



# DELIVERING CUSTOMER DELIGHT







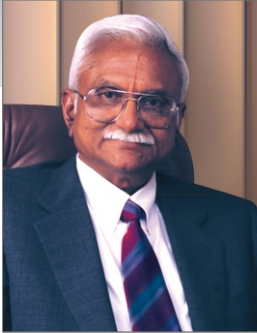
Contents

Ramco Systems Limited, India

Letter to Shareholders	2
Corporate Theme	4
Director's Report	8
Report on Corporate Governance	13
Shareholders' Information	19
Management Discussion and Analysis	24
Auditors' Report	25
Accounts	28

Global Consolidated Financial

Statements under AS 21	53
------------------------	----



P. R. Ramasubrahmaneya Rajha



P. R. Venketrama Raja

Dear Shareholders,

We are delighted to share with you the achievements of your company for the financial year 2005-06. The year has witnessed the company reaching many significant milestones, the most notable one being recognized as the No. 1 company for customer satisfaction, in the Enterprise Solutions market by Dataquest-IDC for the second time in a row. This is a repeat endorsement of Ramco's dedicated focus in delivering customer satisfaction, through enduring software assets built using innovative technology.

Over the year, your company has been single-mindedly focusing on further enhancing the capabilities of Ramco VirtualWorks – Ramco's proven industry-strength solution assembly and delivery platform. The platform has been enabled to leverage business opportunities in transforming legacy applications onto a Service Oriented Architecture. This focused investment is yielding positive results and during the year, the company has made successful inroads into new markets, new verticals and new business relationships.

During the year, many strategic projects on Ramco VirtualWorks supporting multiple technology platforms at global customer locations have gone LIVE. At the end of the year, close to eighty projects built and delivered on this platform are under various stages of implementation. Many of these projects are already LIVE and customers are reaping the promised benefits. Some of these customers have already placed multiple repeat orders, signifying the trust they repose on the benefits delivered by Ramco VirtualWorks.

Your company has further expanded its global presence with order wins in New Zealand, Qatar and South Korea. Several strategic projects in eGovernance, Aviation MRO, Manufacturing and BFSI are underway across the globe. These projects are expected to bring sustained revenues over the years.

The Aviation business has witnessed positive momentum during the year. The business has won multiple million-dollar deals and the company has signed up a global partnership alliance with Sabre Airline Products and Solutions. These initiatives are driving Ramco's Aviation and MRO software to rapidly become the leading global brand in pure web, component and business process centric Aviation Software.

Ramco's Performance management solution, Ramco DecisionWorks won several customers from eGovernance, Banking and Manufacturing segments. The best managed municipality in South Africa and third largest bank in South Africa are examples of customers who leveraged the power of Ramco DecisionWorks for improved performance and service delivery. The Secure Converged Networking Solutions business won several orders from Telecom, PSUs and Manufacturing verticals. Protecting the IT infrastructure of India's largest automobile manufacturer and enabling secure access to hundreds of its dealers across the country is enabled by Ramco.

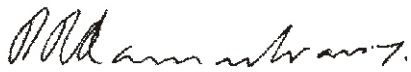
Alliances and partnerships are the way forward for faster penetration and your company has invested in several partnerships across business offerings in most of the countries where it operates.

The company has completed a detailed exercise to evaluate the potential and feasibility of offering ERP software as a service. This initiative is driven by a dedicated team under my direct supervision and the company expects to launch its software offerings as a service in the next fiscal.

Several task forces across the organization worked in creating Excellence in Delivery. During the year, we moved up further and have now been successfully certified as a SEI CMMI - SW Level 5 company. We have commenced the P-CMM (People Capability Maturity Model) that helps us to integrate work force improvement with software improvement programmes guided by CMMI.

During this period, the company achieved USD 59.24 million in global revenues across all its business lines and international subsidiaries, registering a growth of 21% over the previous year.

Warm Regards,



P.R. Ramasubrahmanya Rajha  
Chairman



P.R. Venketrama Raja  
Vice Chairman, Managing Director and CEO

*Ramco's dedicated focus in delivering customer delight has positioned the company for an aggressive phase of growth enabled by strong partnerships and quality processes.*





## Customer Delight

The dedicated focus of Ramco in delivering customer delight through enduring software assets built using innovative technology, has been acknowledged by its customers. The company has been **ranked No. 1 for customer satisfaction** in the Enterprise Solutions market in the Dataquest-IDC survey for the second time in a row.

The company's innovative Software assembly and delivery platform - Ramco VirtualWorks received global acceptance and endorsement as a superior alternative to conventional approaches. Several customers reaped the benefits of Ramco's adaptive solutions and many of them have already placed multiple repeat orders, signifying the trust they repose on the benefits delivered by Ramco VirtualWorks.

## Aggressive Growth

With Ramco VirtualWorks being proven and acknowledged globally, the company is well positioned to tap global opportunities across a wide spectrum of verticals.

The company has won **million dollar deals** in the Aviation, Manufacturing, eGovernance and BFSI verticals. During the year, the company expanded its footprint into new countries that include New Zealand, Qatar and South Korea.

India operations added 41 new customers across Manufacturing, Auto ancillaries and other verticals. Close to eighty projects built and delivered on the Ramco VirtualWorks platform are under various stages of implementation. Many of these projects are already LIVE and customers are reaping the promised benefits.

The company is poised for aggressive and profitable growth in the coming years.







## Global Partnerships

Partnerships & Alliances are the way forward to **expand the company's reach and penetrate the global markets** effectively.

The strategy of investing in business partners to increase penetration and success in the growing business (Small & Medium business) segment in India and Middle East has been very successful.

We have entered into a global partnership alliance with Sabre Airline Products and Solutions from Southlake, Texas. Sabre sells and implements Ramco's entire suite of Aviation and MRO Software Applications to augment their complementary Airline, passenger, reservations and revenue systems. The global alliance has won significant deals and the pipeline for future orders is very encouraging.

We have entered into alliances with a few international market leaders in their respective businesses and these are expected to bring sustained revenues for the company.

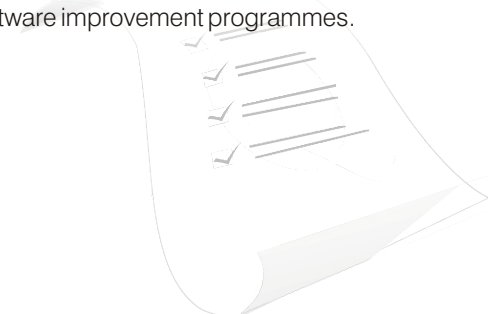


## Quality Focus

Ramco firmly believes that pursuit of excellence in Quality is a journey rather than an end. The key characteristics of solutions delivered using Ramco VirtualWorks are **Reliability, Speed and Flexibility**.

The model-based architecture of Ramco VirtualWorks ensures that solutions built and delivered are reliable, possess high flexibility to adapt and are delivered faster than conventional approaches. These solutions manage business complexities with ease and have a very low rate of software errors due to minimal manual intervention.

Ramco Systems has successfully achieved the SEI CMMI - SW Level 5 certification, a rare distinction enjoyed by very few IT Product and Technology companies worldwide. We have also commenced the P-CMM initiative (People Capability Maturity Model) that helps integrate work force improvement with software improvement programmes.







# **RAMCO SYSTEMS LIMITED**

## **BOARD OF DIRECTORS**

Shri P.R.RAMASUBRAHMANEYA RAJHA  
Chairman

Shri P.R.VENKETRAMA RAJA  
Vice Chairman, Managing Director & CEO

Shri S.S.RAMACHANDRA RAJA

Shri N.K.SHRIKANTAN RAJA

Shri M.M.VENKATACHALAM

Shri V. JAGADISAN

## **AUDITORS**

Messrs. CNGSN & ASSOCIATES  
Chartered Accountants, Chennai

## **BANKERS**

UTI Bank Limited

Citibank N.A.

## **REGISTERED OFFICE**

47, P.S.K. Nagar, Rajapalayam - 626 108

## **CORPORATE OFFICE & RESEARCH AND DEVELOPMENT CENTRE**

No.64, Sardar Patel Road, Taramani, Chennai - 600 113

## **SUBSIDIARIES**

Ramco Systems Corporation, USA

Ramco Systems Limited, Switzerland

Ramco Systems Pte.Ltd., Singapore

Ramco Sytems Sdn.Bhd., Malaysia

RSL Enterprise Solutions (Pty) Ltd., South Africa

Ramco Infotech Solutions Ltd., India

## **REGISTRAR AND SHARE TRANSFER AGENT**

Messrs. Cameo Corporate Services Limited

Subramanian Building, No.1, Club House Road, Mount Road, Chennai - 600 002

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2006.

### Financial Results

(In Rs.Million)

Description	For the Year ended 31 <sup>st</sup> March, 2006	For the Year ended 31 <sup>st</sup> March, 2005
Net Sales/Income from Operations	1174.68	1154.81
Other Income	43.33	73.01
Total Income	1218.01	1227.82
Expenditure		
- Cost of Resale Material	386.32	314.90
- Staff Cost	604.37	543.13
- Sales & Marketing Expenses	17.66	30.46
- Administration & Other Expenses	233.64	184.31
Total Expenditure	1241.99	1072.80
Earnings before Interest, Depreciation & Tax	(23.98)	155.02
Interest	125.43	113.81
Depreciation	183.07	169.83
Extraordinary Expenses	-	274.98
Profit / (Loss) Before Tax	(332.48)	(403.60)
Provision for Taxation	8.20	-
Profit/(Loss) After tax	(340.68)	(403.60)

### BUSINESS OPERATIONS OVERVIEW

This year the Company has further consolidated the early mover advantage and scaled new heights. The Company's proprietary, innovative Software assembly and delivery platform - Ramco VirtualWorks, received global acceptance and endorsement as a superior alternative to conventional approaches. Several customers reaped the benefits of Ramco's adaptive solutions such as faster time to market, a more robust solution addressing their specific needs, at a very competitive total cost of ownership; also, they were delighted to be in complete control of the solution development process.

During the year, many strategic projects on Ramco VirtualWorks supporting multiple technology platforms at global Customer locations have gone LIVE. At the end of the year, close to eighty projects built and delivered on this platform are under various stages of implementation. Many of these projects are already LIVE and Customers are reaping the promised benefits.

The collaborative framework offered by Ramco VirtualWorks helped enterprises to jointly develop domain-rich solutions that address their best, unique and next practices. The year also witnessed Ramco entering into a few strategic alliances with global leaders for specific business opportunities. Significant among them are the partnership with Sabre for Aviation and MRO software and an agreement with a leading outsource Customer Management Solutions Company to enhance BPO business.

The year also witnessed Ramco venturing into new countries with confirmed orders such as New Zealand and South Korea. The Company was successfully assessed at SEI CMMI - SW Level 5 by KPMG during the year 2005-06. The Company continues to enjoy the Gold Certified Partner status of Microsoft.

Global Revenues of Ramco Systems Limited, including its international subsidiaries in USA, Switzerland, Singapore, Malaysia, South Africa and branch offices in UAE, UK and Germany registered USD 59.24 million, recording a 21% growth over the previous fiscal (2004-05).

### GLOBAL OPERATIONS

Our India Operations registered revenues of Rs.117.47 crores, and added 41 new customers across Manufacturing, Auto ancillaries and other verticals. During the year, we were ranked No.1 for the second consecutive time in the Customer Satisfaction Audit survey conducted by DataQuest-IDC for Enterprise Solutions. This is a big endorsement of what Ramco always believes in - delighting its customers by offering superior and innovative software assets.

Our BFSI practice continued to win repeat orders for banking applications from a large multi-national financial services company. Ramco DecisionWorks expanded its presence in India with order wins from mining/ore-logistics company and a petroleum refinery. The Process Optimization business has successfully delivered a cement plant simulation package for the National Council for Cement and Building Materials at Hyderabad.

Our Secure Converged Networking business continued to consolidate its position as a leading Systems Integrator. Some of the Networking orders won during the year include Implementation of a Data Network for a government GSM provider, complete LAN solutions for various government institutions, creating a disaster recovery site and setting up regional hubs for one of India's biggest stock exchange and providing voice compression equipment for a leading private GSM backbone spread across 60 locations. The Information Security business won many big orders, the most significant being the mandate to protect the IT infrastructure of India's largest automobile manufacturer and enabling secure access to hundreds of its dealers across the country.

Our North American operations achieved significant breakthroughs for adaptive enterprise solutions in the BFSI, Manufacturing and Aviation spaces. We have won million dollar deals from a leading bank, a startup low-cost airline, an airborne healthcare Company and a full line metal service center to name a few. Ramco US has also delivered two successful pilot projects with one of the world's biggest IT Manufacturing company. This is expected to open up a host of opportunities in the next fiscal.

In Europe, we provided Aviation, Manufacturing, Logistics, Performance Management, Healthcare Management, Public Services and MIS solutions to leading companies. During the year, Ramco Europe ventured into Holland to offer solutions to a leading branded food producer focusing on core categories such as Fruit based Products, Cereals and Infant Nutrition. The year also gave Ramco its first eGovernance order in Switzerland.

Our ASEAN operations delivered multiple enterprise solutions to customers in the BPO, Aviation, Human Resources Management and Process Manufacturing segments. During the year, Ramco ASEAN captured new territories with order wins from New Zealand and South Korea. Payroll Outsourcing continues to be a key driver in this market and Ramco has entered into a strategic partnership with a leading BPO player in this space.

Our investments in UAE have started yielding positive results. During the year, we have won orders in the Aviation MRO, Cable manufacturing and Cement verticals. More than 10 partners have been signed to accelerate the penetration and reach in this region.

We have further consolidated our engagements in South Africa resulting in significant order wins for developing eGovernance Solutions. Eleven eGovernance projects, delivered on Ramco VirtualWorks are at various stages of execution. Ramco DecisionWorks - Ramco's Performance Management Solution has been successfully deployed and has gone LIVE in multiple service areas of a municipality.

#### **GLOBAL CONSOLIDATED FINANCIAL STATEMENT UNDER AS-21**

The Global consolidated financial statement as prescribed by ICAI under Accounting Standard 21 together with the Auditor's Report thereon is enclosed.

Government of India, Ministry of Company Affairs, vide their letter No. 47/129/2006-CL-III dated 24<sup>th</sup> March, 2006, have granted their approval under Section 212 (8) of the Companies Act, 1956, exempting from attaching the full text of the financial statements of the Company's subsidiaries viz., Ramco Systems Corporation, USA, Ramco Systems Limited, Switzerland, Ramco Systems Pte. Ltd., Singapore, Ramco Systems Sdn.Bhd., Malaysia, RSL Enterprise Solutions (Pty) Ltd., South Africa and Ramco Infotech Solutions Limited, India along with the Company's accounts for the year ended 31<sup>st</sup> March, 2006.

Pursuant to the said approval, necessary disclosures have been made in respect of the said subsidiaries in this Annual Report apart from the Statement pursuant to Section 212 of the Companies Act, 1956.

The Annual Accounts of the said Subsidiaries and the related detailed information will be made available to the Investors of the Company/Subsidiaries, seeking such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Corporate Office of the Company.

#### **TRANSFER OF SECURED CONVERGED NETWORKING DIVISION OF THE COMPANY**

The Board of Directors of the Company, subject to the approval of the Shareholders, have in its meeting held on 27<sup>th</sup> May, 2006, approved the transfer of the Secured Converged Networking (SCN division) to a wholly owned subsidiary of the Company, M/s. Ramco Infotech Solutions Limited (RITS), with effect from such a date and for such a consideration, not less than the Net Book Value of the Assets on the date of the transfer and in such mode of settlement of consideration as may be determined by the Board or the Committee of the Board.

The Postal Ballot Notice, Postal Ballot Form along with the Resolution and the Explanatory Statement relating thereto and the postage paid business reply envelope will be despatched to the Shareholders as required under the provisions of Section 192A of the Companies Act, 1956, and the Rules made thereunder.

#### **INCREASE IN THE EQUITY SHARE CAPITAL**

##### **Increase in the Authorised Share Capital**

Considering the then proposed Rights Issue and other requirements, the members of the Company have at the Extraordinary General Meeting held on 22<sup>nd</sup> July, 2005, approved an increase in the Authorised Share Capital of the Company from Rs. 15 crores to Rs. 30 crores and also approved the related amendments to the Memorandum and Articles of Association of the Company.

##### **Rights Issue**

During the year under review, your Company has successfully completed in its Rights Issue of 3,070,757, equity shares of Rs.10/-each at a premium of Rs. 200/- per equity share in the ratio of one equity share for every four equity shares held (1:4). The Rights Issue, which opened on 19<sup>th</sup> December, 2005, closed on 18<sup>th</sup> January, 2006, was subscribed to an extent of 1.06 times.

## Ramco Systems Limited, India

The basis of allotment finalized in consultation with the Designated Stock Exchange, viz., Bombay Stock Exchange Limited, on 3<sup>rd</sup> February, 2006, was approved by the Allotment Committee of the Board of Directors on 5<sup>th</sup> February, 2006. Subsequent to this, the electronic credit of the shares, dispatch of the physical Share Certificates, Refund Orders were duly completed within the stipulated time.

### Allotment under the Employee Stock Options Schemes

During the year ended 31<sup>st</sup> March, 2006, the Allotment Committee of the Board of Directors of the Company has approved the following allotments under ESOP 2000 and ESOS 2003 Schemes:

Plan	Number of Allottees	Number of Shares Allotted
ESOP 2000	14	13,300
ESOS 2003	73	24,225
<b>Total</b>	<b>87</b>	<b>37,525</b>

### Annulment of Forfeiture

The Board of Directors of your Company has, during the year, as an investor friendly measure, annulled the forfeiture of 25 equity shares, on receipt of unpaid call money along with the interest due from a Shareholder.

Consequent to the above, the paid up equity share capital of your Company has increased from Rs.12,28,35,680 to Rs.15,39,18,625.

### UTILISATION OF PROCEEDS OF RIGHTS ISSUE

The details are given in Note No. 11 (a) to the Notes on Accounts.

### RESEARCH AND DEVELOPMENT

Ramco Systems, has successfully delivered multiple Global Projects and Enterprise Solutions across diverse technology stacks using the Ramco VirtualWorks platform. The R&D efforts have been primarily focused on initiatives to proactively enhance usability, productivity, performance and quality based on user feedback.

#### Platform Enhancements

Support for alternate user experiences form a common model. This allows for applications to be developed and deployed for different user communities starting from a novice user to a power user and providing appropriate interface and information needed for them to do their work effectively.

Ongoing R&D efforts include initiatives to ensure compliance of the runtime and the generated code with current and emerging standards like .NET 2.0, Oracle 10G, multi core processors WS\*. We are enhancing the platform to support asset based development by providing facilities for discovering and enabling reuse at different granularity to enable Customers take advantage of existing assets.

R&D programs have been planned to address emerging areas like mobile computing, RFID, provide concurrent multi-language support and enable constraint based planning and multi-tenancy hosting.

#### Component Repository

Ramco Enterprise Series is a pre-packaged solution suite catering to various industry segments such as Power, Engineering Product Manufacturing, Storage Solutions, Armed Forces / Defence, Food and Beverages, Process Production, Fleet Operators and MRO service providers etc.

The solutions are an assembly of pre-built components addressing all necessary business and regulatory requirements. R&D efforts have been spent to enhance the breadth and depth of the business processes addressed by these components. Additional functionality has been provided in the areas of warehouse management, predictive maintenance, electronic flight bag, demand matrix optimization etc.

Plans are on to develop components to facilitate collaborative manufacturing and address areas like Customer Management, Retail Selling, Warranty and Product Model Configuration, to name a few.

A separate Profit and Loss Account, Balance Sheet and Schedules in respect of Research and Development activities are enclosed as part of the Accounts.

### FIXED DEPOSITS

Your Company has not accepted any deposits during the year.

### RETIREMENT OF DIRECTORS

Shri P.R. Ramasubrahmaneya Rajha, Chairman and Shri V. Jagadisan, Director, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

### AUDITORS

The Auditors Messrs.CNGSN & Associates, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Particulars as prescribed under Sub Section (1) (e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in the annexure to this Report.

### **EMPLOYEE PARTICULARS**

The particulars of Employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, are annexed to the Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Corporate Office of the Company.

### **CORPORATE GOVERNANCE**

A detailed note on the Company's philosophy on Corporate Governance and the Management Discussion & Analysis Report and such other disclosures as are required to be made under the Listing Agreement with the Stock Exchanges, is annexed and forms part of this report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed;

that the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

that the selected accounting policies were applied consistently and judgements and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for that period;

that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

that the annual accounts were prepared for the financial year ended 31<sup>st</sup> March, 2006, on a going concern basis.

### **COMPLIANCE CERTIFICATE**

A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

### **ACKNOWLEDGEMENT**

Your Directors take this opportunity to thank all the clients, vendors, investors, government authorities and bankers for their continued support. Your Directors place on record their appreciation of the unstinted efforts for the employees at all levels who have been responsible for the growth of your Company.

For and on behalf of the Board

Place : Chennai  
Date : 27<sup>th</sup> May, 2006

**P.R.RAMASUBRAHMANEYA RAJHA**  
CHAIRMAN

---

### **ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006.**

In terms of Section 217(1)(e) of the Companies Act, 1956, (as amended) and the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, the following information is furnished for the year ended 31<sup>st</sup> March, 2006.

(A) Conservation of Energy	:	The operations of the Company are not energy intensive
(B) Technology Absorption	:	Particulars given in Form B
(C) Foreign Exchange Earnings and Outgo		
i) Activities relating to export	:	Export of the Computer Software to USA, Europe, Asean, Middle East and South Africa
ii) Initiatives taken to increase exports	:	Marketing efforts are being made in the subsidiaries abroad to increase sales and corresponding exports
iii) Development of new export market for products and services	:	Marketing efforts are being made in countries like South Africa, Qatar, New Zealand and South Korea
iv) Total Foreign Exchange Used (Rs. Lacs)	:	3654
v) Total Foreign Exchange Earnings (Rs. Lacs)	:	3864

**FORM B**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION SPECIAL AREAS IN WHICH THE COMPANY CARRIES OUT R&D**

**Ramco VirtualWorks**

**Ramco VirtualWorks is :**

- A Scalable delivery platform for custom built applications and for implementing next generation enterprise solutions.
- Built on business process based approach that is radically different from the traditional approach.
- Supports Model based development and Componentized solutions development.
- Geared for the emerging asset based delivery model that is standards compliant.

The platform has code generators that create the application using the various models created as part of the delivery process. It also possesses an application preview facility to visualize applications and get user acceptance before they are assembled. Impact analysis support on the models helps to clearly identify the artifacts that need to be changed / created / removed.

