

### NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the members of RAM Informatics Limited will be held on Friday, the 29<sup>th</sup> day of September 2006 at 10.00 A.M. at Aditya Park Inn, Aditya Trade Centre, Ameerpet, Hyderabad – 500 038 to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Profit and Loss account for the year ended 31<sup>st</sup> March 2006 and the Balance Sheet as at that date together with the Report of the Directors and the Auditors' thereon.
2. To appoint a Director in the place of Mr.P S Venkateswaran, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Dr Khushwant Singh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s J B Reddy & Co., Chartered Accountants as auditors of the company for the period commencing from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s J.B.Reddy & Co. are eligible for re-appointment.
2. The Register of Members and the Share transfer books of the company will remain closed from the Saturday the 23<sup>rd</sup> day of September, 2006 to Friday the 29<sup>th</sup> day of September, 2006 (both days inclusive).
3. Shareholders holding shares in physical form are requested to intimate any change in their addresses to the registered office of the Company and shareholders holding shares in electronic form may inform the same to their respective depository participants.
4. Members are requested to bring their copies of the Annual Report to the meeting.

By order of the Board  
For **RAM INFORMATICS LIMITED**

Place : Hyderabad  
Dated : 24.08.2006

**P.S. Raman**  
Executive Chairman

**Regd. Office:**  
SVR Towers,  
8-2-1/B/1, Srinagar Colony Road,  
Punjagutta, Hyderabad – 500 082.

#### **NOTES:**

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. In order to be effective, the duly filled in proxy form must be received by the Company not less than 48 hours before the meeting.

**Directors' Report**

To  
The Members

Your Directors take pleasure in presenting the Twelfth Annual Report of the Company and the Audited Accounts for the financial year ended March 31<sup>st</sup>, 2006 together with the Auditors' Report thereon.

**Financial Results:**

Your Company's results for the year in comparison with previous year is given below in a summarized format.

	<i>(Rs. in thousands)</i>	
	<u>2005-2006</u>	<u>2004-2005</u>
Gross Revenue	89032	67314
Profit before Interest, Depreciation & Taxes	15711	7745
Interest	810	1209
Depreciation & Amortization	23754	22727
Profit before tax	(8853)	(16191)
Profit after tax	(6254)	(11167)

**DIVIDEND**

In view of the losses incurred by the company during the year, your Directors do not recommend any dividend for the year.

**PERFORMANCE OF THE COMPANY**

During the year under review, your company's performance in terms of total revenue growth with 34% increase over the previous year is quite encouraging. The growth in export revenue was outstanding with 120% increase with increased focus on offshore activities whereas the domestic revenues increased by 32%. Continued emphasis is placed on increasing the offshore revenue segment.

**US SUBSIDIARY**

During the year under review (March ending 2006) your company's US Subsidiary Aravali Technologies Inc's net income increased to USD 30,425 while the revenue remained at the same level in comparison to the previous year. The market challenges continued to remain the same way as in the previous year. However serving niche market segments like VoIP, Data Warehousing and Web Services yielded good results improving the margin.

**DOMESTIC MARKET**

Your Company continued to consolidate its position in the eGovernance market by executing novel technology projects. A notable one is UnifieX project for the Government of A.P which involves development of an infrastructural gateway simplifying and unifying various administrative domains supporting backend departments and acting as front end to the service access providers. The result of this project is a visible paradigm shift in service delivery to the citizens, businesses and government departments/local bodies under a single umbrella irrespective of the departmental infrastructure.

Among major projects, your company implemented successfully a back office computerization project for the Department of Fire and Emergency Services, a Survey Settlement project enabling examination process to the deputy surveyors of land of the Survey Department of A.P, a web enabled MIS system for the Central Silk Board of Karnataka and provided onsite professional support services to the Municipal Corporation of Hyderabad during the year under review.

Additional services i.e. BSNL bill payment and B2C utility payment in Bangalore One project and issue of bus passes in eSeva, introduced during the year, contributed significant additional revenue in the existing eGovernance projects. The final agreement with the Government of Uttar Pradesh for eSuvudha project has been signed and the project has been launched.

Your company has been shortlisted as an implementation partner by National Institute of Smart Governance (NISG) for participation in egovernance projects across the country. Your company considers this a major move towards achieving national level recognition in the egovernance arena.

Your Company has been leveraging the cutting edge technology like AJAX in deployment of various projects proving its capability to adapt to the everchanging technology. Your company has initiated plans to achieve higher levels of quality certification like CMMi and ISO27001 security certification.

**OWN PRODUCTS**

**SmartBANKER:** The banking product division continued to enlarge the customer base by completing the total computerization of all the four Grameena banks sponsored by Indian Bank. A total number of

65 licenses were added in this category. The first Smart HeadOffice module at Saptagiri Grameena Bank and the first Smart Property Tax module at SBH were implemented during the year as new products of the SmartBanker suite. A breakthrough was achieved in winning an order in overseas market from a Srilankan Bank for which a letter of intent has been received. The agreement is under finalisation with the project to be implemented in the current year.

**OTHER PRODUCTS & SERVICES:** Newer versions of the insurance product, AIM Jr with new plans and special presentations were released during the year under review. Features covering Multiplan comparison were included additionally.

Trade 2000 product has been enhanced to address automobile service, textile and medical segments and there is an encouraging response from the respective trade segments.

The E&T division contributed by enhancing the skill sets of aspiring IT professional by innovative and advanced training methodologies. Total revenue of Rs. 23.25 lakhs was achieved by way of public domain training income while the facilities were used largely for the in house training of freshers recruited.

**Others:**

During the year the Company had allotted 37 Lakh equity shares to promoter's and non-promoters on preferential basis after obtaining the approval of the shareholders and the other regulatory authorities. The company is awaiting the final listing approval for the said shares from the Bombay Stock Exchange Limited.

The shares of the company are listed on the Bombay Stock Exchange Limited and the Company is prompt in paying the listing fee to the said exchange at regular intervals.

**BUSINESS OUTLOOK**

Your company continues to have alliances with technology partners to address business opportunities in the domestic and global markets. Constant enhancements made to the e-governance solutions in the domestic market have been yielding opportunities for additional revenue. The launch of the e-governance project in the State of Uttar Pradesh has opened up larger potential to spread these initiatives in other northern states taking your company to a greater height.

Bigger offshore business appear to be a definite possibility with the new alliances signed up.

**CONSOLIDATION OF ACCOUNTS OF THE US SUBSIDIARY**

As per clause 32 of the listing agreement with stock exchanges, consolidated and individual financial statements of the subsidiary company viz. M/s Aravali Technologies Inc., and the parent company viz RAM Informatics Limited have been prepared. Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 in respect of the wholly owned subsidiary is also annexed.

**DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES (AMENDMENT) ACT, 2000.**

We the Directors of RAM Informatics Limited, confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The directors had selected such accounting policies and applied them consistently and made adjustments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year.
3. The directors had 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 for preventing and detecting fraud and other irregularities.
4. The directors had prepared the annual accounts on a going concern basis.

**NOTE ON CORPORATE GOVERNANCE PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT.**

The Company has complied with all mandatory provisions of Corporate Governance as prescribed under clause 49 of the Listing Agreement. A report on Corporate Governance, along with the certificate on its compliance from Auditors forms part of this report.

## ANNUAL REPORT 2005-2006



RAM INFORMATICS LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management's Discussion and Analysis forms part of this report and is given as Annexure.

### PARTICULARS OF EMPLOYEES

There are no employees in India whose remuneration during the year is Rs. 2,00,000 per month or Rs. 24,00,000 per annum as per amended Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### FIXED DEPOSITS

Your Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the balance sheet date.

### STATUTORY DUES

As on the date of this report, there was no amount due in respect of any statutory payments.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure – A included in this report.

### DIRECTORS

Mr P S Venkateswaran and Dr Khushwant Singh retire by rotation at this Annual General Meeting and being eligible, have offered themselves for re-appointment. A brief profile of the said directors is provided as per the requirements of Clause 49(VI A) of Listing Agreement as part of report on Corporate Governance

### ACKNOWLEDGEMENTS

Your Directors wish to express their appreciation for the assistance and co-operation received from Banks, STPI, Central and State Governments and other Statutory Bodies.

Cordial relations prevailed during the year with all the employees. Your Directors wish to place on record

their deep sense of appreciation for the valuable work done and the co-operation extended by them at all levels.

Your Directors also wish to express their gratitude to investors for the continued faith reposed by them in the Company.

For and on behalf of the Board

P S Raman  
Executive Chairman

Place : Hyderabad  
Date : 24.08.2006

**ANNEXURE TO THE DIRECTORS' REPORT****ANNEXURE – A****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO**

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are as under:

**1. Conservation of Energy.**

Software Industry is not power intensive. However, adequate measures have been taken to conserve energy, wherever possible.

**2. Technology Absorption.**

The Company trains its software engineers on a regular basis on latest trends and technologies in software methodologies, software engineering, software development and CASE tools. The techniques thus absorbed are used to expedite the process of software development as well as to improve the quality of the products developed.

**3. Foreign Exchange Earnings and Outgo**

	(Rs.)
Foreign Exchange Earnings	76,96,775
Foreign Exchange Outgo :	
- Salaries / Allowances	3,42,169
- Travel related	72,114
- Legal and Professional charges	65,250
- Others	2,84,150

for and on behalf of the Board

P S Raman  
Executive Chairman

Place : Hyderabad  
Date : 24.08.2006

**Annexure – B****Report on Corporate Governance****1. Company's philosophy on code of governance.**

The company's philosophy on corporate governance refers to a blend of compliance to the legal requirements, social responsibilities with adequate transparency aimed at achieving creation of long-term shareholder's wealth while at the same time protecting the interests of other stakeholders. The company is committed to deliver innovative and optimum solutions with effective quality management system and responsible corporate practices resulting in customer delight.

