
BOARD OF DIRECTORS

Mr. AUTAR KRISHNA - Chairman
Mr. ADITYA KRISHNA - Managing Director
Mr. V. RAMANATHAN - Executive Director
Mr. AMITAVA MUKHERJEE
Mr. R. RAJAGOPALAN
Mr. S.C. AGARWAL

COMPANY SECRETARY &
COMPLIANCE OFFICER

Mr. S. SANKARAN

AUDITORS

M/s SURI & CO.
Chartered Accountants
#70, K H ROAD
Chennai 600 034

BANKERS

CITI BANK N.A., CHENNAI
ICICI BANK, CHENNAI
HDFC BANK, CHENNAI
INDUSIND BANK, CHENNAI

REGISTERED & CORPORATE OFFICE

'SRI RAM NIVAS'
#38, V.K. Iyer Road, Mandaveli
Chennai - 600 028
Tel: +91 44 24614501
Fax: +91 44 24614486
Email: info@saksoft.com
Website: <http://www.saksoft.com>

NOIDA DEVELOPMENT CENTER

B-35-36, Sector 80, Phase 2
Noida - 201 305

SUBSIDIARY COMPANIES

SAKSOFT Pte Ltd., SINGAPORE
SAKSOFT Inc., USA
SAKSOFT GmbH, GERMANY

SAKSOFT LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventh Annual General Meeting of the Company will be held at 10.00 AM on Monday the 24th July 2006 at Narada Gana Sabha Mini Hall, 314, T.T.K.Road, Chennai 600 018 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006 and the Profit & Loss Account for the year ended 31.03.2006 and the Report of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr.Autar Krishna, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. Amitava Mukherjee, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. Re-Appointment of Mr. Aditya Krishna, as Managing Director

To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution

RESOLVED that subject to the provisions contained in Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Members be and is hereby given for re-appointment of Mr. Aditya Krishna as Managing Director of the Company, for a further period of 5 years with effect from 01.04.2006 to 31.03.2011 as set out in the Explanatory Statement annexed thereto.

RESOLVED FURTHER THAT in the event of loss or inadequate profit in any financial year, the remuneration payable to the Managing Director shall not exceed the limit specified in Schedule XIII to the Companies Act,1956 and as may be prescribed by the Central Government from time to time.

RESOLVED FURTHER THAT, subject to the recommendation of the Remuneration Committee, the Board of Directors of the Company be and are hereby authorized to make such other alteration or change in the remuneration of the Managing Director at its own discretion from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act,1956(including Statutory modification, re-enactment thereon for the time being in force) or any amendments made therein.

7. Re-Appointment of Mr V.Ramanathan as Executive Director

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

RESOLVED that subject to the provisions contained in Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Members be and is

hereby given for re-appointment of Mr. V.Ramanathan as Executive Director of the Company, for a period of 5 years with effect from 11.06.2006 to 31.05.2011 as set out hereunder:

RESOLVED FURTHER THAT in the event of loss or inadequate profit in any financial year, the remuneration payable to the Executive Director shall not exceed the limit specified in Schedule XIII to the Companies Act, 1956 and as may be prescribed by the Central Government from time to time.

RESOLVED FURTHER THAT, subject to the recommendation of the Remuneration Committee, the Board of Directors of the Company be and are hereby authorized to make such other alteration or change in the remuneration of the Executive Director at its own discretion from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including Statutory modification, re-enactment thereon for the time being in force) or any amendments made therein.

8. For Borrowing in excess of Paid up Capital and Free Reserves

To consider and if thought fit, to pass the following resolution, with or without, as an Ordinary Resolution
RESOLVED THAT pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956 and other applicable provisions, if any, consent of the Company be and is hereby accorded to the Board of Directors for borrowing from time to time any sum or sums of money which together with the monies already borrowed by the company (apart from temporary loans obtained or to be obtained from the company's banker in the ordinary course of business) may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say , reserves not set apart for any specific purpose, provided that the total amount of moneys borrowed by the Board shall not at any time exceed the limit of Rs. 100 Crores (Rupees One Hundred Crores only).

9. Creation of Charge on Company's Assets

To consider and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:

RESOLVED that the Company do hereby accord its consent, pursuant to section 293(1)(a) of the Companies Act, 1956, to mortgaging and/or charging by the Board of directors of the company all or any of the movable or immovable properties, both present and future, or the whole or substantially the whole of the undertaking or the undertakings of the Company for securing any loan as may be obtained from any financial institution, banks or person or persons together with interest, costs, charges, expenses and any other money payable by the company.

RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to prepare, finalise and execute with the financial institution/banker or any other person, as the case may be, documents, deeds, writings and agreements, as may be necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be necessary and/or expedient for giving effect to this resolution.

By Order of the Board
For Saksoft Limited

Place : Chennai
Date : 16.05.2006

S.Sankaran
Company Secretary

SAKSOFT LIMITED

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote instead of himself and such proxy need not be a member. The form of Proxy is enclosed.
2. The instrument appointing Proxy should be deposited at the office of the Registrar and share transfer agents of the Company viz. Cameo Corporate Services Limited, "Subramaniam Building" No.1, Club House Road, Chennai 600 002 at least 48 hours before commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 18th July 2006 to 24th July 2006(both days inclusive)
4. The dividend as recommended by the Board, if approved at the meeting, will be payable to those members whose names appear in the Register of Members as 24th July 2006. The dividend in respect of share held in the electronic form will be payable to the beneficial owners of the shares as on 17th July 2006 as per details furnished by the Depositories for this purpose.
5. Members holding shares in physical form are requested to immediately notify change in their address to the Company's Share Transfer Agents M/s. Cameo Corporate Services Limited, "Subramaniam Building" No.1, Club House Road, Chennai 600 002 and those who wish to receive dividend in electronic mode are requested to forward a specimen cheque leaf duly marked as such to Registrars at the above address.
6. Members holding Shares in electronic form may please note that, as per the applicable regulations of the Depositories, the bank details as furnished by the respective depositories to the company will be printed on the dividend warrants issued from time to time. The company/ the Registrar will not entertain any direct request from members for deletion of or change in such bank details.

It may please be noted that, dividend instructions, if any, already given by members in respect of shares in physical form will not be automatically applicable to the dividend payable on shares in electronic form. Members may, therefore, give instructions directly to their Depository Participants regarding bank accounts for crediting the dividend.

7. Members/proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.
8. Members who hold shares in the dematerialized form are requested to bring their Client_id and DP_id to the meeting for easier identification.
9. In terms of clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed at this meeting is given below.

- a) Mr. Autar Krishna
DIN No: 00031386

Mr. Autar Krishna is the founder promoter of Saksoft Ltd and its present Chairman

He has completed his B.Sc from St. Stephens College, New Delhi and G.M.Mech(E) in London. He has over 35 years experience in the Steel and Engineering industry. He promoted The Sak Industries Ltd (TSIL) in 1962. Mr.Autar Krishna and TSIL promoted Widia (India) Limited, a joint venture with Meturit A.G. Switzerland, a subsidiary of Friedrich Krupp GmbH, and was the Chairman of the Company from 1986 to 2002.

He is the Chairman of Banarsidas Chandiwala Sewa Smarak Trust Society.

- b) Mr. Amitava Mukherjee
DIN No: 00003285

Mr. Amitava Mukherjee is a postgraduate in Business Economics from Delhi University and an MBA from the Asian Institute of Management, Manila.

He had been with Lazard India Ltd as the Managing Director of the firm. During his tenure with Lazard's, he advised several multinational companies on their entry strategies into India as well as advised them on mergers & acquisitions. He has rich and varied experience in investment banking having been involved with several transactions on behalf of large Indian Corporate houses and multinationals.

He is presently on the Board of Ambit Corporate Finance Pte. Ltd, 3M India Limited and Aquatar Securities Pvt Ltd. He is also a member of the Audit Committee of M/s. 3M India Ltd.

He is an Independent Director of our Company and also a member of Audit committee, Shareholders/ Investors Grievances Committee and Remuneration Committee.

- c) Mr. Aditya Krishna
DIN No: 00031345

Mr. Aditya Krishna is a Post Graduate in Economics from St. Stephens College, New Delhi and MBA (Finance & Marketing) from Northeastern University, Boston, USA.

He was with Chase Manhattan Bank N.A, New York, USA & with Citibank N.A, New York, USA. He was Vice-President – Credit Director & Financial Controller, Citibank N.A, India responsible for managing Citibank India's credit card portfolio. He was the founder promoter of Nation Wide Finance Ltd and was the Managing Director of the Company from 1995 to 2001.

He has over 20 years of experience in Banking, Finance and Software Industry. He is also a Founder Promoter of Saksoft Limited.

- d) Mr. V.Ramanathan
DIN No: 00031417

Mr. V.Ramanathan is a production engineer with post graduation in Business Administration with over 23 years of experience in the software industry, having worked with Companies like Wipro, Ramco and SIP Technologies.

He has worked with Wipro for 11 years and handled different functions & markets. He has a rare blend of management acumen, technical depth and operations knowledge. He was the architect of the Ramco Marshal ERP product and led a 200 plus development team. In his last job, he built and managed a 150 member team for an offshore development cum testing center for the Java R&D group of Sun Microsystems Inc., US

SAKSOFT LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr. Aditya Krishna is the founder promoter of Saksoft Ltd and at present its Managing Director. He has contributed significantly for the growth of the Company.

It will be in the interest of the Company to have him as the Managing Director. The Board, therefore, considers it necessary & desirable to extend his term further. Hence the Board has approved his reappointment for a further period of five years, subject to the approval of the shareholders in the Annual General Meeting, on the same terms of remuneration as approved by shareholders last year.

Details of Remuneration:

1. The Basic salary of Rs.1,00,000/- per month.
2. Commission @ 1% of Net Profit

Perquisites and allowances:

In addition to salary, the Managing Director shall be entitled to the following perquisites/benefits, which shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of any such rule, perquisite shall be evaluated at actual cost.

1. Actual Medical expenses incurred for self and family towards domiciliary and hospitalization expenses.
2. Rent free residential accommodation or HRA in lieu thereof.
3. Contribution to P F as per rules of the company.
4. Contribution to Superannuation Fund as per rules of the company.
5. Gratuity payable as per the rules of the company.
6. Club fees for two-clubs excluding admission and life membership fees.
7. Leave Travel Concession once in a year for self and family to any place in India by Air/Rail/Road.
8. Company maintained car with driver.
9. Telephone facility at residence.

Minimum remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the Director's tenure, the company has no profits or the profits are inadequate, the company shall pay remuneration by way of salary, allowances and perquisites, subject to the provisions of section 198, 269 & 310 of the Companies Act, 1956 read with the provisions of Schedule XIII to the Companies Act, 1956.

Sitting Fees:

He shall not be paid any sitting fees for attending the meeting of the Board of Directors or any committee thereof from the date of his appointment.

This may be construed as an "Abstract of the terms of appointment and Memorandum of Interest" pursuant to Section 302 of the Companies Act, 1956.

Mr. Autar Krishna, relative of Mr. Aditya Krishna is interested in this resolution.

None of the other Directors is concerned or interested in passing of the above resolution.

Item No. 7

Mr. V.Ramanathan joined Saksoft in 2000 and was appointed as an Executive Director of the Company in 2001. He is in charge of Operations and Technology in Saksoft and has built a team of business analysts, project managers and software professionals comprising nearly 300 people in the last 5 years. He has guided the Company to achieve an excellent reputation for Software Development and testing services with its customers.

The Board therefore considers it desirable to continue to derive the benefits out of his experience having regard to his professional qualifications and experience. The Board has approved his reappointment for a further period of five years, subject to the approval of the shareholders in the Annual General Meeting, on the same terms of remuneration as approved by shareholders last year.

Details of Remuneration:

The Basic salary of Rs.1,80,000/- per month.

Perquisites and allowances:

In addition to salary, the whole time Director shall be entitled to the following perquisites/benefits, which shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of any such rule, perquisite shall be evaluated at actual cost.

1. Actual Medical expenses incurred for self and family towards domiciliary and hospitalization expenses.
2. Rent free residential accommodation or HRA in lieu thereof @ Rs. 72,000 per month.
3. Contribution to P F as per rules of the company.
4. Contribution to Superannuation Fund as per rules of the company.
5. Gratuity payable as per the rules of the company.
6. Club fees for two-clubs excluding admission and life membership fees.
7. Leave Travel Concession once in a year for self and family to any place in India by Air/Rail/Road.
8. Company maintained car with driver.
9. Telephone facility at residence.