During the year R&D investments have been in the following areas:

1. To provide a mechanism by which the solution can be made available offline for interacting with the users and ensuring that the Customer is aware of the final deliverables:
  - a. This will allow the end users to experience the solution and suggest the changes needed for the business need in the context of the application.
  - b. This will also ensure that the interaction with the Customer is formalized and the leakage of information between the analyst and the development team is minimized.
2. Creating support for asset based delivery model which is compliant to existing and emerging standards.
3. Consolidating the experience gained from delivering solutions into various industrial segments, such as Power, Engineering Product Manufacturing, Storage Solutions, Armed Forces / Defence, Food and Beverages, Process Production, Fleet Operators and MRO service providers etc., addressing all necessary business, regulatory, Payroll and HR related requirements. This has resulted in a repository of pre-built solutions that can address wider set of organizations in the listed segments.
4. Converters for migrating the hand written code to different vendor technologies.
5. Support for alternate UI experiences like AJAX, FLEX etc.,

Benefits derived as a result of the above R&D

- Engaging Customers early into the development process to avoid scope creep and rework later on.
- Expansion of Ramco offerings into all technology segments. This enhances the technology market addressability immensely.
- Productivity increase due to the platform process streamlining leading to better delivery schedule and cost predictability.
- Availability of standard functionalities to address more industry segments thus enhancing order wins and profitability.
- Ability to engage suitable business partners in delivering solutions to the end Customer organizations.
- Enhanced ability to manage change requirements that eases customer engagement for requesting changes, resulting in better customer retention and account revenue growth.

**Future Plan of Action**

The Company continues to undertake research and development activities with the following objectives:

1. To add pre-built solution functionalities to cover more vertical segments.
2. Support for Mobile devices and to address emerging technology trends to keep in step with the market needs.
3. To continually enhance the platform processes towards achieving improved productivity during all stages of solution delivery like modeling logic for code generation, web services standards support etc.
4. Built-in support for usage based billing and monitoring: Create integrated support in the framework run-time components to collect usage statistics which would enable different alternatives for vending software services.

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**

<b>Expenditure on R&amp;D</b>	<b>(Rs. in lacs)</b>
Capital (exclusive of capitalised value of Technology Platform and Product Software, referred to in Note No.9 (b) to Notes to Accounts)	70.81
Recurring (Refer Schedule 5 to R&D Accounts)	3038.94
<b>Total</b>	<b>3109.75</b>
Total R&D expenditure as a percentage of total turnover	26.47%



## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Ramco Systems Limited (RSL) is committed to maintaining high standards of Corporate Governance, and protecting Customers and Shareholders interests and the Company endeavors to maintain transparency at all levels. The following is a report on the status and progress on the major aspects of Corporate Governance.

### BOARD OF DIRECTORS

The Directors of the Company possess highest personal and professional ethics, integrity and values, and are committed to representing the long-term interests of the Stakeholders. The basic responsibility of the Board is to provide effective governance over the company's affairs exercising its reasonable business judgement on behalf of the Company. The Company's business is conducted by its employees under the direction of the Vice Chairman, Managing Director & CEO and the overall supervision of the Board, to enhance the long-term value of the Company for its Stakeholders.

The Board has an optimum combination of Executive, Non Executive and Independent Directors, which ensures proper governance and management. The composition of the Company's Board, is in conformity with the code of Corporate Governance. The structure of the Board is as under:

#### Composition and Category of Directors:

S No.	Name of the Director	Category
1	Shri P.R. Ramasubrahmaneya Rajha	Non Executive Promoter Director
2	Shri P.R. Venketrama Raja	Executive Director
3	Shri S.S. Ramachandra Raja	Non Executive Promoter Director
4	Shri N.K. Shrikantan Raja	Non Executive Promoter Director
5	Shri M.M. Venkatachalam	Non Executive Independent Director
6	Shri V. Jagadisan	Non Executive Independent Director

Shri P.R. Venketrama Raja, Vice Chairman, Managing Director & CEO, manages the day-to-day affairs of the Company assisted by a Corporate Executive Council consisting of top executives of the Company. The Board met 7 times during the year on 29<sup>th</sup> April, 09<sup>th</sup> May, 22<sup>nd</sup> June, 30<sup>th</sup> July, 21<sup>st</sup> September, 29<sup>th</sup> October, 2005 and 30<sup>th</sup> January, 2006. Details of attendance of each Director at the Board Meetings held during the year and at the last Annual General Meeting of the Company, are as follows:

#### Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM).

S No.	Name of the Director	Designation	Attendance	
			Board Meetings	Last AGM
1	Shri P.R. Ramasubrahmaneya Rajha	Chairman	7	Yes
2	Shri P.R. Venketrama Raja	Vice Chairman, Managing Director & CEO	6	Yes
3	Shri S.S. Ramachandra Raja	Director	6	No
4	Shri N.K. Shrikantan Raja	Director	5	Yes
5	Shri M.M. Venkatachalam	Director	7	Yes
6	Shri V. Jagadisan	Director	7	Yes

In terms of the provisions of the Clause 49 of the Listing Agreement with the Stock Exchanges, no director of the Company is a member in more than ten Committees nor acts as a Chairman in more than five Committees of Companies, of which he is a director.

#### Board Procedure

A detailed agenda folder is sent to each director in advance of the Board and Committee Meetings. The Board of Directors meets at regular intervals. Among other things, the Board considers the following matters;

- Strategy and business plans
- Annual operating and expenditure budgets
- Compliance with statutory requirements
- Adoption of Quarterly/Half Yearly/Annual results

In accordance with the code of Corporate Governance, the Board has constituted several Committees to deal with specific matters and delegated powers for different functional areas.



## AUDIT COMMITTEE

The Company has a qualified and Independent Audit Committee with all its members being Non Executive Directors. The Chairman of the Committee is an Independent Director. The Board of Directors of the Company, in its meeting held on 25<sup>th</sup> January, 2001, had adopted a charter of the Committee, which meets with the requirements of the Clause 49 of the Listing Agreement.

### a) Brief description in terms of reference

The Audit Committee comprises of three Non Executive directors with any two forming the quorum. Shri M.M.Venkatachalam (as Chairman), Shri V. Jagadisan and Shri S.S.Ramachandra Raja are the members of the Committee. The Company Secretary is the Secretary to the Committee. The Senior Management Team of the Company, Statutory Auditors' and the Internal Auditors' are invited to the meetings of the Committee as invitees.

The primary objective of the Committee is to monitor and provide effective supervision of the financial control and reporting system. The Audit Committee reviews its business at regular intervals and makes appropriate recommendations to the Board for its approval. The terms of reference of the committee inter-alia comprises of the following:

- Oversight of the Company's Financial Reporting and disclosure of its financial information
- Reviewing with the Management, the annual financial statements before submission to the Board
- Reviewing of the adequacy of the internal control systems
- Discussion with the Internal Auditors on significant findings and follow up thereon
- Reviewing of the Capital Expenditure Plans and the status relating thereto
- Monitoring the Company's Cost Control Measures
- Reviewing of Compliance with Accounting Standards

### b) Composition, Names of Members and Chairman, Meetings and attendance

During the year the Committee met 4 times viz., 27<sup>th</sup> April, 29<sup>th</sup> July, 28<sup>th</sup> October, 2005 and 27<sup>th</sup> January, 2006. The attendance of the members at the meetings of the Audit Committee is as follows:

S No.	Name of the Director	Designation	No. of Meetings Attended
1	Shri M.M. Venkatachalam	Chairman	4
2	Shri S.S. Ramachandra Raja	Member	3
3	Shri V. Jagadisan	Member	4

## REMUNERATION COMMITTEE

### a) Brief description in terms of reference

The Remuneration Committee consisting of solely non executive directors was constituted on 23<sup>rd</sup> February, 2005. The Committee Comprises of the following members:

Shri M.M. Venkatachalam	- Chairman
Shri V. Jagadisan	- Member
Shri N. K. Shrikantan Raja	- Member

The scope of the Committee inter-alia includes the following:

- determination of remuneration package of all the directors of the Company.
- determination of the service contracts, notice period and severances fees.
- Determination of the eligibility of the stock options, if any to the directors and other modalities relating thereto.

The Company Secretary is the Secretary of the Committee.

During the year ended 31<sup>st</sup> March, 2006, there was a meeting of the Remuneration Committee held on 30<sup>th</sup> January, 2006, wherein all the members of the Committee were present.

### b) Remuneration Policy

The Remuneration policy of the Company has been structured to match the market trends of the industry and to attract the best talents of the Sector. The Board of Directors of the Company had authorised the Remuneration Committee to fix the remuneration package of the Executive Director. The Remuneration package of the Executive Director including its break up into fixed component and performance linked incentive along with the performance criteria are determined by the Remuneration Committee.

### c) Remuneration to the Directors

No Remuneration is payable to the Non Executive Directors except sitting fees. As required under Clause 49 of the Listing Agreement, the Sitting fees payable to the directors have been approved by the members of the Company in the Annual General Meeting held on 9<sup>th</sup> December, 2005. The members of the Company have authorised the Board of Directors to vary the amount of sitting fees payable to the Directors for attending the Meetings of the Board of Directors and any of the Committees constituted, within such maximum permissible limit as may be prescribed under the Companies Act, 1956, Rules made and Notifications issued thereunder from time to time. As at present, the sitting fees payable to each of the directors per meeting is as follows:

Meeting	(Amount in Rs.)
Board	5000/-
Audit Committee	5000/-
Shareholders Committee	2500/-

Shri P.R. Venketrama Raja is the Vice Chairman, Managing Director & CEO. The details of remuneration paid to him during the year ended 31<sup>st</sup> March, 2006, have been provided under the Note No.6 to Notes on Accounts.

No stock options were granted to the Directors of the Company and there are no convertible instruments issued by the Company. The details of the Shares held by the directors of the Company as at 31<sup>st</sup> March, 2006, are as follows:

Name of the Director	No. of Shares Held	% to Capital
Shri P.R. Ramasubrahmaneya Rajha	352344	2.29
Shri P.R. Venketrama Raja	637594	4.15
Shri S.S. Ramachandra Raja	30158	0.19
Shri N.K. Shrikantan Raja	6702	0.04
Shri M.M. Venkatachalam	Nil	Nil
Shri V. Jagadisan	Nil	Nil

### SHAREHOLDERS COMMITTEE

#### a) Brief description in terms of reference

The Shareholders Committee of the Board focuses on Shareholders grievances and strengthening of the investor relations. The Committee's main focus is on the basic rights of the Shareholders including Transfer of Shares, Transmission / Transposition of Shares, Issue of Duplicate / Split Certificates, Sub Division / Consolidation of Shares, Consolidation of Folios, Dematerialisation/Rematerialisation of Shares, Change of address, non receipt of Refund orders, non receipt of Share Certificates and such other issues relating to shares.

#### b) Composition, Names of Members and Chairman, Meetings and Attendance

During the year the Committee met 8 times, viz., 11<sup>th</sup> April, 16<sup>th</sup> May, 22<sup>nd</sup> August, 29<sup>th</sup> October, 05<sup>th</sup> December 2005, 30<sup>th</sup> January, 24<sup>th</sup> February and 16<sup>th</sup> March, 2006. The attendance of members at the meetings of the Shareholders Committee is as follows:

S No	Name of the Director	Designation	No of Meetings Attended
1	Shri P.R. Ramasubrahmaneya Rajha	Chairman	8
2	Shri P.R. Venketrama Raja	Member	5
3	Shri N.K. Shrikantan Raja	Member	5

#### c) Status of the Shareholders' Complaints:

The Shareholders Committee and the Board reviews the status of the Shareholders Grievances received by the Company together with the status of their redresses at every meeting.

During the year the Company has received 19 complaints from the Shareholders, the details of which are given below. All the complaints were redressed as at the date of this report.

S No.	Nature of Complaints	Received	Redressed	Pending
1	Non receipt of application forms in Rights Issue 2005	11	11	-
2	Non receipt of Refund Orders relating to Rights Issue 2005	3	3	-
3	Request for Demand Draft in lieu of Refund Order issued for Rights Issue 2005	1	1	-
4	Non receipt of Refund Order in Rights Issue 2003	1	1	-
5	Non Receipt of the demat credit in respect of the Rights Issue 2005 allotment	2	2	-
6	Others	1	1	-
	<b>Total</b>	<b>19</b>	<b>19</b>	<b>-</b>

**d) Name and designation of Compliance Officer:**

The Board of Directors of the Company have appointed Shri Subramanian Narayan, Company Secretary, as the Compliance Officer as per Clause 47 (a) of the Listing Agreement entered with the Stock Exchanges.

**COMPENSATION COMMITTEE**

The Board of Directors of the Company has in Compliance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, constituted the Compensation Committee with three non executive directors as its members. Shri M.M. Venkatachalam (as Chairman), Shri P.R. Ramasubrahmaneya Rajha, and Shri V. Jagadisan are the members of the Committee.

The primary objective of the Committee is to review the compensation levels across various positions in the Company, in order to ensure that the Company offers attractive compensation in line with the industry standards, to retain and develop best talent. The Committee also administers the grant of stock options under various schemes of the Company.

During the year the Committee met two times, 29<sup>th</sup> April and 1<sup>st</sup> December, 2005. The attendance of members at the meetings of the Compensation Committee is as follows:

S No	Name of the Director	Designation	No of Meetings Attended
1	Shri M.M.Venkatachalam	Chairman	2
2	Shri P.R. Ramasubrahmaneya Rajha	Member	1
3	Shri V.Jagadisan	Member	2

**a) Employee Share Purchase Plan ( ESPP 1999)**

During the year 1999-2000, the Company established the Employee Share Purchase Plan (ESPP) which provided for the issuance of 1,100,000 shares to eligible employees (including certain employees of the subsidiaries). The shares were issued to an employee welfare trust called the RSL Employee Trust ("Trust") at Rs. 10/- each and Re. 1/- was paid up by the Trust as application money. Subsequently, the Trust expressed its inability to pay the remaining money due on all the 1,100,000 shares and offered to pay the balance amount (i.e., Rs. 9/- per share) only in respect of 250,000 shares. Accordingly, 850,000 shares were forfeited. The RSL Trust allotted the balance 2,50,000 equity shares to the employees at par (i.e., Rs. 10/- each) as per their grade and number of years of services under an agreement of sale, and the employees would need to be in the employment of the Company over a period of four years period to get the shares on a progressive basis. As on date, 84,125, number of equity shares remained with the trust and these shares represent the shares, which have not been vested due to non-fulfillment of conditions of the scheme.

**b) Employee Stock Option Plan 2000 (ESOP 2000)**

At the Annual General Meeting held on 28<sup>th</sup> August 2000, the Shareholders had approved grant of options to the employees convertible into equity shares aggregating to 160,000 equity shares of Rs.10/- each. Subsequently in April 2001, the Company had granted 126,150 stock options to the employees at a price of Rs.254/- per stock option (Market price as on 12<sup>th</sup> April, 2001), with a vesting period of 2 to 3 years. After the expiry of the vesting period, 11,750 stock options were converted into equity shares, during the financial year 2003-04.

Further, at the meeting of the Compensation Committee held on 14<sup>th</sup> December, 2003, 67,700 fresh stock options were granted to the eligible employees of the Company at a price of Rs.227/- per stock option (as adjusted from the original price of Rs.254/- for the Rights 2003 exercise as per SEBI Guidelines) with a vesting period of 3 years. Each stock option entitles for one ordinary equity share of the Company of the nominal value of Rs.10/- each upon payment of the exercise price during the exercise period.

After the expiry of the first vesting period on 31<sup>st</sup> December, 2004, certain employees have exercised their options and 12,250 equity shares were allotted at a price of Rs. 227/- per option till 30<sup>th</sup> June, 2005, being the expiry of the first exercise period. After the expiry of the second vesting period on 31<sup>st</sup> December, 2005, certain employees have exercised their options and 1,050 equity shares were allotted at a price of Rs. 223/- per stock option (as adjusted from the revised price of Rs.227/- for the Rights 2005 exercise as per SEBI Guidelines) till 31<sup>st</sup> March, 2006.

**c) Employee Stock Option Scheme 2003 (ESOS 2003)**

At the Extra-ordinary General Meeting held on 9<sup>th</sup> April, 2003 the Shareholders of the Company had approved the grant of stock options to employees convertible into equity shares aggregating to 500,000 equity shares of Rs.10/- each. The Compensation Committee in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, together with the amendment made in June, 2003 thereto, framed a detailed scheme and accordingly, grant of stock options were made to the extent of 464,500 stock options as on 1<sup>st</sup> January, 2004, at an exercise price of Rs.284/-per stock option as adjusted for the Rights-2003 exercise as per SEBI Guidelines.

After the expiry of the first vesting period on 31<sup>st</sup> December, 2004, certain employees have exercised their stock options and 22,600 equity shares were allotted at a price of Rs. 284/- per option till 30<sup>th</sup> June, 2005, being the expiry of the first exercise period. After the expiry of the second vesting period on 31<sup>st</sup> December, 2005, certain employees have exercised their stock options and 1,625 equity shares were allotted at a price of Rs. 266/- per stock option (as adjusted from the revised price of Rs.284/- for the Rights-2005 exercise as per SEBI Guidelines) till 31<sup>st</sup> March, 2006.

At the meeting of the Compensation Committee held on 1<sup>st</sup> December, 2005, 9,200 fresh stock options were granted to eligible employees at a price of Rs. 266/- per stock option (as adjusted from the revised price of Rs.284/- for the Rights-2005 exercise as per SEBI Guidelines) with a vesting period of three years.

#### **d) Employee Stock Option Scheme 2004 (ESOS 2004)**

The Shareholders of the Company at their Extra-ordinary General Meeting held on 24<sup>th</sup> December, 2004, had approved 9,00,000 stock options, convertible into equity shares of Rs.10/- each under the scheme, to Key Managerial Personnel including, Independent Directors, President, CEO and other Senior Key Management Personnel of the Company as well as of the Subsidiaries.

At the meeting of the Compensation Committee held on 1<sup>st</sup> December, 2005, 1,00,000 stock options were granted at an exercise price of Rs.315/- per stock option (adjusted market price as at 30<sup>th</sup> November, 2005) to a Senior Managerial Personnel of the Subsidiary Company. The stock options granted would vest over a period of four years at quarterly rests (except for the stock options vesting during the first year, which would vest at the end of one year from the date of grant).

#### **e) Employee Stock Purchase Scheme 2004 (ESPS 2004)**

The Shareholders of the Company at their Extra-ordinary General Meeting held on 24<sup>th</sup> December, 2004, had approved the issue of 100,000 shares under the scheme to Senior Key Managerial Personnel including Independent Directors, President, CEO and other Senior Key Management Personnel of the Company as well as of the Subsidiaries. No shares have so far been allotted .

The details of the stock options granted under the above said schemes (b to d) as at 31<sup>st</sup> March 2006, are as follows:

<b>S No.</b>	<b>Particulars</b>	<b>ESOP 2000</b>	<b>ESOS 2003</b>	<b>ESOS 2004</b>
1	Total Options	1,60,000	5,00,000	9,00,000
2	Options Granted (Refer Note 1)	73,300	3,32,975	1,00,000
3	Exercise Price (Refer Note 2)	Rs.223	Rs.266	Rs.315
4	Options Vested	53,250	2,39,375	-
5	Options Exercised during the year	13,300	24,225	-
6	Options Lapsed	2,350	-	-
7	Total Number of Shares arising as a result of Options	13,300	24,225	-
8	Unvested Options (Refer Note 3)	17,700	93,600	1,00,000
9	Money Realized by exercise of Options during the year (In Rs.)	30,14,900	68,50,650	-
10	Employee-wise details of Options granted			
	(i) Senior Managerial Personnel	Nil	Nil	1,00,000
	(ii) Any other employee, who receives a grant in one year of option amounting to 5% or more of option during that year.	Nil	Nil	1,00,000
	(iii) Identified employees who were granted option, during one year equal to or exceeding 1% of the Issued Capital (Excluding Outstanding Warrants and Conversions) of the Company at the time of grant.	Nil	Nil	Nil

#### **Notes:**

1. Stock Options granted is net of cancellations due to employee separations.
2. The exercise price is adjusted from the previous price for the Rights Issue, as per SEBI Guidelines.
3. The 93,600 unvested stock options under ESOS 2003, include 9,200 stock options granted by the Compensation Committee on 1<sup>st</sup> December, 2005.

**GENERAL BODY MEETINGS**

The following are the details of Date, Location and Time of the General Meetings held during last three financial years. There were no special resolutions passed in the previous Three Annual General Meetings of the Company.

<b>Date</b>	<b>Meeting</b>	<b>Location</b>	<b>Time</b>
9 <sup>th</sup> April, 2003	EGM	47, P S K Nagar, Rajapalayam – 626 108.	10.00 A.M.
11 <sup>th</sup> August, 2003	AGM	Shri P A C R Centenary Community Hall Sudharsan Gardens, P A C Ramasamy Raja Salai, Rajapalayam – 626 108.	02.30 P.M.
28 <sup>th</sup> July, 2004	AGM	-do-	11.30 A.M.
24 <sup>th</sup> December, 2004	EGM	47, PSK Nagar, Rajapalayam – 626 108.	10.00 A.M.
4 <sup>th</sup> April, 2005	EGM	-do-	10.00 A.M.
22 <sup>nd</sup> July, 2005	EGM	-do-	10.00 A.M.
9 <sup>th</sup> December, 2005	AGM	Shri PACR Centenary Community Hall, Sudharsan Gardens, P A C Ramasamy Raja Salai, Rajapalayam-626 108.	12.30 P.M.

**POSTAL BALLOT**

No Special Resolution was put through postal ballot during the financial year 2005-2006.

**CODE OF CONDUCT**

The Board of Directors of the Company have laid down the following Code of Conduct for all the Board Members and the Senior Management of the Company and the same has been posted on the Company's website; [www.ramco.com](http://www.ramco.com), in compliance with the provisions of Listing Agreement with the Stock Exchanges.

"This Code of Conduct shall apply to the Directors and Senior Management Personnel of Ramco Systems Limited, who shall affirm compliance with this Code on an annual basis as at the end of each financial year.

**Code of Conduct for Directors**

A Director being a Trustee of the Shareholders shall –

- i. Act always in the best interest of the Shareholders.
- ii. Maintain a high standard of probity in his relations with the Company, its subsidiaries, employees, contractors, suppliers and customers.
- iii. Maintain confidentiality of the Company on matters that come to his knowledge as Director, both during his Directorship and thereafter as well.
- iv. Always conduct himself in a manner that befits his position.
- v. Assist the Company to observe the provisions of the Company law and other laws applicable to the Company, both in letter and in its spirits.
- vi. Not use this position to any manner to his personal advantage or that of his family or friends.

**Code of Conduct for Senior Management Personnel**

A Senior Manager person is one who occupies the rank of General Manager or above and notified from time to time as a Senior Management person.

A Senior Management personnel shall –

- i. By his personal behavior and conduct, set an example to his fellow employees.
- ii. Conduct himself in a manner that upholds his integrity, rectitude and fair name of the Company and give no occasion to the Management to explain his actions or behaviors.
- iii. Refrain his position for personal benefit from the employees, contractors, suppliers and customers of the Company.
- iv. Maintain the confidentiality of the Company's information that has come to his notice, except where disclosure is authorized in writing by the Management.
- v. Observe all prescribed safety and environmental related norms.
- vi. Not divulge to any member of the press or media any matter concerning the Company unless authorized by the Management.
- vii. Not engage himself in any business relationship or commercial activity with or without remuneration, without the prior written permission of the Management."