**2. Board of Directors.**

The composition and category of the Directors is as under:

Name	Category	Designation	No. of Board meetings held during the last financial year	No of meetings attended	No. of memberships held in the Boards of other companies	Attendance of each Director at the last AGM
Mr P S Raman	Promoter & Executive Director	Executive Chairman	8	8	01	Yes
Mr R Jagadeeswara Rao	Promoter & Executive Director	Executive Director	8	8	01	Yes
Mr P S Venkateswaran	Promoter & Non-Executive Director	Director	8	4	01	No
Mr K Kumar Raja	Promoter & Non-Executive Director	Director	8	6	03	Yes
Mr P R Balasubramanian	Non-Executive Independent Director	Director	8	6	02	Yes
Mr G Haragopal	Non-Executive Independent Director	Director	8	6	Nil	Yes
Dr. S K Mathur	Non-Executive Independent Director	Director	8	6	Nil	Yes
Dr. Khushwant Singh	Non-Executive Independent Director	Director	8	6	Nil	Yes

\* The membership in the Committee of the Board of Directors of M/s Aravali Technologies Inc, the company's wholly owned subsidiary is also included.

**Meetings of the Board of Directors**

During the financial year 2005-2006, the Board of Directors met 8 (eight) times on the following dates:

30<sup>th</sup> April 2005, 30<sup>th</sup> May 2005, 15<sup>th</sup> June 2005, 30<sup>th</sup> June 2005, 30<sup>th</sup> July 2005, 3<sup>rd</sup> August 2005, 31<sup>st</sup> October 2005, 31<sup>st</sup> January 2006.

**Mr P S Venkateswaran**

Mr P S Venkateswaran is a Chartered Accountant and Company Secretary. He is one of the core promoters/ founders of the company and has more than 23 years of experience in the fields of corporate finance, corporate planning, information technology, export marketing and general management.

He started his career with M/s Ashok Leyland Limited, Chennai wherein he gained considerable experience in corporate finance, systems and planning. Subsequently, he worked as a freelance consultant specialising in financial management and consulting, before co-founding M/s RAM Informatics Limited in the year 1994.

He currently heads M/s RAM Informatics export operations while also serving as the President & CEO of Aravali Technologies Inc, the wholly owned US Subsidiary of the company.

As on 30<sup>th</sup> June 2006 he holds 352200 shares in the company in his own name.

**Dr Khushwant Singh**

Dr Khushwant Singh is a doctor by profession with an MBBS degree from Gandhi Medical College, Osmania University in 1981 and post graduated in 1984 from Osmania University. He also holds Fellowship of the College of General Physicians (FCGP). He is practising as a general physician at Hyderabad since 1985. He is a director of a city based polyclinic in Hyderabad. In addition to his regular medical practice he takes keen interest in other social activities. As a part of these activities, he runs “health point”, a fitness centre for overall development of a person and a clinic for poor in Hyderabad. He has got rich experience in health care.

Dr Khushwant Singh being an independent Director does not hold any shares in the company.

**3. Audit Committee.**

The brief terms of reference to the Audit Committee:

- Overview the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing, with the management, the annual, half yearly and quarterly financial statements before submission to the board for approval.
- Reviewing the adequacy of internal audit function, findings of any internal investigations.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

During the year the Audit Committee had reviewed:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and

The Audit Committee has been constituted with three independent Directors viz.,

Name	Designation	Number of meetings held	Number of meetings attended
Mr P R Balasubramanian	Chairman	04	04
Mr G Haragopal	Member	04	04
Dr S K Mathur	Member	04	03

The meetings of the Audit Committee were also attended by the following:

- Mr P S Raman - Executive Chairman (in the capacity of invitee)  
Mr Ahalada Rao - Practising Company Secretary (in the capacity of Secretary)

**4. Shareholders' Grievance Committee**

As a good corporate governance practice, an Investor Grievance Committee has been constituted to facilitate prompt and effective redressal of investor's complaints on various matters like share transfers, non- receipt of Annual reports and the like.

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### Composition of the committee:

The committee has been constituted with three directors in all, the chairman being a non-executive director. The composition of the committee is as under :

Mr K Kumar Raja	-	Chairman
Mr P S Raman	-	Member
Mr R Jagadeeswara Rao	-	Member

During the year, the committee met 10 times to review investor grievances.

Name & Designation of Compliance officer: Mr P S Raman  
Executive Chairman

There are no valid requests pending for share transfers as at the end of the year.

### 5. General Body Meetings:

Date	Time	Venue	No. of special resolution
30.09.2003	9.30 A M	The Manohar Airport exit road, Begumpet, Hyderabad	01
30.09.2004	9.30 A M	Aditya Park Inn Aditya Trade Centre, Ameerpet, Hyderabad- 38	NIL
30.09.2005	10.00 A M	Aditya Park Inn Aditya Trade Centre, Ameerpet, Hyderabad- 38	NIL

No resolution were passed by way of Postal Ballot during the year under review.

### 6. Disclosures

- There are no materially significant related party transactions having potential conflict with the interests of the company at large.
- No penalty or strictures imposed on the company by the Stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- Though the company does not have the Whistle Blower policy, it affirms that no personnel has been denied access to Audit Committee.
- The company has duly complied with all the mandatory requirements of Clause 49 of the Listing agreement and has not adopted any of the non-mandatory requirements thereunder.

### 7. Means of communication

The quarterly and annual financial results of the company in the prescribed proforma are generally published in Financial Express and Andhra Jyothi (Telugu newspaper).

There were no presentations made to the institutional analysts or investors during the year.

### 8. General Shareholders Information

- Annual General Meeting:  
29<sup>th</sup> September 2006  
Time: 10.00 A M  
Venue : Aditya Park Inn, Aditya Trade Centre,  
Ameerpet, Hyderabad -38.
- Financial Calendar for the year 2006-2007(tentative Schedule):  
Accounting year : April 1, 2006 to March 31, 2007  
First Quarter results : July 2006  
Second quarter results : October 2006  
Third Quarter results : January 2007  
Fourth Quarter results/Annual results : April 2007



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- c) Date of Book Closure: 23<sup>rd</sup> September 2006 to 29<sup>th</sup> September 2006 (both days inclusive)
- d) Dividend: No dividend is declared during the year
- e) Listing: the Bombay Stock exchange Limited
- f) Stock Code: BSE: 530951  
Scrip Name: RAM INFORMATICS  
Scrip Id: RAM INFO  
Demat ISIN No. INE357B01014
- g) Registrar and Share Transfer Agents: M/s Sathguru Management Consultants Private Limited  
Plot No.15, Hindi Nagar colony, Punjagutta, Hyderabad – 500 034.  
Tel : 040-23356507, Fax : 040- 23354042  
E-mail : sta@sathguru.com
- h) The share transfers are routed through the Share transfer agents and approved by the Shareholders' grievance committee. All share transfers, if clear in all respects are registered within a period not later than 10 working days of their receipt.
- i) Market price data:

The monthly high and low stock quotations of your company during the last financial year and performance in comparison to BSE sensex is given below :

Month & Year			BSE	
			High	Low
April	–	2005	16.50	10.90
May	–	2005	19.90	11.00
June	–	2005	18.20	13.25
July	–	2005	27.55	16.00
August	–	2005	35.70	21.75
September	–	2005	30.90	21.90
October	–	2005	24.95	18.00
November	–	2005	22.80	18.20
December	–	2005	23.70	18.05
January	–	2006	22.60	18.15
February	–	2006	22.25	18.00
March	–	2006	19.25	12.55

- j. As on 31<sup>st</sup> March, 2006, the distribution of your company's shareholding was as follows:

Category (No. of shares)	No. of shareholders		No. of shares		% to capital	
	Physical (A)	Demat (B)	Physical (A)	Demat (B)	Physical (A)	Demat (B)
1 - 5000	1995	5062	294421	934973	2.62	8.32
5001 - 10000	83	487	69000	412124	0.61	3.67
10001 - 20000	28	265	41600	408624	0.37	3.63
20001 - 30000	35	76	90800	197907	0.81	1.76
30001 - 40000	6	30	21000	107237	0.19	0.95
40001 - 50000	7	31	33900	150512	0.30	1.34
50001 - 100000	3	58	21500	434896	0.19	3.87
100001 - Above	11	65	3060900	4962006	27.23	44.14
	2168	6074	3633121	7608279	32.32	67.68
<b>Grand Total (A+B)</b>	8242		11241400		<b>100</b>	

- k) Dematerialisation and liquidity: As on 31<sup>st</sup> March 2006, 7608279 shares comprising 67.68% of the share capital of your company were held in dematerialised form.
- l) There are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity.

The address of your company's branch and subsidiary are as under :

**U.S. Branch:**

36, Mill Plain Road  
Suite 410, Danbury  
Connecticut 06811.

**U.S. Subsidiary:**

Aravali Technologies Inc.,  
1175, Saratoga Avenue, Suite 7  
San Jose, California 95129.

- j. The address for correspondence is as under:

**RAM INFORMATICS LIMITED**

SVR Towers, 8-2-1/B/1  
Srinagar Colony Road  
Punjagutta  
Hyderabad 500 082.  
URL: [www.raminfo.com](http://www.raminfo.com)  
Email: [corpaccounts@raminfo.com](mailto:corpaccounts@raminfo.com)

## **Auditors' Certificate**

To the members of Ram Informatics Limited

We have examined the compliance of conditions of Corporate Governance by Ram Informatics Limited (the Company) for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchange.