Minimum remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the Director's tenure, the company has no profits or the profits are inadequate, the company shall pay remuneration by way of salary, allowances and perquisites, subject to the provisions of section 198, 269 & 310 of the Companies Act, 1956 read with the provisions of Schedule XIII to the Companies Act, 1956.

Sitting Fees:

He shall not be paid any sitting fees for attending the meeting of the Board of Directors or any committee thereof from the date of his appointment.

This may be construed as an "Abstract of the terms of appointment and Memorandum of Interest" pursuant to Section 302 of the Companies Act, 1956.

None of the Directors is concerned or interested in passing of the above resolution.

SAKSOFT LIMITED

Item No. 8

Under section 293(1)(d) of the Act, the Board of directors cannot, except with the approval of the members in general meeting, borrow monies, in excess of the company's paid up capital and its free reserves. In order to meet the funding requirements of the Company from time to time, it may be necessary for the company to borrow in excess of its paid up capital and its free reserves. Hence this resolution.

Your directors, therefore, recommend the resolution for your approval.

None of the directors are in any way concerned or interested in this resolution.

Item No. 9

The Company would be required to give first mortgage of all the movable and immovable properties of the company, both present and future, as a security for the loans that may be availed from financial institutions/banks.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company. As charging the assets would amount to 'otherwise disposing of the assets' of the Company, this resolution is placed before you for your approval.

None of the directors of the company is concerned or interested in the resolution.

The Board commends the resolution for shareholder's approval.

By Order of the Board
For Saksoft Limited

Place: Chennai
Date: 16.05.2006

S.Sankaran
Company Secretary

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your directors are delighted to present their report on the business and operations of your company for the year ended March 31, 2006 along with the audited Annual Accounts for the financial year ended 31st March 2006.

Financial Highlights

(Rs. in lakhs*)

	Year ended March 31,	
	2006	2005
Export Revenue	2,208.86	1,603.92
Domestic Revenue	419.97	253.65
Other income	176.43	21.34
Total Revenue	2,805.26	1,878.91
Expenditure	1,675.02	1,164.88
Operating Profit	1,130.24	714.03
Depreciation	110.94	109.39
Profit before Taxation	1,019.30	604.64
Taxation	100.00	45.00
Deferred Tax for the current year	(9.36)	(13.46)
Fringe Benefit Tax	9.70	–
Taxation of pre years: (write back)/provision	–	(0.31)
Profit after taxation	918.96	573.41
Add: Balance brought forward	890.17	840.79
Less: Capitalised for Bonus Shares (1:1)	–	(340.00)
Available for Appropriations	1,809.13	1,074.20
Transfer to general reserve	100.00	70.00
Dividend & Dividend tax	171.04	114.03
Balance carried forward	1,538.09	890.17

* 1 Million = 10 Lakhs & 1 crore = 10 millions

Results of Operations

Total revenue increased to Rs. 2805.26 lakhs from Rs. 1,878.91 lakhs in the previous year – a growth of 49.30%. Export revenues increased to Rs. 2208.86 lakhs from Rs. 1603.92 lakhs in the previous year – a growth of 37.72%. The operating profit increased by 58.29% from Rs. 714.03 lakhs (38% of total revenues) in the previous year to Rs. 1130.24 lakhs (40% of total revenues). The profit after tax increased to Rs. 918.95 lakhs (33% of total revenues) from Rs. 573.42 lakhs (30.5% of total revenues).

Dividend

Your directors recommend a final dividend of Rs. 1.50/- per share (15% on par value of Rs.10/-) on the capital of Rs.10 crores. The total dividend for the year is Rs. 150 lakhs, as against Rs. 100 lakhs for the previous year. Dividend (including dividend tax), as a percentage of profit after tax is 19%, as compared to 20% in the previous year.

This dividend is subject to the approval by the shareholders at the ensuing Annual General Meeting.

SAKSOFT LIMITED

Business

Your company is a mid-sized Information Technology Company. It continues to focus primarily on the BFSI (Banking and Financial Services and Insurance) segment. It is a full service provider, offering products, custom application development, testing, operations support etc. It also offers resource augmentation services, both onsite and offshore to its clients. The solutions are a combination of domain knowledge and technical expertise, spanning all areas of banking and financial services.

Your company's software export revenues aggregated Rs. 2208.86 lakhs, up 37.72% from Rs. 1,603.92 in the previous year – 70% of the revenues came from America, 8% from Europe, 22% from Asia.

Your company was able to add a healthy number of new customers over the year and has a good number of active customers. In this manner, the company was successful in reducing its dependency on few large customers.

Subsidiaries and Representative offices

The statements pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies are attached herewith.

Your Company has worked successfully with leading global banks and financial institutions. Today, it has established offices in the USA, UK, Germany, Singapore and India. It has gained considerable experience in developing applications in Retail, Corporate and Investment Banking. It's expertise covers Credit cards (Scoring, Collections, Campaign management etc.), Lending, Trading, Clearing and Settlement applications.

Development Centers

Your Company has two offshore development centers in India (Chennai and Noida) with a total capacity of 750 seats. Both centers are conveniently located in close proximity to all essential services.

Each center is modular in structure with facilities to demarcate a complete client area with physical restrictions. Both centers are well equipped with alternate power sources to operate 24 x 7 and have voice lines, conference rooms, recreation halls, a cafeteria etc., for a customer centric and pro-employee infrastructure.

Human Resource Management

Saksoft is a fast-growing company with over 300 people. It's project managers are appreciated not just for their technical knowledge and people-management skills, but also for the enthusiasm and energy they bring to their projects. It's business consultants have hands-on experience with the operations of international banks and financial institutions.

This mix of business, technical and management skills provide the Company with the ability to create successful business applications.

The Company has a well-defined training policy and each employee is encouraged to undergo training in their appropriate technical area as well as in "soft skills".

Business Outlook

The Company demonstrated good growth rates in the past year and this trend should continue into the coming year. The Company has signed a partnership agreement with Atos Origin (a global IT services company with a strong presence in Asia) to market Veri-sens (a business intelligence solution from Saksoft) to retail banks in Malaysia, Thailand and Philippines. The company's robust sales process should ensure a healthy mix of new customer acquisitions as well as increasing business from existing customers.

Quality Certification

The Saksoft Quality Management System, called Optima, is an enhanced version of the earlier ISO 9001:2000 certified system. It has been made more comprehensive and robust for consistent and predictable quality. Our endeavor is to get Optima accredited on the SEI-CMMI model at Level 5 maturity by Mid-2006.

Credentials

In the issue of Business Today, dated 04th December 2005, a listing was made of the top 1000 private sector companies in India. This ranking was done on the basis of the value of the company represented by average market capitalization. Average market capitalization is calculated based on the average share price and the shares available in the market. We are extremely pleased to find Saksoft ranked no. 708 among the companies listed, which is highly creditable taking into account the age of the company and the fact that the company has gone public only about 6 months ago. Among the software companies, Saksoft is ranked 49th. Most other companies, which are ahead of Saksoft, have existed for over a decade.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the National Stock Exchange, separate reports on Corporate Governance and Management Discussion and Analysis together with a certificate from the company's auditors confirming the compliance of conditions of Corporate Governance are attached to this report.

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.

Directors

Mr. Autar Krishna and Mr. Amitava Mukherjee, Directors of the company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

The Directors have filed declarations under section 274 (1) (g) of the Companies Act, 1956 and the same were taken on record by the Board.

Directors' Responsibility Statement

As required under section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) That in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments 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 and the profit of the company for that period;
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) That the directors had prepared the annual accounts on a going concern basis.

Auditors

The auditors of your company, M/s, Suri & Company, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. Necessary certificate required under section 224 (1B) of the Companies Act, 1956 has been received to the effect that, if reappointed, the same will be within the limits specified.

SAKSOFT LIMITED

Conservation of Energy and Technology Absorption

Not applicable being a software company.

Foreign Exchange Earnings and Outgo

	Rs.
Foreign Exchange Earnings	22,08,85,953
Foreign Exchange Outgo	1,70,72,247

Material Changes after 31st March 2006

There have been no other material changes and commitments between 31st of March 2006 and the date of this report, which will have an adverse bearing on the financial performance of your company.

Employee particulars

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and under Section 217 (1) (e) of the said Act read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 to the extent applicable are set out in the enclosed Annexure.

ESOP Shares

The company has allotted 5,82,460 equity shares of Rs. 10 each at par to the Saksoft Employees Welfare Trust which will administer the Employee Stock Option Plans in accordance with SEBI guidelines. The share holders have approved grant of these options to employees and directors of the company and its subsidiaries at the extraordinary general meeting held on 3-Feb-2006. Out of the above, grant of options for 1,33,000 shares were offered to employees and directors of Saksoft and its subsidiaries on 21-Feb-2006 at the market rate of Rs. 99.80 each. Acceptance and vesting of these shares are due in the subsequent year.

Consolidated statements

As required by the Accounting Standard 21 of the Institute of Chartered Accountants of India, the consolidated financial statements are annexed herewith consolidating the accounts of the holding company with its three subsidiary companies.

As per Section 212 of the Companies Act, 1956, we are required to attach the directors' report, balance sheet and profit and loss account of subsidiary companies too. We have received permission from the Government of India u/s 212 (8) of the Companies Act, 1956 exempting us from such attachments since we present the audited consolidated financial statements in the annual report. We believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition and the same is accepted globally. The annual accounts of these subsidiary companies will be made available to the members upon receipt of written request from them. This will help the company save considerable costs in connection with printing and mailing.

Acknowledgement

Your directors take this opportunity to thank the Company's customers, vendors, investors and bankers for their continued support. Your Directors place on record their appreciation for the excellent contribution made by the employees at all levels in achieving growth and good results.

For and on behalf of the Board of Directors

Place: Chennai
Date: 16.05.2006

Autar Krishna
Chairman

ANNEXURE TO DIRECTORS' REPORT

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended 31st March 2006

Employment throughout the financial year:

Name	Age	Designation	Remuneration paid Rs.	Qualification	Experience (years)	Date of commencement	Last Employer	Last Designation
V. Ramanathan	48	Executive Director Operations & Technology	4,211,110	BE., MBA	24	15.04.2000	SIP Technologies Limited	Chief Executive Officer

Note:

1. Remuneration includes Salary, Allowances, perquisites and Company's contribution to Provident Funds.
2. Nature of employment: The above employee is a wholtime employee of the company and the nature of his employment is contractual.
3. The above employee is not related to any of the Directors of the Company.

SAKSOFT LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

Overview

The Financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and generally accepted accounting principles in India. The Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs and profits for the year.

Industry Structure & Developments

Banking and Financial Services segment in India has remained at the forefront of the IT revolution sweeping the country. Banks in India were among the first to deploy IT and automate their operations to gain efficiencies, improve overall productivity and beef up customer support.

With their extensive IT budgets, BFSI institutions continue to create major revenue opportunities for India's IT solutions providers. From traditional software and connectivity solutions, to new service delivery technologies such as ATMs, mobile and Internet banking-the BFSI sector is rapidly moving up the IT value chain. The goal of this segment-to deliver "anytime, anywhere" services to customers is being realized through the use of IT.

NASSCOM Strategic Review 2006 suggests that the growth of IT-ITES expected to exceed \$36 billion in annual revenue in FY06, an increase of nearly 28% in this current fiscal. Out of which exports account for nearly two thirds of the total revenue.

Segmentation

Your company is a mid-sized Information Technology Company. It continues to focus only on the BFSI (Banking and Financial Services and Insurance) segment. Unlike many software companies of same size, your company doesn't operate in other segments than BFSI and hence there is no industry based segmentation analysis provided here with.

Your company's software export revenues aggregated Rs. 2208.85 lakhs, up 37.71% from Rs. 1603.92 in the previous year.

Outlook

In the coming years too, we expect that BFSI will be the number one industry in terms of IT spending. Similarly, application development, application maintenance, testing, outsourcing professionals, Business Intelligence (the areas Saksoft operates) are still growing and 3rd party testing services had grown significantly over the last 2 years where your company has a well established practice. Thus your company is poised for substantial growth this year barring risks that are indicated elsewhere in the document.

Your company seeks long-term partnerships with its clients and its sales approach is to begin with a small onsite engagement and then strive to move more and more work offshore. During the year, your company added 11 new clients and its total client base as of the end of the year stood at 42. Your company would focus on extending these relationships and developing them as reference customers.

The investments in the subsidiaries and offices will enable the company to source new business from these markets and increase proximity to existing customers to strengthen relationships and bid for new project work with these customers. The company plans to aggressively expand its marketing network in the coming months to achieve accelerated growth.

The new development center at NOIDA is fully operational and would help the company to expand and provide quality services to its customers.

Internal control system

Adequate internal checks are built in to cover all monetary transactions.