All the Board Members and Senior Management Personnel of the Company have affirmed compliance with the applicable Code of Conduct for the year ended 31<sup>st</sup> March, 2006. The declaration from Shri P.R. Venketrama Raja, Vice Chairman, Managing Director & CEO, regarding the affirmation of the compliance for the year ended 31<sup>st</sup> March, 2006, is enclosed and forms part of this report.

The Company has also framed a Code of Conduct for prevention of Insider Trading in compliance with the SEBI(Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all the Directors / Officers and Designated Employees of the Company. The Code regulates dealing in shares by the persons having access to the unpublished price sensitive information.

## **DISCLOSURES**

There were no materially significant related party transactions i.e., transactions of the Company of material nature, entered with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of Company at large. The details of the related party transactions are disclosed under the notes on accounts, as required under the Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

The Company has complied with the requirements of the SEBI and the Stock Exchanges on the matters relating to the capital markets as applicable from time to time. There has been no instance of non-compliance by the Company or penalty or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter relating to capital markets, during the last three years.

The Company has complied with all the mandatory requirements of the code of Corporate Governance prescribed by the Stock Exchanges. As regards the non mandatory requirement, the Company has a Remuneration Committee as detailed in the earlier paragraphs.

## **MEANS OF COMMUNICATION**

The Board of Directors of the Company takes on record the Un-audited Financial Results in the prescribed form within one month of the close of every quarter and announces the results to the Stock Exchanges where the Company's shares are listed. The same are also published within 48 hours in the newspapers viz., Financial Express, Business Standard (English) and Makkal Kural (Tamil).

Press briefings are held after important occasions viz., announcement of quarterly results, new tie up etc. The press releases issued from time to time are informed to the respective Stock Exchanges where the equity shares of the Company are listed and the same are also hosted on the Company's website for the information of the investors.

The Company's official website; [www.ramco.com](http://www.ramco.com) has in it a separate page for investors relations, wherein the financial results, shareholding patterns, important announcements to the Stock Exchanges, are hosted for the knowledge of the investors. In addition to the above, the Company also regularly provides information to the Stock Exchanges as per the requirements of the Listing Agreements and updates the same on Company's website periodically to include information on new developments and business opportunities of the Company. The Company is also uploading the financial results and shareholding patterns on the Electronic Data Information Filing and Retrieval (EDIFAR) website; ([www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)).

For effective and better communication to the Shareholders, the Company has appointed IPAN as Company's PR Agency for issue of Press Release, Results, etc.

As required under sub clause IV(F) of Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report detailing the overview of the Industry, Company's business and its financials etc., is provided separately as a part of the Directors' Report.

## **GENERAL SHAREHOLDER INFORMATION**

### **Details of the forthcoming Ninth Annual General Meeting:**

1. Date 27<sup>th</sup> July, 2006
2. Day Thursday
3. Time 12.00 Noon
4. Venue Shri P A C Ramasamy Raja Centenary Community Hall, Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam – 626 108



## Financial Calendar for 2006-07 (tentative)

The Financial year of the Company is April- March of every year and the tentative details of the financial calendar are as under:

Quarterly Results for June 2006	Between 15 <sup>th</sup> July & 31 <sup>st</sup> July, 2006
Quarterly Results for September 2006	Between 15 <sup>th</sup> October & 31 <sup>st</sup> October, 2006
Quarterly Results for December 2006	Between 15 <sup>th</sup> January & 31 <sup>st</sup> January, 2007
Financial Results for the year ending 31 <sup>st</sup> March, 2007	Between 15 <sup>th</sup> May & 31 <sup>st</sup> May, 2007
Tenth Annual General Meeting for the year ending 31 <sup>st</sup> March, 2007	August/September, 2007
Dividend Payment Date	Nil

### Book Closure

In order to comply with the provisions of Clause 16 of the Listing Agreement, the Register of Members of the Company and the Share Transfer Books would remain closed on Thursday, the 27<sup>th</sup> July, 2006.

### Listing on Stock Exchanges

The equity shares of the Company are listed on the following Stock Exchanges with the stock codes as indicated as against each stock exchange:

Name of the Stock Exchange	Address	Stock Code
Madras Stock Exchange Limited	No.11, Second Line Beach, Rajaji Salai, Chennai – 600 001	RSST
Bombay Stock Exchange Limited	Phiroze Jheejeebhoy Towers, Dalal Street, Mumbai – 400 001	532370
The National Stock Exchange of India Limited	Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	RAMCOSYS

The listing fees for the financial year 2006-07, have been paid to the Stock Exchanges, where the Company's shares are listed. During the year the Company had listed 3,070,757 equity shares allotted under the Rights Issue and 37,525 equity shares allotted under the Employee Stock Option Schemes at the above mentioned stock exchanges.

### Depositories

The Equity Shares of the Company are admitted in the following depositories of the country under the ISIN INE 246B 01019:

Name of the Depository	Address
National Securities Depository Limited	4 <sup>th</sup> Floor, Kamala Mills Compound, Senapathi Bapat Marg, Lower Parel, Mumbai – 400 013
Central Depository Services (India) Limited	28 <sup>th</sup> Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001

### Credit Ratings

The Company's Commercial Paper Programme and the Short Term Non Convertible Debenture Programme are rated by ICRA Limited as per the details given below:

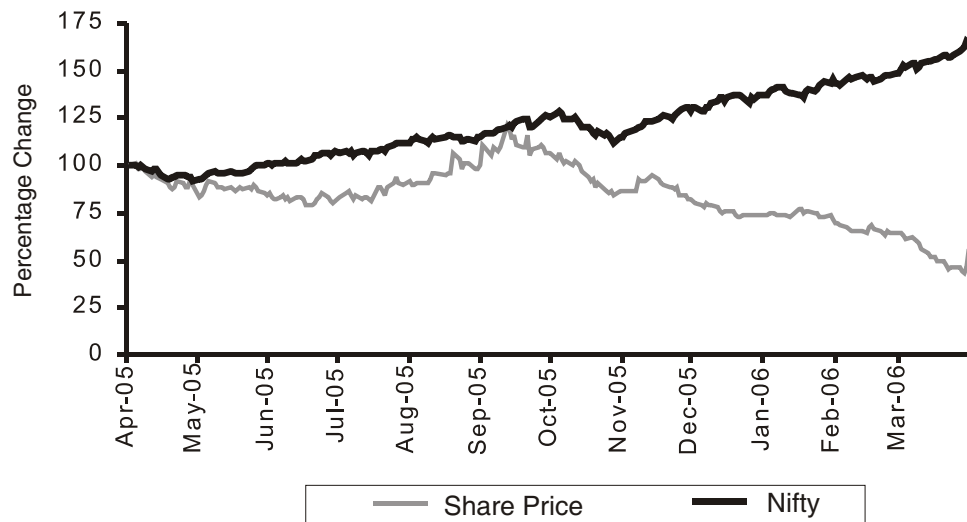
Programme	Credit Rating	Rating Degree	Amount
Commercial Paper Programme	A1+	Highest Safety	Rs. 5 Crores
Short Term Non Convertible Debentures	A1+(SO)	Highest Safety	Rs.25 Crores

### Details of the Share Price Movements in the National Stock Exchange of India Limited

S No	Month	NSE Volume	BSE Volume	NSE Prices (In Rs.)			BSE Prices (In Rs.)		
				High	Low	Close	High	Low	Close
1	Apr-05	128,141	1,542	446.00	370.00	382.80	445.00	372.10	384.05
2	May-05	373,352	4,833	412.40	348.50	362.20	412.90	349.45	362.00
3	Jun-05	209,209	1,838	420.00	335.00	345.20	380.00	331.00	344.40
4	Jul-05	176,225	1,991	410.00	343.05	382.40	407.00	341.00	390.10
5	Aug-05	322,637	3,315	470.00	355.50	426.10	467.00	360.80	429.35
6	Sep-05	589,658	5,801	558.00	431.00	455.05	546.70	430.00	450.65
7	Oct-05	130,627	1,373	470.00	355.10	366.90	467.00	352.00	365.95
8	Nov-05	356,773	4,039	440.00	337.00	349.80	440.00	345.00	349.25
9	Dec-05	254,523	2,752	360.00	305.00	316.00	365.00	300.20	317.25
10	Jan-06	240,896	3,073	346.00	264.90	305.10	345.00	302.25	306.15
11	Feb-06	286,771	2,559	314.95	266.05	272.20	309.40	270.00	271.65
12	Mar-06	926,669	8,186	282.00	179.00	236.50	278.75	178.00	236.20
	<b>Total</b>	<b>3,995,481</b>	<b>41,302</b>						



Relative Performance of Ramco Systems Share Price with NIFTY



### Registrar and Share Transfer Agent

M/s. Cameo Corporate Services Limited, Chennai, are the Registrar and Share Transfer Agents (RTA) for handling the physical and electronic registry work. The Shareholders are requested to address their share related requests / queries to the RTA at the following address:

M/s. Cameo Corporate Services Limited  
Unit: Ramco Systems Limited.

Subramanian Building, No.1, Club House Road, Chennai - 600 002, Phone:044-28460390; Fax:044-28460129.

### Share Transfer System

The requests for physical Share Transfers, Transmissions, Transposition etc., are received by the Company or by the Registrar's and Share Transfer Agents. In respect of the Company's shares which are currently traded in the demat form, the transfers are processed and approved in electronic form by NSDL/CDSL through their Depository Participants.

The physical Shares Transfers, Transmissions etc. are processed based on number of requests received. The shares lodged for physical transfer/transmission/transposition are registered as per the requirement of the listing agreement, if the documents are complete in all respects. Adequate care is taken to ensure that no share transfers are pending for more than the period stipulated in the listing agreement. Shares requested for dematerialisation are confirmed within 10 days.

To ensure swift processing of the Shares Transfers, Transmissions, Transposition etc., the Board of Directors have delegated powers to approve the process to Shareholders Committee. During the year, the Shareholders Committee has approved share transfers for 2,203 equity shares and transmissions of 4,117 equity shares. There is no specific complaint outstanding on the subject till date.

### Shareholding Pattern and the Distribution of Shareholding as at 31<sup>st</sup> March, 2006.

Description	Shares Held	% to Capital	Graphical Representation of the Shareholding Pattern
<b>Promoters</b>			<p> <span style="display: inline-block; width: 10px; height: 10px; background-color: #cccccc; border: 1px solid black;"></span> Promoters                     <span style="display: inline-block; width: 10px; height: 10px; background-color: #333333; border: 1px solid black;"></span> Institutional Investors                     <span style="display: inline-block; width: 10px; height: 10px; background-color: #999999; border: 1px solid black;"></span> Others                 </p>
Indian Promoters	85,91,517	55.95	
Persons Acting in Concert	10,18,135	6.63	
<b>Sub Total</b>	<b>96,09,652</b>	<b>62.58</b>	
<b>Institutional Investors</b>			
Mutual Fund & UTI	3596	0.02	
Financial Institutions	50	0.00	
Insurance Companies	3,51,493	2.29	
Banks	25,150	0.16	
FIs	7,81,009	5.09	
<b>Sub -Total</b>	<b>11,61,298</b>	<b>7.56</b>	
<b>Others</b>			
NRIs/OCBs/Foreign Nationals	40,573	0.26	
Bodies Corporate	12,64,482	8.23	
Indian Public	32,80,456	21.36	
<b>Sub Total</b>	<b>45,85,511</b>	<b>29.86</b>	
<b>Grand Total</b>	<b>1,53,56,461</b>	<b>100.00</b>	

The Distribution of the Shareholding of the Company as at 31<sup>st</sup> March, 2006, is as follows:

Share holding (Nominal Value) Rs.	Share Holders		Share Amount	
	Number	% to total	Rs.	% to total
Upto 5000	8,139	89.05	81,84,330	5.33
5001-10000	420	4.59	31,20,130	2.03
10001-20000	243	2.66	34,84,430	2.27
20001-30000	110	1.20	27,18,060	1.77
30001-40000	48	0.53	16,78,030	1.09
40001-50000	29	0.32	13,17,840	0.86
50001-100000	61	0.67	44,95,710	2.93
100001 and above	90	0.98	12,85,66,080	83.72
<b>Total</b>	<b>9,140</b>	<b>100.00</b>	<b>15,35,64,610</b>	<b>100.00</b>

### Dematerialisation of Shares and Liquidity

The Company has entered into agreements with both National Securities Depository Limited and Central Depository Services (India) Limited to facilitate the Shareholders to demat their equity shares with any one of the depositories. The custodial charges for the year 2006-07 have been paid to NSDL and CDSL as per the Listing Agreement. As at 31<sup>st</sup> March 2006, 1,43,74,143 equity shares representing 93.60% of the Company's total number of shares have been dematerialised.

In view of the SEBI's direction, that the settlement of trades in the listed securities should take place only in the demat mode and considering the benefits embedded in holding the securities in demat form, the Shareholders holding the shares in physical forms are requested to demat their shares at the earliest.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity : The Company has not issued any ADR/GDR or any convertible warrants

### Plant Location

#### R&D Centre

No.64, Sardar Patel Road , Taramani  
Chennai – 600 113.

#### Address for Correspondence & Shareholders queries

The Company Secretary  
No.64, Sardar Patel Road, Taramani, Chennai – 600 113  
Phone : 044-22354510 :: Telefax : 044-22355078  
(or)  
M/s. Cameo Corporate Services Limited  
Unit: Ramco Systems Limited.  
Subramanian Building, No.1, Club House Road  
Chennai: 600 002  
Phone:044-28460390: Fax:044-28460129.

### Other Shareholders Information

#### Secretarial Audit

A secretarial audit is done every quarter by the practicing Company Secretary, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and paid up capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

#### Merchant Bankers to ESOP 2000, ESOS 2003, ESOS 2004 and ESOS 2004 Schemes

In accordance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 together with the amendment made in June 2003 thereto, the Company has appointed Indbank Merchant Banking Services Limited, III Floor, Krest Building, Old No. 26/27, New No.2, Jehangir Street, Chennai - 600 001 as the Merchant Bankers for the implementation of the said Schemes.

## Compliance Certificate

Compliance Certificate dated 27<sup>th</sup> May, 2006, from our Statutory Auditors, M/s. CNGSN & Associates is given at the end of this Corporate Governance Report.

---

### Declaration from the Vice Chairman, Managing Director & CEO

(Under clause 49(D)(ii) of the Listing Agreement)

To

The Members of Ramco Systems Limited

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for the year ended 31<sup>st</sup> March, 2006.

**For RAMCO SYSTEMS LIMITED**

Place: Chennai

Date : 27<sup>th</sup> May, 2006

**P R VENKETRAMA RAJA**

VICE CHAIRMAN, MANAGING DIRECTOR & CEO

---

### AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

(Under Clause 49 of the Listing Agreement)

To

The Members of Ramco Systems Limited

We have examined the compliance of conditions of Corporate Governance by Ramco Systems Limited, for the year ended 31<sup>st</sup> March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For CNGSN & Associates,**  
Chartered Accountants

Place : Chennai

Date : 27<sup>th</sup> May, 2006

**C.N.GANGADARAN**

Partner

Membership Number: 011205

## Management Discussion & Analysis

### Overview

This year the company has crossed several milestones. The year witnessed the large scale market acknowledgement of years of faith and investment made by the Company on its revolutionary solution assembly and delivery platform - Ramco VirtualWorks. Solutions delivered on the platform received global acceptance and appreciation as a better alternative to conventional approaches. Several customers reaped the benefits of Ramco's adaptive solutions and reposed their trust by placing multiple repeat orders.

For the second year in a row, the Company has been adjudged as the No. 1 in Customer Satisfaction Audit for Enterprise Solutions by Dataquest-IDC. This is an endorsement of Ramco's commitment to provide complete value to its customers.

On the business front, the Company extended its footprint into new markets such as New Zealand, South Korea and Qatar with strategic order wins. Aviation MRO, Manufacturing, Governance and BFSI are some of the focus verticals where significant orders have been won during the year. The strategy of investing in business partners to increase penetration and success in the growing business (Small & Medium business) segment in India and Middle East has been successful. During the year, India operations added 41 new customers across Manufacturing, Auto ancillaries and other verticals.

Close to eighty projects built and delivered on the Ramco VirtualWorks platform are under various stages of implementation. Many of these projects are already LIVE and customers are reaping the promised benefits.

### Opportunities

Over the years, we have steadily invested in Ramco VirtualWorks and today, we are leveraging this powerful platform to offer a host of solutions to customers globally. Some of the potential solution areas we are focusing includes Business Transformation, Process Outsourcing, Collaborative Application Development & Legacy Transformation onto a Service Oriented Architecture.

Verticals that are promising include Aviation MRO, eGovernance, Manufacturing and BFSI.

### Partnerships & Alliances

During the year, Ramco entered into a few strategic alliances with international market leaders to target specific business opportunities. Significant among them are :

- a. Agreement with a leading outsourced Customer Management Solutions company to enhance BPO business
- b. Global partnership with Sabre for Aviation and MRO software.

### Quality

The key characteristics of enterprise solutions are Reliability, Speed of Delivery and Flexibility. The model-based architecture of Ramco VirtualWorks ensures that solutions built and delivered are reliable, possess high flexibility to adapt and are delivered faster than conventional approaches. The Company has been successfully certified as a SEI CMMI - SW Level 5 Company and is progressing towards achieving P-CMM (People Capability Maturity Model) certification.

### People Initiatives

Our employees are the key to our sustained success. Given the fast paced nature of our business, we continue to pro-actively invest on professional training programs to ensure our employees are up-to-date with the latest technology developments.

Over the year, several workshops for Creativity, Leadership Development, Role Effectiveness, Personality Development and Team Building were conducted to enrich the employees, enhance their productivity and deliver the next level of performance. Using our own HR Management Solution the entire performance appraisal process has been automated to bring in better transparency and accountability. Routine employee tasks such as availing leave, LTA and claiming medical reimbursements are now offered as a self-service for better efficiency and employee convenience.

As part of the standard process, all employees who are deputed on assignments abroad undergo a detailed cross-cultural and etiquette training. This helps them acclimatize faster to the new environment and be successful brand ambassadors of Ramco across the globe.

Recognizing our nature of work, the Company has conducted a series of Health programs to help employees maintain good health. We firmly believe in the Ramco group's philosophy of being a responsible corporate citizen and during the year, we executed high-impact programs towards the cause of Cancer, CRY, Mentally challenged Children and saving lives through voluntary blood donation.

---

*The "Letter to Shareholders" and "Corporate Themes" provided in this report may not contain sufficient information to allow full understanding of the results or the state of affairs of the Company. The Ramco Systems management cautions investors that these reports are provided only as additional information to our investors. Using such reports for predicting the future of Ramco Systems is risky. The Ramco Systems management is not responsible for any direct, indirect or consequential losses suffered by any person using these reports.*

## AUDITOR'S REPORT TO THE MEMBERS OF RAMCO SYSTEMS LIMITED

1. We have audited the attached balance sheet of Ramco Systems Limited, as at 31<sup>st</sup> March, 2006, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Board of Directors, as on 31<sup>st</sup> March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (a) in the case of balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2006;
    - (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For CNGSN & Associates**  
Chartered Accountants

**C.N. GANGADARAN**

Partner

Membership Number: 011205

Place : Chennai

Date : 27th May, 2006

## ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Most of the assets have been physically verified by the management during the year. The company has a phased programme of verification which in our opinion is reasonable having regard to the size of the company. No material discrepancies have been noticed on such verification.
- (c) During the year, the company has not disposed off a substantial part of the fixed assets and the going concern status of the company is not affected.
- (ii) (a) The inventory has been physically verified during the year by the management.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. No material discrepancies were noticed at the time of physical verification.
- (iii) (a) The Company has transactions with one company mentioned in Section 301 register. The total amount taken during the year was Rs.393,000,000/- and the year end balance is Rs.30,000,000/-, total amount given during the year was Rs.240,000,000/- and the year end balance is Nil.
- (b) In our opinion rates of interest and other terms and conditions are not prejudicial to the interest of the company.
- (c) The repayment of the principal amounts and interest wherever applicable are regular.
- (d) The loans taken by the company are repayable on demand and therefore the question of overdue amounts does not arise.
- (iv) in our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) The company has transactions with Section 301 companies. The transactions have been entered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The company does not come under section 209(1)(d) of the Companies Act, 1956.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable to it.
- (b) According to the information and explanations given to us no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears as at 31<sup>st</sup> March, 2006 for a period of more than six months from the date they became payable.

