2011



NOTICE OF ANNUAL GENERAL MEETING

It is hereby notified that the 26th Annual General Meeting of the shareholders of **Cranes Software International Limited.**, will be held at 10:00 AM on Monday, 14th November, 2011 at Shri Devaraj Urs Bhavan, No.16-D, Miller Tank Bund Area, Vasanthnagar, Bangalore-52 to transact the following business :

Ordinary Business :

1. To consider and adopt the Balance Sheet as at 31st March 2011, the Profit and Loss account for the financial year ended on 31st March 2011 along with relevant annexures, notes on accounts, policies and the reports of the Auditors and Directors' thereon.
2. To resolve not to fill the vacancy, for the time being caused by the retirement of Dr. Rudra Pratap, who retires by rotation and does not offer himself for re-appointment.
3. To appoint a director, in place of Dr. Peter Ryser, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director, in place of Mr. Richard Holden Gall, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint statutory auditors of the Company M/s. S Janardhan & Associates to hold office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting and fix their remuneration, as may be determined by the Board.

Special Business :

6. Raising of additional long-term funds through further issuance of securities in the Company

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"Resolved that pursuant to section 81 (1A) and all other applicable provisions of the Companies Act, 1956 (including any modifications or re-enactments thereof, for the time being in force), subject to all applicable laws and in accordance with all relevant provisions of the Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the stock exchanges where the Company's shares are listed and subject to any necessary approval, consent, permission and / or sanction of the Central Government, Reserve Bank of India and / or any other appropriate regulatory authorities, and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, or sanction, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee constituted by the Board or any person(s) authorized by the Board in this regard), consent of the Company be and is hereby accorded to the Board of Directors, to issue, offer and allot (including with provisions for reservation on firm or preferential and / or competitive basis, of such part of issue and for such categories of persons including promoters or promoter groups, as may be permitted), in the course of one or more domestic or international offering(s) with or without Green Shoe option, including by way of a qualified institutional placement under the SEBI Guidelines, to eligible investors (whether or not such investors are members of the Company, or whether or not such investors are Indian or Foreign, including qualified institutional buyers such as public financial institutions, scheduled commercial banks, mutual funds, foreign institutional investors, multilateral and bilateral development financial institutions, venture capital funds, foreign venture capital investors, state industrial development corporations, insurance Companies, pension funds and provident funds, domestic individual investors, domestic Companies or firms), whether by way of a public offering or by way of a private placement and whether by way of circulation of an offering circular or placement document or otherwise, securities including equity shares / warrants and / or instruments or securities convertible into equity shares of the Company such as Global Depository Receipts and / or American Depository Receipts and / or convertible preference shares and / or convertible debentures or bonds (compulsorily and / or optionally, fully and / or partly), and / or non-convertible debentures with warrants and / or securities with or without detachable / non-detachable warrants and / or warrants with a right exercisable by the warrant holder to subscribe for equity shares, or by any one or more or a combination of the above model / methods or otherwise, resulting in the issue of upto Rs. 300,00,00,000/- (Rupees three hundred crores only) equity shares having face value of Rs. 2/- each (hereinafter referred to as



("Securities"), amounting to an increase in the paid-up equity share capital of the Company, by such an amount which corresponds to the final decision, to be determined by the Board, to be denominated in Indian rupees or foreign currency, as the case may be, which, at the option of the Company or the holders of the Securities, may be surrendered for the purpose of cancellation against receipt of corresponding number of underlying equity shares of the Company, as the case may be, and such issue and allotment to be made in one or more tranches, on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment."

"Resolved further that without prejudice to the generality of the above and subject to all applicable laws, the aforesaid issue of Securities may have all or any terms or combination of terms as are provided in issue of securities of such nature domestically or internationally including terms relating to surrender of the Securities for the purposes of cancellation against receipt of the corresponding number of underlying equity shares and the Company be and is hereby authorized to enter into and execute all such arrangements / agreements as the case may be with any lead managers, managers, underwriters, advisors, guarantors, depositories, custodians and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or the like, and also to seek the listing of such Securities in one or more stock exchanges in India or abroad."