Your company has independent internal auditors who have conducted regular audits. The findings of the audit are presented to the management and audit committee of the board of directors for review, recommendations and actions. The audit committee periodically reviews financial statements. The role and terms of reference of the audit committee cover the areas mentioned under clause 49 of the listing agreement with stock exchanges and Sec 292A of the Companies Act, 1956. We continually work on the recommendations and actions requested by the audit committee. Your Directors feel that the internal control system of the company is adequate.

Risk & Concerns

- Significant Variations in Revenues and Profits - Your Company has improved the revenue and profits this year with renewed approach to structure of costing and planning of revenue. However, given the size of the company and its dependence on few customers for major revenue, we still foresee variations in revenues and profit this year.
- Dependence on few customers - Your Company has taken measures to reduce the dependence on few customers for major revenue of the company but we expect this dependence to continue in the coming year too.
- Lack of growth in business from new customers - Your Company has acquired new customers last year but revenues from them have not been significant.
- Attrition – Your Company's efforts to reduce attrition has shown results but it is still an area of concern.
- Competitive Business - Your Company operates in the industry segment called BFSI, which has the highest IT spending and hence attracts the most competition.
- Termination of Contracts by Customer - Your Company's client contracts can usually be terminated without cause and with little or no notice or penalty, which could negatively impact its revenues and profitability.
- Failure in acquisition of companies - In order to enhance capabilities and address gaps in industry expertise, technical expertise and geographic coverage, your company intends to acquire companies. This may not happen or when happens it may prove difficult to integrate and manage or may not be successful.
- Economic Environment Changes - Your Company will have impact on account of economic environment changes such as Foreign exchange rate fluctuations.

Financial Performance

a. Results of operations

Total revenue increased to Rs. 2805.26 lakhs from Rs. 1878.91 lakhs in the previous year - a growth of 49.30%. Export revenues increased to Rs. 2208.86 lakhs from Rs. 1603.92 lakhs in the previous year - a growth of 37.72%. The operating profit increased by 58.29% from Rs. 714.03 lakhs (38% of total revenues) in the previous year to Rs. 1130.24 lakhs (40% of total revenues). The profit after tax increased to Rs. 918.95 lakhs (33% of total revenues) from Rs. 573.42 lakhs (30.5% of total revenues).

Your company incurred capital expenditure of Rs.84,88,594 /- during the year compared Rs.70,90,812/- in the previous year. The company's two development centers in Chennai and Noida have the capacity to accommodate 750 professionals.

SAKSOFT LIMITED

b. Foreign exchange earnings and outgo

- Foreign Exchange Earnings Rs. 22,08,85,953
- Foreign Exchange Outgo Rs. 1,70,72,247

c. Dividend

Your directors recommend a dividend of Rs. 1.50 per share (15% on par value of Rs.10/-) as against Rs.1/- per share for the previous year. The total dividend including dividend tax for this year is Rs.171.04 lakhs, as against Rs.114.03 lakhs for the previous year. Dividend (including dividend tax), as a percentage of profit after tax is 18.61%, as compared to 20% in the previous year.

d. Appropriations

Your company proposes to transfer Rs. 100 lakhs to the general reserve and the balance amount of Rs. 1538.09 lakhs is retained in the Profit and Loss Account.

Human Resource Management

Employees are vital to your company. Your company has created a favorable work environment and encourages meritocracy. HR Policies have been designed to attract and retain talent. With significant hiring this year, your company has taken its total employee strength over 300 at the end of the year. Your company is confident that its hiring model is scalable to meet future growth targets. Employee quality and motivation is critical and your company conducted 3478 hours of training during the year 2005-2006.

ESOP Shares

The company has allotted 5,82,460 equity shares of Rs. 10 each at par to the Saksoft Employees Welfare Trust which will administer the Employee Stock Option Plans in accordance with SEBI guidelines. The share holders have approved at the extra-ordinary general meeting held on 3rd February 2006 grant of these options to employees and directors of the company and its subsidiaries. Out of the above, grant of options for 1,33,000 shares were offered to employees and directors of Saksoft and its subsidiaries on 21st February 2006 at the market rate of Rs. 99.80 each. Acceptance and vesting of these shares are due in the subsequent years.

Quality

Your company's quality management system is certified ISO 9001:2000. During the year, your company began its journey towards obtaining CMMI Level 5 certification and three rounds of interim audit was over and we are confident that we will be able to get the certification by Mid-2006. Your company has also helped many of its clients to improve their processes and systems by providing high-end software process consulting services.

Cautionary Statement

Statements in the Management Discussion and Analysis Report describing the company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include global and domestic supply and demand conditions affecting the revenue realizations, availability of skilled work force, changes in government regulations, tax laws, economic developments and other related factors.

REPORT ON CORPORATE GOVERNANCE (PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and the practices followed by the Company.

1. Company's philosophy on Code of Governance

The Company's philosophy on Corporate Governance envisages maintaining a high level of disclosure and transparency in all its operations. It aims at enhancing the shareholder value over a sustained period of time.

2. Board of Directors

The Board comprises of 6 directors with knowledge and experience in different fields like software, manufacturing, finance and business management.

The Board has an appropriate mix of executive and independent directors to ensure proper governance and management.

The Board functions both as a full Board and through Committees. The Board and the Committees meet at regular intervals. Policy formulation, evaluation of performance and control functions vest with Board while the committees oversee operational issues.

Composition and category of Directors is as follows:

Category	Name of the Directors
Non-executive Chairman	Mr. Autar Krishna
Managing Director	Mr. Aditya Krishna
Executive Director	Mr. V.Ramanathan
Non-Executive Director	Mr. S.C.Agarwal
Non-Executive and Independent Directors	Mr. Amitava Mukherjee Mr. R.Rajagopalan

Shareholding of Non-Executive Directors

Mr. S.C.Agarwal is holding 200 shares in the Company and other two Non-Executive Directors do not hold any shares in the company.

Board Meetings

During the year 2005-06, Five Board Meetings were held on 24.05.2005, 28.07.2005, 27.10.2005, 11.01.2006 and 30.01.2006

The attendance of each Director at the Board Meetings, last Annual General Meeting and the Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies are as under:

Name of the Director	Attendance particulars		No. of other Directorships and (Excl. SSL) Committee member/Chairmanship		
	Board Meeting	Last AGM	Other Directorship	Committee Chairmanship	Committee Membership
Mr.Autar Krishna	5	Yes	6	-	2
Mr.Aditya Krishna	5	Yes	7	-	-
Mr.V.Ramanathan	5	Yes	-	-	-
Mr.S.C.Agarwal	5	Yes	2	-	-
Mr.Amitava Mukherjee	3	-	1	-	2
Mr.V.Rajagopalan	5	Yes	5	2	5

SAKSOFT LIMITED

Board Procedure

The Board meets at least once in a quarter and the interval between two meetings is normally not more than 4 months. Apart from the statutory requirements, the role of the board includes setting annual business plan, periodic review of operations and considering proposals for diversification, investments, and business re-organisation. The information periodically placed before the board includes status of statutory compliance, proceedings/minutes of all committees including the audit committee.

3. Audit Committee

The Company has an independent Audit Committee consisting of three members. All the members of the Committee have excellent financial and accounting knowledge and background. The terms of reference stipulated by the Board to the audit committee cover the matters specified under clause 49 of the Listing Agreements with the National Stock Exchange.

The Committee consists of three non-executive directors Viz., Mr. R.Rajagopalan, Mr.S.C.Agarwal and Mr.Amitava Mukherjee.

Mr. R.Rajagopalan is the Chairman of the Audit Committee.

Number of Audit Committee Meetings held and the dates on which they were held:

During the year 2005-06, the Audit Committee met for four times on 24.05.2005, 28.07.2005, 27.10.2005 and 30.01.2006.

The attendance of the each member of the Audit Committee at its meetings is under

Name of the Committee Member	No. of meetings attended
Mr.R.Rajagopalan	4
Mr.S.C.Agarwal	4
Mr.Amitava Mukherjee	3

4. Remuneration Committee

The Board of Directors has constituted a Remuneration Committee comprising of 3 Non-Executive Directors, viz., Mr.R.Rajagopalan, Mr.S.C.Agarwal and Mr.Amitava Mukherjee.

Mr. R.Rajagopalan is the Chairman of the Remuneration Committee.

The Remuneration Committee has been constituted to recommend and approve the remuneration package of the Managing Director and the Executive Directors based on the performance of the Company.

During the year 2005-06, the Remuneration Committee met once on 24th May 2005 & all the three committee members attended it.

The details of remuneration paid to the Managing Director & the Executive Director for the year:

i) Executive Directors

Name	Salary Rs.	Allowances Rs.	Total Rs.
Mr.Aditya Krishna Managing Director	12,00,000	9,93,103	21,93,103
Mr.V.Ramanathan Executive Director	29,82,000	12,29,110	42,11,110

ii) Non-Executive Directors

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs.5000/- for each meeting of the Board and Rs.5000/- for any Committee meeting attended by them. The sitting fee paid for the year ended 31st March 2006 to the directors is as follows:

		Rs.
Mr. Autar Krishna	-	25,000
Mr. S.C.Agarwal	-	55,000
Mr. Amitava Mukherjee	-	40,000
Mr. R.Rajagopalan	-	55,000

5. Shareholders/Investors Grievance Committee

The Board has constituted a Shareholders/Investors Grievance Committee comprising of Mr.R.Rajagopalan, Mr.S.C.Agarwal and Mr.Amitava Mukherjee. The Committee looks into redressing of shareholders' complaints, if any, like transfer of shares, non-receipt of balance sheets, non-receipt of dividend warrants, etc. Mr.R.Rajagopalan, is the Chairman of this Committee.

The Board has designated Mr.S.Sankaran, Company Secretary as the Compliance Officer.

There is no Share Transfers pending as on 31st March 2006.

6. General Body Meetings

a) Location and time for the last 3 Annual General Meetings were:

Year	Location	Date	Time
2002-03	Chandiwala Estate, Maa Anand Mai Marg, Kalkaji, New Delhi.	22.09.2003	11.00 AM
2003-04	-Do-	19.08.2004	11.00 AM
2004-05	Sri Thyaga Brahma Gana Sabha, 103, G.N.Chetty Road, T.Nagar, Chennai - 600 017	28.07.2005	10.00 AM

b) For the year ended March 31, 2006 there are no ordinary or special resolutions that need to be passed by our shareholders through a Postal ballot.

7. Disclosures

Related party transactions have been disclosed as part of accounts as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

There has been no instance of non-compliance by the Company, penalty or strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.

The Company has complied with the Non-Mandatory Requirements under listing agreement regarding constitution of the Remuneration Committee as mentioned herein above.

8. Means of Communication

The Quarterly/Half-yearly/Annual financial results of the company will be published as per the Pro-forma prescribed by Stock Exchanges, in any one of the following English Newspapers, namely: The Economic Times/Business Standard/Financial Express/Business Line having circulation all over India and in the Tamil Newspaper, Makkal Kural having circulation all over Tamil Nadu. They are also put on the Company's Website: www.saksoft.com

The Management Discussion and Analysis (MDA) report forming part of the annual report is given as an annexure to the Director's Report.

SAKSOFT LIMITED

9. General Shareholder Information

1.	Annual General Meeting Date and Time Venue	24.07.2006; 10.00 AM Narada Gana Sabha Mini Hall, 314, T.T.K.Road, Chennai 600 018
2.	Financial calendar Results for the quarter ending 30.06.06 Results for the quarter ending 30.09.06 Results for the quarter ending 31.12.06 Results for the quarter ending 31.03.07 (Audited Annual Result for the Year 2006-07)	1 st April to 31 st March : Periodical Results will be Published Between 15 th & 31 st July 06 Between 15 th & 31 st October 06 Between 15 th & 31 st January 07 Within 3 months from the end of the Financial Year.
3.	Book Closure date	From 18 th July 2006 to 24 th July 2006 (both dates inclusive)
4.	Dividend payment date	20 th August 2006
5.	Listing of Equity shares	The equity shares of the Company are listed at the National Stock Exchange of India Ltd (NSE), Mumbai and permitted for trading on the Bombay Stock Exchange under the category of Permitted Securities. The Annual Listing Fees as prescribed has been paid to the National Stock Exchange.
6.	(a) Stock Code (b) Demat ISIN Number in NSDL & CDSL for Equity Shares	SAKSOFT EQ INE667G01015
7.	Stock market data	The National Stock Exchange of India Ltd, Mumbai (Details provided below)

Monthly Share Price data and Volumes, NSE

Month, Year	High	Low	Volume
May 2005	142.80	57.70	111,753,168
June 2005	176.30	103.30	67,584,968
July 2005	158.00	125.00	1,328,404
August 2005	144.00	125.10	268,865
September 2005	143.50	126.20	820,601
October 2005	135.00	88.55	76,938
November 2005	139.00	89.00	626,725
December 2005	133.50	115.05	200,098
January 2006	137.70	116.00	143,420
February 2006	119.90	98.00	111,771
March 2006	103.50	88.20	358,601

Note:

1. Saksoft Ltd Shares got listed on NSE from 9th May 2005
2. High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers).