- (x) In our opinion, the accumulated losses of the Company are not more than 50% of its net worth. The Company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or nidhi / mutual benefit fund / society. Therefore the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xv) The company has not given any guarantees for loans taken by others from banks or financial institutions during the year, the terms and conditions were of are not prejudicial to the interest of the Company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company has issued 11 number of unsecured debentures of Rs.1 crore each.
- (xx) We have verified the end use of money raised by the Rights Issue 2005, from the letter of offer filed with SEBI and as disclosed in the notes to the Financial Statements.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For CNGSN & Associates**  
Chartered Accountants

Place : Chennai  
Date : 27th May, 2006

**C.N. GANGADARAN**  
Partner  
Membership Number: 011205



## BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
a) Share Capital	I	153,918,625	122,835,680
b) Reserves & Surplus	II	1,942,493,371	1,334,462,949
		<u>2,096,411,996</u>	<u>1,457,298,629</u>
<b>2. Loan Funds</b>			
a) Secured	III	546,807,399	510,481,931
b) Unsecured	IV	855,425,090	1,030,012,005
		<u>1,402,232,489</u>	<u>1,540,493,936</u>
<b>TOTAL</b>		<u>3,498,644,485</u>	<u>2,997,792,565</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
Gross Block			
	V	2,408,994,973	2,113,416,786
Less : Depreciation			
		787,661,168	605,616,435
Net Block			
		<u>1,621,333,805</u>	<u>1,507,800,351</u>
<b>2. Investments</b>			
	VI	1,228,259,486	1,222,447,967
<b>3. Current Assets, Loans &amp; Advances</b>			
a) Inventories	VII	20,850,468	27,462,572
b) Sundry Debtors	VIII	401,688,901	400,635,386
c) Cash & Bank Balances	IX	175,224,680	83,090,934
d) Loans & Advances	X	126,318,249	107,106,433
e) Other Current Assets	XI	20,198,421	14,206,439
		<u>744,280,719</u>	<u>632,501,764</u>
<b>Less: Current Liabilities and Provisions</b>			
a) Current Liabilities	XII	413,201,462	351,629,875
b) Provisions	XIII	22,709,838	13,327,642
		<u>435,911,300</u>	<u>364,957,517</u>
<b>Net Current Assets</b>			
		<u>308,369,419</u>	<u>267,544,247</u>
<b>4. Profit &amp; Loss account</b>			
	XIV	340,681,775	-
<b>TOTAL</b>		<u>3,498,644,485</u>	<u>2,997,792,565</u>

Significant Accounting Policies and Notes to accounts **XXI**

Schedules, Accounting Policies and Notes form an integral part of the accounts

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman**S.S RAMACHANDRA RAJA****N.K. SHRIKANTAN RAJA****C.N. GANGADARAN**  
Partner**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO**M.M.VENKATACHALAM**Place: Chennai  
Date : 27th May, 2006**SUBRAMANIAN NARAYAN**  
Company Secretary**V. JAGADISAN**  
Directors

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

	Schedule	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
<b>INCOME</b>			
Sales	XV	1,174,677,857	1,154,809,994
Other Income	XVI	43,330,012	73,007,210
		<u>1,218,007,869</u>	<u>1,227,817,204</u>
<b>EXPENDITURE</b>			
Cost of Resale Material		386,324,318	314,905,211
Employee Compensation & Benefits	XVII	604,368,142	543,128,456
Sales & Marketing Expenses	XVIII	17,660,906	30,459,953
Administrative & Other Expenses	XIX	233,637,613	184,307,971
		<u>1,241,990,979</u>	<u>1,072,801,591</u>
<b>Profit / (Loss) before Interest, Depreciation, Extraordinary items &amp; Tax</b>		<b>(23,983,110)</b>	155,015,613
Interest & Finance Charges	XX		
- For R&D activities		52,067,125	31,143,012
- For Others		73,363,861	82,669,611
<b>Profit / (Loss) before Depreciation, Extraordinary items &amp; Tax</b>		<b>(149,414,096)</b>	41,202,990
Depreciation - on Technology Platform & Product Software		119,169,531	114,870,022
- on other fixed assets		63,898,148	54,956,759
<b>Profit / (Loss) before Extraordinary items &amp; Tax</b>		<b>(332,481,775)</b>	(128,623,791)
Extraordinary Items		-	274,978,586
<b>Profit / (Loss) before Tax</b>		<b>(332,481,775)</b>	(403,602,377)
Provision for Taxation			
Current Taxation		-	-
Deferred Taxation (Refer Note No. 8)		-	-
Fringe Benefit Tax		8,200,000	-
<b>Profit / (Loss) after Tax</b>		<b>(340,681,775)</b>	(403,602,377)
Balance in Profit & Loss Account brought forward from previous year		-	(688,094,392)
Prior period adjustments		-	(15,972,410)
Transfer from Share Premium Account, to the extent required to set of the write-off of trade receivables as per the Scheme of Arrangement		-	880,204,035
Set off of trade receivables as per the Scheme of Arrangement		-	(880,204,035)
Set-off of accumulated losses against Share Premium as per the Scheme of Arrangement		-	1,107,669,179
<b>Balance in Profit &amp; Loss Account</b>		<b>(340,681,775)</b>	-
Significant Accounting Policies and Notes to accounts	XXI		
Schedules, Accounting Policies and Notes form an integral part of the accounts			

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors

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

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
<b>A. Cash Flow From Operating Activities</b>		
<b>Net Profit / (Loss) before tax - after prior period adjustments</b>	<b>(332,481,775)</b>	(419,574,787)
<b>Adjustments for:</b>		
Depreciation	183,067,679	169,826,781
Interest & Finance Charges	125,430,986	113,812,623
Unrealised foreign exchange fluctuation (gain) / loss	(4,433,057)	(5,043,996)
(Profit)/Loss on sale of assets - Net	1,132,191	3,891,327
Interest Received	(5,719,428)	(30,782,886)
Dividend income	(6,312,047)	(7,899,224)
Provision for Fringe Benefit Tax	(2,400,000)	-
Extraordinary Items	-	274,978,586
<b>Operating Profit/ (Loss) before Working Capital Changes</b>	<b>(41,715,451)</b>	99,208,424
<b>Working Capital Changes:</b>		
(Increase) / Decrease in Trade and Other receivables	(20,265,331)	(402,766,738)
(Increase) / Decrease in Inventories	6,612,104	(3,820,645)
(Increase) / Decrease in Other current assets [other than Cash and Bank]	(5,991,982)	4,034,988
Increase / (Decrease) in Current liabilities and Provisions	70,953,783	(17,568,718)
<b>Cash generated from operations</b>	<b>9,593,123</b>	(320,912,689)
Fringe Benefit Tax paid	(5,800,000)	-
<b>Net Cash (used in) / from operating activities</b>	<b>3,793,123</b>	(320,912,689)
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed assets - for R&D activities	(7,080,921)	(3,269,215)
Purchase of Fixed assets - for Others	(48,407,502)	(57,843,863)
Investment in R&D activities	(243,900,169)	(181,883,985)
Net Investment in Companies / Mutual Funds	(5,811,519)	39,500,000
Proceeds from Sale of fixed assets	1,655,268	1,135,200
Interest received	5,719,428	30,782,886
Dividend income	6,312,047	7,899,224
<b>Net cash (used in) / from Investing Activities</b>	<b>(291,513,368)</b>	(163,679,753)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	639,113,367	218,831,361
Proceeds from secured borrowings-for Others	44,810,676	208,006,574
Proceeds from secured borrowings-for R&D activities	298,300,000	-
Proceeds from unsecured borrowings-for R&D activities	-	190,800,000
Proceeds from unsecured borrowings-for Others	510,375,090	416,212,005
Repayment of secured borrowings	(306,785,208)	(24,898,650)
Repayment of unsecured borrowings	(684,962,005)	(457,550,000)
Interest & Finance Charges	(125,430,986)	(113,812,623)
<b>Net Cash from financing activities</b>	<b>375,420,934</b>	437,588,667
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>87,700,689</b>	(47,003,775)
<b>Cash and Cash equivalents at the beginning of the year</b>	<b>83,090,934</b>	125,050,713
Effect of Unrealised foreign exchange fluctuation gain / (loss)	4,433,057	5,043,996
<b>Cash and Cash equivalents at the end of the year</b>	<b>175,224,680</b>	83,090,934

Note: Previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2006**

		As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
<b>Schedule I</b>			
<b>Share Capital</b>			
<b>Authorised :</b>			
30,000,000 equity Shares of Rs.10/- each (Previous year 15,000,000 of Rs.10/- each)		<u>300,000,000</u>	<u>150,000,000</u>
<b>Issued Share Capital</b>			
15,705,664 equity shares of Rs.10/- each (Previous year 12,597,382 of Rs.10/- each)		<u>157,056,640</u>	<u>125,973,820</u>
<b>Subscribed Share Capital</b>			
15,705,664 equity shares of Rs.10/- each (Previous year 12,597,382 of Rs.10/- each)		<u>157,056,640</u>	<u>125,973,820</u>
<b>Paid up Capital</b>			
15,356,461 (Previous year 12,248,154) equity shares of Rs.10/- each fully paid up (Refer Note No. 11)	<b>153,564,610</b>		
Add: Forfeited Shares	<u>354,015</u>	<u>153,918,625</u>	<u>122,835,680</u>
<b>Of the above</b>			
4,333,153 equity shares of face value Rs.10/- each have been allotted to the Shareholders of Ramco Industries Limited credited as fully paid up pursuant to the approval of the scheme of arrangement (Demerger) for the transfer of software business undertaking of Ramco Industries Limited with Ramco Systems Limited by the Honorable High Court of Madras, vide order dated 24th December, 1999.			
2,376,719 equity shares have been allotted to Ramco Industries Limited as fully paid up shares of face value of Rs. 10/- each at a premium of Rs.293/- per share pursuant to a contract for the transfer of its entire investment in the overseas Subsidiary Companies without payment being received in cash. The above allotment has been duly approved by the Shareholders of the company in the EGM held on 10th November, 1999 and by the Reserve Bank of India.			
		As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
<b>Schedule II</b>			
<b>Reserves &amp; Surplus</b>			
Share Premium (Refer Note No. 11 (d))	<b>1,942,379,086</b>		
Add: Forfeited Shares	<u>114,285</u>	<u>1,942,493,371</u>	<u>1,334,462,949</u>
		<u>1,942,493,371</u>	<u>1,334,462,949</u>
<b>Schedule III</b>			
<b>Secured Loans</b>			
a) Bank Borrowings		<b>40,906,602</b>	201,652,269
b) Term Loan from Housing Development Finance Corporation Ltd.		-	10,044,290
Sundaram Housing Finance Ltd. Banks		-	2,407,586
		<b>501,656,165</b>	294,333,332
c) Hire Purchase Loans (For security details, refer Note No.2)		<b>4,244,632</b>	2,044,454
		<u>546,807,399</u>	<u>510,481,931</u>
<b>Schedule IV</b>			
<b>Unsecured Loans</b>			
Short Term Loans - from Banks		<b>665,425,090</b>	630,012,005
- from others		<b>190,000,000</b>	400,000,000
		<u>855,425,090</u>	<u>1,030,012,005</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2006

Schedule V- Fixed Assets

(Rs.)

Asset Description	Gross Block				Depreciation Block				Net Block	
	As at 01.04.2005	Additions	Withdrawals	As at 31.03.2006	As at 01.04.2005	For the year	Withdrawals	Up to 31.03.2006	As at 01.04.2005	As at 31.03.2006
Land	117,819,601	-	-	117,819,601	-	-	-	-	117,819,601	117,819,601
Building	167,069,726	-	-	167,069,726	45,789,005	5,579,464	-	51,368,469	121,280,721	115,701,257
Plant & Machinery										
-EDP	281,805,265	24,717,647	148,716	306,374,196	197,806,691	27,668,463	13,980	225,461,174	83,998,574	80,913,022
-Software	106,738,868	22,424,816	-	129,163,684	57,423,704	15,705,474	-	73,129,178	49,315,164	56,034,506
-Others	31,864,935	-	-	31,864,935	15,283,103	1,524,249	-	16,807,352	16,581,832	15,057,583
Technology Platform	629,936,057	80,765,457	-	710,701,514	154,168,019	62,993,606	-	217,161,625	475,768,038	493,539,889
Product Software	561,759,252	163,134,712	-	724,893,964	43,883,114	56,175,925	-	100,059,039	517,876,138	624,834,925
Furniture										
-Furniture	95,848,049	1,005,877	211,097	96,642,829	44,587,058	6,064,720	22,511	50,629,267	51,260,991	46,013,562
-Office Equipments	17,566,100	-	-	17,566,100	6,905,981	812,375	-	7,718,356	10,660,119	9,847,744
Electrical Items	96,641,839	2,341,619	496,826	98,486,632	38,218,559	5,865,935	66,571	44,017,923	58,423,280	54,468,709
Vehicles	6,367,094	4,998,463	2,953,765	8,411,792	1,551,201	677,468	919,884	1,308,785	4,815,893	7,103,007
<b>Total</b>	<b>2,113,416,786</b>	<b>299,388,591</b>	<b>3,810,404</b>	<b>2,408,994,973</b>	<b>605,616,435</b>	<b>183,067,679</b>	<b>1,022,946</b>	<b>787,661,168</b>	<b>1,507,800,351</b>	<b>1,621,333,805</b>
Previous Year	1,958,543,964	328,627,250	173,754,428	2,113,416,786	479,517,554	169,826,781	43,727,900	605,616,435	1,479,026,410	1,507,800,351

Note: 1. For policy on fixed assets and depreciation refer significant accounting policy No. III  
2. Gross block includes assets acquired under Hire Purchase Rs.6,968,915/- (previous year Rs.4,466,157/-)

**As at 31.03.2006**  
**Rs.**

**As at 31.03.2005**  
**Rs.**

**Schedule VI**  
**Investments**

1. Investments in Subsidiaries ( Trade - Unquoted):		
192,729,550 Shares in Ramco Systems Corporation, USA of USD 0.0145 each	<b>743,412,072</b>	743,412,072
1,400,000 Shares in Ramco Systems Ltd., Switzerland of face value of CHF 1 each	<b>441,702,040</b>	441,702,040
725,000 Shares in Ramco Systems Pte. Ltd., Singapore of face value of SGD 1 each	<b>18,616,100</b>	18,616,100
1,280,000 Shares in Ramco Systems Sdn. Bhd., Malaysia of face value of RM 1 each	<b>18,217,054</b>	18,217,054
100 shares in RSL Enterprise Solutions (Pty.) Ltd., South Africa of face value of ZAR 1 each	<b>701</b>	701
50,000 shares in Ramco Infotech Solutions Ltd., Chennai of face value of Rupees 10 each	<b>500,000</b>	500,000
2. Investments in Mutual Funds - Short Term (non-trade - Unquoted) (581,093.787 units purchased under Standard Chartered Liquidity Manager - Daily Dividend Plan)	<b>5,811,519</b>	-
	<b><u>1,228,259,486</u></b>	<b><u>1,222,447,967</u></b>

**Schedule VII**  
**Inventories**

Resale Hardware & Software Materials (Valued at Cost or Net realisable value whichever is lower and as certified by management)	<b>20,850,468</b>	27,462,572
--	-------------------	------------

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.
<b>Schedule VIII</b>		
<b>Sundry Debtors</b>		
(Unsecured, Considered Good)		
a) Debts Outstanding for period exceeding six months		
(i) From Subsidiaries	9,212,998	34,116,949
(ii) Others	73,709,526	42,348,506
b) Other debts		
(i) From Subsidiaries	82,939,568	136,131,815
(ii) Others	235,826,809	188,038,116
(Unsecured, Considered doubtful)		
Debts - (out of (a)(ii) above)	333,975	6,646,826
Less: Provision for doubtful debts	(333,975)	(6,646,826)
	<u>401,688,901</u>	<u>400,635,386</u>
<b>Schedule IX</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	1,105,490	380,047
Balances with Scheduled Banks in		
a) Current Accounts	33,118,190	12,710,887
b) Deposit Accounts	141,001,000	70,000,000
	<u>175,224,680</u>	<u>83,090,934</u>
<b>Schedule X</b>		
<b>Loans and Advances</b>		
(Unsecured, Considered Good)		
Advance recoverable in Cash or kind or value to be received	66,695,823	57,224,606
Tax deducted at Source	35,525,832	36,078,355
Deposits with Government Departments and Others	24,096,594	13,803,472
(Unsecured, Considered doubtful )		
Advance recoverable in Cash or kind or value to be received	567,211	567,211
Less: Provision for doubtful advances	(567,211)	(567,211)
	<u>126,318,249</u>	<u>107,106,433</u>
<b>Schedule XI</b>		
<b>Other Current Assets</b>		
Prepaid expenses	19,327,052	13,900,075
Interest Accrued	871,369	306,364
	<u>20,198,421</u>	<u>14,206,439</u>
<b>Schedule XII</b>		
<b>Current Liabilities</b>		
For Purchases	111,993,063	81,503,138
For Expenses		
- To subsidiaries	140,123,043	132,543,508
- Others	159,482,616	136,060,968
Interest accrued but not due on loans	1,602,740	1,522,261
	<u>413,201,462</u>	<u>351,629,875</u>
<b>Schedule XIII</b>		
<b>Provisions</b>		
Provision for staff benefit schemes	20,309,838	12,400,476
Provision for Taxation	2,400,000	927,166
	<u>22,709,838</u>	<u>13,327,642</u>
<b>Schedule XIV</b>		
<b>Profit &amp; Loss Account</b>		
Balance brought forward from P&L Account	340,681,775	-



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

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
<b>Schedule XV</b>		
<b>Sales</b>		
Software Revenues (Licensing & Services)	566,209,389	747,454,380
Value Added Resale Software & Hardware Materials	539,828,820	364,361,927
Royalty	68,639,648	42,993,687
	<u>1,174,677,857</u>	<u>1,154,809,994</u>
<b>Schedule XVI</b>		
<b>Other Income</b>		
Interest Received (TDS Rs.301,935/-) (Previous year Rs.29,920/-)	5,719,428	30,782,886
Profit on sale of assets	11,860	310,556
Foreign Exchange Fluctuation	6,874,114	11,030,998
Rent Income	18,840,960	18,840,960
Dividend from Subsidiaries	6,200,528	7,770,828
Dividend from Mutual Fund Units	111,519	128,396
Miscellaneous Income	5,571,603	4,142,586
	<u>43,330,012</u>	<u>73,007,210</u>
<b>Schedule XVII</b>		
<b>Employee Compensation &amp; Benefits</b>		
Salaries, Bonus etc.,	531,796,057	482,199,860
Gratuity & Superannuation Fund Contributions	17,351,709	16,253,834
Provident Fund Contributions	24,831,743	20,345,254
Staff Welfare	30,388,633	24,329,508
	<u>604,368,142</u>	<u>543,128,456</u>
<b>Schedule XVIII</b>		
<b>Sales &amp; Marketing Expenses</b>		
Advertisement & Sales Promotion	16,391,730	29,313,988
Handling, Packing & Forwarding	1,269,176	1,145,965
	<u>17,660,906</u>	<u>30,459,953</u>
<b>Schedule XIX</b>		
<b>Administrative &amp; Other Expenses</b>		
Consultancy Charges	7,769,330	6,832,037
Bank Charges	6,093,755	3,768,044
Insurance	2,179,177	2,149,761
Loss on sale of assets	1,144,051	4,201,883
Communication Expenses	17,277,842	16,675,520
Power & Fuel	13,985,931	11,890,859
Printing & Stationery	3,407,433	3,560,562
Rates & Taxes	17,323,084	5,356,700
Rent	47,162,582	40,399,873
Repairs - Buildings	1,592,960	91,341
Repairs - Plant & Machinery	12,804,780	11,498,758
Repairs - Others	3,919,767	2,908,997
Travel & Conveyance	66,990,680	52,769,833
Bad Debts Written off	10,226,066	3,559,350
Provision for Doubtful Debts	-	5,041,577
Miscellaneous Expenses	21,760,175	13,602,876
	<u>233,637,613</u>	<u>184,307,971</u>
<b>Schedule XX</b>		
<b>Interest &amp; Finance Charges</b>		
Interest on loans taken for R&D activities	52,067,125	31,143,012
Interest for others		
- Fixed Loans	55,356	1,216,252
- Hire Purchase & Finance Charges	2,210,969	6,455,123
- Others	71,097,536	74,998,236
	<u>73,363,861</u>	<u>82,669,611</u>
	<u>125,430,986</u>	<u>113,812,623</u>

## **Schedule XXI**

### **SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **I. Basis of Preparation**

The financial statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) and materially comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

##### **II. Revenue Recognition**

###### **A. Software and related services**

###### **i) License Fees**

License Fee revenue is recognized on delivery of the software.

###### **ii) Software development / Implementation Fees**

Software development / Implementation Contracts are either fixed price based or time and material based. In case of fixed price contracts, revenue is recognised in accordance with percentage of completion method of accounting. In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

###### **iii) Annual Maintenance Contract**

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

###### **B. Value Added Resale Hardware & Software**

Revenue from sales is recognised upon despatch of goods to Customers.

###### **C. Other Income**

Interest on bank deposits and rental income are recognized on accrual basis.

##### **III. Fixed Assets and Depreciation**

###### **A. Tangible Assets**

Fixed Assets are capitalised at historical cost and includes freight, installation cost, finance cost, taxes and duties and other incidental expenses incurred during the installation stage.

Depreciation is charged on a pro-rata basis on the Straight Line Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.

Individual assets not exceeding Rs.5,000/- are depreciated in full in the year of purchase.

Assets acquired on Hire Purchase are capitalised at the gross value and interest thereon charged to Profit & Loss A/c.

In respect of Assets leased prior to 1st April 2001, the lease rentals paid during the year are charged to Profit & Loss A/c. In respect of assets leased on or after 1st April 2001, the accounting treatment prescribed by Accounting Standard 19 on "Leases" is followed.

###### **B. Intangible Assets**

Costs incurred in the development of ERP product, together with repository of new business components, upon completion of the development phase, have been classified and grouped as "Product Software" under Fixed Assets.

Similarly, costs incurred in the development of technology platform framework, which would enable the company to provide solutions - both standard and customised in an efficient manner, have been classified and grouped as "Technology Platform" under Fixed Assets, once the same is available for use.

The useful life of these assets is estimated as ten years and depreciation is charged accordingly.

##### **IV. Investments**

Long term investments are stated at cost and short term investments are valued at lower of cost and net realisable value. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.

##### **V. Inventories**

Inventories are valued at lower of cost and net realisable value. Cost includes cost incurred in bringing the inventories to their present location and condition and is determined based on FIFO method.

## **VI. Foreign Currency Transactions**

The functional currency of the Company is Indian Rupee.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency at the year end are translated at the exchange rates prevailing on the date of the balance sheet or wherever forward contracts are booked, at the respective rates as per such forward contracts and the loss or gain arising out of such transactions is adjusted in the Profit & Loss A/c. Exchange difference in respect of foreign currency liabilities incurred for acquiring fixed assets is added to the cost of respective fixed assets.

## **VII. Translation of Financial Statements of Foreign Branch**

All income and expenditure transactions during the year are reported at a monthly moving average exchange rate for the respective periods. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction and the balance in 'head office account' whether debit or credit, is reported at the amount of the balance in the 'branch account' in the books of the head office, after adjusting for unresponded transactions. Net gain / loss on foreign currency translation is recognised in the Profit & Loss A/c.

## **VIII. Retirement Benefits**

### **Gratuity**

In accordance with the Indian law, the company provides for gratuity, a defined benefit retirement plan ("The Gratuity Plan"), covering all employees. These employees are covered under the Group Gratuity Scheme of the LIC. The Gratuity, is charged to Profit & Loss A/c on the basis of year's premium, computed by Life Insurance Corporation of India.

### **Superannuation**

Apart from being covered under the Gratuity Plan described above, the senior officers of the Company are participants in a defined contribution benefit plan maintained by the Life Insurance Corporation of India. The plan is termed as superannuation plan to which the company makes contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its contributions.

### **Provident Fund**

In addition to the above benefits, all employees receive benefits from a Provident fund, which is a defined contribution plan. Both the employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's basic salary. These contributions are made to the employees' provident fund maintained by the Government of India. The Company has no further obligations under the plan beyond its monthly contributions.

### **Leave Encashment**

Leave encashment liability ascertained by actuarial valuation is provided in the books of accounts.

## **IX. Earnings per share**

Profit after tax is adjusted for prior period adjustments and divided by the weighted average number of equity shares outstanding during the period.

## **X. Impairment of assets**

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

## **NOTES ON ACCOUNTS**

	(Rs. in lacs)
	As at
	31.03.2006
	31.03.2005
<b>1. Contingent Liabilities</b>	
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	146.53
(b) Bank Guarantees	572.67
(c) Letters of Credit	10.50
(d) Income Tax Liability	Nil
	5.56
	511.12
	332.13
	1,756.13

The Company has provided a corporate guarantee to its subsidiary, Ramco Systems Ltd., Switzerland, undertaking to meet all liabilities that may arise to the subsidiary pursuant to a claim against it by one of its customer. In view of the ongoing negotiations between the subsidiary and the customer in this regard, the liability to the Company, if any, that may arise is not quantifiable.

### **2. Secured Loans**

Borrowings from the banks for working capital amounting to Rs.300.00 lacs (Previous year Rs.450.27 lacs) are secured by a pari-passu first charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Balance borrowings from the banks for working capital amounting to Rs.109.07 lacs (Previous year Rs.1,566.25 lacs) are secured by a pari-passu second charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Borrowings from UTI Bank Limited (Under Term loan from Banks) amounting to Rs.2,516.56 lacs (Previous year Rs. Nil) are secured by subservient charge on current assets including stocks and book debts and supported by a Corporate Guarantee from Madras Cements Limited.