The compliance of condition 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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanation 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 have been explained that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state the 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 J.B. Reddy & Co.,  
Chartered Accountants

Place : Hyderabad  
Date : 24.08.2006

(A.V. Reddy) Partner  
M.No. 23983

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## Management's Discussion and Analysis Report

### Industry Structure and Development

Indian IT industry continues to ride on tremendous growth rate of 33%. Stable pricing model, more effective global delivery model and conducive business environment are some of the key factors attributed to this growth. Outsourcing and off shoring models are gaining importance and Indian companies remain as preferred technology partners to the overseas clients, even though certain issues like strengthening telecom and physical infrastructure need to be tackled.

### Opportunities & Strengths

#### Opportunities:

- Large egovernance projects are awaiting to be implemented by various state governments and this is focus area for your company.
- Outsourcing and Off shoring opportunities are slowly becoming visible to small and medium IT organizations.

#### Strengths:

- Investment by the government in IT is ever increasing and your company has specialized in this domain by successful implementation of complex projects.
- Constant upgradation of the quality processes by the company is providing an edge to your company.
- Tie up with strong players to address overseas market has started yielding results.

#### Threats and Risks:

- Size of the company still matters when in competition with large players in big contracts.
- A lower margin in domestic projects continues to be a disadvantage especially in government contracts which form part of major portion of revenue.

#### Outlook:

The outlook of the company is positive in the growth rate achievable in the coming years on account of constant upgradation of skill sets, alliance with strong players to target bigger business including offshore and improved quality processes. The company is successful in innovative application of technology in the solutions offered. The governments policy and road map in adapting proven egovernance models across the country by various state governments will take your company to greater heights on account of being an expert egovernance solution provider.

### Internal Control Systems and Their Adequacy

Every business house involves many inherent risks that arise through the implementation of Strategic Management Decisions, Operational management, Performance Reporting and Legal & Regulatory compliances. These risks should be managed in an effective way through its identification, assessment and control.

Your company has laid down internal control procedures to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and transactions are authorized, recorded and reported correctly. An extensive programme of internal audits compliments the internal control system, review by Management and documented policies, guidelines and procedures. The internal control system is devised to ensure that the financial and other records are reliable, preparing financial statements and other data for maintaining accountability of assets.

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**Risk Assessment and Control**

The risks identified through Operational Department Heads, will be reported to the managers and general managers on a periodical basis through operational reviews and performance reviews. Internal controls are exercised through policies, processes that have been established to ensure timely availability of information and facilitate proactive risk management. Any risk having an impact on the financials of the Company, the decision follows after the approval of the CEO.

**Financial Highlight:****Revenue:**

The domestic and export revenues have shown significant growth. There is an increase of 32% in domestic revenue while the export revenue grow by 120% and overall revenue grow 34%.

**Expenditure:**

The manpower costs increased by 24% on account of increased deployment of consultants that resulted in increased revenue from specific projects like in the case of Commercial Tax Department project.

The operating, administration and other expenses increased mainly due to professional consulting charges towards the development of e-governance projects to be deployed in other states and due to increase in provision for doubtful debts.

The interest and finance charges decreased on account of reduction in working capital and the hire purchase loans.

**Secured Loan:**

There is a decrease in the overdraft credit from Rs.76.80 lakhs to Rs.20.61 lakhs due to reduced usage of the limits.

**Unsecured Loans:**

The Company has repaid the unsecured loan from a Director for Rs. 7,80,000 during the year.

**Fixed Assets:**

There is an addition of Rs.182 lakhs in the gross block of fixed assets, the major item being Plant & Machinery covering computer hardware. The total depreciation for the year increased marginally by Rs.12.66 Lakhs.

In compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India, the Company has recognized deferred tax asset of Rs.27.97 lakhs during the year. This represents the timing difference between depreciation, Product and Market development expenditure and accumulated losses.

**DEVELOPMENT IN HUMAN RESOURCES**

The real challenge before the organization is to enthuse human resources to be innovative to keep ahead of competition. The company realizes that its continued success depends on healthy human resource policies. The Executives were sent to attend Seminars and programs. Performance appraisal plays a significant part as a tool and technique of Management development and growth. Company has evolved a periodic performance appraisal system, which has paved the way for betterment/improvement of performance of its employees in organizational goals, responsibility, accountability and targets defined. Appraisal against key result areas is carried out periodically for identifying areas which require improvement.

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**CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

We, P S Raman, Chief Executive Officer and A Praveen Kumar, Chief Financial Officer, of M/s RAM Informatics Limited, to the best of our knowledge and belief, certify that:

- 1 . We have reviewed the financial statements and the cash flow statement for the year and to the best of our knowledge and belief certify that:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
  - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- 2 . There are to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- 3 . We accept responsibility for establishing and maintaining internal controls and that we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- 4 . We have indicated to the auditors and the Audit Committee
  - a) Significant changes in internal control during the year
  - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and

Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Hyderabad  
01.08.2006

**P S Raman**  
Chief Executive Officer

**A Praveen Kumar**  
Chief Financial Officer

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**AUDITORS' REPORT**

To  
The Members of  
RAM INFORMATICS LIMITED

We have audited the attached Balance Sheet of RAM INFORMATICS LIMITED, as at March 31, 2006 and also 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.

We conducted our audit in accordance with 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.

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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 purpose of our audit;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

- (iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet, of the state of affair of the Company as at 31st March, 2006;
  - b) In the case of Profit and Loss Account, of the Loss for the year ended on that date; and
  - c) In the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

**for J.B.REDDY & Co.,**  
Chartered Accountants

**(A.V.Reddy)**  
Partner  
M.No:23983

Place: Hyderabad  
Date : 24.08.2006

**ANNEXURE TO THE AUDITORS' REPORT****(This is the Annexure referred to in our Report of even date)**

In terms of the information and explanation given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

- i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The management has conducted physical verification of major fixed assets during the year and as explained to us, no material discrepancies have been noticed on such verification.
- c. There was no disposal of Fixed Assets during the Year.
- ii) a. The Management has conducted physical verification of inventory at reasonable intervals during the year.
- b. The procedures of physical verification of inventory 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 and no material discrepancies were noticed on physical verification.
- iii) The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However during the year, the company has rapid the interest free loan of Rs.7,80,000/- obtained in the earlier year from a party covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion, there are adequate internal control procedures commensurate with size of the company and the nature of its business, with regard to purchase of inventory and fixed assets and with regard to sale of services. During the course of our audit no major weaknesses have been noticed in internal controls in these areas.
- v) During the financial year there were no contracts or arrangements referred to in section 301 of the Act, which needs to be entered in the Register maintained under that section.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii) The Central Government has not prescribed maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956 for any of its products.
- ix) a. The Company is regular in depositing with appropriate authorities the undisputed statutory dues including Sales Tax, Excise Duty, Customs Duty and other statutory dues applicable to it. But the company is not regular in depositing the Provident Fund, Employees State Insurance and Income tax dues. However there are no arrears of these dues as at the end of the year.
- b. According to the information and explanations given to us, no undisputed amount payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs Duty, Excise Duty, Cess and any other statutory dues including Provident Fund, Employees State Insurance were outstanding, at the year end for a period of more than six months from the date they became payable.
- c. According to the records of the Company and on the basis of the information and explanations given to us, there are no dues of Sales-tax, Income-tax, Custom Duty, Wealth tax, Excise Duty, Cess which have not been deposited on account of any dispute.
- x) The accumulated losses of the Company are not more than Fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of dues to the financial institutions or banks or debenture holders.
- xii) The Company has not granted any loans or advance on the basis of security by the way of pledge of shares, debentures or other securities.
- xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) The Company has not obtained any term loans. Hence other matters specified in the clause are not applicable to the Company.
- xvii) The funds raised on short term basis have not been used for long term investment and whereas part of long term funds were used for working capital requirement of the company.
- xviii) During the year the Company has made preferential allotment of shares to parties covered in the Register maintained under section 301 of the Act, 1956. In our opinion the price at which shares have been issued is not prejudicial to the interest of the company.
- xix) The Company has not issued any debentures and hence creation of securities for debentures does not arise.
- xx) During the year the company has not raised money by public issues. Hence other matters specified in the Clause are not applicable to the Company.
- xxi) As per the checks carried out by us, no fraud on or by the company has been noticed or reported during the year under report.