"Resolved further that the Board be and is hereby authorized to finalise and approve the offering circular / placement document for the proposed issue of the Securities and to authorize any director or directors of the Company or any other officer or officers of the Company to sign the above documents for and on behalf of the Company together with the authority to amend, vary or modify the same as such authorized persons may consider necessary, desirable or expedient and for the purpose aforesaid to give such declarations, affidavit certificates, consents and / or authorities as may, in the opinion of such authorized person, be required from time to time, and to arrange for the submission of the offering circular / placement document, and any amendments and supplements thereto, with any applicable stock exchanges (whether in India or abroad), government and regulatory authorities, institutions or bodies, as may be required."

"Resolved further that the Securities issued in foreign markets shall be treated to have been issued abroad and / or in the international market and / or at the place of issue of the Securities in the international market and may be governed by applicable foreign laws."

"Resolved further that the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted for the issue of the Securities referred above or as may be necessary in accordance with the terms of the offering, all such equity shares being pari passu with the existing equity shares of the Company in all respects."

"Resolved further that the Board be and is hereby authorized to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with the issue of the Securities and to give effect to these resolutions, including, without limitation, the following:

- i. sign, execute and issue all documents necessary in connection with the issue of Securities, including listing applications to stock exchanges (whether in India or abroad) and various agreements, undertakings, deeds, declarations;
- ii. giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time; and
- iii. settling any questions, difficulties or doubts that may arise in regard to any such issue or allotment of Securities as it may in its absolute discretion deem fit."

"Resolved further that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or Director(s) or any other officer or officers of the Company and to correct any errors or omissions, in the proposed resolution and to give effect to the foregoing resolutions."

Place : Bangalore
Date : 17 Oct., 2011

By Order of the Board
For Cranes Software International Ltd

Managing Director

**NOTES :**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies in order to be valid, should be deposited at the Registered Office of the company not later than 48 hours before the commencement of the meeting.
2. The Register of Members of the company will remain closed from 09.11.2011 to 14.11.2011 (both days inclusive).
3. Members are requested to notify immediately any change in their address to the Company's Share-Transfer Agents.
4. Members / bodies corporate / proxies should bring the attendance slip duly filled in for attending the meeting.
5. Members are requested to bring their copies of Annual Report to the meeting.
6. To avail the facility of nomination, members are requested to submit to the company the nomination form, which may be supplied on request.
7. Members who have not encashed their dividend warrants for any of the financial years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 or 2007-08 may write to the Company or Share Transfer Agents for issuance of duplicate / revalidated dividend warrant (s).
8. In terms of provisions of Section 205(A) of the Companies Act, 1956, dividends not encashed or claimed within 7 years from the date of its transfer to the Unpaid Dividend Account is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government and on such transfer no claim shall lie against the Company.
9. Corporate members or shareholders may attend the AGM if authorized in accordance with section 187 of the Companies Act, 1956 and a certified copy of the Board resolution / power of attorney, authorizing the representative, to attend and vote at the AGM, has been sent to the Company.
10. Members desirous of obtaining any information on any matter pertaining to the AGM may address their queries to the Registered Office of the Company, atleast 12 days, prior to the date of meeting.
11. As part of green initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its circular numbers 17/2011 and 18/2011, dated April 21 and 29, 2011 respectively, has allowed companies to send official documents like notice convening general meeting and annual report to their members electronically.

Keeping in view the provisions of the aforesaid circulars issued by MCA, we propose to send documents like the notice convening general meetings, audited financial statements, directors' report, auditors' report, etc. for and from the year ended March 31, 2011, in electronic form, to your email address made available to the Company by you. Please register your email address with your depository participant, if not done already and also inform any changes in your email address to your depository participant from time to time.

Please register your email address with the Company at investor.register@cranessoftware.com by quoting your folio number and inform us any changes in your email address from time to time.

Following the government directive, the full text of these notices / reports will also be made available on our website, www.cranessoftware.com. Physical copies of the notice and annual report will be available at our registered office for inspection during office hours.

In case you desire to receive the documents mentioned above in physical form, please write to us to our registered office address or send an email to investor.register@cranessoftware.com by mentioning your reference number.