Borrowings from The Federal Bank Limited (Under Term loan from Banks) for working capital amounting to Rs.2,500.00 lacs (Previous year Rs. Nil) are secured by First charge by way of equitable mortgage on Land & Building and Movable Fixed Assets located at No.64, Sardar Patel Road, Taramani, Chennai.

Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Ltd., amounting to Rs. Nil (Previous year Rs.124.52 lacs), represented a Line of Credit to the company towards provision of housing loans to the employees which was secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees.

Borrowings from HDFC Bank Limited (Under Term loan from Banks) amounting to Rs. Nil (Previous year Rs.443.33 lacs) were secured by an exclusive charge on the Land at Santhome, Chennai.

Borrowings from Standard Chartered Bank (Under Term loan from Banks) amounting to Rs. Nil (Previous year Rs.2,500.00 lacs) were secured by a first charge on the fixed assets of the Company and supported by a Corporate Guarantee from Madras Cements Limited.

Assets acquired under Hire Purchase Finance are hypothecated to the Hire Purchase Companies as security.

Of the total unsecured loans of Rs.8,554.25 lacs (Previous year Rs.10,300.12 lacs), Rs.5,750.50 lacs (Previous year Rs.6,224.71 lacs) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.2,503.75 lacs (Previous year Rs.2,575.41 lacs) are supported by a Corporate Guarantee from Ramco Industries Limited.

### **3. Current Liabilities**

There are no outstanding exceeding a sum of Rs.1.00 lac to Small Scale Industrial undertakings, for more than 30 days.

4. Additional information as required by Schedule VI of the Companies Act, 1956

(Rs. in lacs)

	Year ended 31.03.2006	Year ended 31.03.2005		
<b>A) Sales:</b>				
a) Ramco e.Applications and other Software & Services	6,320.43	7,178.16		
b) Enterprise Networking Solutions	5,426.35	4,369.94		
<b>B) CIF Value of Imports</b>				
Raw Materials	3,134.02	2,407.74		
Components & spare parts	-	0.36		
Capital goods	25.81	66.57		
<b>TOTAL</b>	<u>3,159.83</u>	<u>2,474.67</u>		
<b>C) Expenditure in Foreign Currency on account of</b>				
Professional / consultation fees	14.18	42.08		
Travelling	314.00	185.72		
Patents	69.47	125.64		
Others	96.17	101.45		
<b>TOTAL</b>	<u>493.82</u>	<u>454.89</u>		
<b>D) Number of Non-resident Shareholders</b>	96	37		
<b>E) Value of consumption of imported and Indigenous raw materials and spare parts</b>				
	Value	%	Value	%
<b>Raw Materials</b>	(Rs. in lacs)		(Rs. in lacs)	
Imported	2,810.89	72.76	2,539.54	80.64
Indigenous	1,052.35	27.24	609.51	19.36
<b>F) Earnings in Foreign Exchange</b>				
Export of goods & Services on F.O.B basis	3,087.90		5,121.14	
Royalty	686.40		429.94	
Interest	-		270.12	
Dividend	62.01		77.71	
Others	27.78		13.45	
<b>TOTAL</b>	<u>3,864.09</u>		<u>5,912.36</u>	

5. Fees paid to Statutory Auditors inclusive of service tax

(Rs. in lacs)

Sl. No	Particulars	Year ended 31.03.2006	Year ended 31.03.2005
(a)	Statutory Audit	6.73	6.61
(b)	Tax Audit	1.01	0.99
(c)	Independent Auditor's report under AS-21	2.20	2.16
(d)	Audit & certification of accounts for Rights Issue - 2005	12.67	-
(e)	Others	0.55	0.11

The fees against sl.no.(d) above are included as part of Rights Issue expenses and adjusted against Share Premium account (refer note no. 11(d)) and the rest are included under the head "Consultancy Charges".

## 6. Managerial Remuneration

In the Extraordinary General Meeting of the Company held on 4<sup>th</sup> April, 2005, the Shareholders have approved the reappointment of Shri P.R.Venketrama Raja, as Vice Chairman, Managing Director & CEO (VCMD & CEO) for a period of five years with effect from 23<sup>rd</sup> March, 2005, on the same terms and conditions as were applicable before the reappointment. On an application made to the Central Government, an approval was accorded for the payment of remuneration for the period 23<sup>rd</sup> March, 2005, to 22<sup>nd</sup> February, 2006, after which the Company was to comply with the constitution of Remuneration Committee with the requisite member of Independent Directors as provided for in the Companies Act, 1956, before proceeding with further payment. As the induction of one more Independent Director to the Remuneration Committee is pending, remuneration has not been paid from 23<sup>rd</sup> February, 2006, though provision has been made in the accounts towards this for the period from 23<sup>rd</sup> February, 2006 to 31<sup>st</sup> March, 2006.

Computation of Profits as per Sec. 349 of the Companies Act, 1956 for remuneration to VCMD & CEO for the year ended 31<sup>st</sup> March, 2006.

		(Rs.)
Profit / (Loss) before tax		(332,481,775)
Add: Directors Sitting Fees	232,500	
Vice Chairman, Managing Director & CEO's Remuneration	1,274,400	
Debts considered bad and written off	<u>10,226,066</u>	11,732,966
Loss arrived for the purpose of Managerial Remuneration		<u>(320,748,809)</u>

5% of the above Rs. Nil

The Company's VCMD & CEO is also the Vice Chairman & Managing Director of Ramco Industries Limited. As per the provisions of the Companies Act, 1956 read with Schedule XIII, the total remuneration payable should not exceed maximum limit admissible from any one of the Companies of which he is the Managing Director.

The details of his remuneration, paid by way of monthly remuneration as per the terms of appointment, are given below:

		(Rs.)
	<u>2005-06</u>	<u>2004-05</u>
Basic pay	7,20,000	7,20,000
House Rent Allowance	3,60,000	3,60,000
Contribution to Provident Fund	86,400	86,400
Contribution to Superannuation Fund	1,08,000	1,08,000
Total	<u>12,74,400</u>	<u>12,74,400</u>

This remuneration has been adjusted in the overall maximum remuneration of Rs.24,962,867/- (Previous Year Rs.11,783,101/-) payable by Ramco Industries Limited at 5% (previous year at 3%) of its net profits computed in accordance with the provisions of the said Act.

## 7. Taxation

No provision for current Income Tax for the Company (including its Branches at United Kingdom and Germany) other than Fringe Benefit Tax has been made in view of absence of taxable profits.

## 8. Deferred Tax

In the perception of the Company, the provisioning for Deferred Tax Asset / Liability does not arise.

## 9. Research and Development

### a) R&D Accounts:

Profit and Loss account, Balance Sheet and Schedules, based on separate books maintained in respect of the Research & Development activities, are enclosed.



## Ramco Systems Limited, India

### b) R&D Asset classification:

In line with the Company's stated policy on Intangible Assets, the research and development efforts are classified and capitalised into "Product Software" and "Technology Platform" as below:

	(Rs. in lacs)
Total research & development expenditure capitalized during the year, as per Schedule 5 to R&D Accounts	2,439.00
of the above,	
Shown as "Technology Platform" under Fixed Assets	807.65
Shown as "Product Software" under Fixed Assets	1,631.35

### 10. Sundry Debtors

Sundry Debtors include dues from overseas subsidiaries as given below:

SI No.	Subsidiary	Outstanding as on 31 <sup>st</sup> March, 2006	Maximum amount due during the year
A	Ramco Systems Corporation, USA	Rs.453.25 lacs (Previous year Rs.367.40 lacs)	Rs.453.25 lacs (Previous year Rs.4,163.17 lacs)
B	Ramco Systems Limited, Switzerland	Rs.69.72 lacs (Previous year Nil)	Rs.69.72 lacs (Previous year Rs.4,810.07 lacs)
C	Ramco Systems Sdn.Bhd., Malaysia	Nil (Previous year Nil)	Nil (Previous year Rs.20.17 lacs)
D	Ramco Systems Pte Ltd., Singapore	Rs.80.41 lacs (Previous year Nil)	Rs.130.17 lacs (Previous year Rs.670.97 lacs)
E	RSL Enterprise Solutions (Pty.) Ltd., South Africa	Rs.318.14 lacs (Previous year Rs.1,335.09 lacs)	Rs.1,335.09 lacs (Previous year Rs.1,335.09 lacs)
	Total	Rs.921.52 lacs (Previous year Rs.1,702.49 lacs)	

### 11. Equity and Share Premium

#### a) Rights Issue

During the year, in December 2005, the company came out with an issue of 3,070,757 equity shares of Rs.10/- each at a price of Rs.210/- per share (including a premium of Rs.200/- per equity share), on Rights basis to the existing equity Shareholders in the ratio of one equity share for every four equity shares held, amounting to Rs.6,448.58 lacs and it was fully subscribed. The allotments were made on 5<sup>th</sup> February, 2006 in consultation with the Designated Stock Exchange. Details of the utilization of the proceeds vis-a-vis the projections as per the Letter of Offer are given below:

**Utilization of Rights Issue proceeds:** (Rs. in lacs)

Particulars	Projections as per Letter of Offer	Actuals 2005-06
<b>Requirement of funds</b>		
i Working capital requirements	7,534.48	914.55
ii Research and development costs	1,804.60	2,589.08
iii Marketing/market development costs	514.60	176.61
iv Capital expenditure	500.00	484.07
v Issue expenses	200.00	156.14
<b>Total</b>	<b><u>10,553.68</u></b>	<b><u>4,320.45</u></b>
<b>Means of Finance</b>		
i Rights Issue Proceeds	6,448.58	6,448.58
Less: Interim use of Rights Issue proceeds towards reduction of borrowings	-	(4,628.13)
ii Term Loans/ Short Term Loans/ Working Capital Loans	4,105.10	2,500.00
<b>Total</b>	<b><u>10,553.68</u></b>	<b><u>4,320.45</u></b>

**b) Employee Stock Option Plan 2000 (ESOP 2000) and Employee Stock Option Scheme 2003 (ESOS 2003):**

Pursuant to the Company's ESOP 2000 plan and ESOS 2003 scheme, employees have exercised their options and were allotted shares in 2005-2006 as per the details given below:

Description of Plan	Date of allotment	No. of options Exercised	Exercise price per option Rs.	Face value per share Rs.	Premium per share Rs.
ESOP 2000	15-04-05	2,100	227	10	217
ESOS 2003	15-04-05	5,500	284	10	274
ESOP 2000	29-04-05	3,000	227	10	217
ESOS 2003	29-04-05	1,925	284	10	274
ESOP 2000	01-06-05	400	227	10	217
ESOS 2003	01-06-05	4,775	284	10	274
ESOP 2000	13-06-05	3,000	227	10	217
ESOS 2003	13-06-05	550	284	10	274
ESOP 2000	22-06-05	400	227	10	217
ESOS 2003	22-06-05	1,550	284	10	274
ESOP 2000	20-07-05	3,350	227	10	217
ESOS 2003	20-07-05	8,300	284	10	274
ESOP 2000	22-02-06	1,050	223	10	213
ESOS 2003	22-02-06	1,625	266	10	256
<b>Total</b>		<b>37,525</b>			

c) The Board of Directors of the Company have approved annulment of forfeiture of 25 equity shares on 21<sup>st</sup> September, 2005, which were earlier forfeited due to non payment of call money under Rights Issue, 2003.

**d) Movement in share capital and share premium is given below:**

(Rs. in lacs)

Increase on account of	Share capital	Share premium
Opening balance	1,228.36	13,344.63
Exercise of options under ESOP 2000 Plan	1.33	28.82
Exercise of options under ESOS 2003 Scheme	2.42	66.08
Annulment of 25 shares forfeited against Rights Issue-2003	0.001	0.03
Rights Issue-2005 issue of 3,070,757 equity shares	307.08	6,141.51
	<u>1,539.19</u>	<u>19,581.07</u>
Less : Rights Issue-2005 expenses	-	156.14
<b>Closing Balance</b>	<u>1,539.19</u>	<u>19,424.93</u>

**12. Earnings per share (EPS):**

**Year ended 31.03.2006**

Year ended 31.03.2005

Profit / (Loss) after tax and prior period expenses (Rs.)	(A)	<b>(340,681,775)</b>	(419,574,787)
Weighted average Equity Shares outstanding	(B)	<b>12,739,817</b>	11,760,080
EPS - Basic & diluted (per share of Rs.10/- each) (Rs.)	(A/B)	<b>(26.74)</b>	(35.68)

13. The Company's shares are listed on Madras Stock Exchange Limited, Bombay Stock Exchange Ltd., and The National Stock Exchange of India Limited. The Listing Fees payable to these stock exchanges have been paid.

14. The Company has branches in United Kingdom and Germany. The United Kingdom branch has made a turnover of Rs.314.65 lacs for the year ended 31<sup>st</sup> March, 2006 (previous year Rs. 315.23 lacs) and the Germany branch has made a turnover of Rs.6.72 lacs for the year ended 31<sup>st</sup> March, 2006 (previous year Rs. 7.61 lacs).

15. Amounts recovered from Subsidiaries towards expenses incurred on account of on-site employees to the extent of Rs.486.43 lacs (Previous year Rs. 582.89 lacs) have been netted off from expenses.

## Ramco Systems Limited, India

16. Consequent to recognition of revenue based on percentage of completion method of accounting, in respect of certain contracts for software development services under execution by the Company, the revenue for the year has gone up by Rs.46.67 lacs (previous year Rs. Nil).

### 17. Related Party Transactions:

As per Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

#### a. Subsidiary Companies (“Subsidiaries”) :

1. Ramco Systems Corporation, USA
2. Ramco Systems Ltd., Switzerland
3. Ramco Systems Pte Ltd., Singapore
4. Ramco Systems Sdn Bhd., Malaysia
5. RSL Enterprise Solutions (Pty) Ltd., South Africa
6. Ramco Infotech Solutions Ltd., India

#### b. Key Management Personnel and Relatives (“KMP”):

1. Shri P.R.Ramasubrahmaneya Rajha
2. Shri P.R.Venketrama Raja

#### c. Enterprises over which the above persons exercise significant influence and with which the company has transactions during the year (“Group”):

1. Rajapalayam Mills Ltd.,
2. Madras Cements Ltd.,
3. Ramco Industries Ltd.,
4. The Ramaraju Surgical Cotton Mills Ltd.,

The Company's transactions with the above Related Parties are given below:

Current Year		Rs.		
Type of transaction		Subsidiaries	Group	KMP
Export of software & Services	Transaction during the year	282,381,273	-	-
	Outstanding as on 31.03.06	40,277,416	-	-
Sale of goods & services	Transaction during the year	-	29,036,309	-
	Outstanding as on 31.03.06	-	15,822,911	-
Royalty	Transaction during the year	68,639,647	-	-
	Outstanding as on 31.03.06	51,875,152	-	-
Cost of services availed	Transaction during the year	1,538,665	-	-
	Outstanding as on 31.03.06	140,123,043	-	-
Loan availed	Transaction during the year	-	393,000,000	-
	Outstanding as on 31.03.06 (including interest due if any)	-	30,000,000	-
Loan given	Transaction during the year	-	240,000,000	-
	Outstanding as on 31.03.06	-	-	-
Interest	Expenses	-	8,187,944	-
	Income	-	1,207,726	-
Rights Issue of shares	Transaction during the year	-	319,266,570	41,577,480
Dividend Income	Transaction during the year	6,200,528	-	-

Previous Year		Rs.		
Type of transaction		Subsidiaries	Group	KMP
Export of software & Services	Transaction during the year	515,425,121	-	-
	Outstanding as on 31.03.05	170,248,764	-	-
Sale of goods & services	Transaction during the year	-	10,391,010	-
	Outstanding as on 31.03.05	-	210,523	-
Royalty	Transaction during the year	42,993,686	-	-
	Outstanding as on 31.03.05	-	-	-
Purchase of Assets	Transaction during the year	-	219,927	-
	Outstanding as on 31.03.05	-	9,403	-
Cost of services availed	Transaction during the year	73,696,604	-	-
	Outstanding as on 31.03.05	132,543,508	-	-
Loan availed	Transaction during the year	-	597,000,000	-
	Outstanding as on 31.03.05 (including interest due if any)	-	150,000,000	-
Loan given	Transaction during the year	1,491,500	-	-
Investments	Transaction during the year	500,000	-	-
	Outstanding as on 31.03.05	-	-	-
Interest	Expenses	-	8,868,137	-
	Income	27,012,208	-	-
Preferential Issue of shares	Transaction during the year	-	147,410,519	54,979,100
Dividend Income	Transaction during the year	7,770,828	-	-

**Notes:**

- The Company has provided a lien on its deposit with a bank amounting to Rs.710.00 lacs (previous year Rs.700.00 lacs) in respect of a loan availed by a subsidiary from that bank.
- Details of corporate Gurantee given to a subsidiary are given in note No.1 above.
- Details of corporate gurantee given by the Group are given in Note No.2 above.
- Details of remuneration paid to Shri.P.R.Venketrana Raja are furnished in Note No.6 above.

**18. Segmental Revenue:**

**Primary Segment**

In accordance with Accounting Standard 17, issued by the Institute of Chartered Accountants of India, the company has determined its primary operating segments as:

**Product Software and Related Services**

Engaged in the development, licensing, implementation and maintenance of software solutions.

**Other Software Related Services**

Engaged in providing professional services and implementing projects, and consisting of two sub-segments, being

- Project and Other Software Services and
- CRM and Other IT Services.

**Network Solutions**

Engaged in the development and sale of network and communication hardware, security software and other related services.

These operating segments were identified from the structure of the Company's internal organization.

## Ramco Systems Limited, India

The revenues and results of each of the primary segments are given below:

(Rs. in lacs)

Segment Revenue - Primary Segments	For the year ended March 31,	
	2006	2005
<b>1. Segment Revenue</b>		
A. Product Software and related Services	4,730.23	4,904.16
B.1 Project and Other Software Services	1,062.03	2,040.65
B.2 CRM and Other IT Services	528.17	233.35
<b>B. Other Software Related Services Total</b>	<b>1,590.20</b>	<b>2,274.00</b>
C. Secured Convergent Networking Solutions	5,426.35	4,369.94
<b>Total Revenue</b>	<b>11,746.78</b>	<b>11,548.10</b>
Less: Inter Segment Revenue	-	-
<b>Net Sales / Income from Operations</b>	<b>11,746.78</b>	<b>11,548.10</b>
<b>2. Segment Profit / (Loss) before tax and interest</b>		
A. Product Software and related Services	1,157.45	1,354.38
B.1 Project and Other Software Services	(478.62)	718.22
B.2 CRM and Other IT Services	138.91	20.85
<b>B. Other Software Related Services Total</b>	<b>(339.71)</b>	<b>739.07</b>
C. Secured Convergent Networking Solutions	155.20	118.30
<b>Total</b>	<b>972.94</b>	<b>2,211.75</b>
Less: Interest	1,254.31	1,138.13
Less: Extra ordinary items	-	2,749.79
Less: Other unallocable expenditure net of unallocable income	3,043.45	2,359.86
<b>3. Profit / (Loss) before tax</b>	<b>(3,324.82)</b>	<b>(4,036.03)</b>
<b>4. Fringe Benefit Tax</b>	<b>82.00</b>	<b>-</b>
<b>5. Profit / (Loss) after tax</b>	<b>(3,406.82)</b>	<b>(4,036.03)</b>

### Secondary Segment

The company's secondary reporting segment is the geographies from which the revenues accrue and they have been identified as:

- India and Middle East regions, consisting of India and the Middle East
- Africa mainly consisting of South Africa.
- Asean, consisting of Malaysia, Singapore, Thailand, Philippines, New Zealand and other countries in the region.
- Europe, consisting of United Kingdom, Switzerland, Germany and Benelux countries.
- America, mainly consisting of North and South America and rest of the world.

Our secondary segment revenues from the geographies are given below:

### SECONDARY SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. in Lacs)

Particulars	India & Middle East	Africa	Asean	Europe	America	Total
Segment Revenue						
A. Product Software and Related services	2,167.82	350.48	456.25	348.28	1,407.40	4,730.23
B.1. Project and other Software services	517.75	374.87	-	43.00	126.41	1,062.03
B.2. CRM and other IT Services	279.37	-	-	-	248.80	528.17
C. Network Solutions	5,426.35	-	-	-	-	5,426.35
<b>Total Revenue</b>	<b>8,391.29</b>	<b>725.35</b>	<b>456.25</b>	<b>391.28</b>	<b>1,782.61</b>	<b>11,746.78</b>
Less: Inter Segment Revenue	-	-	-	-	-	-
<b>Net Sales / Income from Operations</b>	<b>8,391.29</b>	<b>725.35</b>	<b>456.25</b>	<b>391.28</b>	<b>1,782.61</b>	<b>11,746.78</b>

**SECONDARY SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH, 2005**

(Rs. in Lacs)

Particulars	India & Middle East	Africa	Asean	Europe	America	Total
Segment Revenue						
A. Product Software and Related Services	1,254.12	556.67	191.32	1,194.16	1,707.89	4,904.16
B.1. Project and Other Software Services	404.01	789.93	18.70	738.22	89.79	2,040.65
B.2. CRM and Other IT Services	109.63	-	5.20	-	118.52	233.35
C. Network Solutions	4,356.49	-	13.45	-	-	4,369.94
<b>Total Revenue</b>	<b>6,124.25</b>	<b>1,346.60</b>	<b>228.67</b>	<b>1,932.38</b>	<b>1,916.20</b>	<b>11,548.10</b>
Less: Inter Segment Revenue	-	-	-	-	-	-
<b>Net Sales / Income from Operations</b>	<b>6,124.25</b>	<b>1,346.60</b>	<b>228.67</b>	<b>1,932.38</b>	<b>1,916.20</b>	<b>11,548.10</b>

The Company believes that it is not practical to provide details of segmental assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) as they are used interchangeably among segments. Significant liabilities contracted are based on the company's requirements on the whole and are not identifiable to any of the reportable segment and as such have not been disclosed separately.