**for J.B.REDDY & Co.,**  
Chartered Accountants

**(A.V.Reddy)**

Partner

M.No:23983

Place : Hyderabad

Date : 24.08.2006

**BALANCE SHEET AS ON 31.03. 2006**

	SCHEDULE	AS AT 31.03.2006 (Rs.)	AS AT 31.03.2005 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS FUNDS</b>			
Share Capital	<b>A</b>	11,24,14,000	7,54,14,000
Reserves & Surplus	<b>B</b>	48,84,39,702	46,84,59,702
<b>2. LOAN FUNDS</b>			
Secured Loans	<b>C</b>	26,42,346	76,80,223
Unsecured Loans	<b>D</b>	0	7,80,000
		<b>60,34,96,048</b>	<b>55,23,33,925</b>
<b>APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	<b>E</b>		
Gross Block		17,82,28,576	16,00,12,695
Less: Depreciation		<u>14,55,69,169</u>	<u>12,18,64,928</u>
Net Block		3,26,59,407	3,81,47,767
<b>2. INVESTMENTS</b>	<b>F</b>	31,79,64,746	31,79,64,746
<b>3. CURRENT ASSETS, LOANS AND ADVANCES</b>	<b>G</b>	15,53,14,402	11,03,06,699
Less: CURRENT LIABILITIES AND PROVISIONS	<b>H</b>	<u>1,70,45,615</u>	<u>1,94,36,866</u>
Net Current Assets		13,82,68,787	9,08,69,833
<b>4. Deferred Tax Asset (Net)</b>		1,25,91,523	97,94,663
<b>5. MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or Adjusted)	<b>I</b>	2,00,000	0
<b>6. Profit and Loss Account</b>		10,18,11,585	9,55,56,916
<b>NOTES TO ACCOUNTS</b>	<b>O</b>	<b>60,34,96,048</b>	<b>55,23,33,925</b>

As per our report of even date

For and on behalf of the Board

for J.B.Reddy & Co.  
Chartered AccountantsP.S. Raman  
Executive ChairmanR. Jagadeeswara Rao  
Executive Director(A.V.REDDY)  
PartnerD. Madhavi Latha  
Company SecretaryPlace: Hyderabad  
Date : 24.8.2006



## SCHEDULES TO BALANCE SHEET

	AS AT 31.03.2006 (Rs.)	AS AT 31.03.2005 (Rs.)
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
AUTHORISED CAPITAL		
1,50,00,000 (as on 31.03.2005, 1,00,00,000) Equity Shares of Rs.10/-each	<u>15,00,00,000</u>	<u>1,00,00,000</u>
ISSUED, SUBSCRIBED & PAIDUP CAPITAL		
1,24,41,400 (as on 31.03.2005, 75,41,400) equity shares of Rs.10/- each Issued Subscribed, and Paid up in full.	<u>11,24,14,000</u>	<u>7,54,14,000</u>
<b>Total</b>	<b><u>11,24,14,000</u></b>	<b><u>7,54,14,000</u></b>
<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
General Reserve	1,67,81,202	1,67,81,202
Share Premium	47,16,58,500	45,16,78,500
<b>Total</b>	<b><u>48,84,39,702</u></b>	<b><u>46,84,59,702</u></b>
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
Overdraft facility with Canara Bank	20,60,874	76,80,223
Amounts due to Companies under Hire Purchase agreements for purchase of Assets	5,81,472	0
<b>Total</b>	<b><u>26,42,346</u></b>	<b><u>76,80,223</u></b>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOANS</b>		
Loan from Director	0	7,80,000
<b>Total</b>	<b><u>0</u></b>	<b><u>7,80,000</u></b>



**SCHEDULE - E**  
**Fixed Assets**

Sl. No.	Description	Gross Block			Depreciation			Net Block	
		COST UPTO 31-Mar-05	ADDITIONS	COST UPTO 31-Mar-06	UPTO 31-Mar-05	For the year	UPTO 31-Mar-06	As at 31-Mar-06	As at 31-Mar-05
1	Plant & Machinery	13,21,26,355	1,03,04,146	14,24,30,501	11,14,74,438	2,20,79,792	13,35,54,230	88,76,271	2,06,51,917
2	Electrical Installations	46,09,488	12,26,000	58,35,488	16,29,838	2,23,804	18,53,642	39,81,846	29,79,650
3	Office Equipment	59,74,864	10,152	59,85,016	19,78,777	2,84,168	22,62,945	37,22,071	39,96,087
4	Furniture & Fixtures	1,25,78,949	49,13,083	1,74,92,032	53,48,845	8,25,160	61,74,005	1,13,18,027	72,30,104
5	Vehicles	23,14,859	7,78,500	30,93,359	11,74,162	2,50,728	14,24,890	16,68,469	11,40,697
6	Office Building	24,08,180	9,84,000	33,92,180	2,58,868	40,589	2,99,457	30,92,723	21,49,312
	<b>TOTAL</b>	<b>16,00,12,695</b>	<b>1,82,15,881</b>	<b>17,82,28,576</b>	<b>12,18,64,928</b>	<b>2,37,04,241</b>	<b>14,55,69,169</b>	<b>3,26,59,407</b>	<b>3,81,47,767</b>

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	AS AT 31.03.2006 (Rs.)	AS AT 31.03.2005 (Rs.)
<b>SCHEDULE - F</b>		
<b>INVESTMENTS :</b>		
Long term : at Cost		
Unquoted :		
40,000 Equity shares of US \$ 1 each in Aravali Technologies Inc, USA	<u>31,79,64,746</u>	<u>31,79,64,746</u>
<b>SCHEDULE - G</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A) CURRENT ASSETS</b>		
Accrued Interest	10,871	4,29,000
INVENTORIES ( As Certified by Management)		
Software Products/Projects under development	4,85,85,216	4,30,86,366
SUNDRY DEBTORS (unsecured)		
Debts outstanding for a period exceeding 6 months		
Considered good	2,18,82,004	1,94,11,825
Considered doubtful	2,80,88,846	2,63,26,121
	<u>4,99,70,850</u>	<u>4,57,37,946</u>
Other debts-considered good	3,50,54,314	1,58,67,274
	<u>8,50,25,164</u>	<u>6,16,05,220</u>
Less: Provision for doubtful debts	<u>2,80,88,846</u>	<u>2,63,26,121</u>
	5,69,36,318	3,52,79,099
CASH & BANK BALANCES		
Cash on hand	7,21,429	7,81,987
BALANCES WITH SCHEDULED BANKS		
In Current Accounts	37,20,713	20,82,013
In Deposit Accounts	<u>56,32,397</u>	<u>6,07,397</u>
<b>Total (A)</b>	<u><b>11,56,06,944</b></u>	<u><b>8,22,65,862</b></u>
<b>B) LOANS &amp; ADVANCES</b>		
(UNSECURED CONSIDERED GOOD)		
Deposits	38,56,873	34,51,222
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
Call Deposit with a Company	0	15,00,000
Advance for Supplies, Expenses & Services	2,83,27,087	1,87,98,311
Staff advances	20,24,002	12,85,335
Pre-paid expenses	2,69,934	1,38,025
Pre-paid Taxes	<u>52,29,562</u>	<u>28,67,944</u>
<b>Total (B)</b>	<u><b>3,97,07,458</b></u>	<u><b>2,80,40,837</b></u>
<b>Total (A+B)</b>	<u><b>15,53,14,402</b></u>	<u><b>11,03,06,699</b></u>

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	AS AT 31.03.2006 (Rs.)	AS AT 31.03.2005 (Rs.)
<b>SCHEDULE - H</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A) CURRENT LIABILITIES</b>		
Advances/Deposits from customers	29,07,107	36,15,536
Sundry Creditors		
For Expenses & Services	1,03,18,119	1,11,49,243
For Others	7,52,908	21,58,850
<b>Total (A)</b>	<b><u>1,39,78,134</u></b>	<b><u>1,69,23,629</u></b>
<b>B) PROVISIONS</b>		
Provision for FBT	2,02,716	0
Provision for Gratuity	28,64,765	25,13,237
<b>Total (B)</b>	<b><u>30,67,481</u></b>	<b><u>25,13,237</u></b>
<b>Total (A+B)</b>	<b><u>1,70,45,615</u></b>	<b><u>1,94,36,866</u></b>
<b>SCHEDULE - I</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Preliminary and Share Issue Expenses	2,00,000	0
<b>Total</b>	<b><u>2,00,000</u></b>	<b><u>0</u></b>

**SCHEDULE – O****NOTES ON ACCOUNTS****1. ACCOUNTING POLICIES:****1.1 COST CONVENTION:**

The Accounts have been prepared under the historical cost convention.

**1.2 REVENUE RECOGNITION:**

All incomes and expenditure are accounted on accrual basis.

**1.3 SECURED LOANS:**

Overdraft facilities from Canara Bank is secured by first charge on Company's Fixed Assets excluding Vehicles and Electrical installations, hypothecation of book debts, equitable mortgage of the property (office space) owned by the Company and also guaranteed by personal guarantee of three directors.

**1.4 FIXED ASSETS:**

Fixed Assets have been valued at cost less depreciation.

**1.5 DEPRECIATION:**

Depreciation is provided on straight line method in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956.

**1.6 INVESTMENTS:**

Investment in subsidiary is long term in nature and is stated at cost. On account of revival of consulting business in USA and increased opportunities sighted, no Provision for diminution is made since such decline is temporary in nature.

**1.7 INVENTORIES:**

Inventories are valued at lower of cost and net realisable value. Cost is determined on First in First out basis.

**1.8 FOREIGN EXCHANGE TRANSACTIONS:**

Earnings in foreign currency are accounted at the rates prevailing on the day of the transaction. Differences in realisation is accounted as fluctuations in foreign currency. Sales made at overseas office and collections deposited in overseas bank accounts and also the expenditure incurred and disbursements made out of the said bank accounts of the overseas office are accounted at a rate that approximates the average monthly rate. However, current assets and current liabilities pertaining to the overseas office are translated at the exchange rate prevalent at the date of the balance sheet and the resultant difference is accounted in the profit and loss account. Fixed assets purchased at overseas office are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

**1.9 LEASES:**

Leases, where the lessor retains substantially all the risks and rewards incidental to the ownership are classified as operating leases. Operating lease payments are recognised as an expense in Profit & Loss account on straight Line basis over the lease term.

**1.10 RETIREMENT BENEFITS:**

- Contribution to Provident Fund is recognised as an expenditure on accrual basis.
- Provision for Gratuity liability as a charge to the Profit & Loss account has been made basing on a rational method assuming that all the employees in service at the end of the year are eligible for such gratuity benefit.
- Leave encashment is not categorised as a retirement benefit as the company is in the practice of paying the leave encashment benefit every year.

**1.11 DEFERRED TAXES:**

Deferred Income taxes reflect the impact of Current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Unrecognised Deferred tax assets of earlier years are reassessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax asset can be realised.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the Balance Sheet date.