8. Transfer Agents

Cameo Corporate Services Ltd.
 'Subramanian Building'
 No.1, Club House Road Chennai - 2
 Tel: +91-44-28460390
 Fax: +91-44-28460129
 Email: saksoft@cameoindia.com
 Website : www.cameoindia.com

9. Share Transfer System: The Company's shares are traded in the Stock Exchange compulsorily in demat mode. Pursuant to the directive issued by the Securities and Exchange Board of India, the share transfers, both physical and demat, are now handled by our Transfer Agents M/s. Cameo Corporate Services Ltd. Chennai. Shares in physical mode, which are lodged for transfer either with the Company or with the Share Transfer Agent, are processed subject to the exercise of option under compulsory transfer cum demat procedure. Share certificates are either dematted or returned within the time prescribed.

10. Distribution of Shareholding as on 31st March 2006:

Pattern of Shareholding as on 31st March 2006:

Number of Shares	Shareholders		No. of Shares	
	Number	%	Number	%
Upto 500	2,750	89.05	3,69,945	3.70
501 - 1,000	180	5.83	1,37,145	1.37
1,001 - 2,000	69	2.23	1,06,879	1.07
2,001 - 3,000	25	0.81	62,839	0.63
3,001 - 4,000	13	0.42	42,318	0.43
4,001 - 5,000	7	0.23	32,284	0.32
5,001-10,000	17	0.55	1,26,748	1.27
10,001 and above	27	0.88	91,21,842	91.21
Total	3088	100.00	1,00,00,000	100.00

Category	No. of Shares	% holding
Promoters	68,00,140	68.00
Mutual Funds & UTI	7,68,248	7.69
Banks/Financial Institutions	1,000	0.01
NRI's/OCB	26,130	0.26
Pvt Corporate Bodies	5,45,276	5.45
Public	12,51,032	12.51
Others	6,08,174	6.08
Total	1,00,00,000	100.00

11. Dematerialisation of Shares & Liquidity : As on 31.03.2006, 61.80% of equity shares have been dematerialised. The shares are traded in NSE & BSE.

12. The Company has not issued any GDR/Warrants and Convertible Bonds.

13. Office Locations

- | | | |
|--|---|---|
| 1) Saksoft Ltd.
Sri Ram Nivas
38, V.K.Iyer Road
Mandaveli
Chennai 600 028. | 2) Saksoft Ltd.
B-35-36, Sector 80
Phase II
Noida-201 305
UP. | 3) Saksoft GmbH
Lyoner Street,14
60528, Frankfurt
Germany. |
| 4) Saksoft Pte Ltd.
3, Shenton Way
#15-0Singapore | 5) Saksoft, Inc
441, Lexington Avenue
New York,
USA. | 6) Saksoft Ltd
18, Southampton Place
Holborn
London WC1A 2AJ
Uk |

AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of SAKSOFT LIMITED, CHENNAI.

We have examined the compliance of corporate governance by SAKSOFT LIMITED, CHENNAI for the year ended 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the National Stock Exchange.

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 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 no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Company.

We 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 Suri & Co.
Chartered Accountants

Place: Chennai
Date: 16.05.2006

S. Ganesan
Partner
Memb. No. 018525

REPORT OF THE AUDITORS TO THE MEMBERS OF SAKSOFT LIMITED, CHENNAI - 600 028.

We have audited the attached Balance Sheet of SAKSOFT LIMITED, Chennai-28 as at 31st March 2006, 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 entity'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.

Further to our report under the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 annexed to this report we state 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 it appears from our examination of those books.
- iii. The Balance Sheet, Profit and Loss account and Cash flow statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Profit and loss account, Balance Sheet and Cash flow statement comply with the accounting standards, referred to in Sub section (3C) of Section 211 of Companies Act, 1956.

SAKSOFT LIMITED

- v. On the basis of written representations received from the Directors as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2006 from being appointed as Director in terms of section 274(1)(g) 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 financial statements 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 Company's affairs as at 31st March, 2006;
 - (b) in the case of the Profit and Loss account, of the PROFIT for the year ended on that date;
 - (c) in the case of the Cash flow statement, of the cash flows for the year ended on that date.

As required under the Companies (Auditors' Report) order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 issued in terms of Section 227 (4A) of the Companies Act, 1956 we further report that:

- (i) a) The company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b) Physical verification of major items of these assets has been conducted by the management during the year and no material discrepancies were noticed on such verification.
 - c) The company has not disposed off a substantial part of fixed assets during the year.
- (ii) The company is engaged in the business of software development and related services, as such clauses (a), (b) and (c) of paragraph (ii) are not applicable to the company.
- (iii) a) The company has not granted any loans, secured or unsecured during the year from or to Companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
 - b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956
- (iv) The company has adequate internal control system commensurate with the size of the company and the nature of its business, for purchase of fixed assets and for sale of goods and services.
- (v) a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that are required to be entered in the register have been so entered.
 - b) According to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 has been made at prices, that are reasonable having regard to the prevalent market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public during the year.
- (vii) The Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956
- (ix) a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Custom Duty, cess and other statutory dues with the appropriate authorities and there are no outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable.

b) The details of disputed statutory dues are as under:

Name of the Statute	Nature of the dues	Amount Disputed Rs.	Amount Paid Rs.	Forum where dispute is pending
Income Tax Act, 1965	Income Tax dues.	1,00,52,572	7,68,955	Commissioner of Income Tax Appeals, Income Tax Appellate Tribunal

- (x) The Company has no accumulated losses as at 31.03.2006 nor has it incurred any cash losses during the financial ended on that date or in the immediate preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
- (xiii) The Company is not engaged in the business of nidhi / mutual benefit fund / societies and hence the question regarding application of special statute does not arise;
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The company does not have any term loan hence the clause (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xvii) The Company has not raised any funds on short term basis.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment during the year.
- (xix) The Company has not issued any debentures.
- (xx) We have verified the end use of the money raised through the public issue as disclosed in Note No.17 of Schedule 15 'Notes on Accounts' forming part of the financial statements.
- (xxi) According to information and explanations given to us, and on the basis of our examination of records no fraud on or by the company has been noticed or reported during the year.

For Suri & Co.
Chartered Accountants

S. Ganesan
Partner
Memb. No. 018525

Place: Chennai
Date: 16.05.2006

SAKSOFT LIMITED

BALANCE SHEET AS AT 31ST MARCH 2006

	Schedule No.	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
I SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	100,000,000	75,000,000
b) Share Application Money, pending allotment		–	22,427,000
c) Reserves and Surplus	2	214,125,118	97,017,424
		<u>314,125,118</u>	<u>194,444,424</u>
2. Secured Loans	3	2,480,925	1,944,107
3. Deferred Tax Liability		–	591,888
Total		<u>316,606,043</u>	<u>196,980,419</u>
II APPLICATION OF FUNDS			
1. Fixed Assets	4		
a) Gross Block		60,728,444	54,134,714
b) Less: Depreciation		42,435,043	32,668,215
c) Net Block		<u>18,293,401</u>	<u>21,466,499</u>
2. Investments	5	61,174,080	36,245,069
3. Current Assets, Loans & Advances			
a) Sundry Debtors	6	93,714,631	74,750,724
b) Cash and Bank Balances	7	129,484,316	39,509,095
c) Loans and Advances	8	57,953,422	47,853,859
d) Other Current Assets	9	4,582,296	2,546,994
		<u>285,734,665</u>	<u>164,660,672</u>
Less: Current Liabilities & Provisions			
a) Current Liabilities	10	15,866,117	8,989,321
b) Provisions	11	33,074,074	16,402,500
		<u>48,940,191</u>	<u>25,391,821</u>
Net Current Assets		<u>236,794,474</u>	<u>139,268,851</u>
4. Deferred Tax Asset		344,088	–
Total		<u>316,606,043</u>	<u>196,980,419</u>
NOTES ON ACCOUNTS	15		
Schedules 1 to 11 and 15 (Notes) form part of this Balance Sheet			

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	Schedule No.	Year ended 31-3-2006 Rs.	Year ended 31-3-2005 Rs.
1. INCOME			
Software Development - Exports		220,885,952	160,392,437
Software Development - Domestic		41,996,780	25,364,682
Other Income	12	17,643,356	2,134,095
		<u>280,526,088</u>	<u>187,891,214</u>
2. EXPENDITURE			
Software Development Expenses	13	144,706,237	95,694,626
Administration and other expenses	14	22,795,957	20,793,890
		<u>167,502,194</u>	<u>116,488,516</u>
3. OPERATING PROFIT		113,023,894	71,402,698
Depreciation for the year		11,094,096	10,939,411
4. PROFIT BEFORE TAXATION		101,929,798	60,463,287
Provision for – Current Tax		10,000,000	4,500,000
– Deferred Tax		(935,976)	(1,346,580)
– Fringe Benefit Tax		970,324	–
Provision for Tax of earlier years no longer required written back		–	(31,626)
5. PROFIT AFTER TAXATION		91,895,450	57,341,493
Surplus brought forward		89,017,424	84,079,131
Less: Capitalised during the year by issue of Bonus Shares		–	(34,000,700)
		<u>180,912,874</u>	<u>107,419,924</u>
6. APPROPRIATIONS:			
Transfer to General Reserve		10,000,000	7,000,000
Proposed Dividend @15% (10%)		15,000,000	10,000,000
Dividend tax on Proposed Dividend		2,103,750	1,402,500
Surplus Carried to Balance Sheet		153,809,124	89,017,424
		<u>180,912,874</u>	<u>107,419,924</u>
No. of shares for basic Earnings Per Share		9,791,667	7,062,777
Basic Earnings Per Share		9.39	8.12
NOTES ON ACCOUNTS	15		
Schedules 12 to 14 and 15 (Notes) form part of this Profit and Loss Account			

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

SAKSOFT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	Year ended 31-3-2006		Year ended 31-3-2005	
	Rs.	Rs.	Rs.	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES				
PROFIT BEFORE TAX	101,929,798		60,463,288	
Adjustments for:				
Depreciation	11,094,096		10,939,411	
Preliminary expenses written-off			32,542	
Exchange difference on translation of foreign currency			829,502	
Interest income	(12,100,320)		(38,307)	
Income from Investments	(1,231,587)		(1,705,536)	
Surplus on foreclosure of lease	–		(9,823)	
Profit on sale of fixed assets	–		(56,537)	
Profit on redemption of Mutual Funds	(211,841)		(323,891)	
Gains in Foreign exchange Translation	(4,026,617)			
Loss on Sale of Fixed Assets	5,132			
 Operating Profit Before Working Capital Changes				
Adjustments for changes in:				
Debtors	(18,963,907)		(38,681,857)	
Advances	(10,099,563)		(31,854,078)	
Other Assets	(1,449,916)		13,442	
Current Liabilities	6,876,796		1,648,346	
 Cash Generated From Operations				
Income Tax (Paid) / Refund	–		(4,522,719)	
 NET CASH FLOW FROM OPERATING ACTIVITIES (A)		71,822,071		(3,266,217)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of Fixed Assets	562,464		417,734	
Purchase of Fixed Assets	(8488,594)		(7,090,812)	
Purchase of Investments	(205,908,231)		(155,603,405)	
Sale / Redemption of Long Term Investments	181,191,061		171,321,437	
Income from Investments - Dividend	1,231,587		1,705,536	
Increase in Share premium Account	42,315,994		–	
Interest Income	11,514,934		19,202	
 NET CASH FLOW FROM INVESTING ACTIVITIES (B)		22,419,215		10,769,692

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006 (Contd.)