19. The figures have been rounded off to the nearest rupee and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors

Ramco Systems Limited, India

Research and Development Activities (Refer Sl.No.9 of Notes on Accounts)

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
<b>I. SOURCES OF FUNDS</b>			
1. Loan Funds		298,300,000	682,500,000
2. Head Office Contra Account		1,934,478,119	1,240,727,768
<b>TOTAL</b>		<b><u>2,232,778,119</u></b>	<b><u>1,923,227,768</u></b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	1		
Gross Block		1,975,574,494	1,724,593,404
Less : Depreciation		677,451,598	533,597,100
Net Block		<u>1,298,122,896</u>	<u>1,190,996,304</u>
2. Current Assets, Loans & Advances			
Other Current Assets		700,000	356,250
<b>Less: Current Liabilities and Provisions</b>		<b><u>7,564,398</u></b>	<b><u>5,796,320</u></b>
<b>Net Current Assets / (Liabilities)</b>		<b>(6,864,398)</b>	<b>(5,440,070)</b>
3. Revenue Expenditure relating to Research	2	941,519,621	737,671,534
<b>TOTAL</b>		<b><u>2,232,778,119</u></b>	<b><u>1,923,227,768</u></b>

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**C.N. GANGADARAN**  
Partner

Place: Chennai  
Date : 27th May, 2006

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**SUBRAMANIAN NARAYAN**  
Company Secretary

**S.S RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**M.M.VENKATACHALAM**

**V. JAGADISAN**  
Directors



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

	Schedule	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
<b>EXPENDITURE</b>			
Employee Compensation & Benefits	3	2,637,358	2,083,226
Administrative & Other Expenses	4	5,289,106	6,750,665
Interest & Finance Charges		52,067,125	31,143,012
Depreciation - on Technology Platform & Product Software		119,169,531	114,870,022
- on other R&D fixed assets		24,684,967	26,682,740
Product Software Asset Impairment		-	125,000,000
<b>Total Expenditure</b>		<b><u>203,848,087</u></b>	<b><u>306,529,665</u></b>

---

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**C.N. GANGADARAN**  
Partner

Place: Chennai  
Date : 27th May, 2006

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**SUBRAMANIAN NARAYAN**  
Company Secretary

**S.S RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**M.M.VENKATACHALAM**

**V. JAGADISAN**  
Directors

**Ramco Systems Limited, India**

**SCHEDULE TO BALANCE SHEET FOR R&D AS AT 31ST MARCH, 2006**

**Schedule 1 : Fixed Asset**

Rs.

Asset Description	Gross Block			Depreciation Block				Net Block		
	As at 01.04.2005	Additions	Withdrawals	As at 31.03.2006	As at 01.04.2005	For the year	Withdrawals	Up to 31.03.2006	As at 01.04.2005	As at 31.03.2006
Building	121,513,175	-	-	121,513,175	34,383,076	4,058,540	-	38,441,616	87,130,099	83,071,559
Plant & Machinery										
EDP	235,333,414	6,926,226	-	242,259,640	207,240,524	13,428,016	-	220,668,540	28,092,890	21,591,100
Software	37,651,290	154,695	-	37,805,985	21,611,259	87,842	-	21,699,101	16,040,031	16,106,884
Others	3,531,073	-	-	3,531,073	2,698,217	189,228	-	2,887,445	832,856	643,628
Technology Platform	629,936,057	80,765,457	-	710,701,514	154,168,019	62,993,606	-	217,161,625	475,768,038	493,539,889
Product Software	561,759,252	163,134,712	-	724,893,964	43,883,114	56,175,925	-	100,059,039	517,876,138	624,834,925
Furniture										
Furniture	54,368,620	-	-	54,368,620	29,287,472	3,392,734	-	32,680,206	25,081,148	21,688,414
Office Equipment	7,146	-	-	7,146	4,466	340	-	4,806	2,680	2,340
Electrical Items	80,493,377	-	-	80,493,377	40,320,953	3,528,267	-	43,849,220	40,172,424	36,644,157
<b>Total</b>	<b>1,724,593,404</b>	<b>250,981,090</b>	<b>-</b>	<b>1,975,574,494</b>	<b>533,597,100</b>	<b>143,854,498</b>	<b>-</b>	<b>677,451,598</b>	<b>1,190,996,304</b>	<b>1,298,122,896</b>
Previous year	1,592,698,906	270,783,387	138,888,889	1,724,593,404	405,933,227	141,552,762	13,888,889	533,597,100	1,186,765,679	1,190,996,304

**As at  
31.03.2006  
Rs.**

**As at  
31.03.2005  
Rs.**

**Schedule 2 : Revenue Expenditure relating to Research**

Transferred from Profit & Loss Account

**(203,848,087)**

**(306,529,665)**

Balance brought forward from previous year

**(737,671,534)**

**(431,141,869)**

**(941,519,621)**

**(737,671,534)**

**SCHEDULE TO PROFIT & LOSS ACCOUNT FOR R&D FOR THE YEAR ENDED 31ST MARCH, 2006**

**Year ended  
31.03.2006  
Rs.**

**Year ended  
31.03.2005  
Rs.**

**Schedule 3 : Employee compensation & benefits**

Salaries , Bonus, contributions etc.,

**209,106,147**

149,469,552

Staff welfare

**2,637,358**

2,083,226

Less: Product Research and Development Expenditure Capitalised

**(209,106,147)**

**(149,469,552)**

**2,637,358**

**2,083,226**

**Schedule 4: Administrative and other expenses**

Communication Expenses

**4,138,441**

5,713,159

Power & Fuel

**16,488,730**

16,242,276

Rent

**18,305,293**

16,172,155

Travel & Conveyance

**292,459**

230,551

Miscellaneous Expenses

**858,206**

806,955

Less: Product Research and Development Expenditure Capitalised

**(34,794,023)**

**(32,414,431)**

**5,289,106**

**6,750,665**

**Schedule 5: Calculation of Recurring R&D Expenditure**

Total Expenditure as per P&L Account

**203,848,087**

306,529,665

Add: Capitalised R&D Expenditure:

    Employee Compensation & benefits

**209,106,147**

149,469,552

    Administrative & Other Expenses

**34,794,023**

32,414,431

**243,900,170**

**181,883,983**

Total Expenditure

**447,748,257**

488,413,648

Less:

Depreciation on Technology Platform and Product Software

**119,169,531**

114,870,022

Depreciation on other R&D fixed assets

**24,684,967**

26,682,740

Product Software asset impairment

-

125,000,000

**143,854,498**

**266,552,762**

Recurring R&D Expenditure

**303,893,759**

221,860,886

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## 1 REGISTRATION DETAILS

Registration No:  State Code (Refer Code List)

Balance Sheet Date   
Date Month Year

## II CAPITAL RAISED DURING THE YEAR (Amount in Rs.Thousands)

Public Issue  Rights Issue

Bonus Issue  Private Placement

Others

## III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities  Total Assets

### Sources of Funds

Paid up Capital  Reserves & Surplus

Secured Loans  Unsecured Loans

### Application of Funds

Net Fixed Assets  Investments

Net Current Assets  Miscellaneous Expenditure

Profit and Loss Account

## IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover and Other income  Total Expenditure

Loss before Tax  Loss after Tax

Earnings / (Loss) Per Share in Rs.  Dividend Rate %

## V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(as per monetary terms)

Item Code No.(ITC Code)

Product Description

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors

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

	Name of the Subsidiary Company	Ramco Systems Corporation, USA	Ramco Systems Limited, Switzerland	Ramco Systems Sdn. Bhd., Malaysia	Ramco Systems Pte. Ltd., Singapore	RSL Enterprise Solutions (Pty) Ltd., South Africa	Ramco Infotech Solutions Limited, Chennai
1		March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006
2	Financial Year end of the Subsidiary Company	192,729,550	1,400,000	1,280,000	725,000	100 Equity Shares of ZAR 1/- each	50,000
3	No of shares held in the Subsidiary Company as on the above date	Equity Shares of USD 0.0145 each	Equity Shares of CHF 1/- each	Equity Shares of RM 1/-each	Equity Shares of SGD 1/- each	Equity Shares of Rs.10/- each	
4	Percentage of holding (Equity)	98%	100%	100%	100%	100%	100%
5	Percentage of holding ( Preference)	Nil	Nil	Nil	Nil	Nil	Nil
6	The net aggregate of Profit/(Losses) of the Subsidiary Company so far as they concern the members of the Company						
	a. Dealt with Accounts of the Company for the year ended 31st March, 2006	Nil	Nil	RM 512,000	Nil	Nil	Nil
	b. Not dealt with Accounts of the Company for the year ended 31st March, 2006	USD 583,397	(CHF 57,567)	RM 232,734	SGD 742,845	ZAR 11,163,477	(INR 2,387)
7	The net aggregate of Profit/(Losses) of the Subsidiary Company for the previous financial years since it became a subsidiary company so far as they concern the members of the Company						
	a. Dealt with Accounts of the Company for the year ended 31st March, 2005	Nil	Nil	RM 1,152,000	Nil	Nil	Nil
	b. Not dealt with Accounts of the Company for the year ended 31st March, 2005	(USD 4,251,569)	(CHF 1,289,023)	(RM 288,071)	SGD 214,369	ZAR 1,932,492	(INR 280)
8	Change in the interest of the Company between the end of the financial year of the Subsidiary Company and the Company's Financial year ended 31st March, 2006	N A	N A	N A	N A	N A	N A
9	Material changes between the end of the Financial Year of the Subsidiary Company and the Company's Financial year ended 31st March, 2006	N A	N A	N A	N A	N A	N A

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**SUBRAMANIAN NARAYAN**  
Company Secretary

**S.S RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**M.M.VENKATACHALAM**

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 27th May, 2006

**INFORMATION WITH REGARD TO SUBSIDIARY COMPANIES**

(Furnished as required by the letter no.F.No.47/129/2006-CL-III dated: 24<sup>th</sup> March, 2006 of the Ministry of Company Affairs, Government of India, exempting the full disclosure of financial statements of the Subsidiary Companies under section 212(8) of the Companies Act, 1956)

(Rs. in lacs)

Name of the Subsidiary	Year	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed dividend	Exchange Rate used (Rs. per unit of foreign currency)	
												B/S	P&L
Ramco Systems Corporation, USA	2005-2006	1,057.40	489.24	2,268.95	2,268.95	-	9,089.46	282.13	-	282.13	-	44.45	44.09
	2004-2005	1,057.40	143.40	1,800.71	1,800.71	-	9,306.46	2,784.90	-	2,784.90	-	43.63	44.91
Ramco Systems Ltd., Switzerland	2005-2006	293.27	706.02	1,023.81	1,023.81	17.09	3,005.71	(19.48)	-	(19.48)	-	34.19	34.64
	2004-2005	293.27	777.90	1,217.95	1,217.95	18.18	2,438.55	2,617.28	-	2,617.28	-	36.36	36.59
Ramco Systems Sdn. Bhd, Malaysia	2005-2006	182.17	3.55	185.72	185.72	-	415.23	26.57	-	26.57	62.01	11.70	11.60
	2004-2005	182.17	32.26	214.43	214.43	-	466.51	(11.29)	-	(11.29)	77.71	11.48	11.82
Ramco Systems Pte. Ltd., Singapore	2005-2006	186.16	204.34	390.50	390.50	-	1,249.92	195.75	22.30	173.45	-	27.40	26.46
	2004-2005	186.16	6.11	192.27	192.27	-	732.15	559.89	5.67	554.22	-	26.43	26.73
RSL Enterprise Solutions (Pty) Ltd., South Africa	2005-2006	0.01	694.04	694.05	694.05	0.04	3,633.33	756.26	218.51	537.75	-	7.04	6.75
	2004-2005	0.01	131.98	131.99	131.99	0.04	2,528.71	205.11	57.35	147.76	-	6.83	7.08
Ramco Infotech Solutions Ltd., Chennai, India	2005-2006	5.00	-	5.00	5.00	-	-	(0.02)	-	(0.02)	-	N.A.	N.A.
	2004-2005	5.00	-	5.00	5.00	-	-	-	-	-	-	N.A.	N.A.

**P.R. RAMASUBRAHMANEYA RAJHA**

Chairman

**S.S RAMACHANDRA RAJA**

Chairman

**N.K. SHRIKANTAN RAJA**

**P. R. VENKETRAMA RAJA**

Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

**SUBRAMANIAN NARAYAN**

Company Secretary

**V. JAGADISAN**

Directors

Place: Chennai

Date : 27th May, 2006



**RAMCO SYSTEMS LIMITED**  
**GLOBAL CONSOLIDATED FINANCIAL STATEMENTS**  
**UNDER AS-21**

**SUBSIDIARIES**

1. Ramco Systems Corporation, USA
2. Ramco Systems Limited, Switzerland
3. Ramco Systems Pte. Ltd., Singapore
4. Ramco Systems Sdn.Bhd., Malaysia
5. RSL Enterprise Solutions (Pty) Ltd., South Africa
6. Ramco Infotech Solutions Ltd., India

**AUDITORS**

Messrs. CNGSN & ASSOCIATES  
Chartered Accountants, Chennai





**AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF RAMCO SYSTEMS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RAMCO SYSTEMS LIMITED AND ITS SUBSIDIARIES**

We have examined the attached Consolidated Balance Sheet of Ramco Systems Limited and its Subsidiaries as at 31<sup>st</sup> March, 2006, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of Ramco Systems Limited'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 prepared, in all material aspects, in accordance with identified financial reporting framework and 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 227,460,249/- as at 31<sup>st</sup> March, 2006 and total revenues of Rs. 830,418,184/- for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21-Consolidated Financial Statements and Accounting Standard 23-Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of Ramco Systems Limited and its Subsidiaries in the Consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Ramco Systems Limited and its aforesaid Subsidiaries, we are of the opinion that,

- a) the Consolidated Balance Sheet gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of Ramco Systems Limited and its Subsidiaries as at 31<sup>st</sup> March, 2006;
- b) the Consolidated Profit and Loss Account gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated results of operation of Ramco Systems Limited and its Subsidiaries for the year then ended; and
- c) the Consolidated Cash flow statement gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated cash flow of Ramco Systems Limited and its Subsidiaries for the year then ended.

**For CNGSN & Associates**  
Chartered Accountants

**C.N.GANGADARAN**  
Partner

Place : Chennai  
Date : 27th May, 2006

Membership Number: 011205

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31.03.2006		As at 31.03.2005	
		Rs.	USD	Rs.	USD
<b>I. SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
a) Share Capital	I	153,918,625	3,527,535	122,835,680	2,823,218
b) Reserves & Surplus	II	<u>1,979,640,640</u>	<u>44,522,970</u>	<u>1,390,030,109</u>	<u>31,840,723</u>
		2,133,559,265	48,050,505	1,512,865,789	34,663,941
<b>2. Minority Interest</b>	III	3,232,989	84,906	2,587,769	70,270
<b>3. Loan Funds</b>					
a) Secured	IV	613,482,399	13,801,629	565,019,431	12,950,251
b) Unsecured	V	<u>860,981,340</u>	<u>19,369,659</u>	<u>1,040,667,372</u>	<u>23,852,106</u>
		1,474,463,739	33,171,288	1,605,686,803	36,802,357
<b>TOTAL</b>		<u>3,611,255,993</u>	<u>81,306,699</u>	<u>3,121,140,361</u>	<u>71,536,568</u>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>					
Gross Block	VI	3,523,226,975	79,262,699	3,219,210,879	73,784,343
Less : Depreciation		<u>891,702,399</u>	<u>20,060,796</u>	<u>701,910,155</u>	<u>16,087,787</u>
Net Block		2,631,524,576	59,201,903	2,517,300,724	57,696,556
<b>2. Investments</b>	VII	22,894,072	515,052	6,349,780	145,537
<b>3. Current Assets, Loans &amp; Advances</b>					
a) Inventories	VIII	20,850,468	469,077	27,462,572	629,442
b) Sundry Debtors	IX	875,426,971	19,694,645	677,400,283	15,526,022
c) Cash & Bank Balances	X	293,453,671	6,601,882	276,418,662	6,335,519
d) Loans & Advances	XI	149,441,237	3,362,008	119,111,965	2,730,048
e) Other Current Assets	XII	33,042,875	743,372	26,782,076	613,845
		<u>1,372,215,222</u>	<u>30,870,984</u>	<u>1,127,175,558</u>	<u>25,834,876</u>
<b>Less: Current Liabilities and Provisions</b>					
a) Current Liabilities	XIII	589,025,298	13,251,413	503,559,625	11,541,591
b) Provisions	XIV	<u>39,846,834</u>	<u>896,442</u>	<u>26,248,976</u>	<u>601,627</u>
		628,872,132	14,147,855	529,808,601	12,143,218
<b>Net Current Assets</b>		743,343,090	16,723,129	597,366,957	13,691,658
<b>4. Miscellaneous Expenditure</b> (to the extent not written off / adjusted)	XV	32,000	720	122,900	2,817
<b>5. Profit &amp; Loss Account</b>	XVI	213,462,255	4,865,895	-	-
<b>TOTAL</b>		<u>3,611,255,993</u>	<u>81,306,699</u>	<u>3,121,140,361</u>	<u>71,536,568</u>

Significant Accounting Policies and Notes to Accounts **XXIII**

Schedules, Accounting Policies and Notes form an integral part of the accounts

As per our Report Annexed For **CNGSN & Associates** Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors

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

	Schedule	Year ended 31.03.2006		Year ended 31.03.2005	
		Rs.	USD	Rs.	USD
<b>INCOME</b>					
Sales	XVII	2,611,803,462	59,244,160	2,205,143,674	49,105,988
Other Income	XVIII	36,841,313	835,680	40,992,499	912,855
		<u>2,648,644,775</u>	<u>60,079,840</u>	<u>2,246,136,173</u>	<u>50,018,843</u>
<b>EXPENDITURE</b>					
Cost of Resale Material		455,332,603	10,328,418	375,564,270	8,363,380
Employee Compensation & Benefits	XIX	1,441,242,308	32,692,042	1,342,971,983	29,906,426
Sales & Marketing Expenses	XX	140,887,509	3,195,785	136,663,344	3,043,334
Administrative & Other Expenses	XXI	504,934,989	11,453,561	422,231,844	9,402,613
		<u>2,542,397,409</u>	<u>57,669,806</u>	<u>2,277,431,441</u>	<u>50,715,753</u>
<b>Profit/(Loss) before Interest, Depreciation, Amortisation, Extraordinary Items &amp; Tax</b>		106,247,366	2,410,034	(31,295,268)	(696,910)
Interest & Finance Charges	XXII	129,620,917	2,940,222	116,176,214	2,587,109
<b>Profit/(Loss) before Depreciation, Amortisation, Extraordinary Items &amp; Tax</b>		(23,373,551)	(530,188)	(147,471,482)	(3,284,019)
Depreciation - On Technology Platform		119,169,531	2,703,151	114,870,022	2,558,022
- On other fixed assets		71,934,829	1,631,715	63,634,904	1,417,075
<b>Profit/(Loss) before Amortisation, Extraordinary Items &amp; Tax</b>		(214,477,911)	(4,865,054)	(325,976,408)	(7,259,116)
Amortisation of Product Research and Development Expenditure		84,650	1,920	90,900	2,024
<b>Profit/(Loss) before Extraordinary Items &amp; Tax</b>		(214,562,561)	(4,866,974)	(326,067,308)	(7,261,140)
Extraordinary Items		-	-	349,920,994	7,792,334
<b>Profit/(Loss) before Tax</b>		<u>(214,562,561)</u>	<u>(4,866,974)</u>	<u>(675,988,302)</u>	<u>(15,053,474)</u>
Provision for Taxation					
Current Taxation		24,080,298	546,219	6,302,007	144,442
Deferred Taxation (Refer Note No.4)		-	-	-	-
Fringe Benefit Tax		8,200,000	186,003	-	-
Minority Interest		645,220	14,636	-	-
Equity in Earnings /(Losses) of Affiliates		10,841,147	245,912	3,028,943	67,451
<b>Profit/(Loss) after Tax</b>		<u>(236,646,932)</u>	<u>(5,367,920)</u>	<u>(679,261,366)</u>	<u>(15,130,465)</u>
Balance in Profit & Loss Account brought forward from previous year		21,820,538	472,322	(2,343,163,053)	(49,971,919)
Prior year Adjustment		-	-	(15,972,410)	(355,687)
Set off of losses against Share Premium/ Capital as per Scheme of Arrangement		-	-	2,976,165,925	65,930,393
Transfer from / to Translation Reserve		-	-	84,051,442	-
<b>Balance in Profit &amp; Loss Account</b>		<u>(214,826,394)</u>	<u>(4,895,598)</u>	<u>21,820,538</u>	<u>472,322</u>
Significant Accounting Policies and Notes to Accounts	XXIII				
Schedules, Accounting Policies and Notes form an integral part of the accounts					

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors

**Ramco Systems Limited, Global Consolidated (Under AS-21)**

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

	Year ended 31.03.2006 Rs.	Year ended 31.03.2006 USD	Year ended 31.03.2005 Rs.	Year ended 31.03.2005 USD
<b>A. Cash Flow From Operating Activities</b>				
<b>Net Profit / (Loss) before tax - after prior year adjustment</b>	<b>(214,562,560)</b>	<b>(4,866,974)</b>	<b>(691,960,712)</b>	<b>(15,409,162)</b>
<b>Adjustments for:</b>				
Depreciation	191,104,360	4,334,866	178,504,925	3,975,097
Amortisation	84,650	1,920	90,900	2,024
Interest & Finance Charges	129,620,917	2,940,222	116,176,214	2,587,109
Unrealised foreign exchange fluctuation (gain) / loss	(4,433,057)	(100,556)	(5,043,996)	(112,324)
(Profit)/Loss on sale of assets - Net	(114,556)	(2,599)	2,972,714	66,199
Interest Received	(6,233,006)	(141,385)	(3,958,422)	(88,149)
Dividend income	(111,519)	(2,530)	(128,396)	(2,859)
Provision for Tax	(11,010,287)	(249,748)	(676,816)	(19,176)
Extraordinary Items	-	-	349,920,994	7,792,334
<b>Operating Profit/ (Loss) before Working Capital Changes</b>	<b>84,344,942</b>	<b>1,913,216</b>	<b>(54,102,595)</b>	<b>(1,208,907)</b>
<b>Working Capital Changes:</b>				
(Increase) / Decrease in Trade and Other receivables	(223,545,541)	(4,364,270)	(292,568,200)	(6,911,097)
(Increase) / Decrease in Inventories	6,612,104	160,366	128,136	(379)
(Increase) / Decrease in Other current assets [other than Cash and Bank]	(6,260,799)	(129,526)	22,992,395	521,003
Increase / (Decrease) in Current liabilities and Provisions	99,063,532	2,004,637	120,553,160	2,812,945
<b>Cash generated from operations</b>	<b>(39,785,762)</b>	<b>(415,577)</b>	<b>(202,997,104)</b>	<b>(4,786,435)</b>
Tax paid	(21,270,013)	(482,474)	(5,625,191)	(125,266)
<b>Net Cash (used in) / from operating activities</b>	<b>(61,055,775)</b>	<b>(898,051)</b>	<b>(208,622,295)</b>	<b>(4,911,701)</b>
<b>B. Cash Flow from Investing Activities:</b>				
Purchase of Fixed assets - for R&D activities	(7,080,921)	(159,301)	(3,269,215)	(74,930)
Purchase of Fixed assets - for Others	(57,173,963)	(1,286,253)	(68,031,137)	(1,559,274)
Investment in R&D activities	(243,900,169)	(5,487,068)	(181,883,985)	(4,179,075)
Net Investment in Companies / Mutual Funds	(16,544,292)	(369,515)	36,606,959	783,169
Proceeds from Sale of fixed assets	2,902,014	65,308	2,053,815	49,009
Interest received	6,233,006	141,385	3,958,422	88,149
Dividend income	111,519	2,530	128,396	2,859
Equity in Earnings / (Losses) of Affiliates-2005-06	10,841,147	245,912	3,028,943	67,451
Miscellaneous Expenditure	-	-	(32,000)	(733)
<b>Net cash (used in) / from Investing Activities</b>	<b>(304,611,659)</b>	<b>(6,847,002)</b>	<b>(207,439,802)</b>	<b>(4,823,375)</b>
<b>C. Cash Flow from Financing Activities</b>				
Proceeds from Issue of Share Capital	639,113,367	14,482,151	218,831,361	5,019,477
Proceeds from secured borrowings	502,200,178	11,298,092	251,710,731	5,769,212
Proceeds from unsecured borrowings	290,000,000	6,524,184	612,213,622	14,031,942
Repayment of secured borrowings	(453,737,210)	(10,446,714)	(68,890,308)	(1,533,029)
Repayment of unsecured borrowings	(469,686,032)	(11,006,631)	(457,578,750)	(10,381,216)
Interest & Finance Charges	(129,620,917)	(2,940,222)	(116,176,214)	(2,587,109)
<b>Net Cash from financing activities</b>	<b>378,269,386</b>	<b>7,910,860</b>	<b>440,110,442</b>	<b>10,319,277</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>12,601,952</b>	<b>165,807</b>	<b>24,048,345</b>	<b>584,201</b>
<b>Cash and Cash equivalents at the beginning of the year</b>	<b>276,418,662</b>	<b>6,335,519</b>	<b>247,326,321</b>	<b>5,638,994</b>
Effect of unrealised foreign exchange fluctuation gain/(loss)	4,433,057	100,556	5,043,996	112,324
<b>Cash and Cash equivalents at the end of the year</b>	<b>293,453,671</b>	<b>6,601,882</b>	<b>276,418,662</b>	<b>6,335,519</b>