- The Company is engaged in the business of development of Computer Software and rendering of Software services. The production and sales of such Software/Services is not capable of being expressed in any generic unit. The value details of Software Sales/Services is given below:

	<b>2005-06</b> <b>(Rs.)</b>	<b>2004-05</b> <b>(Rs.)</b>
Software products (Developed)	<b>30,11,647</b>	73,65,060
Software products (Traded)	<b>3,16,569</b>	26,10,376
Project and Consulting Services	<b>8,21,88,486</b>	5,22,96,529
<b>Total</b>	<b><u>8,55,16,702</u></b>	<b><u>6,22,71,965</u></b>

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3. Managerial Remuneration	<b>2005-06</b>	<b>2004-05</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
EXECUTIVE CHAIRMAN		
Salary and allowances	<b>10,35,000</b>	7,20,000
Perquisites	<b>1,72,000</b>	1,72,000
Total	<b>12,07,000</b>	<b>8,92,000</b>
WHOLE TIME DIRECTOR		
Salary and allowances	<b>10,35,000</b>	7,20,000
Perquisites	<b>1,72,000</b>	1,72,000
Total	<b>12,07,000</b>	<b>8,92,000</b>
4. FOB Value of Exports (Software Services)	<b>76,96,775</b>	34,87,517
5. Expenditure in Foreign Currency		
On Account of Salaries and Allowances	<b>3,42,169</b>	48,40,940
On Account of Travel	<b>72,114</b>	89,000
Legal and Professional charges	<b>65,250</b>	33,750
Others	<b>2,84,150</b>	3,40,636
6. Maximum balance in current account with First Union Bank of Connecticut, USA on 31 <sup>st</sup> October'05 (on 19 <sup>th</sup> April, 04 previous year)	<b>1,76,000</b>	8,48,880
7. As at the year-end, there were no dues to SSI units.		
8. a) Estimated amount of contracts to be executed on capital account and not provided for (Net of advances) 20,00,000 (As on 31.03.2005: 22,00,000).		
b) Contingent Liabilities not provided for: Outstanding Bank guarantees 15.00 Lakhs (As on 31.03.2005: 20.00 Lakhs)		
9. The break up of the deferred tax Assets/(Liabilities) is given below:		

	<b>2006</b>	(Amount in rupees) <b>2005</b>
Timing difference on account of		
- Depreciation	<b>70,00,165</b>	28,33,064
- Gratuity	<b>3,72,142</b>	2,53,818
- Provision for Doubtful Debts	<b>29,39,523</b>	23,46,190
- Disallowances u/s 43B of the Income Tax, 1961	<b>60,139</b>	76,070
- Losses	<b>22,19,554</b>	42,85,521
Total	<b>1,25,91,523</b>	<b>97,94,663</b>

## 10. Segment Reporting:

Your Company recognizes two primary business segments viz., software services and education & training. Secondary segmental reporting is on the basis of the geographical location of customers i.e. revenue attributable to location of the customers.

### Primary Business Segment

Performance of the primary business segment is as follows:

	<b>(Rs. In Lakhs)</b>					
	<b>Software Services</b>		<b>Education &amp; Training</b>		<b>Total</b>	
<b>Year ending 31st March</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Segment Revenue	855.17	622.72	23.25	32.41	878.42	655.13
Segment Profit/(Loss) before un-allocable Expenses & tax	151.70	75.44	5.41	2.01	157.11	77.45
Un allocable Expenses					245.60	239.45
Tax:						
Current					—	—
Deferred					(27.97)	(50.33)
FBT					2.03	—
Net Loss					(62.55)	(111.67)

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Fixed assets used in the Company's business are not identified to any of the reportable segments and the management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

### Geographic Segment

Revenue attributable to location of customers is as follows:

Geographic location	(Rs. in lakhs)	
	Revenue for the year ended March 31st 2006	2005
North America	76.96	30.06
Middle East	-----	4.81
India	801.46	620.26

### 11. Related Party Disclosure:

- a) Related parties: Wholly Owned Subsidiary M/s Aravali Technologies Inc., California, USA.  
Members of the Board : Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao, Mr. K. Kumar Raja, Mr. P.R. Balasubramanian, Mr. Haragopal, Mr. S.K. Mathur & Mr. Kushwant Singh.  
Key Management Personnel: Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao
- b) Summary of transactions with the related parties:

b) Summary of transactions with the related parties:

Nature of Transactions	(Rs. in lakhs)			
	Transactions for the year ended 31st March		Balance as on 31 <sup>st</sup> March	
	2006	2005	2006	2005
01. Transactions with Subsidiary: Sales/Receivable	—	—	33.86	38.03
02. Transactions with Key Management Personnel: Remuneration to Key Management Personnel paid/payable	24.14	17.84	2.00	2.00

c) Loans/advances in the nature of Loans and investments in its own shares by the company, its subsidiary, associates etc:

- (i) The company has not given any loans and advances in the nature of loans to its subsidiary and/or associates.  
(ii) Investment by the loanee in the shares of the company: Not applicable.

12. There are no dues in respect of amounts mentioned under Section 205 C of the Companies Act, 1956 that are required to be credited to the Investor Education and Protection Fund as at 31<sup>st</sup> March 2006.

13. Figures for the previous year have been regrouped and reclassified wherever necessary to be in conformity with the current year figures.

As per our report of even date

For and on behalf of the Board

for J.B.Reddy & Co.  
Chartered Accountants

P.S. Raman  
Executive Chairman

(A.V.REDDY)  
Partner

Place: Hyderabad  
Date : 24.8.2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006**

(RUPEES IN THOUSANDS)

PARTICULARS	FOR THE YEAR ENDED 31-Mar-06	FOR THE YEAR ENDED 31-Mar-05
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss before Tax and Extra-ordinary items	(8,853)	(16,191)
Adjustments for:		
Miscellaneous expenditure written off	50	289
Miscellaneous expenditure Incurred	(250)	0
Depreciation	23,704	22,438
Provision for Doubtful debts	1,763	473
Provision for Gratuity	351	151
Investment Income (interest)	(734)	(307)
Interest	810	1,209
Operating profit before working capital changes	16,841	8,062
Adjustments for:		
Trade and other receivables	(23,420)	(7,805)
Inventories	(5,499)	(948)
Trade payables	(2,945)	4,718
Cash generated from operations	(15,023)	4,027
Interest paid	(810)	(1,209)
Cash flow before Extra-ordinary items	(15,833)	2,818
Extra-ordinary items	(.04)	.09
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<u>(15,829)</u>	<u>2,809</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(18,216)	(3,654)
Interest received	734	307
(Increase)/Decrease in Loans and advances	(11,248)	2,991
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(28,730)</u>	<u>(356)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital	37,000	0
Increase in Share Premium	19,980	0
(Decrease)/Increase in Unsecured Loan	(780)	780
(Decrease)/Increase in Long Term Borrowings	(5,038)	(905)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>51,162</u>	<u>(125)</u>
Net Increase/(Decrease) in cash and cash equivalents	6,603	2,328
Cash and cash equivalents as at (opening Balnace)	3,471	1,143
Cash and cash equivalents as at (Closing Balnace)	10,074	3,471

This is the cash flow statement referred to in our report of evendate.

for J.B. Reddy & Co.,  
Chartered Accountants

For and on behalf of the board

A.V. REDDY  
PartnerP.S. Raman  
Executive ChairmanPlace: Hyderabad  
Date : 24.8.2006



## Balance Sheet Abstract and Company's General Business Profile

### I Registration

Registration No	17598	State Code	01
Balance Sheet	31 03 2006		
	D M Y		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placements	3700

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

Total Liabilities	603496	Total Assets	603496
<b>SOURCES OF FUND</b>			
Paid up Capital	112414	Reserves & Suplus	488440
Secured Loans	2642	Unsecured Loans	NIL
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	32659	Investments	317965
Net Current Assets	138268	Misc. Expenditure	200
Deferred Tax Asset	12591		
Accumulated Losses	101811		

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

Turnover (Gross Revenue)	94531	Total Expenditure	103384
Loss before Tax	8853	Loss after Tax	6254
Earning per share(Rs.)	N.A.	Dividend Rate(%)	NIL

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

Item code No.(ITC Code) 8524539.10  
 DEVELOPMENT OF COMPUTER SOFTWARE

Item code No.(ITC Code) 8524539.10  
 TRADING IN COMPUTER SOFTWARE

Item code No.(ITC Code)  
 TRAINING IN COMPUTER SOFTWARE

**ANNEXURE - D**

Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to the  
Subsidiary Company

- |  |  |
|--|--|
| 1. Name of the Subsidiary  | Aravali Technologies Inc. USA                        |
| 2. Financial year of the Subsidiary  | January 1st to December 31st 2005                    |
| 3. Share of Subsidiary held by Ram Informatics Ltd.<br>On the above:   |  |
| a) Number of shares and face value   | 40000 common stock of US \$ 1 each<br>fully paid-up. |
| b) Extent of holding   | 100%   |
| 4. Net aggregate amount of Profit/(Loss) of the<br>Subsidiary so far as they concern the members<br>of Ram Informatics Limited.                              |  |
| a) dealt with in the accounts of Ram Informatics Limited   | Nil  |
| b) not dealt with in the accounts of Ram Informatics Limited   | US \$ 33,774   |
| 5. Net aggregate amount of Profit/(Loss) for previous<br>financial years of the subsidiary so far as they concern<br>the members of Ram Informatics Limited. |  |
| a) dealt with in the accounts of Ram Informatics Limited   | Nil  |
| b) not dealt with in the accounts of Ram Informatics Limited   | US \$ 5,916  |

By Order of the Board of Directors

Place : Hyderabad  
Date : 24.08.2006

P.S. Raman  
Executive Chairman

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To  
The Board of Directors  
RAM Informatics Limited  
Hyderabad.