	Year ended 31-3-2006		Year ended 31-3-2005	
	Rs.	Rs.	Rs.	Rs.
CASH FLOWS FROM FINANCING ACTIVITIES				
Changes in Borrowings		536,818		534,781
Increase in Share Capital		25,000,000		6,998,600
Increase/(Decrease) in share application money		(22,427,000)		22,427,000
Dividend paid and tax thereon		(11,402,500)		(5,753,556)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		(8,292,682)		24,206,825
Exchange difference on translation of foreign currency		4,026,617		(829,502)
NET CASH INFLOW / (OUTFLOW) (A+B+C)		89,975,221		30,880,798
OPENING CASH AND CASH EQUIVALENTS (D)		39,509,095		8,628,297
CLOSING CASH AND CASH EQUIVALENTS (E)		129,484,316		39,509,095
NET INCREASE IN CASH AND CASH EQUIVALENTS (E - D)		89,975,221		30,880,798

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

SAKSOFT LIMITED

SCHEDULES

	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
SCHEDULE 1		
SHARE CAPITAL		
120,00,000 Equity Shares of Rs.10/- each	<u>120,000,000</u>	<u>120,000,000</u>
Issued, Subscribed and Paid-up		
1,00,00,000 Equity Shares of Rs.10/- each fully paid up		
(Previous Year 75,00,000 equity shares of Rs.10/- each fully paid up)	<u>10,00,00,000</u>	<u>75,000,000</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
General Reserve		
As per last Balance sheet	8,000,000	1,000,000
Add: Additions during the year	<u>10,000,000</u>	<u>7,000,000</u>
	<u>18,000,000</u>	<u>8,000,000</u>
Share Premium Account		
As per last Balance sheet	-	-
Add: Additions during the year	50,000,000	-
Less: Adjustment of share issue expenses	<u>7,684,006</u>	-
	<u>42,315,994</u>	<u>-</u>
Surplus balance in Profit & Loss A/c	<u>153,809,124</u>	<u>89,017,424</u>
	<u>214,125,118</u>	<u>97,017,424</u>
SCHEDULE 3		
SECURED LOANS		
Finance Lease Liability		
(Secured under hypothecation of specific assets on lease)	2,855,333	2,217,316
Less: Unmatured finance charges	(374408)	(273209)
(Due for repayment more than one year Rs.1486283/- Previous year Rs.11344057/-)	<u>2,480,925</u>	<u>1,944,107</u>

SAKSOFT LIMITED

SCHEDULES (Contd.)



SCHEDULE 4

FIXED ASSETS

Rupees

S. No.	Description	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		As at 01.04.2005	Additions	Deletions	As at 31.3.2006	Up to 31.03.2005	For the year	Deletions	Up to 31.3.2006	As at 31.3.2006	As at 31.03.2005
A	OWNED ASSETS										
1	Plant and Machinery	5,621,687	-	-	5,621,687	3,179,255	870,066	-	4,049,321	1,572,366	2,442,432
2	Computer Equipments	22,148,313	5,220,478	928,600	26,440,191	13,367,837	5,013,255	928,600	17,452,492	8,987,699	8,780,476
3	Office Equipments	527,088	769,125	-	1,296,213	241,118	305,304	-	546,422	749,791	285,970
4	Electrical Installations	4,927,251	11,685	-	4,938,936	2,539,415	819,164	-	3,358,579	1,580,357	2,387,836
5	Furniture and Fixtures	13,064,000	51,869	-	13,115,869	8,258,964	2,060,848	-	10,319,812	2,796,057	4,805,036
6	Civil Work- Leased Premises	367,501	-	-	367,501	204,345	58,103	-	262,448	105,053	163,156
7	Two Wheelers	149,937	-	20,661	129,276	29,608	30,026	17,130	42,504	86,772	120,329
	INTANGIBLES										
8	Intellectual property	4,500,000	-	-	4,500,000	3,874,955	625,044	-	4,499,999	1	625,045
	TOTAL (A)	51,305,777	6,053,157	949,261	56,409,673	31,695,497	9,781,810	945,730	40,531,577	15,878,096	19,610,280
B	ASSETS ACQUIRED UNDER FINANCE LEASE										
	Vehicles (B)	2,828,937	2,435,437	945,603	4,318,771	972,718	1,312,286	381,538	1,903,466	2,415,305	1,856,219
	TOTAL (A)+(B)	54,134,714	8,488,594	1,894,864	60,728,444	32,668,215	11,094,096	1,327,268	42,435,043	18,293,401	21,466,499

SCHEDULE 5
INVESTMENTS

S No.	Name of the Company	Balances as at 1.4.2005		Additions		Sales/Redemption		Balances as at 31.3.2006	
		No. of Shares/ Units	Cost Rs.	No. of Shares/ Units	Cost Rs.	No. of Shares/ Units	Cost Rs.	No. of Shares/ Units	Cost Rs.
A	TRADE - LONG TERM EQUITY SHARES - UNQUOTED								
	In Subsidiary Companies:								
	Saksoft Inc., USA	195,000	9,239,700	-	-	-	-	195,000	9,239,700
	Saksoft Pte Ltd, Singapore	55,002	1,485,254	-	-	-	-	55,002	1,485,254
	Saksoft GmbH, Germany	25,000	1,201,510	-	-	-	-	25,000	1,201,510
	Sub Total (A)								11,926,464
B	NONTRADE - CURRENT IN MUTUAL FUNDS - QUOTED								
	Templeton India Treasury Mgmt. A/c	2,441	3,690,237	114,445	175,164,064	91,088	139,839,881	25,797	39,014,420
	Deutsche Insta Cash Plus Fund	1,031,319	10,623,616	15,075	155,287	1,046,394	10,778,903	-	-
	Grindlays Floating Rate Fund	1,000,475	10,004,752	-	-	1,000,475	10,004,752	-	-
	GSTD GSSIF-Short Term Monthly Div	-	-	1,014,115	10,161,736	1,014,115	10,161,736	-	-
	G59 GSSIF-Short Term Plan B Monthly Div	-	-	1,016,174	10,193,948	1,016,174	10,193,948	-	-
	G149 Standard Chartered Fixed Maturity	-	-	1,023,320	10,233,196	-	-	1,023,320	10,233,196
	Sub Total (B)								49,247,616
	Total (A+B)		36,245,069		205,908,231		180,979,220		61,174,080
	Aggregate value of Investments March 2006:		Cost		Market value as on 31st as at 31.3.2006				
			Rs.		Rs.				
	Unquoted Investments	11,926,464		11,926,464					
	Quoted Investments	49,247,616		49,247,616					
	Total	<u>61,174,080</u>		<u>61,174,080</u>					

SCHEDULES (Contd.)

	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
SCHEDULE 6		
SUNDRY DEBTORS		
Unsecured, considered good		
Outstanding for a period exceeding six months	739,775	11,315,916
Other Debts	92,974,856	63,434,808
	<u>93,714,631</u>	<u>74,750,724</u>
Debtors include due from Wholly owned subsidiaries Saksoft Inc, USA - Rs.60028662/- (Rs.5,43,93,273) and Saksoft Pte Ltd, Singapore - Rs.19701423/- (Rs.88,05,814)		
SCHEDULE 7		
CASH AND BANK BALANCES		
Cash balance on Hand	7,981	4,247
Bank balances with scheduled banks:		
In Current Account	53,617,506	15,602,624
In Deposit Account *	75,295,225	1,475,224
In Share Application -IPO Account	-	22,427,000
In Share Application -Saksoft Refund a/c	563,604	-
	<u>129,484,316</u>	<u>39,509,095</u>
(* includes Rs.295224/- deposited on security with Govt. Authorities)		
SCHEDULE 8		
LOANS AND ADVANCES		
Unsecured considered good		
Loans and Advances to wholly owned subsidiaries		
Saksoft Inc.	18,460,132	20,298,344
Saksoft Pte Ltd.,	11,773,208	7,347,409
Saksoft GmbH,	411,101	475,981
Advances recoverable in cash or in kind or for values to be received:		
Deposits *	3,555,735	1,199,677
Prepaid Expenses	478,273	151,615
Tax payments pending adjustments	15,710,461	5,171,661
Others	2,244,512	4,373,524
Saksoft Employees Welfare Trust	5,295,000	5,880,000
Saksoft Ltd. Employees Gratuity Trust	25,000	-
Shares Issue Expenses to be adjusted against Share Premium	-	2,955,648
	<u>57,953,422</u>	<u>47,853,859</u>

* Deposits include Rs. 3,58,200/- (Rs. 3,58,200/-) being Security Deposit for office premises paid to Sakserve Private Ltd, a Company under same Management.

SAKSOFT LIMITED

SCHEDULES (Contd.)

	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
SCHEDULE 9		
OTHER CURRENT ASSETS		
Interest Accrued on Fixed Deposits	610,661	25,275
Expenses / Accruals pending Invoicing on clients	3,971,635	2,521,719
	<u>4,582,296</u>	<u>2,546,994</u>
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry Creditors		
a) Small Scale Industrial Undertakings	Nil	Nil
b) Others	15,302,513	8,989,321
c) Investor Education and Protection fund items -Not Due*	563,604	-
	<u>15,866,117</u>	<u>8,989,321</u>
(Unclaimed application money received for allotment)		
SCHEDULE 11		
PROVISIONS		
a) Provision for Taxation	15,970,324	5,000,000
b) Proposed Dividend	15,000,000	10,000,000
c) Corporate Dividend Tax	2,103,750	1,402,500
	<u>33,074,074</u>	<u>16,402,500</u>
	Year ended 31-3-2006 Rs.	Year ended 31-3-2005 Rs.
SCHEDULE 12		
OTHER INCOME		
Dividend from Mutual Funds	1,231,587	1,705,536
Interest (TDS - Rs.2568131/- (PY Rs.8977/-)	12,100,320	38,308
Surplus on foreclosure of lease - Net	-	9,823
Profit on sale of assets - Net	-	56,537
Profit on redemption of Mutual Funds Investment - Net	211,841	323,891
Sundry receipts	72,990	-
Gains in Foreign Exchange Translation	4,026,617	-
	<u>17,643,356</u>	<u>2,134,095</u>

SCHEDULES (Contd.)

	Year ended 31-3-2006 Rs.	Year ended 31-3-2005 Rs.
SCHEDULE 13		
SOFTWARE DEVELOPMENT EXPENSES		
Employee Cost		
Salaries, Wages & Perquisites	107,377,699	73,201,372
Contribution to Provident and Other Funds	8,662,105	7,367,865
Welfare Expenses	1,794,688	1,112,152
Programming and Network expenses	4,507,077	2,466,278
Professional charges	4,901,200	1,383,837
Communication expenses	2,864,070	2,348,642
Traveling and Conveyance	12,571,628	5,486,502
Recruitment and training expenses	2,027,770	2,327,978
	<u>144,706,237</u>	<u>95,694,626</u>
SCHEDULE 14		
ADMINISTRATION AND OTHER EXPENSES		
Power and Fuel	4,257,941	3,306,380
Rent	8,339,438	7,881,641
Rates & Taxes	1,208,932	247,896
Repairs and Maintenance		
- on Building	2,040,132	2,150,943
- on Machinery	468,936	372,785
- on Others	2,755,550	2,826,358
Auditors Remuneration *	220,920	155,710
Printing and Stationery	464,007	313,675
Bank & Finance Charges	285,615	279,499
Insurance	250,812	205,935
Advertisement & Business Promotion Expenses	717,779	744,934
Preliminary expenses written off	-	32,542
Donation - Tsunami	-	100,000
Loss on Sale of Fixed Assets (Net)	5,132	-
Sitting Fees	175,000	87,500
Bad Debts written off	1,605,764	-
Loss in foreign exchange translations	-	2,088,092
	<u>22,795,957</u>	<u>20,793,890</u>
*Auditors Remuneration		
For Audit	112,240	55,100
For Tax Audit	43,120	16,530
For Taxation	27,500	27,530
For Certification	33,060	53,550
Reimbursement of expenses	5,000	3,000
	<u>220,920</u>	<u>155,710</u>

SAKSOFT LIMITED

SCHEDULE 16

NOTES ON ACCOUNTS

I. Overview

Saksoft Limited (saksoft) is a mid-sized Information Technology Company in the BFSI (Banking and Financial Services and Insurance) segment. Saksoft provides end-to-end business solutions that leverages technology and enables its clients to enhance business performance. The company provides the entire gamut of software solutions including consulting, design, development, re-engineering, systems integration, implementation, testing and placement services.

II. Significant Accounting Policies

1. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention in accordance with the Indian Generally Accepted Accounting Principles (“GAAP”) comprising the mandatory accounting standards issued by the Institute of Chartered Accountants Of India and the provisions of the Companies Act 1956, on accrual basis. These accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted by the company or a revision to an existing accounting standard requires a change in accounting policy hitherto in use.

The preparation of the financial statements in conformity with GAAP requires the management of the company to make estimates and assumptions that affect the reported amounts of revenues and expenses of the year, reported balances of assets and liabilities and disclosures relating to the contingent assets and liabilities as on the date of the financial statements. Examples of such estimates include post-sales customer support and the useful lives of fixed assets. Actual results could differ from these estimates.