Note: Previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31.03.2006		As at 31.03.2005	
	Rs.	USD	Rs.	USD
<b>Schedule I</b>				
<b>Share Capital</b>				
<b>Authorised</b>				
30,000,000 equity Shares of Rs.10/- each (Previous year 15,000,000 of Rs.10/- each)	<u>300,000,000</u>		<u>150,000,000</u>	
<b>Issued Share Capital</b>				
15,705,664 equity shares of Rs.10/- each (Previous year 12,597,382 of Rs.10/- each)	<u>157,056,640</u>	<u>3,600,872</u>	<u>125,973,820</u>	<u>2,896,552</u>
<b>Subscribed Share Capital</b>				
15,705,664 equity shares of Rs.10/- each (Previous year 12,597,382 of Rs.10/- each)	<u>157,056,640</u>	<u>3,600,872</u>	<u>125,973,820</u>	<u>2,896,552</u>
<b>Paid up Capital</b>				
15,356,461 (Previous year 12,248,154) equity shares of Rs.10/- each fully paid up	<u>153,564,610</u>	<u>3,519,264</u>	<u>122,481,540</u>	<u>2,814,944</u>
Add: Forfeited Shares	<u>354,015</u>	<u>8,271</u>	<u>354,140</u>	<u>8,274</u>
	<u>153,918,625</u>	<u>3,527,535</u>	<u>122,835,680</u>	<u>2,823,218</u>
<b>Of the above</b>				
43,33,153 equity shares of face value Rs.10/- each have been allotted to the Shareholders of Ramco Industries Limited credited as fully paid up pursuant to the approval of the scheme of arrangement (Demerger) for the transfer of software business undertaking of Ramco Industries Limited with Ramco Systems Limited by the Honorable High Court of Madras, vide order dated 24th December, 1999.				
23,76,719 equity shares, have been allotted to Ramco Industries Limited as fully paid up shares of face value of Rs.10/- each at a premium of Rs.293/- per share pursuant to a contract for the transfer of its entire investment in the overseas Subsidiary Companies without payment being received in cash. The above allotment has been duly approved by the share holders of the company in the EGM held on 10th November, 1999 and by the Reserve Bank of India.				
<b>Schedule II</b>				
<b>Reserves &amp; Surplus</b>				
Share Premium (Refer Note No. 6(d))	<u>1,942,493,371</u>	<u>44,944,737</u>	1,334,462,949	31,166,903
Equity in Earnings of Affiliates - 2002-03	-	-	1,364,139	29,703
Balance in Profit & Loss Account	-	-	21,820,538	472,322
Translation Reserve a/c (Refer Accounting Policy No. III)	<u>37,147,269</u>	<u>(421,767)</u>	<u>32,382,483</u>	<u>171,795</u>
	<u>1,979,640,640</u>	<u>44,522,970</u>	<u>1,390,030,109</u>	<u>31,840,723</u>
<b>Schedule III</b>				
<b>Minority Interest</b> (Refer Note No.11)				
Balance brought forward	<u>2,587,769</u>	<u>70,270</u>	-	-
Add: Share of Minority Interest for the year	<u>645,220</u>	<u>14,636</u>	<u>2,587,769</u>	<u>70,270</u>
	<u>3,232,989</u>	<u>84,906</u>	<u>2,587,769</u>	<u>70,270</u>
<b>Schedule IV</b>				
<b>Secured Loans</b>				
a) Bank Borrowings	<u>107,581,602</u>	<u>2,420,284</u>	256,189,769	5,871,872
b) Term Loan from				
Housing Development Finance Corporation Limited	-	-	10,044,290	230,215
Sundaram Home Finance Limited	-	-	2,407,586	55,182
Banks	<u>501,656,165</u>	<u>11,285,853</u>	<u>294,333,332</u>	<u>6,746,123</u>
c) Hire Purchase Loans (For security details, refer Note No.2)	<u>4,244,632</u>	<u>95,492</u>	<u>2,044,454</u>	<u>46,859</u>
	<u>613,482,399</u>	<u>13,801,629</u>	<u>565,019,431</u>	<u>12,950,251</u>
<b>Schedule V</b>				
<b>Unsecured Loans</b>				
From Banks	<u>665,425,090</u>	<u>14,970,193</u>	635,213,622	14,599,102
Others	<u>195,556,250</u>	<u>4,399,466</u>	<u>405,453,750</u>	<u>9,293,004</u>
	<u>860,981,340</u>	<u>19,369,659</u>	<u>1,040,667,372</u>	<u>23,852,106</u>

### Schedule VI Fixed Assets

Asset Description	Gross Block						Depreciation Block						Net Block								
	As at 01.04.2005		Additions/Reserve adjustments		Withdrawals		As at 31.03.2006		As at 01.04.2005		Additions/Reserve adjustments		Withdrawals		As at 31.03.2006		As at 01.04.2005		As at 31.03.2006		
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	
Goodwill	994,506,931	22,794,153	-	(420,500)	-	994,506,931	22,373,653	-	-	-	-	-	-	-	994,506,931	22,794,154	994,506,931	22,373,653	994,506,931	22,373,653	
Land	117,819,601	2,700,427	-	(49,817)	-	117,819,601	2,650,610	-	-	-	-	-	-	-	117,819,601	2,700,426	117,819,601	2,650,610	117,819,601	2,650,610	
Building	167,069,726	3,829,240	-	(70,641)	-	167,069,726	3,758,599	-	1,049,484	5,579,464	106,162	-	-	-	167,069,726	3,758,599	115,701,257	2,602,953	115,701,257	2,602,953	
Plant & Machinery																					
-EDP	340,833,803	7,811,913	24,823,537	414,348	148,716	334,6	8,222,915	248,320,758	5,691,514	28,861,652	544,311	13,980	315	315	277,168,430	6,235,510	88,340,194	1,987,405	88,340,194	1,987,405	
-Software	130,962,827	3,001,670	30,452,986	629,733	-	161,415,813	3,631,403	77,850,854	1,784,343	22,153,096	465,465	-	-	-	100,003,950	2,249,808	61,411,863	1,381,595	61,411,863	1,381,595	
-Others	39,019,422	894,325	-	(16,498)	-	39,019,422	877,827	21,980,144	503,785	1,524,249	24,988	-	-	-	23,504,393	528,783	15,515,029	349,044	15,515,029	349,044	
Technology Platform	629,866,057	14,438,141	80,785,457	1,550,646	-	710,701,514	15,988,787	154,168,019	3,535,533	62,993,605	1,351,993	-	-	-	217,161,624	4,885,526	493,539,890	11,103,261	493,539,890	11,103,261	
Product Software	561,759,252	12,875,527	163,134,712	3,432,548	-	724,893,963	16,308,075	43,883,114	1,005,801	56,175,925	1,245,246	-	-	-	100,059,039	2,251,047	624,834,925	14,057,028	624,834,925	14,057,028	
Furniture																					
-Furniture	110,261,200	2,527,187	845,861	(27,591)	211,097	4,749	2,494,847	58,410,953	1,338,779	5,545,048	100,051	22,511	506	506	63,933,490	1,438,324	46,962,474	1,056,523	46,962,474	1,056,523	
-Office Equipments	23,810,933	546,747	379,416	(1,532)	-	24,190,349	544,215	11,714,278	268,491	1,383,292	26,167	-	-	-	13,097,570	294,658	11,092,779	249,557	11,092,779	249,557	
Electrical Items	96,982,031	2,220,079	2,426,068	13,624	498,826	11,177	2,222,526	38,241,830	876,504	5,921,391	117,045	66,571	1,498	1,498	44,096,650	992,051	54,694,623	1,230,475	54,694,623	1,230,475	
Vehicles	6,367,096	145,934	4,998,463	109,759	2,953,765	66,451	189,242	1,551,200	35,553	677,468	14,585	919,884	20,695	20,695	1,308,784	29,443	7,103,010	159,799	7,103,010	159,799	
<b>Total</b>	<b>3,219,210,879</b>	<b>73,784,343</b>	<b>307,826,500</b>	<b>5,564,079</b>	<b>3,810,404</b>	<b>3,523,226,975</b>	<b>79,262,699</b>	<b>701,910,155</b>	<b>16,087,787</b>	<b>190,815,191</b>	<b>3,996,023</b>	<b>1,022,946</b>	<b>23,014</b>	<b>23,014</b>	<b>891,702,399</b>	<b>20,060,796</b>	<b>2,517,300,722</b>	<b>57,696,560</b>	<b>2,517,300,722</b>	<b>57,696,560</b>	
Previous year	2,070,827,443	44,224,741	1,322,937,864	33,542,056	173,754,428	3,982,454	73,784,343	561,650,707	11,993,487	183,987,349	5,096,543	43,727,902	1,002,243	1,002,243	701,910,155	16,087,787	2,517,300,724	32,231,254	2,517,300,724	32,231,254	

Note: 1. Gross Block includes assets acquired under Hire Purchase Rs. 6,988,915/- (USD 156,781) (Previous year Rs. 4,466,157/- USD 102,364)

2. Additions in Gross Block and Depreciation Block include the following on account of Reserve Adjustment:

Gross Block	Rs. (328,552)	USD (1,368,542)	Rs. 7,014,389/-	USD 3,381,077/-
Depreciation Block	Rs. (289,169)	USD (338,843)	Rs. 5,482,425/-	USD 1,121,446/-



**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31.03.2006		As at 31.03.2005	
	Rs.	USD	Rs.	USD
<b>Schedule VII</b>				
<b>Investments</b>				
<b>Trade -Unquoted:</b>				
5000 shares of face value of CHF 10 each in Triamun Ramco Healthcare Systems Ltd, Switzerland	4,140,384	93,147	3,338,876	76,527
300 shares of face value of ZAR 1 each in Redlex 47 (Pty) Ltd, South Africa	12,942,169	291,162	3,010,904	69,010
<b>Non-Trade -Unquoted:</b>				
Investments In Mutual Funds-Short Term (581,093.787 units purchased under Standard Chartered Liquidity Manager - Daily Dividend Plan)	5,811,519	130,743	-	-
	<u>22,894,072</u>	<u>515,052</u>	<u>6,349,780</u>	<u>145,537</u>
<b>Schedule VIII</b>				
<b>Inventories</b>				
Resale Hardware & Software Materials (Valued at Cost or Net realisable value whichever is lower and as certified by management)	20,850,468	469,077	27,462,572	629,442
<b>Schedule IX</b>				
<b>Sundry Debtors</b>				
(Unsecured)				
a) Debts Outstanding for period exceeding six months	122,282,409	2,751,010	194,984,423	4,469,045
Less: Provision for Bad & Doubtful Debts	(14,054,246)	(316,181)	(148,712,822)	(3,408,498)
	108,228,163	2,434,829	46,271,601	1,060,547
b) Other debts considered good	767,198,808	17,259,816	631,128,682	14,465,475
	<u>875,426,971</u>	<u>19,694,645</u>	<u>677,400,283</u>	<u>15,526,022</u>
<b>Schedule X</b>				
<b>Cash and Bank Balances</b>				
Cash on hand	1,493,102	33,591	860,128	19,714
<u>Balances with Scheduled Banks in</u>				
a) Current Accounts	33,625,549	756,480	13,218,833	302,976
b) Deposit Accounts	141,001,000	3,172,126	70,000,000	1,604,401
<u>Balances with Other Banks in Current Account</u>				
Fleet Bank, USA	77,091,033	1,734,331	69,768,424	1,599,093
UBS AG, Switzerland	3,658,153	82,298	10,357,874	237,403
Credit Suisse, Switzerland	506,214	11,388	2,071,733	47,484
ABN Amro Bank, Singapore	19,529,871	439,367	7,334,921	168,116
Bumiputra Commerce Bank Berhad, Malaysia	8,021,272	180,456	1,691,579	38,771
ABN Amro Bank Berhad, Malaysia	5,958,593	134,052	2,155,473	49,403
Bank of Baroda, South Africa	2,170,308	48,826	25,645,607	587,798
The Standard Bank, South Africa	238,148	5,358	18,381,181	421,297
<u>Balances with Other Banks in Deposit Account</u>				
Fleet Bank, USA	160,428	3,609	54,932,909	1,259,063
	<u>293,453,671</u>	<u>6,601,882</u>	<u>276,418,662</u>	<u>6,335,519</u>

**Ramco Systems Limited, Global Consolidated (Under AS-21)**

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006**

	As at 31.03.2006		As at 31.03.2005	
	Rs.	USD	Rs.	USD
<b>Schedule XI</b>				
<b>Loans and Advances</b>				
(Unsecured, Considered Good)				
Advance recoverable in Cash or in Kind or for value to be received	85,350,623	1,920,149	62,002,575	1,421,100
Tax deducted at Source	35,525,832	799,232	36,078,355	826,916
Deposits with Government Departments and Others	28,564,782	642,627	21,031,035	482,032
(Unsecured, Considered doubtful)				
Advance recoverable in Cash or in Kind or for value to be received	567,211	12,761	567,211	13,000
Less: Provision for doubtful advances	<u>(567,211)</u>	<u>(12,761)</u>	<u>(567,211)</u>	<u>(13,000)</u>
	<u>149,441,237</u>	<u>3,362,008</u>	<u>119,111,965</u>	<u>2,730,048</u>
<b>Schedule XII</b>				
<b>Other Current Assets</b>				
Prepaid expenses	29,559,801	665,013	21,932,418	502,691
Interest Accrued	871,371	19,603	306,365	7,022
Work in Progress	2,611,703	58,756	4,543,293	104,132
	<u>33,042,875</u>	<u>743,372</u>	<u>26,782,076</u>	<u>613,845</u>
<b>Schedule XIII</b>				
<b>Current Liabilities</b>				
For Purchases	202,791,147	4,562,231	116,648,186	2,673,576
For Expenses	384,631,411	8,653,125	385,389,178	8,833,125
Interest accrued but not due on Loans	1,602,740	36,057	1,522,261	34,890
	<u>589,025,298</u>	<u>13,251,413</u>	<u>503,559,625</u>	<u>11,541,591</u>
<b>Schedule XIV</b>				
<b>Provisions</b>				
Provision for Taxation	7,357,592	165,525	1,037,310	23,775
Provision for Staff benefit schemes	32,489,242	730,917	25,211,666	577,852
	<u>39,846,834</u>	<u>896,442</u>	<u>26,248,976</u>	<u>601,627</u>
<b>Schedule XV</b>				
<b>Miscellaneous Expenditure</b>				
Product Research and Development Expenditure to the extent not amortised	-	-	90,900	2,083
Preliminary Expenses	32,000	720	32,000	733
	<u>32,000</u>	<u>720</u>	<u>122,900</u>	<u>2,817</u>
<b>Schedule XVI</b>				
<b>Profit &amp; Loss Account</b>				
Balance brought forward from Profit & Loss account	214,826,394	4,895,598	-	-
Less: Equity in Earnings / (Losses) of Affiliates-2002-03	(1,364,139)	(29,703)	-	-
	<u>213,462,255</u>	<u>4,865,895</u>	<u>-</u>	<u>-</u>

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

	Year ended 31.03.2006		Year ended 31.03.2005	
	Rs.	USD	Rs.	USD
<b>Schedule XVII</b>				
<b>Sales</b>				
Software Revenues (Licensing & Services)	2,017,331,078	45,759,602	1,782,970,750	39,704,687
Value Added Resale Software & Hardware Materials	565,509,186	12,827,579	392,802,324	8,747,252
Others	28,963,198	656,979	29,370,600	654,049
	<u>2,611,803,462</u>	<u>59,244,160</u>	<u>2,205,143,674</u>	<u>49,105,988</u>
<b>Schedule XVIII</b>				
<b>Other Income</b>				
Dividend from Mutual Fund Units	111,519	2,530	128,396	2,859
Interest Received	6,233,006	141,385	3,958,422	88,149
Profit on sale of assets	1,258,607	28,549	1,229,169	27,372
Foreign Exchange Fluctuation	4,655,570	105,603	11,487,647	255,817
Miscellaneous Income	24,582,611	557,613	24,188,865	538,658
	<u>36,841,313</u>	<u>835,680</u>	<u>40,992,499</u>	<u>912,855</u>
<b>Schedule XIX</b>				
<b>Employee Compensation &amp; Benefits</b>				
Salaries, Bonus etc.,	1,214,282,384	27,543,856	1,141,975,342	25,430,464
Gratuity & Superannuation Fund Contributions	60,839,233	1,380,031	56,441,683	1,256,891
Provident Fund & other Statutory Contributions	24,831,743	563,264	20,345,254	453,065
Staff Welfare	141,288,948	3,204,891	124,209,704	2,766,006
	<u>1,441,242,308</u>	<u>32,692,042</u>	<u>1,342,971,983</u>	<u>29,906,426</u>
<b>Schedule XX</b>				
<b>Sales &amp; Marketing Expenses</b>				
Advertisement & Sales Promotion	139,618,333	3,166,996	135,515,014	3,017,762
Handling, Packing & Forwarding	1,269,176	28,789	1,148,330	25,572
	<u>140,887,509</u>	<u>3,195,785</u>	<u>136,663,344</u>	<u>3,043,334</u>
<b>Schedule XXI</b>				
<b>Administrative &amp; Other Expenses</b>				
Consultancy Charges	65,041,971	1,475,363	34,811,239	775,206
Bank Charges	6,654,548	150,947	4,127,897	91,923
Insurance	16,108,342	365,389	12,395,002	276,022
Loss on sale of assets	1,144,051	25,951	4,201,883	93,571
Communication Expenses	40,112,195	909,874	38,139,855	849,330
Power & Fuel	14,973,918	339,657	12,444,260	277,119
Printing & Stationery	8,515,039	193,149	5,555,361	123,711
Rates & Taxes	20,871,145	473,425	7,580,318	168,805
Rent	83,680,015	1,898,134	76,007,777	1,692,605
Repairs - Buildings	1,592,960	36,133	91,341	2,035
Repairs - Plant & Machinery	12,875,713	292,063	11,585,686	258,000
Repairs - Others	10,944,467	248,256	7,404,933	164,899
Travel & Conveyance	164,163,547	3,723,761	153,619,042	3,420,919
Bad Debts Written off	20,160,097	457,296	8,197,110	182,540
Provision for Doubtful Debts	(5,131,206)	(116,392)	18,414,308	410,065
Foreign Exchange Fluctuation	-	-	566,620	12,618
Miscellaneous Expenses	43,228,187	980,555	27,089,212	603,245
	<u>504,934,989</u>	<u>11,453,561</u>	<u>422,231,844</u>	<u>9,402,613</u>
<b>Schedule XXII</b>				
<b>Interest &amp; Finance Charges</b>				
Fixed Loans	4,130,238	93,687	3,367,672	74,994
Hire Purchase & Finance Charges	2,326,018	52,762	6,667,294	148,473
Others	123,164,661	2,793,773	106,141,248	2,363,642
	<u>129,620,917</u>	<u>2,940,222</u>	<u>116,176,214</u>	<u>2,587,109</u>

Schedule XXIII

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS OF RAMCO SYSTEMS LIMITED, INDIA AND ITS SUBSIDIARIES:**

**SIGNIFICANT ACCOUNTING POLICIES:**

**I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

The financial statements are prepared under the historical cost convention and the accounts are prepared in accordance with the Generally Accepted Accounting Principles, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

**II. PRINCIPLES OF CONSOLIDATION:**

The consolidated financial statements have been prepared on the following basis:

The Financial Statements of Subsidiaries have been combined on a line by line basis by adding together the book values of like item of assets, liabilities, income and expenditure after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses. The Financial Statement of the affiliate has been consolidated using the Equity Method as prescribed by Accounting Standard 23 issued by the Institute of Chartered Accountants of India.

The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions or other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's financial statements.

**III. TRANSLATION TO INDIAN RUPEES:**

The functional currency of the Parent Company is Indian Rupee. The functional currencies of the subsidiaries are their respective local currencies. Their accounts are converted from their local currency to Indian Rupees in the following manner:

All income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary and non-monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate at the date of investment. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve Account and is being classified under Reserves and Surplus Account.

**IV. OTHER SIGNIFICANT ACCOUNTING POLICIES:**

These are set out in the notes to accounts under "Significant Accounting Policies" of the financial statements of Ramco Systems Limited, India.

**NOTES ON ACCOUNTS:**

The Consolidated Financial Statements cover Ramco Systems Limited, India (the Parent company) its Subsidiaries and Affiliates as given below:

S.No.	Name	Country	% holding	Year ending on
<b>Subsidiaries</b>				
1	Ramco Systems Corporation	USA	98%	31 <sup>st</sup> March
2	Ramco Systems Limited	Switzerland	100%	31 <sup>st</sup> March
3	Ramco Systems Sdn. Bhd.	Malaysia	100%	31 <sup>st</sup> March
4	Ramco Systems Pte. Limited	Singapore	100%	31 <sup>st</sup> March
5	RSL Enterprise Solutions (Pty) Limited	South Africa	100%	31 <sup>st</sup> March
6	Ramco Infotech Solutions Limited	Chennai	100%	31 <sup>st</sup> March
<b>Affiliates</b>				
1	Triamun Ramco Healthcare Systems Limited	Switzerland	50%	31 <sup>st</sup> December
2	Redlex 47 (Proprietary) Limited	South Africa	30%	28 <sup>th</sup> February

## 1. Contingent Liabilities

	As at 31.03.2006 (Rs. in lacs)	As at 31.03.2006 (USD million)	As at 31.03.2005 (Rs. in lacs)	As at 31.03.2005 (USD million)
(a) Estimated amount of contracts remaining to be executed on capital account	146.53	0.33	5.56	0.01
(b) Bank Guarantees	572.67	1.29	511.12	1.17
(c) Letters of Credit	10.50	0.02	332.13	0.76
(d) Income Tax Liability	Nil	Nil	1,756.13	4.03

The Company has provided a corporate guarantee to its subsidiary, Ramco Systems Ltd., Switzerland, undertaking to meet all liabilities that may arise to the subsidiary pursuant to a claim against it by one of its customer. In view of the ongoing negotiations between the subsidiary and the customer in this regard, the liability to the Company, if any, that may arise is not quantifiable.