We have examined the attached Consolidated Balance Sheet of RAM Informatics Limited and its subsidiary Aravali Technologies Inc as at March 31<sup>st</sup>, 2006, the consolidated Profit and Loss Account for the year then ended annexured thereto and the consolidated cashflow statement for the year ended on that date.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the wholly owned subsidiary Aravali Technologies Inc. These financial statements have been audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary Aravali Technologies Inc, is based solely on the report of the other auditors.

We report the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standards (AS) 21, consolidated

Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of RAM Informatics Limited and its subsidiary Aravali Technologies Inc included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of RAM Informatics Limited and its aforesaid subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) The consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of RAM Informatics Limited and its subsidiary as at March 31<sup>st</sup>, 2006.
- b) The consolidated Profit and Loss account gives a true and fair view of the consolidated results of operations of RAM Informatics Limited and its subsidiary for the year then ended.
- c) The consolidated Cash Flow Statement of the consolidated cash flows for the year ended on that date.

for **J.B.REDDY & Co.,**  
**Chartered Accountants**

Place: Hyderabad  
Date : 24.08.2006

(A.V.Reddy)  
Partner  
M.No:23983

**CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH 2006**

	SCHEDULE	AS AT 31.03.2006 (Rs.)	AS AT 31.03.2005 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>1 SHARE HOLDERS FUNDS</b>			
Share Capital	<b>A</b>	<b>11,24,14,000</b>	7,54,14,000
Reserves & Surplus	<b>B</b>	<b>48,84,39,702</b>	46,84,59,702
<b>2 LOAN FUNDS</b>			
Secured Loans	<b>C</b>	<b>26,42,346</b>	76,80,223
Unsecured Loans	<b>D</b>	<b>0</b>	7,80,000
		<b><u>60,34,96,048</u></b>	<b><u>55,23,33,925</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>1 Fixed Assets</b>	<b>E</b>		
Gross Block		<b>17,85,05,020</b>	16,23,02,809
Less: Depreciation		<b><u>14,55,79,978</u></b>	<u>12,28,98,126</u>
Net Block		<b>3,29,25,042</b>	3,94,04,683
<b>2 Goodwill</b>		<b>31,61,85,546</b>	31,62,08,846
<b>3 CURRENT ASSETS, LOANS AND ADVANCES</b>	<b>F</b>	<b>16,83,87,226</b>	12,56,41,523
Less: CURRENT LIABILITIES AND PROVISIONS	<b>G</b>	<b><u>1,87,09,364</u></b>	<u>2,58,05,625</u>
Net Current Assets		<b>14,96,77,862</b>	9,98,35,898
<b>4 Deferred Tax Asset (Net)</b>		<b>1,25,91,523</b>	97,94,663
<b>5 MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or Adjusted)	<b>H</b>	<b>2,00,000</b>	0
<b>6. Profit and Loss account</b>		<b>9,19,16,075</b>	8,70,89,835
<b>NOTES TO ACCOUNTS</b>	<b>N</b>	<b><u>60,34,96,048</u></b>	<b><u>55,23,33,925</u></b>

As per our report of even date

For and on behalf of the Board

for J.B.Reddy & Co.  
Chartered AccountantsP.S. Raman  
Executive ChairmanR. Jagadeeswara Rao  
Executive Director(A.V.REDDY)  
PartnerD. Madhavi Latha  
Company SecretaryPlace: Hyderabad  
Date : 24.8.2006

**Consolidated Profit & Loss Account for the year ended 31st March 2006**

	Schedule	For the Year Ended 31.03.2006 (Rs.)	For the Year Ended 31.03.2005 (Rs.)
<b>INCOME</b>			
<b>Software Sales/Services</b>			
Exports		5,10,81,766	4,62,69,230
Domestic		7,78,19,927	5,87,84,448
Training Income		23,25,000	32,40,734
Other Income	I	11,83,030	17,98,213
Increase in Stocks	J	54,98,850	9,48,550
<b>Total</b>		<b>13,79,08,573</b>	<b>11,10,41,175</b>
<b>EXPENDITURE</b>			
Cost of Software packages sold		3,10,003	14,29,933
Third Party Consulting expenses		1,99,57,420	2,47,45,284
Salaries, wages and benefits to employees	K	6,32,77,293	5,32,26,881
Operating, Administration and Other Expenses	L	3,70,85,313	2,52,34,978
Interest and Finance Charges	M	9,00,952	12,09,297
Preliminary and Share Issue expenses written off		50,000	2,88,815
Depreciation		2,37,15,050	2,24,50,381
<b>Total</b>		<b>14,52,96,031</b>	<b>12,85,85,569</b>
Loss for the year		(73,87,458)	(1,75,44,394)
Add: Prior year adjustment		4,304	9,487
Net Loss		(73,83,154)	(1,75,53,881)
Less: Provision for tax			
- Current Tax		37,230	36,435
- Deferred Tax		(27,96,860)	(50,33,347)
- Fringe Benefit Tax		2,02,716	0
Profit/(Loss) after tax		(48,26,240)	(1,25,56,969)
Profit/(Loss) brought forward from last year		(8,70,89,835)	(7,45,32,866)
Balance Carried to Balance Sheet		(9,19,16,075)	(8,70,89,835)

As per our report of even date

For and on behalf of the Board

for J.B.Reddy & Co.  
Chartered AccountantsP.S. Raman  
Executive ChairmanR. Jagadeeswara Rao  
Executive Director(A.V.REDDY)  
PartnerD. Madhavi Latha  
Company SecretaryPlace: Hyderabad  
Date : 24.8.2006

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

(RUPEES IN THOUSANDS)

	AS AT 31-03-06 (Rs.)	AS AT 31-03-05 (Rs.)
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
AUTHORISED CAPITAL		
15000000 (as on 31-03-05; 10000000) Equity Shares of Rs.10/- each.	<u>15,00,00,000</u>	<u>10,00,00,000</u>
ISSUED, SUBSCRIBED & PAIDUP CAPITAL		
1,12,41,400 (as on 31-03-05; 75,41,400) equity shares of Rs.10/- each Issued Subscribed, and Paid up in full.	<u>11,24,14,000</u>	<u>7,54,14,000</u>
<b>Total</b>	<u>11,24,14,000</u>	<u>7,54,14,000</u>
<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
General Reserve	1,67,81,202	1,67,81,202
Share Premium	47,16,58,500	45,16,78,500
<b>Total</b>	<u>48,84,39,702</u>	<u>46,84,59,702</u>
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
Amounts due to Companies under Hire Purchase agreements for purchase of Assets	5,81,472	0
Overdraft facility with Canara Bank	20,60,874	76,80,223
<b>Total</b>	<u>26,42,346</u>	<u>76,80,223</u>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOANS</b>		
Loan from Director	0	7,80,000
<b>Total</b>	<u>0</u>	<u>7,80,000</u>



**SCHEDULE - E**  
**Fixed Assets**

Sl. No.	Description	Gross Block				Depreciation				Net Block	
		COST UPTO 31-Mar-05	ADDITIONS NET	Sales of Assets	COST UPTO 31-Mar-06	UPTO 31-Mar-05	For the year	Adjustment on account of sale	UPTO 31-Mar-06	As at 31-Mar-06	As at 31-Mar-05
1	Plant & Machinery	13,39,57,988	1,03,04,146		14,42,62,134	11,22,60,348	2,20,79,792		13,43,40,140	99,21,994	2,16,97,640
2	Electrical Installations	46,09,488	12,26,000		58,35,488	16,29,838	2,23,804		18,53,642	39,81,846	29,79,650
3	Office Equipment	59,74,864	10,152		59,85,016	19,78,777	2,84,168		22,62,945	37,22,071	39,96,087
4	Furniture & Fixtures	1,30,37,430	49,13,083	20,13,670	1,59,36,843	55,96,133	8,35,969	10,33,198	53,98,904	1,05,37,939	74,41,297
5	Vehicles	23,14,859	7,78,500		30,93,359	11,74,162	2,50,728		14,24,890	16,68,469	11,40,697
6	Office Building	24,08,180	9,84,000		33,92,180	2,58,868	40,589		2,99,457	30,92,723	21,49,312
	<b>TOTAL</b>	<b>16,23,02,809</b>	<b>1,82,15,881</b>	<b>20,13,670</b>	<b>17,85,05,020</b>	<b>12,28,98,126</b>	<b>2,37,15,050</b>	<b>10,33,198</b>	<b>14,55,79,978</b>	<b>3,29,25,042</b>	<b>3,94,04,683</b>

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	AS AT 31.03.2006 (Rs.)	AS AT 31.03.2005 (Rs.)
<b>SCHEDULE - F</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A) CURRENT ASSETS</b>		
Accrued Interest	10,871	4,29,000
INVENTORIES ( As Certified by Management)		
Software Products/Projects under development	5,89,75,744	5,15,84,922
SUNDRY DEBTORS (Unsecured):		
Debts outstanding for a period exceeding 6 months		
Considered good	2,18,82,004	1,59,11,825
Considered doubtful	2,80,88,846	2,63,26,121
	4,99,70,850	4,22,37,946
Other debts - considered good	3,95,02,536	2,85,99,509
	8,94,73,386	7,08,37,455
Less: Provision for doubtful debts	2,80,88,846	6,13,84,540
	6,13,84,540	2,63,26,121
4,45,11,334		
CASH & BANK BALANCES		
Cash on hand	7,21,429	7,81,987
BALANCES WITH SCHEDULED BANKS		
In Current Accounts	37,20,713	20,82,013
In Deposit Accounts	56,32,397	6,07,397
Heritage Bank of Commerce, Sanjose, CA, USA	6,81,567	3,73,480
<b>Total (A)</b>	<b>13,11,27,261</b>	<b>10,03,70,133</b>
<b>B) LOANS &amp; ADVANCES</b>		
(UNSECURED CONSIDERED GOOD)		
Deposits	40,18,424	36,10,658
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
Call Deposit with a Company	0	15,00,000
Advance for Supplies, Expenses & Services	2,57,18,043	1,58,32,993
Staff advances	20,24,002	12,85,335
Pre-paid expenses	2,69,934	1,38,025
TDS and Advance Tax	52,29,562	29,04,379
<b>Total (B)</b>	<b>3,72,59,965</b>	<b>2,52,71,390</b>
<b>Total (A+B)</b>	<b>16,83,87,226</b>	<b>12,56,41,523</b>