2. Revenue recognition

- i) Revenue from time-and-material contracts is recognized based on the time / efforts spent and billed to clients as per terms of specific contracts.
- ii) In case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts/on percentage of completion basis.
- iii) Revenue from annual maintenance contracts are recognized proportionately over the period in which services are rendered.
- iv) Dividend income is recognized when the company's right to receive dividend is established.

3. Expenditure

The cost of software purchased for the use of software development and services is charged to revenue in the year of such acquisition. Preliminary and pre-operative expenses are amortized over a period of 5 years. Provisions are made for all known losses and liabilities. All other expenses are accounted for on accrual basis.

4. Fixed Assets

- i) Fixed assets including intellectual property rights are stated at cost less depreciation thereon. Cost includes inward freight, duties, taxes and expenses incidental to acquisition and installation up to the point the asset is ready for its intended use.

The assets on lease are capitalized as per the terms of the respective lease agreements in accordance with the Accounting Standard 19 of ICAI.

NOTES ON ACCOUNTS (Contd.)

ii) Depreciation

a) Fixed Assets:

Depreciation on fixed assets (excluding assets costing less than Rs. 5,000) is provided using straight-line method at the following rates:

Plant and machinery	20 %
Computer equipments	20 %
Furniture and Fixtures	20 %
Vehicles/other assets	20 %

Assets taken on Lease: As per the tenure of the lease agreements, the usual period of tenure being 3 to 5 years and is in accordance with AS 19.

Individual assets acquired at costs not exceeding Rs. 5,000 are entirely depreciated in the year of acquisition.

b) Intangibles:

Intellectual Property Rights:

The entire cost of Intellectual Property Rights as per the agreement is being amortized over a period of 36 months in equal installments in line with the provisions of Accounting Standard 26 of the ICAI.

5. Retirement benefits to employees

a) Provident Fund: In accordance with the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952, both the employees and the company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. The monthly contributions are remitted to the Regional Provident Fund Commissioner, Chennai who administers the fund. The company has no further obligations under the provident fund plan other than its monthly contributions.

b) Gratuity: In accordance with the Payment of Gratuity Act, 1972, Saksoft provides for gratuity, a defined benefit retirement plan covering eligible employees. The gratuity plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment and the amounts are paid as per the Payment of Gratuity Act. The Company has adopted Group Gratuity Scheme administered by ICICI Prudential Life Insurance Company Limited and provisions made as per actuarial valuation.

c) Leave Encashment: The Company does not permit encashment of leave by its employees. The unutilized leave will automatically lapse after two years.

6. Foreign Currency transactions

Sales made to overseas clients and collections deposited in foreign currency bank accounts are recorded at the exchange rate as of the date of respective transactions. Expenditure in foreign currency is accounted at the rates prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at the appropriate rate prevalent on the date of the transaction. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian Rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the year in which they arise in accordance with Accounting Standard 11 of ICAI.

Forward Contracts in foreign currencies:

The company uses, to a limited extent, foreign exchange contracts to hedge its exposure to movements in foreign exchange rates. This reduces the risk or cost to the company. The company does not use the foreign exchange forward contracts for trading or speculation purposes.

SAKSOFT LIMITED

NOTES ON ACCOUNTS (Contd.)

7. Investments

Long Term Investments are stated at cost. Decline in long-term investments, other than temporary in nature, is provided for in the books of accounts. Current investments are stated at lower of cost or net realizable value.

8. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized subject to the consideration of prudence on timing difference, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

9. Increase in Share Capital

During the current year, the company had completed the Initial Public Offer for 25,00,000 shares of Rs. 10 each at premium of Rs.20/- and these shares were allotted on 2nd May 2005. Consequent to the above, the paid-up capital of the company stands increased to Rs.1000 lacs as on 31st March 2006.

10. Segment reporting

The company's operations fall under single segment namely "BFSI Segment".

III. Other Notes

1. The Company has three subsidiaries in the United States of America, Singapore and Germany and the details of the Investments made are as follows:

- (a) Saksoft Inc, USA, was incorporated on 22nd Sep 2000. An Investment of United States Dollar 195000/-, for 195000 shares of USD 1/- each, has been made till the end of the financial year. Out of the above, one share is held in the name of Mrs. Malini Krishna, wife of the Managing Director, to comply with the legal requirements of U S A.
- (b) Saksoft Pte Ltd, Singapore, was incorporated on 30th August 2000. An investment of Singapore Dollars 55002/- has been made for 55002 shares of SGD 1/- each. Out of the above, one share is held in the name of Mr. Aditya Krishna, Director of the company to comply with the legal requirements of Singapore.
- (c) Saksoft GmbH, Germany was incorporated on 23rd January 2003. An investment of Euros 25,000/- has been made for 25000 shares of Euro 1 each.

2. Additional information as required under para 4 D of Part II to Schedule VI

Particulars	March 31, 2006 Rs.	March 31, 2005 Rs.
Earnings in foreign exchange : Export of Software services	22,08,85,953	16,03,92,437
Expenditure in foreign currency : Travel/other expenses	1,70,72,247	1,64,54,055
Dividend payment in Foreign currency	NIL	NIL

3. Quantitative details : The company is primarily engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give 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.

NOTES ON ACCOUNTS (Contd.)

4. Contingent Liability

- a) Estimated liability on capital expenditure to be incurred, not provided for: Nil (previous year: Nil)
- b) Performance Guarantee issued: Rs. 1,47,063/- (Previous Year: 14,50,000)
- c) Disputed income tax liability, under appeal: Rs. 100,52,572/- (Previous Year : 11,97,531/-)

5. Managerial Remuneration u/s 198 of the Companies Act, 1956

Particulars	Rs.
Profit before tax as per profit and loss account	101,929,798
Add:	
Depreciation as per books	11,094,096
Sitting fees	175,000
Remuneration to directors	6,404,213
Loss on sale of assets	29,132
	<u>119,632,239</u>
Less:	
Depreciation u/s 350	11,094,096
Profit on sale of asset	24,000
	<u>108,514,143</u>

Commission(1%) payable to Managing Director 1,085,141
 Remuneration has been paid within the limits prescribed under Schedule XIII to the Companies Act, 1956.

Remuneration Paid

Particulars	March 31, 2006	March 31, 2005
Basic Salary	3,320,000	2,880,000
Contribution to PF	398,400	345,600
Others/allowances	2,685,813	1,516,224
Commission	1,085,141	-
	<u>7,489,354</u>	<u>4,741,824</u>

6. Leases

The present book value, after foreclosure of leases, as on 31st March 2006 is:

Cost	: Rs. 43,18,771/-
Depreciation	: Rs. 19,03,466/-
Book Value	: Rs. 24,15,305/-

SAKSOFT LIMITED

NOTES ON ACCOUNTS (Contd.)

The minimum balance payable:

	Minimum Balance Payable Rs.	Present Value Rs.
In less than One year	1,369,052	1,239,976
In more than one year but less than 5 years	1,486,283	1,134,057
More than 5 years	-	-
	2,855,335	2,374,033

7) A. Related party transactions

Related party disclosures as required under AS 18 issued by the Institute of Chartered Accountants of India are given below :

1) Associates in which key Management Personnel exercise significant influence:

- i) Sak Industries Ltd
- ii) Sak Technologies Ltd.
- iii) Sak Abrasives Ltd.
- iv) Sakserve (P) Ltd.

2) Subsidiaries :

- i) Saksoft Inc, USA
- ii) Saksoft Pte Ltd, Singapore
- iii) Saksoft GmbH, Germany

3) Key Management Personnel:

- i) Mr. Aditya Krishna – Managing Director
- ii) Mr. V. Ramanathan – Executive Director

B. Quantitative Disclosures

(i) Transactions with wholly owned Subsidiaries:

(Rs.in lakhs)

	2005-06	2004-05
Sales	1,857.71	1,349.48
Balance outstanding:		
Debtors	797.30	631.91
Loans and advances	306.44	281.21
Guarantee	1.47	14.50

(ii) Transactions with Associates:

Rent Paid for premises	44.45	43.89
Balance Outstanding	0.33	3.58

(iii) Transactions with key management personnel:

Salary and allowances	74.90	47.42
Balance outstanding	10.85	Nil

NOTES ON ACCOUNTS (Contd.)

8) Deferred Taxation: The break-up of net deferred tax liability as at the year-end is as under:

	March 31, 2006 Rs.	March 31, 2005 Rs.
Timing difference on account of :		
Depreciation	1,18,813	10,90,541
Provision for Gratuity	(4,62,901)	(4,98,653)
Net deferred tax liability / (asset)	(3,44,088)	5,91,888

9) The company has allotted 5,82,460 equity shares of Rs. 10 each at par to the Saksoft Employees Welfare Trust which will administer the Employee Stock Option Plans in accordance with SEBI guidelines. The share holders have approved grant of these options to employees and directors of the company and its subsidiaries at the extra-ordinary general meeting held on 3-Feb-2006. Out of the above, grant of options for 1,33,000 shares were offered to employees and directors of Saksoft and its subsidiaries on 21-Feb-2006 at the market rate of Rs. 99.80 each. Acceptance and vesting of these shares are due in the subsequent year.

10) Out of the proceeds of the Initial Public Issue, a sum of Rs. 113.44 lacs has been utilized during the year for part financing the expenditure on the projects specified for utilization and the balance amount has been invested in different instruments as per the investment policy of the company.

11) The share issue expenses of Rs.76,84,006 have been adjusted against the share premium account.

12) Earning Per Share (EPS)

The earnings considered in ascertaining the company's earnings per share comprise of the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

	March 31, 2006 Rs.	March 31, 2005 Rs.
Net Profit after tax (Rs. In lakhs)	91,895,450	57,341,493
Weighted number of shares	9,791,667	7,062,777
Earnings per share	9.39	8.12

13) Figures of the previous year have been regrouped and reclassified wherever necessary.

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

SAKSOFT LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary	Saksoft Pte Ltd Singapore	Saksoft Inc USA	Saksoft GmbH Germany
The Financial Year of the Subsidiary Company ended on	March 31, 2006	March 31, 2006	March 31, 2006
Holding Company	Saksoft Limited	Saksoft Limited	Saksoft Limited
Holding Company's interest	100%	100%	100%
Shares held by the Holding Company in the Subsidiary	55,002 equity shares of SGD 1 each, fully paid up	1,95,000 equity shares of USD 1 each, fully paid-up	25,000 equity shares of Euros 1 each, fully paid-up
Net aggregate amount of Profit of the Subsidiary so far as it concerns the Members of the Holding Company and is not dealt with in the Accounts of the Holding Company:			
a. for the financial year ended on March 31, 2006 (Rs.)	(4,392,316)	4,829,408	519,933.4
b. for the other previous financial years of the Subsidiary since it became a Subsidiary. (Rs.)	3,475,395	4,475,745	473,306.9
Net aggregate amount of Profits / (Losses) of the Subsidiary so far as it concerns the Members of the Holding Company dealt with or provided for in the Accounts of the Holding Company:			
a. for the financial year ended on March 31, 2006 (Rs.)	N.A.	N.A.	N.A.
b. for the other previous financial years of the Subsidiary since it became a Subsidiary (Rs.)	N.A.	N.A.	N.A.

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I Registration Details STATE CODE

Registration Number

Balance Sheet Date

DATE MONTH YEAR

II Capital raised during the year (amount in Rs thousands)

PUBLIC ISSUE

RIGHTS ISSUE

BONUS ISSUE

PRIVATE PLACEMENT/EMPLOYEES

III Position of mobilisation and deployment of funds (amount in Rs thousands)

Source of funds TOTAL LIABILITIES TOTAL ASSETS

CAPITAL RESERVES AND SURPLUS

SECURED LOANS UNSECURED LOANS

Application of funds NET FIXED ASSETS INVESTMENTS

NET CURRENT ASSETS MISCELLANEOUS EXPENDITURE

DEFERRED TAX ASSET

IV Performance of Company (amount is Rs thousands)

TURNOVER TOTAL EXPENDITURE

PROFIT / LOSS BEFORE TAX + / - PROFIT / LOSS AFTER TAX

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

EARNINGS PER SHARE IN Rs. DIVIDEND RATE %

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

Item Code Number (ITC code)

Product Description

Software Development Services

Software Project Assignments

Software Product Management

Autar Krishna
Chairman
Aditya Krishna
Managing Director
Amitava Mukherjee
Director
R.Rajagopalan
Director

Place: Chennai
Date: 16.05.2006
S.C. Agarwal
Director
V. Ramanathan
Executive Director
S.Sankaran
Company Secretary

This Page is intentionally left blank

CONSOLIDATED FINANCIAL STATEMENTS
2005 - 06

REPORT OF THE AUDITORS

TO

THE MEMBERS OF SAKSOFT LTD., ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SAKSOFT LTD AND ITS SUBSIDIARIES

We have examined the attached consolidated balance sheet of saksoft Ltd and its three subsidiaries as at 31st March 2006 and also the related consolidated profit and loss account for the year then ended.