## 2. Secured Loans

### India:

Borrowings from the banks for working capital amounting to Rs.300.00 lacs (USD 0.67 million) (Previous year Rs.450.27 lacs (USD 1.03 million)) are secured by a pari-passu first charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Balance borrowings from the banks for working capital amounting to Rs.109.07 lacs (USD 0.25 million) (Previous year Rs.1,566.25 lacs (USD 3.59 million)) are secured by a pari-passu second charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Borrowings from UTI Bank Limited (Under Term loan from Banks) amounting to Rs.2,516.56 lacs (USD 5.66 million) (Previous year Rs. Nil) are secured by subservient charge on current assets including stocks and book debts and supported by a Corporate Guarantee from Madras Cements Limited.

Borrowings from Federal Bank Limited (Under Term loan from Banks) for working capital amounting to Rs.2,500.00 lacs (USD 5.62 million) (Previous year Rs. Nil) are secured by First charge by way of equitable mortgage on Land and Building and Movable Fixed Assets located at No.64, Sardar Patel Road, Taramani, Chennai.

Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Limited amounting to Rs. Nil (Previous year Rs. 124.52 lacs (USD 0.29 million)) represented a Line of Credit to the company towards provision of housing loans to the employees which was secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees.

Borrowings from HDFC Bank Limited (under Term loan from Banks) amounting to Rs. Nil (Previous year Rs. 443.33 lacs (USD 1.02 million)) were secured by an exclusive charge on the Land at Santhome, Chennai.

Borrowings from Standard Chartered Bank (under Term loan from Banks) amounting to Rs. Nil (Previous year Rs.2,500.00 lacs (USD 5.73 million)) were secured by a first charge on the fixed assets of the Company and supported by a Corporate Guarantee from Madras Cements Limited.

Assets acquired under Hire Purchase Finance are hypothecated to the Hire Purchase Companies as security.

Of the total unsecured loans of Rs.8,554.25 lacs (USD 19.24 million) (Previous year Rs.10,300.12 lacs (USD 23.61 million)), Rs.5,750.50 lacs (USD 12.94 million) (Previous year Rs.6,224.71 lacs (USD 14.27 million)) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.2,503.75 lacs (USD 5.63 million) (Previous year Rs.2,575.41 lacs (USD 5.90 million)) are supported by a Corporate Guarantee from Ramco Industries Limited.

### USA:

Borrowings from banks amounting to Rs. 666.75 lacs (USD 1.50 million) (Previous Year Rs.545.38 lacs (USD 1.25 million)) are secured by cash deposits of Ramco Systems Limited, India.

## Ramco Systems Limited, Global Consolidated (Under AS-21)

### 3. Taxation:

#### India:

No provision for current Income Tax for the Company (including its Branches at United Kingdom and Germany) other than Fringe Benefit Tax has been made in view of absence of taxable profits.

#### South Africa and Singapore:

Provision for taxation made during the year pertains to the current year tax provision by RSL Enterprise Solutions (Pty) Limited, South Africa and Ramco Systems Pte Ltd., Singapore.

### 4. Deferred Tax

In the perception of the Company, provisioning for Deferred Tax Assets / Liabilities does not arise.

### 5. Research & Development

#### R&D Asset classification-India:

In line with the Company's stated policy on Intangible Assets, the research and development efforts are classified and capitalised into "Product Software" and "Technology Platform" as below:

	(Rs. in lacs)	(USD Million)
Total research & development expenditure capitalized during the year, as per Schedule 5 to R&D Accounts	2,439.00	5.49
of the above,		
Shown as "Technology Platform" under Fixed Assets	807.65	1.82
Shown as "Product Software" under Fixed Assets	1,631.35	3.67

### 6. Equity and Share Premium

#### India:

#### a) Rights Issue

During the year, in December 2005, the company came out with an issue of 3,070,757 equity shares of Rs.10/- each at a price of Rs.210/- per share (including a premium of Rs.200/- per equity share), on Rights basis to the existing equity Shareholders in the ratio of one equity share for every four equity shares held, amounting to Rs.6,448.58 lacs, and it was fully subscribed. The allotments were made on 5<sup>th</sup> February, 2006 in consultation with the Designated Stock Exchange. Details of the utilization of the proceeds vis-a-vis the projections as per the Letter of Offer are given below:

Utilization of Rights Issue proceeds:	(Rs. in Lacs)	
Particulars	Projections as per Letter of Offer	Actuals 2005-06
<b>Requirement of funds</b>		
i Working capital requirements	7,534.48	914.55
ii Research and development costs	1,804.60	2,589.08
iii Marketing/market development costs	514.60	176.61
iv Capital expenditure	500.00	484.07
v Issue expenses	200.00	156.14
<b>Total</b>	<b>10,553.68</b>	<b>4,320.45</b>
<b>Means of Finance</b>		
i Rights Issue Proceeds	6,448.58	6,448.58
Less: Interim use of Rights Issue proceeds towards reduction of borrowings	-	(4,628.13)
ii Term Loans/ Short Term Loans/ Working Capital Loans	4,105.10	2,500.00
<b>Total</b>	<b>10,553.68</b>	<b>4,320.45</b>

**b) Employee Stock Option Plan 2000 (ESOP 2000) and Employee Stock Option Scheme 2003 (ESOS 2003):**

Pursuant to the Company's ESOP 2000 plan and ESOS 2003 scheme, employees have exercised their options and were allotted shares in 2005-2006 as per the details given below:

Description	Date of allotment	No. of options Exercised	Exercise price	Face value	Premium
			per option Rs.	per share Rs.	per share Rs.
ESOP 2000	15-04-05	2,100	227	10	217
ESOS 2003	15-04-05	5,500	284	10	274
ESOP 2000	29-04-05	3,000	227	10	217
ESOS 2003	29-04-05	1,925	284	10	274
ESOP 2000	01-06-05	400	227	10	217
ESOS 2003	01-06-05	4,775	284	10	274
ESOP 2000	13-06-05	3,000	227	10	217
ESOS 2003	13-06-05	550	284	10	274
ESOP 2000	22-06-05	400	227	10	217
ESOS 2003	22-06-05	1,550	284	10	274
ESOP 2000	20-07-05	3,350	227	10	217
ESOS 2003	20-07-05	8,300	284	10	274
ESOP 2000	22-02-06	1,050	223	10	213
ESOS 2003	22-02-06	1,625	266	10	256
<b>Total</b>		<b>37,525</b>			

c) The Board of Directors of the Company have approved annulment of forfeiture of 25 equity shares on 21<sup>st</sup> September, 2005, which were earlier forfeited due to non payment of call money under Rights Issue 2003.

**d) Movement in share capital and share premium is given below:**

(Rs. in lacs)

Increase on account of	Share capital	Share premium
Opening balance	1,228.36	13,344.63
Exercise of options under ESOP 2000 Plan	1.33	28.82
Exercise of options under ESOS 2003 Scheme	2.42	66.08
Annulment of 25 shares forfeited against Rights Issue-2003	0.001	0.03
Rights Issue-2005 issue of 3,070,757 equity shares	307.08	6,141.51
	<u>1,539.19</u>	<u>19,581.07</u>
Less: Rights Issue-2005 expenses	-	156.14
<b>Closing Balance</b>	<b><u>1,539.19</u></b>	<b><u>19,424.93</u></b>

**7. Earnings per share [EPS]**

		2005-2006		2004-2005	
		Rs.	USD	Rs.	USD
Profit/(Loss) after tax	(A)	(236,646,932)	(5,367,920)	(679,261,366)	(15,130,465)
Weighted Average Equity shares outstanding	(B)	12,739,817	12,739,817	11,760,080	11,760,080
EPS-Basic & Diluted (per share of Rs.10/- each)	(A/B)	(18.58)	(0.42)	(57.76)	(1.29)

8. Proportionate equity in the earning of Affiliates Triamun Ramco Healthcare Systems Limited for the year Jan 2005-Dec 2005 and Redlex 47 (Proprietary) Limited for the year Mar 2005-Feb 2006 is recognized in the Profit and Loss Account.



## Ramco Systems Limited, Global Consolidated (Under AS-21)

### 9. Related Party Transactions:

As per Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

#### a. Key Management Personnel and Relatives ("KMP")

1. Shri P.R.Ramasubrahmaneya Rajha
2. Shri P.R.Venketrama Raja

#### b. Enterprises over which the above persons exercise significant influence and with which the Company has transactions during the year ("Group")

1. Rajapalayam Mills Ltd.,
2. Madras Cements Ltd.,
3. Ramco Industries Ltd.,
4. The Ramaraju Surgical Cotton Mills Ltd.,

The Company's transactions with the above Related Parties are given below :

Current Year		Group (Rs.)	Group (USD)	KMP (Rs.)	KMP (USD)	
Loans availed	Transaction during the year	393,000,000	8,841,395	-	-	
	Outstanding as on 31.03.06	30,000,000	674,916	-	-	
Loans given	Transaction during the year	240,000,000	5,399,325	-	-	
	Interest	Expenses	8,187,894	185,727	-	-
		Income	1,207,726	27,395	-	-
Sale of goods & services	Transaction during the year	29,036,309	653,235	-	-	
	Outstanding as on 31.03.06	15,822,911	355,971	-	-	
Rights Issue	Transaction during the year	319,266,570	7,182,600	41,577,480	935,376	
<b>Previous Year</b>						
Loans availed	Transaction during the year	597,000,000	13,683,245	-	-	
	Outstanding as on 31.03.05	150,000,000	3,438,001	-	-	
Loans given	Transaction during the year	-	-	-	-	
Interest	Expenses	8,868,137	197,483	-	-	
Sale of goods & services	Transaction during the year	10,391,010	231,396	-	-	
	Outstanding as on 31.03.05	210,523	4,825	-	-	
Purchase of Assets	Transaction during the year	219,927	4,898	-	-	
	Outstanding as on 31.03.05	9,403	216	-	-	
Preferential Issue	Transaction during the year	147,410,519	3,378,650	54,979,100	1,260,121	

The above transactions were done in the ordinary course of business and at commercial rates.

Details of corporate guarantees given by Group are given in Note No. 2.

### 10. Segment Revenue

#### Primary Segment:

In accordance with Accounting Standard 17, issued by the Institute of Chartered Accountants of India, the Company has determined its primary operating segments as:

**Product Software and Related Services:** Engaged in the development, licensing, implementation and maintenance of software solutions.

**Other software services:** Engaged in providing professional services and implementing projects, and consisting of two sub-segments, being

- (i) Project and Other Software Services and
- (ii) CRM and Other IT Services.

**Network Solutions:** Engaged in the development and sale of network and communication hardware, security software and other related services.

These operating segments were identified from the structure of the Company's internal organization.

The revenues and results of each of the primary segments are given below:

### Segment Revenue - Primary Segments

	For the year ended March 31,			
	2006	2005	2006	2005
	(Rs. in Lacs)	(USD Million)	(Rs. in Lacs)	(USD Million)
<b>1. Revenue</b>				
A. Product Software and related Services	13,539.19	30.71	10,633.40	23.68
B.1. Project and Other Software Services	2,360.22	5.35	2,672.66	5.95
B.2. CRM and Other IT Services	4,554.02	10.33	4,089.98	9.11
<b>B. Other Software Related Services Total</b>	<b>6,914.24</b>	<b>15.68</b>	<b>6,762.64</b>	<b>15.06</b>
C. Secured Convergent Networking Solutions	5,664.60	12.85	4,655.40	10.37
<b>Total</b>	<b>26,118.03</b>	<b>59.24</b>	<b>22,051.44</b>	<b>49.11</b>
Less: Inter Segment Revenue	-	-	-	-
<b>Net Sales / Income from Operations</b>	<b>26,118.03</b>	<b>59.24</b>	<b>22,051.44</b>	<b>49.11</b>
<b>2. Segment Profit / (Loss) before tax and interest</b>				
A. Product Software and related Services	3,252.81	7.38	1,637.42	3.65
B.1. Project and Other Software Services	(590.48)	(1.34)	(983.74)	(2.19)
B.2. CRM and Other IT Services	242.47	0.55	368.10	0.82
<b>B. Other Software Related Services Total</b>	<b>(348.01)</b>	<b>(0.79)</b>	<b>(615.64)</b>	<b>(1.37)</b>
C. Secured Convergent Networking Solutions	177.38	0.40	146.40	0.33
<b>Total</b>	<b>3,082.18</b>	<b>6.99</b>	<b>1,168.18</b>	<b>2.61</b>
Less: Interest	1,296.21	2.94	1,161.76	2.60
Less: Other unallocation the expenditure net of unallocable income	3,931.60	8.93	3,267.09	7.28
Less: Extraordinary Items	-	-	3,499.21	7.79
Less: Taxation	322.80	0.73	63.02	0.14
Less: Minority Interest	6.45	0.01	-	-
Add: Equity in Earnings /(Losses) of affiliates	108.41	0.25	30.29	0.07
<b>Profit / (Loss) after Tax</b>	<b>(2,366.47)</b>	<b>(5.37)</b>	<b>(6,792.61)</b>	<b>(15.13)</b>

### Secondary Segment:

The Company's secondary reporting segment is the geographies from which the revenues accrue and they have been identified as:

- India and Middle East regions, consisting of India and the Middle East
- Africa mainly consisting of South Africa
- Asean, consisting of Malaysia, Singapore, Thailand, Philippines, New Zealand and other countries in the region.
- Europe, consisting of United Kingdom, Switzerland, Germany and Benelux countries.
- America, mainly consisting of North and South America and rest of the world.

## Ramco Systems Limited, Global Consolidated (Under AS-21)

Our Secondary Segment revenues from the geographies are given below:

### SECONDARY SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH, 2006

Particulars	India & Middle East		Africa		Asean		Europe		America		Total	
	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)
A. Product Software and Related Services	4,730.22	10.73	3,633.33	8.24	1,426.89	3.24	1,211.22	2.75	4,806.50	10.90	15,808.16	35.86
B.1 Project and Other Software Services	1,061.24	2.41	-	-	-	-	1,794.48	4.07	3.34	0.01	2,859.06	6.49
B.2 CRM and Other IT Services	530.37	1.20	-	-	-	-	-	-	4,279.62	9.71	4,809.99	10.91
C. Network Solutions	5,426.35	12.31	-	-	238.25	0.54	-	-	-	-	5,664.60	12.85
Total Revenue	11,748.18	26.65	3,633.33	8.24	1,665.14	3.78	3,005.70	6.82	9,089.46	20.62	29,141.81	66.10
Less: Inter Segment Revenue	3,023.78	6.86	-	-	-	-	-	-	-	-	3,023.78	6.86
Net Sales / Income from Operations	8,724.40	19.79	3,633.33	8.24	1,665.14	3.78	3,005.70	6.82	9,089.46	20.62	26,118.03	59.24

### SECONDARY SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH, 2005

Particulars	India & Middle East		Africa		Asean		Europe		America		Total	
	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)
A. Product Software and Related Services	4,650.00	10.36	2,528.71	5.63	786.78	1.75	1,568.01	3.50	4,853.92	10.81	14,387.42	32.05
B.1 Project and Other Software Services	1,971.90	4.39	-	-	131.43	0.29	1,134.06	2.53	655.34	1.46	3,892.73	8.67
B.2 CRM and Other IT Services	233.50	0.52	-	-	-	-	59.32	0.13	3,797.20	8.46	4,090.02	9.11
C. Network Solutions	4,369.94	9.73	-	-	280.38	0.62	-	-	-	-	4,650.32	10.35
Total Revenue	11,225.34	25.00	2,528.71	5.63	1,198.59	2.66	2,761.39	6.16	9,306.46	20.73	27,020.49	60.18
Less: Inter Segment Revenue	4,969.05	11.07	-	-	-	-	-	-	-	-	4,969.05	11.07
Net Sales / Income from Operations	6,256.29	13.93	2,528.71	5.63	1,198.59	2.66	2,761.39	6.16	9,306.46	20.73	22,051.44	49.11

Inter segment revenues under India & Middle East segment represents the value of services rendered by the Company under revenue segments (a) and (b) above to its subsidiaries located in the other secondary segments.

The Company believes that it is not practical to provide details of segmental assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) that are used interchangeably among segments. Significant liabilities contracted are based on the Company's requirements on the whole and are not identifiable to any of the reportable segment and as such have not been disclosed separately.

**11. Minority Interest:** The share of Minority Interest in Ramco Systems Corporation, USA, has been shown separately in the Balance Sheet.

**12.** Consequent to recognition of revenue based on percentage of completion method of accounting in respect of certain contracts for software development services under execution by the Company, the revenue for the year has gone up by Rs.224.04 lacs (USD 0.51 Mln.) (previous year Rs. Nil).

**13.** For translating local currency of subsidiaries into Indian Rupees the exchange rate applied is as per serial number III of the accounting policies given above. The figures in US Dollars given alongside Indian Rupees are provided by way of additional information and are obtained by converting the assets and liabilities at the exchange rates in effect at the balance sheet date, except share capital and share premium which are converted at the exchange rate prevailing on the date of transaction and the revenues, costs and expenses at the average exchange rate prevailing during the reporting period. The resultant gains or losses are taken to the translation reserve.

**14.** The figures have been rounded off to the nearest rupee and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

---

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P.R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

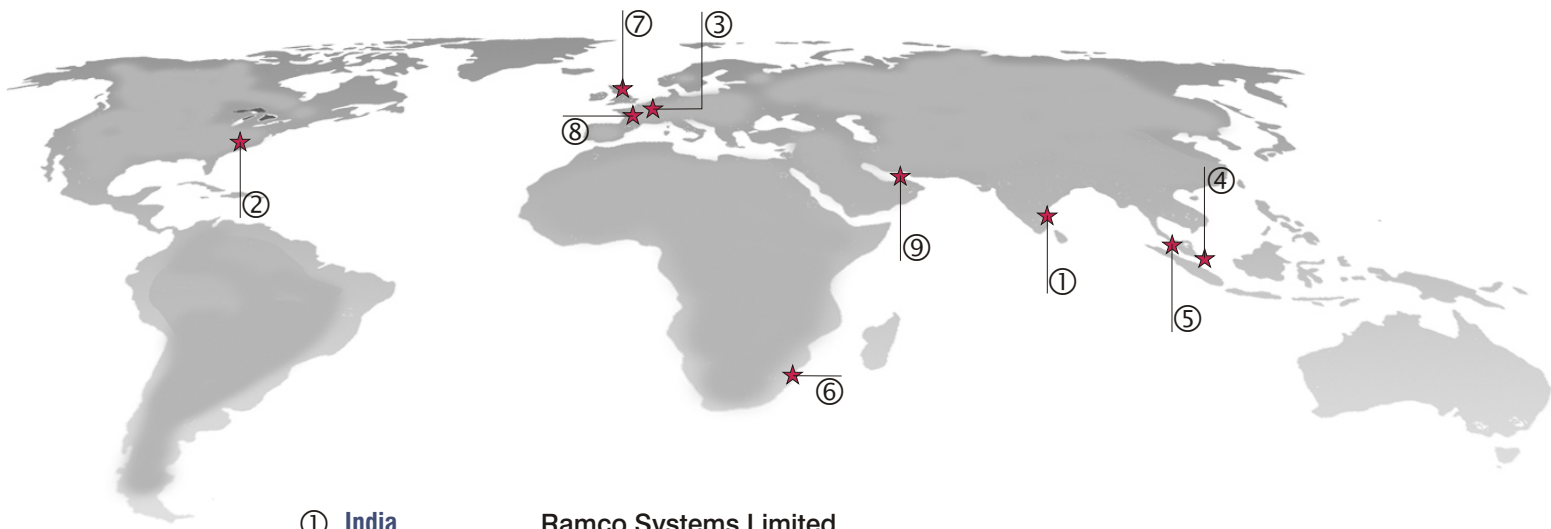
**M.M.VENKATACHALAM**

Place: Chennai  
Date : 27th May, 2006

**SUBRAMANIAN NARAYAN**  
Company Secretary

**V. JAGADISAN**  
Directors





- ① **India**      **Ramco Systems Limited**  
64, Sardar Patel Road, Taramani, Chennai 600 113, India.  
Tel.: +91 (44) 2235 4510. Fax: +91 (44) 2235 2884.
  
- ② **USA**      **Ramco Systems Corporation**  
Crossroads Corporate Center  
3150, Brunswick Pike, Suite 100, Lawrenceville, NJ 08648  
Tel.: +1 (609) 620 4800. Toll Free: 1 (877) RAMCO-US. Fax: +1 (609) 620 4860.
  
- ③ **Switzerland**      **Ramco Systems Limited**  
Lange Gasse 90, Postfach, CH - 4020 Basel, Switzerland.  
Tel.: +41 (61) 205 2525. Fax: +41 (61) 205 2590.
  
- ④ **Singapore**      **Ramco Systems Pte. Ltd.**  
10, Eunos Road 8, #08-05, Singapore Post Centre, Singapore - 408600.  
Tel.: +65 6743 1513. Fax: +65 6743 1514.
  
- ⑤ **Malaysia**      **Ramco Systems Sdn. Bhd.**  
Sdn. Bhd. Suite 1001, Level 10, Menara PJ, Amcorp Trade Centre,  
18, Persiaran Barat, 46050, Petaling Jaya Selangor Darul Ehsan, Malaysia.  
Tel.: +60 (03) 79588978. Fax: +60 (03) 79588443.
  
- ⑥ **South Africa**      **RSL Enterprise Solutions (Pty) Ltd.**  
No 5, Walnut Road, 2nd Floor, SmartXchange Building, Durban-4000, South Africa.  
Tel.: +27 31 304 0911, 0918, 0928. Fax : +27 31 304 3499.
  
- ⑦ **United Kingdom**      **Ramco Systems Limited**  
Exchange House, 494, Midsummer Boulevard,  
Central Milton Keynes MK9 2EA, United Kingdom.  
Tel.: +44 (0) 1908 255 989. Fax: +44 (0) 1908 255 589.
  
- ⑧ **Germany**      **Ramco Systems Limited**  
Lyoner Strasse 14 60528, Frankfurt am Main Germany.  
Tel.: +49 (0) 69 66554485. Fax: +49 (0) 69 66554100.
  
- ⑨ **UAE**      **Ramco Systems Limited**  
P. O. Box 112184, Dubai, United Arab Emirates  
Tel.: +971 (4) 335 3252. Fax: +971 (4) 335 2794.



**Corporate Office and R&D Center**

**Ramco Systems Limited**

64, Sardar Patel Road, Taramani, Chennai 600 113, India.  
Tel.: +91 (44) 2235 4510. Fax: +91 (44) 2235 2884.





**Ramco Systems Limited**

64, Sardar Patel Road, Taramani, Chennai 600 113, India

Phone : +91 44 2235 4510

Fax : +91 44 2235 2884



© Copyright 2006, Ramco Systems Limited.  
Information subject to change.  
All trademarks acknowledged.