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	AS AT 31.03.2006 (Rs.)	AS AT 31.03.2005 (Rs.)
<b>SCHEDULE - G</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A) CURRENT LIABILITIES</b>		
Advances/Deposits from customers	29,07,107	36,15,536
Sundry Creditors		
For Expenses & Services	1,19,44,638	1,74,81,567
For Others	7,52,908	21,58,850
<b>Total (A)</b>	<b>1,56,04,653</b>	<b>2,32,55,953</b>
<b>B) PROVISIONS</b>		
Provision for Tax	37,230	36,435
Provision for FBT	2,02,716	0
Provision for Gratuity	28,64,765	25,13,237
<b>Total (B)</b>	<b>31,04,711</b>	<b>25,49,672</b>
<b>Total (A+B)</b>	<b>1,87,09,364</b>	<b>2,58,05,625</b>
<b>SCHEDULE - H</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Preliminary and Share Issue Expenses	2,00,000	0
<b>Total</b>	<b>2,00,000</b>	<b>0</b>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	FOR THE YEAR ENDED 31-03-06 (Rs.)	FOR THE YEAR ENDED 31-03-05 (Rs.)
<b>SCHEDULE - I</b>		
<b>OTHER INCOME</b>		
Interest earned	7,34,153	3,07,428
Miscellaneous Receipts	4,48,877	14,90,785
<b>Total</b>	<b>11,83,030</b>	<b>17,98,213</b>
<b>SCHEDULE - J</b>		
<b>INCREASE IN STOCKS</b>		
Closing Stock:		
Software Products/Projects under development	4,85,85,216	4,30,86,366
	<u>4,85,85,216</u>	<u>4,30,86,366</u>
Less: Opening Stock :		
Software Products/Projects under development	4,30,86,366	4,21,37,816
	<u>4,30,86,366</u>	<u>4,21,37,816</u>
Increase in Stocks	<u>54,98,850</u>	<u>9,48,550</u>
<b>SCHEDULE - K</b>		
<b>SALARIES, WAGES AND BENEFITS TO EMPLOYEES</b>		
Salaries,Wages & Allowances	5,81,29,505	4,83,64,713
Contribution to Provident fund, ESI etc.,	43,24,874	41,90,130
Gratuity	3,51,528	2,48,833
Staff Welfare Expenses	4,71,386	4,23,205
<b>Total</b>	<b>6,32,77,293</b>	<b>5,32,26,881</b>

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RAM INFORMATICS LIMITED

	FOR THE YEAR ENDED 31-03-06 (Rs.)	FOR THE YEAR ENDED 31-03-05 (Rs.)
<b>SCHEDULE - L</b>		
<b>OPERATING, ADMINISTRATION &amp; OTHER EXPENSES</b>		
Power & Fuel	24,35,996	22,43,172
Rent, Rates & Taxes	45,68,856	44,44,488
Consumables	13,88,686	69,124
Postage, Telegram & Telephones	21,43,282	18,83,568
Travelling & Conveyance	34,25,058	31,54,833
Printing & Stationery	7,43,462	3,67,456
Subscriptions, Books & Periodicals	5,62,061	4,34,631
Insurance	1,56,203	2,01,832
Advertisement	3,10,130	1,32,119
Legal & Professional Charges	1,10,17,289	23,92,247
HRD/Recruitment & Training Charges	23,858	38,572
Filing, Registration and License Expenses	1,11,251	1,52,851
Repairs & Maintenance		
Plant & Machinery	2,71,334	2,85,006
Other Assets	2,97,600	2,17,266
Vehicle Maintenance	3,14,984	2,09,909
Directors sitting fees	14,000	14,000
Payment to Auditors		
Audit Fee	2,00,000	1,20,000
Tax Audit Fee	25,000	25,000
Tax Representation Fee	25,000	25,000
Provision for doubtful debts	17,62,725	4,73,560
Bad debts/Advances written off	18,31,340	49,80,920
Loss on abandonment of assets	9,97,153	0
Other Expenses	44,60,045	33,69,424
<b>Total</b>	<b>3,70,85,313</b>	<b>2,52,34,978</b>

## SCHEDULE - M

### INTEREST AND FINANCE CHARGES

Interest on Working Capital Loans	7,84,111	11,19,939
Finance charges on HP agreement	18,390	6,456
Other Interest and Finance Charges	98,451	82,902
<b>Total</b>	<b>9,00,952</b>	<b>12,09,297</b>

**Schedule N**

## Notes to Consolidated Financial Statements:

1. **Basis of Consolidation:** The consolidated financial statements of the company together with its wholly owned subsidiary Aravali Technology Inc., have been prepared under historical cost convention on accrual basis to comply in all material respect with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

Investment in the subsidiary has been accounted in accordance with accounting principles as defined in Accounting Standard 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

All material inter company balances and inter company transactions and resulting in unrealized profits/losses are eliminated in full in consolidation. The following are the details of the company's wholly owned subsidiary.

Name of the subsidiary	Country of incorporation	Nature of Interest	% of Interest	Accounting year
Aravali Technologies Inc	U.S.A.	Subsidiary	100%	31 <sup>st</sup> December

2. **Segment Reporting:**

Your Company recognizes two primary business segments viz., software services and education & training. Secondary segmental reporting is on the basis of the geographical location of customers i.e. revenue attributable to location of the customers.

**Primary Business Segment**

Performance of the primary business segment is as follows:

Year ending 31st March	Software Services		Education & Training		Total	
	2006	2005	2006	2005	2006	2005
<b>Segment Revenue</b>	<b>1289.02</b>	<b>1050.54</b>	<b>23.25</b>	<b>32.41</b>	<b>1312.27</b>	<b>1082.95</b>
<b>Segment Profit/(Loss) before un allocable expenses &amp; tax</b>	<b>167.38</b>	<b>62.02</b>	<b>5.41</b>	<b>2.01</b>	<b>172.79</b>	<b>64.03</b>
Un allocable Expenses					246.62	239.57
Tax :						
Current					0.37	0.36
Deferred					(27.97)	(50.33)
FBT					2.03	-----
Net Loss					48.26	125.57

Fixed assets used in the Company's business are not identified to any of the reportable segments and the management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

## ANNUAL REPORT 2005-2006



### Geographic Segment

Revenue attributable to location of customers is as follows:

Geographic location	(Rs. in lakhs)	
	Revenue for the year ended March 31st 2006	2005
North America	510.81	457.89
Middle East	-----	4.81
India	801.46	620.25

3. Related Party Disclosure:

a) Related parties: Wholly owned subsidiary' M/s Aravali Technologies Inc., California, USA.

Members of the Board: Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao, Mr. K. Kumar Raja, Mr. P.R. Balasubramanian, Mr. Haragopal, Mr. S.K. Mathur & Mr. Kushwant Singh.

Key Management Personnel: Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao

b) Summary of transactions with the related parties:

Nature of Transactions	Rs. in Lakhs	
	Transactions for the year ended 31 <sup>st</sup> March 2006	2005
Transactions with Key Management Personnel:		
Remuneration to Key Management personnel paid /payable	63.61	44.18

4. Capital Commitments: Estimated amount of contracts to be executed on capital account and not provided for (Net of advances) Rs.20, 00,000 (As on 31.03.2005: Rs.22, 00,000).

5. Contingent Liabilities not provided for: Outstanding Bank Guarantees Rs.15.00 Lakhs (As on 31.03.2005 Rs. 20.00 Lakhs)

6. Figures for the previous year have been regrouped and reclassified wherever necessary to be in conformity with the current year figures.