These financial statements are the responsibilities 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 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 in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentations. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

We did not audit the financial statements of Saksoft Pte limited, Singapore, Saksoft Inc, USA and Saksoft GmbH, Germany whose financial statements reflected total assets of Rs.2,08,83,084/- as at 31st March 2006 and total revenue of Rs.40,91,90,993/- for the year ended 31st March 2006. These financial statements have been audited by the other auditors. We have been furnished with:

- a) Audited accounts of Saksoft Pte Limited, Singapore for the year ended 31st March 2006 and the auditor's report thereon and
- b) Audited accounts of Saksoft GmbH, Germany for the year ended 31st March 2006 and the auditor's report thereon and
- c) Audited accounts of saksoft Inc., USA for the year ended 31st March 2006 and the auditor's report thereon.

We report that the consolidated financial statements have been prepared by the Management of the Company in accordance with the requirements of the Accounting standard 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and is based on the separate financial statements of Saksoft Ltd and its subsidiary companies.

On the basis of information and explanations given to us and based on our audits and reports of other auditors, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India,

- a. In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Saksoft Ltd. and its subsidiaries as at 31st March, 2006;
- b. In the case of the Consolidated Profit and Loss Account, of the consolidated profit of Saksoft Ltd. and its subsidiaries for the year then ended on that date;
- c. The Consolidated Cash flow statement, of the Consolidated cash flows of Saksoft Ltd. and its subsidiaries for the year ended on that date.

For Suri & Co.
Chartered Accountants

Place: Chennai
Date: 16.05.2006

S. Ganesan
Partner
Memb.No. 018525

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	Schedule No.	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
I SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	100,000,000	75,000,000
b) Reserves and Surplus	2	223,103,028	105,219,115
c) Share Application Money, pending allotment		–	22,427,000
2. Secured Loans	3	2,480,925	1,944,107
3. Deferred Tax Liability		–	571,420
Total		<u>325,583,953</u>	<u>205,161,642</u>
II APPLICATION OF FUNDS			
1. Fixed Assets	4		
a) Gross Block		61,434,924	58,106,794
b) Less: Depreciation		<u>42,874,618</u>	<u>34,011,581</u>
c) Net Block		<u>18,560,306</u>	<u>24,095,213</u>
2. Investments	5	49,247,616	24,318,604
3. Current Assets, Loans & Advances			
a) Sundry Debtors	6	118,368,321	108,782,726
b) Cash and Bank Balances	7	165,164,548	51,320,443
c) Loans and Advances	8	32,017,999	24,206,675
d) Other Current Assets	9	6,648,149	11,043,599
		<u>322,199,017</u>	<u>195,353,443</u>
4. Less: Current Liabilities & Provisions			
a) Current Liabilities	10	30,258,416	17,434,064
b) Provisions	11	<u>34,529,947</u>	<u>21,171,554</u>
		<u>64,788,363</u>	<u>38,605,618</u>
Net Current Assets		<u>257,410,654</u>	<u>156,747,825</u>
5. Deferred Tax Asset		365,377	–
Total		<u>325,583,953</u>	<u>205,161,642</u>
Notes on Accounts	15		
Schedules 1 to 11 & 15 (Notes) form part of this Balance Sheet			

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

SAKSOFT LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	Schedule No.	Year ended 31-3-2006 Rs.	Year ended 31-3-2005 Rs.
1. INCOME			
Software Development income		486,293,215	330,493,157
Other Income	12	17,652,040	2,155,436
Total Income		<u>503,945,255</u>	<u>332,648,593</u>
2. EXPENDITURE			
Software Development Expenses	13	353,985,142	227,960,773
Administration and other expenses	14	30,665,960	25,919,847
Total Expenditure		<u>384,651,102</u>	<u>253,880,621</u>
3. OPERATING PROFIT		119,294,153	78,767,971
Depreciation for the year		12,925,135	11,366,409
4. PROFIT BEFORE TAXATION		106,369,018	67,401,563
Provision for taxation		13,385,561	(7,892,023)
Excess tax provision written back		-	31,626
Deferred Taxation		(935,976)	1,346,580
Fringe Benefit Tax		970,324	
Exchange rate fluctuation		277,440	(704,372)
Sub-Total		<u>13,697,349</u>	<u>(7,218,189)</u>
5. PROFIT AFTER TAXATION		92,671,669	60,183,374
Surplus brought forward		97,219,115	55,438,241
		<u>189,890,784</u>	<u>115,621,625</u>
6. APPROPRIATIONS:			
Transfer to General Reserve		10,000,000	7,000,000
Proposed Dividend @15% (10%)		15,000,000	10,000,000
Dividend tax on proposed Dividend		2,103,750	1,402,500
Surplus Carried to Balance Sheet		162,787,034	97,219,115
		<u>189,890,784</u>	<u>115,621,615</u>
No. of shares for basic Earnings Per Share		9,791,667	7,062,772
Basic Earnings Per Share		9.46	8.52

NOTES ON ACCOUNTS

15

Schedules 11 to 14 and 15 (Notes) form part of this Profit and Loss Account

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

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

	Year ended 31-3-2006		Year ended 31-3-2005	
	Rs.	Rs.	Rs.	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES				
PPROFIT BEFORE TAX	106,369,018		67,401,563	
ADJUSTMENTS FOR:				
Depreciation	12,925,135		11,366,409	
Preliminary Expenses Written off	-		32,542	
Amortised Expenses	-		29,961	
Interest income	(12,100,320)		(39,831)	
Income from Investments			(17,05,536)	
Surplus on foreclosure of lease			(9,823)	
Profit on sale of fixed assets	(8,685)		(76,355)	
Profit on redemption of Mutual Funds	(211,841)		(323,891)	
Exchange Differences	(4,304,057)		115,241	
Loss on sale of fixed assets	5,132		-	
Dividend from Mutual funds	(1,231,587)		-	
Operating Profit Before Working Capital Changes				
Adjustments for changes in:				
Debtors	(9,585,595)		(51,786,612)	
Advances	(7,811,324)		(19,682,491)	
Other Assets	4,980,835		(8,037,803)	
Current Liabilities	12,824,352		4,928,757	
CASH GENERATED FROM OPERATIONS				
Income Tax (Paid) / Refund	(6,698,742)		(4,375,567)	
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		95,152,321		(2163436)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of Fixed Assets	1,156,779		437,552	
Purchase of Fixed Assets	(8,538,321)		(7,811,315)	
Purchase of Long Term Investments	(205,908,231)		(155,603,405)	
Sale / Redemption of Long Term Investments	181,185,106		171,321,437	
Interest Income	11,514,934		39,831	
Income from Investments - Dividend	1,231,587		1,705,536	
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		(19,358,146)		10,089,637

SAKSOFT LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006 (Contd.)

	Year ended 31-3-2006		Year ended 31-3-2005	
	Rs.	Rs.	Rs.	Rs.
CASH FLOWS FROM FINANCING ACTIVITIES				
Changes in Borrowings		536,818		534,781
Increase in Share Capital		25,000,000		6,998,600
Dividend paid and tax thereon		(11,402,500)		(5,753,556)
Increase/(Decrease) in Share Application Money		(22,427,000)		22,427,000
Increase in share premium Account		42,315,994		—
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		34,023,312		24,206,825
Exchange difference on translation of foreign currency		4,026,617		(829,502)
NET CASH INFLOW / (OUTFLOW) (A+B+C)		113,844,105		24,206,825
OPENING CASH AND CASH EQUIVALENTS (D)		51,320,443		20,016,921
CLOSING CASH AND CASH EQUIVALENTS (E)		165,164,548		51,320,444
NET INCREASE IN CASH AND CASH EQUIVALENTS(E - D)		113,844,105		31,303,523

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED		
1,20,00,000 Equity Shares of Rs. 10/- each	<u>120,000,000</u>	<u>120,000,000</u>
ISSUED , SUBSCRIBED AND PAID-UP		
1,00,00,000 Equity shares of Rs.10/- each fully paid up.	<u>100,000,000</u>	<u>75,000,000</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
General Reserve		
As per last Balance sheet	8,000,000	1,000,000
Add: Additions during the year	10,000,000	7,000,000
	<u>18,000,000</u>	<u>8,000,000</u>
Share Premium Account:		
As per last Balance sheet	-	-
Add: Additions during the year	50,000,000	-
Less: Adjustment of share issue expenses	7,684,006	-
	<u>42,315,994</u>	<u>-</u>
Balance in Profit & Loss account	<u>162,787,034</u>	<u>97,219,115</u>
	<u>223,103,028</u>	<u>105,219,115</u>
SCHEDULE 3		
SECURED LOANS		
Finance Lease-liability (Secured under hypothecation of specific assets on lease)	2,855,333	2,217,316
Less:Unmatured Finance Charges	374,408	273,209
	<u>2,480,925</u>	<u>1,944,107</u>

SAKSOFT LIMITED

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS



SCHEDULE 4
FIXED ASSETS

Rupees

Sl. No.	Description	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		As at 01.04.2005	Additions	Deletions	As at 31.3.2006	up to 01.04.2005	For the year	Deletions	up to 31.3.2006	As at 31.3.2006	As at 31.03.2005
A.	Owned Assets										
1	Goodwill	2,734,830	-	2,734,830	-	1,033,996	1,700,834	2,734,830	-	-	1,700,834
2	Plant and Machinery	5,621,687	-	-	5,621,687	3,179,255	870,066	-	4,049,321	1,572,366	2,442,432
3	Computer Equipments	23,211,893	5,270,205	1,509,097	26,973,001	13,611,145	5,107,962	928,600	17,790,507	9,182,494	9,600,748
4	Office Equipments	687,808	769,125	-	1,456,933	296,769	338,123	-	634,892	822,041	391,039
5	Electrical Installations	4,927,251	11,685	-	4,938,936	2,539,415	819,164	-	3,358,579	1,580,357	2,387,836
6	Furniture and Fixtures	13,076,950	51,869	-	13,128,819	8,269,375	2,063,527	-	10,332,902	2,795,917	4,807,575
7	Civil Work - Leased Premises	367,501	-	-	367,501	204,345	58,103	-	262,448	105,053	163,156
8	Two Wheelers	149,937	-	20,661	129,276	29,608	30,026	17,130	42,504	86,772	120,329
	INTANGIBLES										
9	Intellectual property	4,500,000	-	-	4,500,000	3,874,955	625,044	-	4,499,999	1	625,045
	TOTAL (A)	55,277,857	6,102,884	4,264,588	57,116,153	33,038,863	11,612,849	3,680,560	40,971,152	16,145,001	22,238,994
B.	Assets Acquired under Finance Lease										
1	Vehicles (B)	2,828,937	2,435,437	945,603	4,318,771	972,718	1,312,286	381,538	1,903,466	2,415,305	1,856,219
	TOTAL(A)+(B)	58,106,794	8,538,321	5,210,191	61,434,924	34,011,581	12,925,135	4,062,098	42,874,618	18,560,306	24,095,213

SCHEDULE 5
INVESTMENTS

S No.	Name of the Company	Balance at 1.4.2005		Additions		Sales/Redemption		Balances at 31.3.2006	
		No. of Shares/ Units	Cost Rs.	No. of Shares/ Units	Cost Rs.	No. of Shares/ Units	Cost Rs.	No. of Shares/ Units	Cost Rs.
NON TRADE-CURRENT									
A	IN MUTUAL FUNDS – QUOTED								
1	Templeton India Treasury Management	2,441	3,690,237	114,445	175,164,064	91,088	139,839,881	25,797	39,014,420
2	Deutsche Insta Cash Plus Fund	1,031,319	10,623,616	15,075	155,287	1,046,394	10,778,903	–	–
3	Grindlays Floating Rate Fund	1,000,475	10,004,752	–	–	1,000,475	10,004,752	–	–
4	GSTD GSSIF-Short Term Monthly Div	–	–	1,014,115	10,161,736	1,014,115	10,161,736	–	–
5	G59 GSSIF-Short Term Plan B Monthly Div	–	–	1,016,174	10,193,948	1,016,174	10,193,948	–	–
6	G149 Standard Chartered Fixed Maturity	–	–	1,023,320	10,233,196	–	–	1,023,320	10,233,196
TOTAL		24,318,605		205,908,231		180,979,220		49,247,616	
Aggregate value of investments as on 31st March 2006:									
Quoted investment		49,247,616		49,247,616					