Place : Bangalore
Date : 17th Oct. 2011

By Order of the Board
For Cranes Software International Ltd
Managing Director

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956:

For Item # 6 : Raising of additional long-term funds through further issuance of securities in the Company:

Your Company is a globally recognized player in the engineering simulation and enterprise data analytics software and services industry and has established itself, as a global intellectual property driven products and solutions provider. However, due to the global recession and economic instability, the business of the Company has suffered and the Company faces a liquidity crunch. In order to overcome the financial crisis, your Company proposes to restructure its overall business and reposition its commercial interests strategically, by proposing to raise long term funds, aggregating to a total value, not exceeding Rs. 300 crore, by issuance of securities to strategic investors, who may or may not include, existing shareholders. As of the present date, no strategic alliance or firm understanding, with any investor or partner, has been negotiated or finalized and this resolution purports, to be a general permission, in favour of the Board of Directors, of the Company, to explore aforesaid opportunities. Resolution for issuance of further capital needs to be approved by the shareholders, in terms of the provisions of section 81 (1A), of the Companies Act, 1956. The Board recommends passing of this resolution as a special resolution.

None of the Directors of the Company may be deemed to be concerned or interested, in the resolution.

**Place : Bangalore
Date : 17th Oct. 2011**

**By Order of the Board
For Cranes Software International Ltd**

Managing Director

ANNEXURE

Brief details of directors seeking re-appointment at this Annual General Meeting (Pursuant to clause 49 of the Listing Agreement)

| Name of Director | Dr. Peter Ryser | Mr. Richard Holden Gall |
|-------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------|
| Date of Appointment | 29-03-2005 | 16-05-2002 |
| Date of Birth | 30-07-1951 | 14-04-1945 |
| Qualifications | Dr.es sciences | MBA, BS |
| Expertise in specific functional areas | Expert in product development | Program Management, Product Development, international Marketing. |
| List of companies in which directorship is held as on 31-03-2011 | Tecan AG, Sensile Technologies SA | Systat Software Inc., Cranes Software Inc. |
| Chairman / member of *Committees of Indian Companies on which he is a Director as on 31-03-2011 | Audit Committee, Cranes Software Member | Audit Committee, Cranes Software Chairman |
| Shareholding in the Company | Nil | Nil |

*The committees include audit committee, remuneration committee and shareholders' / investor grievance committee of Indian Companies only.



CRANES SOFTWARE INTERNATIONAL LIMITED

Registered Office : #29, 7th Cross, 14th Main, Vasanthnagar, Bangalore - 560 052

Annual General Meeting at 10.00 a.m. on Monday, 14th November, 2011 at
Sri Devaraj Urs Bhavan, No.16-D, Miller Tank Bund Area, Vasanthnagar, Bangalore - 560 052

ATTENDANCE SLIP

To be handed over at the entrance of the meeting hall.

| Name of First named Shareholder | No. of Shares | Folio No. | If held in dematerialised form | |
|---------------------------------|---------------|-----------|--------------------------------|---------------|
| | | | D P ID No. | Client ID No. |
| | | | | |

I certify that I am a registered Shareholder of the Company.

I hereby record my presence at the above **Annual General Meeting** of the Company.

A member/proxy wishing to attend the meeting must complete this attendance slip and hand it over at the entrance of the meeting hall.

Name of Proxy (if any) in BLOCK LETTERS

Signature of Member/Proxy



CRANES SOFTWARE INTERNATIONAL LIMITED

Registered Office : #29, 7th Cross, 14th Main, Vasanthnagar, Bangalore - 560 052

PROXY FORM

I/We of being a member / members
of **Cranes Software International Limited**, hereby appoint of
..... or failing him
of as my / our proxy to attend and vote for me /us on my/our behalf at the 26th
Annual General Meeting of the Company held at 10:00 AM on Monday, 14th November, 2011

| No. of shares | Folio No. | If held in dematerialised form | |
|---------------|-----------|--------------------------------|---------------|
| | | D P ID No. | Client ID No. |
| | | | |

Signature
affixing Re. 1.00
Revenue Stamp

NOTE: Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. The form duly completed should be deposited at the Registered Office of the Company at Bangalore not less than 48 hours before the commencement of the meeting.

If undelivered please return to :

Cranes Software International Limited

29, 7th Cross, 14th Main, Vasanthnagar, Bangalore - 560 052, Karnataka, INDIA
Phone: +91 80 4151 6400 Fax: +91 80 4151 6500 Email: info@cranessoftware.com
www.cranessoftware.com