As per our report of even date

For and on behalf of the Board

for J.B.Reddy & Co.  
Chartered Accountants

P.S. Raman  
Executive Chairman

(A.V.REDDY)  
Partner

Place: Hyderabad  
Date : 24.8.2006

**Consolidated Cash Flow Statement for the year ended 31st March 2006**

(RUPEES IN THOUSANDS)

PARTICULARS	FOR THE YEAR ENDED 31-Mar-06	FOR THE YEAR ENDED 31-Mar-05
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss before Tax and Extra-ordinary items	(7,387)	(17,544)
Adjustments for:		
Miscellaneous expenditure written off	50	289
Miscellaneous expenditure Incurred	(250)	0
Depreciation	23,715	22,450
Loss on abandonment of Assets	997	0
Provision for doubtful debts	1,763	473
Provision for gratuity	351	151
Investment Income (interest)	(734)	(307)
Interest	901	1,209
Operating profit before working capital changes	19,406	6,721
Adjustments for:		
Trade and other receivables	(18,636)	(13,161)
Inventories	(7,391)	(929)
Trade payables	(7,651)	9,781
Cash generated from operations	(14,272)	2,412
Interest paid	(901)	(1,209)
Direct Taxes paid	(36)	(69)
Cash flow before Extra-ordinary items	(15,209)	1,134
Extra-ordinary items	4	(09)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(15,205)</b>	<b>1,125</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(18,232)	(3,557)
Decrease/(Increase) in Goodwill	23	(04)
Interest received	734	307
(Increase)/Decrease in Loans and advances	(11,570)	4,821
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(29,045)</b>	<b>1,567</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital	37,000	0
Increase in Share Premium	19,980	0
(Decrease)/Increase in Unsecured Loans	(780)	780
Decrease in Long Term Borrowings	(5,038)	(905)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>51,162</b>	<b>(125)</b>
Net Increase in cash and cash equivalents	6,912	2,567
Cash and cash equivalents as at (opening Balnace)	3,844	1,277
Cash and cash equivalents as at (Closing Balnace)	10,756	3,844

This is the Cash Flow Statement referred to in our report of evendate.

for J.B. Reddy & Co.,  
Chartered Accountants

For and on behalf of the board

A.V. REDDY  
PartnerP.S. Raman  
Executive ChairmanPlace: Hyderabad  
Date : 24.08.2006

**Aravali Technologies Inc., California, USA**

## Directors

Mr. P.S. Venkateswaran	-	Director, President and CEO
Mr. P.S. Raman	-	Director
Mr. R. Jagadeeswara Rao	-	Director
Mr. Rahul Gaur	-	Director

Company Number	-	77-0476179
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Registered Office	-	1175, Saratoga Avenue Suite 7, San Jose California 95129 USA
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Auditors	-	L. Shanti Kumar & Co. 491, South Oyster Bay Road Plain View, NY 11803
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Business Address	-	1175, Saratoga Avenue Suite 7, San Jose California 95129 USA
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Financial Year	-	January 1 <sup>st</sup> to December 31 <sup>st</sup> , 2005
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## ANNUAL REPORT 2005-2006

## ARAVALI TECHNOLOGIES INC.

### Directors' Report

To  
The Shareholders of Aravali Technologies, Inc.

Your Board of Directors is pleased to present the Eighth Annual Report and the financial results for the year 2005.

The financial highlights are

Total Revenues for the year	\$ 1,048,530
Gross Margins	\$ 287,100
Income/ (Loss) before Taxes	\$ 34,611
Net Income/ (Loss) after tax adjustments	\$ 33,774

the organization during tough times. The Board also wishes to place on record its appreciation of the support extended by its customers, vendors, bankers and the government agencies.

For and on behalf of the Board

Date: April 20,2006

P.S.RAMAN  
Director

### Highlights for FY 2005

During 2005, your Company's revenues increased by 37% over the previous year and the gross & net margins improved considerably. While your company continued to face market challenges from big and small players, its continued quest for serving niche market segments like Data Warehousing, VoIP and Web services yielded good results. The CRM Practice Group and the Data Warehousing Practice Group have started to deliver results with higher margins.

### Future Outlook

The quality of our services has been rated very high by the new clients that were acquired in 2004 & 2005. Based on the feedback that your Management has received from the clients & inputs from the market segments served by your Company, a revenue growth of 30-40% is forecast for FY 2006.

### Acknowledgements

Your Board is pleased to acknowledge the contribution of its management team and consultants who have significantly contributed to the survival and growth of



**Report of Independent Accountants**

To,  
The Stockholders of  
Aravali Technologies Inc.  
Sanjose, California

We have reviewed the accompanying balance sheets of Aravali Technologies Inc. as of December 31, 2005 and 2004 and the related statements of income and retained earnings, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accounts. All information included in these financial statements is the representation of management of Aravali Technologies Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our view was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedule is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

491, South Oyster Bay Road  
Plain vies, NY 11803

L. Shanti Kumar  
Certified Public Accountant

20 April, 2006

**Balance Sheet as of December 31, 2005 and 2004**

	2005 in US \$	2004 in US \$
ASSETS		
CURRENT ASSETS		
Cash	2,692	5,667
Accounts Receivable	91,338	148,412
Work In Progress	233,600	193,600
Other Current Assets	17,470	9,470
TOTAL CURRENT ASSETS	<u>345,100</u>	<u>357,149</u>
PROPERTY AND EQUIPMENT	5,972	28,633
SECURITY DEPOSITS	3,632	3,632
TOTAL ASSETS	<u>354,704</u>	<u>389,414</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accounts Payable	23,810	67,512
Loan Payable	76,008	100,797
Income Taxes Payable	837	830
TOTAL CURRENT LIABILITIES	<u>100,655</u>	<u>169,139</u>
SHAREHOLDER'S EQUITY		
Common Stock - (40,000 shares \$1 each issued & outstanding)	40,000	40,000
Retained Earnings	214,049	180,275
TOAL SHAREHOLDING'S EQUITY	<u>254,049</u>	<u>220,275</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>354,704</u>	<u>389,414</u>

**ANNUAL REPORT 2005-2006****ARAVALI TECHNOLOGIES INC.****Statement of income and retained earnings**

For The Year Ending December 31

	<b>2005</b> <b>in US \$</b>	<b>2004</b> <b>in US \$</b>
REVENUES	<b>1,048,530</b>	767,516
COST OF SALES	<b>761,430</b>	415,612
GROSS PROFIT	<u><b>287,100</b></u>	<u>351,904</u>
EXPENSES		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u><b>252,489</b></u>	<u>345,158</u>
INCOME/(LOSS) BEFORE INCOME TAXES	<b>34,611</b>	6,746
PROVISION FOR INCOME TAXES	<u><b>837</b></u>	<u>830</u>
NET INCOME / ( NET LOSS)	<b>33,774</b>	5,916
RETAINED EARNINGS, at beginning	<b>180,275</b>	174,359
RETAINED EARNINGS, at end	<u><b>214,049</b></u>	<u>180,275</u>

## ANNUAL REPORT 2005-2006

## ARAVALI TECHNOLOGIES INC.

### Statement of Cash Flows

For The Year Ending December 31

	<b>2005</b> <b>in US \$</b>	<b>2004</b> <b>in US \$</b>
Cash Flow from Operating Activities		
Net Income/ Net Loss	<b>33,774</b>	5,916
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	<b>243</b>	283
(Increase) Decrease in :		
Accounts Receivable	<b>57,074</b>	(31,933)
Work in Progress	<b>(40,000)</b>	0
Other Current Assets	<b>(8,000)</b>	7,216
Security Deposits	<b>0</b>	(792)
Increase (Decrease) in:		
Accounts Payable	<b>(43,702)</b>	(8,177)
Taxes Payable	<b>7</b>	(747)
Net Cash Provide (Used) by Operating Activities	<b>(604)</b>	(28,234)
Cash Flows from Investing Activities		
Disposal of Fixed Asset	<b>22,418</b>	317
Purchase of Fixed Assets	<b>0</b>	0
Cash Flows from Financing Activities		
Borrowings	<b>(24,789)</b>	30,852
Reduction of Loan	<b>0</b>	0
Net Increase (Decrease) in Cash	<b>(2,975)</b>	2,935
Cash at Beginning of Year	<b>5,667</b>	2,732
Cash at End of Year	<b>2,692</b>	5,667

## Notes to Financial Statements

### Nature of Operations

Aravali Technologies Inc. is principally engaged in the software consulting and development business. Its customers are primarily businesses who need software solutions. The company became a wholly owned subsidiary of Ram Informatics Ltd., a company registered in India, on July 1, 2000.

### Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

### Property and Equipment

Fixed assets are reflected at cost. Additions are capitalized whereas expenditures for maintenance and repair are charged to expense. Depreciation is provided on either a straight-line basis or a double declining basis over the following estimated useful lives.

Furniture, Fixtures and Equipment	5-7 years
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### Income Taxes

The company is taxable on its income under the provisions of the Internal Revenue Code and applicable California state statutes. The company has elected to prepare its Income Tax return on the cash basis of accounting, whereas the financial statements are prepared on the accrual basis of accounting.

<b><u>Fixed Assets</u></b>	<b><u>12/31/05</u></b>	<b><u>12/31/04</u></b>
Fixed Assets consisted of the following		
Furniture Fixtures and Equipment	<b>6,306</b>	50,306
Less Accumulated Depreciation	<b>243</b>	21,673
	<b><u>5,972</u></b>	<b><u>28,633</u></b>

The company moved its location in 2005 and in the process abandoned some of its assets

### Work In Progress

Work in progress of \$233,600 at December 31, 2005 and \$193,600 at December 31, 2004 represents costs incurred on uncompleted contracts and product development.

## ANNUAL REPORT 2005-2006

## ARAVALI TECHNOLOGIES INC.

### Supplementary Schedules

For The Year Ending December 31

	<b>2005</b> <b><u>in US \$</u></b>	<b>2004</b> <b><u>in US \$</u></b>
<b>COST OF SALES</b>		
Contract Professional Service	<b>458,053</b>	415,612
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries	<b>383,327</b>	241,157
Other Employee Costs	<b>48,113</b>	40,728
Travel and Entertainment	<b>25,214</b>	24,889
Printing	<b>114</b>	376
Office Expenses	<b>2,004</b>	349
Bank Charges	<b>212</b>	474
Insurance	<b>1,900</b>	1,321
Interest	<b>2,039</b>	248
Postage	<b>1,186</b>	424
Consulting	<b>0</b>	7,500
Professional/ Legal Fees	<b>34,220</b>	2,850
Dues and subscriptions	<b>14,434</b>	3,257
Miscellaneous	<b>2,769</b>	518
Advertisement	<b>2,130</b>	0
Equipment Rental	<b>0</b>	298
Depreciation	<b>243</b>	283
Rent	<b>9,504</b>	15,131
Telephone	<b>5,864</b>	5,021
Loss on Abandonment of Asset	<b>22,418</b>	0
Taxes/ Licenses	<b>175</b>	334
	<b><u>555,866</u></b>	<b><u>345,158</u></b>