SAKSOFT LIMITED

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
SCHEDULE 6		
SUNDRY DEBTORS		
Unsecured, considered Good		
a) Exceeding six months	10,502,709	2,677,506
Less: Provision for Doubtful Debts	(2,488,080)	
	<u>8,014,629</u>	
b) Other Debts	110,353,692	106,105,220
	<u>118,368,321</u>	<u>108,782,726</u>
SCHEDULE 7		
CASH & BANK BALANCES		
Cash Balance on Hand	10,214	6,599
Bank Balances with Scheduled banks:		
In Current Accounts	89,295,505	27,411,620
In Deposit account	75,295,225	1,475,224
In Share Application - IPO Account	-	22,427,000
In Share Application - Saksoft Refund a/c	563,604	
	<u>165,164,548</u>	<u>51,320,443</u>
SCHEDULE 8		
LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received		
Unsecured considered good		
1) Deposits	4,527,712	1,387,188
2) Prepaid Expenses	2,535,756	1,548,056
3) Tax Payments Pending Adjustment	15,710,461	5,171,661
4) Other loans and advances	9,244,070	13,144,122
5) Share issue expenses to be adjusted	-	2,955,648
	<u>32,017,999</u>	<u>24,206,675</u>
SCHEDULE 9		
OTHER CURRENT ASSETS		
Interest Accrued on Fixed Deposits	610,661	25,275
Expenses/accruals pending invoicing on clients	6,037,489	11,018,324
	<u>6,648,150</u>	<u>11,043,599</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry Creditors		
i) Small Scale Industrial Undertakings	–	–
ii) Others	29,694,812	17,434,064
iii) Investor Education & Protection fund items - Not Due*	563,604	–
	<u>30,258,416</u>	<u>17,434,064</u>
(Unclaimed application money received for allotment)		
SCHEDULE 11		
PROVISIONS		
Provision for Taxation	17,426,197	9,769,054
Proposed dividend	15,000,000	10,000,000
Corporate dividend Tax	2,103,750	1,402,500
	<u>34,529,947</u>	<u>21,171,554</u>
	Year ended 31-3-2006 Rs.	Year ended 31-3-2005 Rs.
SCHEDULE 12		
OTHER INCOME		
Dividend From Mutual Funds	1,231,587	1,705,536
Interest	12,100,320	39,831
Other Income	72,990	–
Profit on redemption of mutual funds	211,841	323,891
Surplus on Foreclosure of Lease	–	–
Profit on sale of assets- net	8,685	76,355
Gains in Foreign Exchange Translation	4,026,617	9,823
	<u>17,652,040</u>	<u>2,155,436</u>

SAKSOFT LIMITED

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Year ended 31-3-2006 Rs.	Year ended 31-3-2005 Rs.
SCHEDULE 13		
SOFTWARE DEVELOPMENT EXPENSES		
Employee cost		
Salaries & Wages	276,937,506	184,759,981
Contribution to Provident & Other Funds	8,662,105	7,367,865
Welfare Expenses	1,948,937	2,847,108
Software packages & expenses	4,507,077	2,502,098
Professional charges	6,718,507	2,280,089
Communication expenses	4,123,344	3,701,871
Traveling and conveyance	49,059,896	22,132,911
Recruitment and training expenses	2,027,770	2,368,851
	<u>353,985,142</u>	<u>227,960,774</u>
SCHEDULE 14		
ADMINISTRATION AND OTHER EXPENSES		
Power & Fuel	4,270,318	3,165,545
Rent	10,843,939	9,859,770
Rates & Taxes	1,208,932	670,337
Repairs & Maintenance		
- on Building	2,040,132	2,150,943
- on Machinery	496,743	379,499
- on others	2,771,624	3,089,941
Payments to Auditors	589,126	813,674
Printing and stationery	803,551	777,831
Finance Charges	336,558	361,887
Insurance	790,615	494,274
Business promotion expenses	1,318,300	1,096,624
Bad debts Written off	2,059,843	187,455
Loss on sale of assets	5,132	-
Sitting Fees	175,000	87,500
Goodwill Written off	68,554	29,961
Provision for Doubtful Debts	2,483,600	-
Preliminary Expenses written off	-	32,542
Donation for Tsunami	-	100,000
Exchange Loss	403,993	2,622,064
	<u>30,665,960</u>	<u>25,919,847</u>

NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE 15

Notes to Consolidated Financial Statements for the year ended 31st March 2006:

1. Company overview

Saksoft Limited (Saksoft) is a mid-sized Information Technology Company, in the BFSI (Banking and Financial Services and Insurance) segment. Saksoft provides end-to-end business solutions that leverages technology and enables its clients to enhance business performance. The company provides the entire gamut of software solutions including consulting, design, development, re-engineering, systems integration, implementation, testing and placement services.

The Registered and Corporate office of the Company is situated in Chennai. As part of Continuity of Business Plan, the company has set up a second state-of-the art, modern offshore development centre at Noida, near New Delhi, with about 10,000 square feet of space. The company also maintains a representative office in London. This enables it to provide high quality, cost-effective services to clients in a resource-constrained environment.

The company has three wholly owned subsidiary companies, namely, Saksoft Pte Limited ,in Singapore , Saksoft, Inc in the United States of America and Saksoft GmbH, Germany.

2. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles. All amounts are stated in Indian Rupees (INR) except as otherwise specified.

3. Principles of consolidation

Saksoft Pte Ltd, Singapore and Saksoft, Inc, USA were incorporated during the fiscal year ended 31st March 2001 and Saksoft GmbH, Germany during the fiscal year ended 31st March, 2003.

The financial statements of the holding company and its US, Singapore and German subsidiaries were audited for the fiscal year ended 31st March 2006.

Inter-company transactions within the group have been duly eliminated in terms of AS-21-Accounting Standard on Consolidated Financial Statements.

4. Use of estimates

The preparation of financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements, and the reported amounts of revenues and expenses during the year. Examples of estimates include accounting for contract costs expected to be incurred to complete software development, allowance for uncollectible accounts receivable, future obligations under employee benefit plans and the useful lives of property, plant and equipment. Actual results could differ from those estimates.

5. Revenue recognition

The company derives its revenue primarily from software development services and also from software related consultancy services. Revenue from time-and-material contracts is recognized based on the time / efforts spent and billed to clients as per the terms of specific contracts. In case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts/on percentage of completion basis. Provisions for estimated losses on unfinished contracts are recorded in the period in which such losses become probable based on the current contract estimates.

When the company receives advances for software products, such amounts are reported as client deposits/ advances until all conditions for revenue recognition are met.

6. Fixed Assets and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. The company depreciates the assets over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

SAKSOFT LIMITED

NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

Furniture and fixtures	5 years
Computer equipment	5 years
Plant and equipment	5 years
Vehicles	5 years
Intellectual Property Rights	3 years

In case of vehicles under financial lease, the depreciation is provided in line with the respective lease agreements in accordance with Accounting Standard-19.

The cost of software purchased for use in software development and services is charged to the cost of revenues at the time of acquisition.

7. Foreign currency translation

The accompanying financial statements are reported in Indian Rupees. The functional currency of the company is also the Indian rupee ("Rs.").

The foreign currencies have been converted into Indian Currencies as per the following rates:

All Assets and liabilities have been converted at the rates prevalent on the balance sheet date. Revenue items are converted at the average rates in terms of Para 19 of AS-11. Exchange differences are recognised in the income statement.

Forward Contracts in foreign currencies:

The company uses, to a limited extent, foreign exchange contracts to hedge its exposure to movements in foreign exchange rates. This reduces the risk or cost to the company. The company does not use the foreign exchange forward contracts for trading or speculation purposes.

8. Income taxes

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on the prevailing provisions in the respective countries taking into consideration the audited financial statements of its US, Singapore and Germany subsidiaries.

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

9. Segment reporting

The company's operations fall under single segment namely "BFSI Segment".

10. Retirement benefits to employees

Gratuity

In accordance with the Payment of Gratuity Act, 1972, Saksoft provides for gratuity, a defined benefit retirement plan covering eligible employees. The gratuity plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment and the amounts are paid as per the Payment of Gratuity Act. The Company has adopted Group Gratuity Scheme administered by ICICI Prudential Life Insurance Company Limited and provisions made as per actuarial valuation.

Provident Fund

In accordance with the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952, both the employees and the company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. The monthly contributions are remitted to the Regional Provident Fund Commissioner, Chennai who administers the fund. The company has no further obligations under the provident fund plan other than its monthly contributions. Similarly, the Company follows the requirements in the respective subsidiary companies according to the regulations of the respective countries.

Leave Encashment

The Company does not permit encashment of leave by its employees. The unutilised leave shall lapse after two years.

NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

11. Goodwill

The value of goodwill represents the excess of purchase price over the fair values of the net assets acquired in the US subsidiary company. It is tested for impairment on a periodic basis and written off if found impaired. As of March 31, 2006 there is no remaining carrying value of goodwill.

12. Investments

Long Term Investments are stated at cost. Short-term investments are valued at lower of cost and net realizable value. Provision for permanent diminution in the value of investments is made, if considered material.

13. Deferred Taxation

The break-up of net deferred tax liability as at the year-end is as under:

Timing difference on account of:	March 31, 2006 Rs.	March 31, 2005 Rs.
Depreciation	1,18,813	10,90,541
Provision for Gratuity	(4,62,901)	(4,98,653)
Others (Deferred Tax Asset)	(21,289)	20,467
Net deferred tax liability/(asset)	(3,65,377)	5,71,420

14. Increase in Share Capital

During the current year, the company had completed the Initial Public Offering for 25,00,000 shares of Rs. 10 each at premium of Rs.20/- and these shares were allotted on 2nd May 2005. Consequent to the above, the paid-up capital of the company stands increased to Rs.1000 lacs as on 31st March 2006.

The Issue expenses of Rs.76,84,006 have been adjusted against the share premium account.

15. Contingent Liability

- Estimated liability on capital expenditure to be incurred, not provided for: Nil (Previous Year: Nil)
- Performance Guarantee issued: Rs. 1,47,063/- (Previous Year: 14,50,000)
- Disputed income tax liability, under appeal: Rs.100,52,572/- (Previous Year : (11,97,531/-)

16. A. Related party transactions

Related party disclosures as required under AS 18 issued by the Institute of Chartered Accountants of India are given below :

- Associates in which key Management Personnel exercise significant influence:
 - Sak Industries Ltd
 - Sak Technologies Ltd.
 - Sak Abrasives Ltd.
 - Sakserve (P) Ltd.
- Subsidiaries:
 - Saksoft Inc., USA
 - Saksoft Pte.,Ltd Singapore
 - Saksoft GmbH., Germany
- Key Management Personnel:
 - Mr. Aditya Krishna – Managing Director
 - Mr. V.Ramanathan – Executive Director

NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

B. Quantitative Disclosures

(i) Transactions with wholly owned Subsidiaries:		(Rs.in lakhs)	
	2005-06	2004-05	
Sales	1349.48	1349.48	
Balance outstanding:			
Debtors	797.30	631.91	
Loans and advances	306.44	281.21	
Guarantee	1.47	14.50	
(ii) Transactions with Associates:			
Rent Paid for premises	44.45	43.89	
Balance Outstanding	0.33	3.58	
(iii) Transactions with key management personnel:			
Salary and allowances	74.90	47.42	
Balance outstanding	10.85	Nil	

17. During the year, the company made initial public issue of 25,00,000 equity shares of Rs.10 each at a premium of Rs.20 each. Out of the proceeds, a sum of Rs. 113.44 lacs has been utilized during the year for part financing the expenditure on the projects specified for utilization and the balance amount has been invested in different instruments as per the investment policy of the company.

18. Earnings Per Share (EPS)

The earnings considered in ascertaining the company's earnings per share comprise of the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

	31-Mar-06	31-Mar-05
Net Profit after tax (Rs. In lakhs)	92,671,669	60,183,374
Weighted number of shares	9,791,667	7,062,772
Earnings per share	9.46	8.52

19. Figures for the previous year

The figures of the previous year have been regrouped and restated wherever required. Previous year's figures and current year figures are not comparable to the extent of foreign currency rates being adopted as applicable at the relevant period.

Vide our report of
even date attached

For Suri & Co.
Chartered Accountants

Autar Krishna
Chairman

Aditya Krishna
Managing Director

Amitava Mukherjee
Director

R.Rajagopalan
Director

S. Ganesan
Partner
Memb.No. 018525

Place: Chennai
Date: 16.05.2006

S.C. Agarwal
Director

V. Ramanathan
Executive Director

S.Sankaran
Company Secretary