



ANNUAL REPORT
2002



A section of our R & D center



Information center



ODC - Offshore Development Center

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Ramco Systems Limited, India

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LETTER TO SHAREHOLDERS

Dear Shareholders,

It was a year of turbulence. The recession and slowdown in the global economy had adversely impacted our first quarter earnings in 2001-02. The 9/11 terror attacks and subsequent events resulted in an adverse impact on many types of businesses the world over and our business was no exception. Against the backdrop of these developments, the company's operations were constrained greatly and we were able to post only USD 36.34 million in global revenues.

In our third year as an independent company, several initiatives were taken to streamline our operations and to lend greater focus to our top line. Our next generation ERP-II product is readying for a global launch in the current fiscal 2002-03. Great energy was spent in putting systems and processes in place, which demand high investments and time, especially so for software product companies as compared to those in the projects domain.

In the product space our flagship ERP product, Ramco e.Applications has matured into a stable, feature-rich offering, expanding its presence in the Manufacturing and Human Resources vertical markets. Some prominent names were signed up as customers during the year. Existing customers are getting prepared to migrate to our next generation ERP-II suite, Ramco iEnterprise Series 4.0, which promises even greater flexibility to adapt to business processes and systems.


In its first full-year as a Custom-built solutions provider, supported by an ODC delivery model, your company provided solutions in education, healthcare, public service, logistics and hospitality areas. We have also used the year 2001-02 to prepare our business process modeling and software delivery platform, Ramco iEnterprise Foundation, for the global market.

Our partnership with Boeing to develop and market Enterprise One, a world-standard product for Aviation Maintenance, has met with promising response from airline companies. The current year ahead should witness some resurgence in this market, on account of airline companies rebounding from their poor results in 2001-02.

The year just over could be termed as the Year of Alignment for the IT industry. Especially with long sales cycles and focus on low Total Cost of Ownership, IT companies have been looking to partner with organizations having either market reach or domain expertise. Likewise, your company has entered into partnership with Triamun to expand our European presence, and more specifically, the healthcare segment. In the area of manufacturing, scheduling and optimization, your company entered into a partnership with Rockwell Automation in India.

Your company is now restructured into three BU's (Business Units) assigned with revenue and profitability targets to ensure cost-effective and profitable operations in respective domain and identify appropriate partnerships to extend our broad global market presence in this fiscal (FY2002-03). Whilst the year ahead promises to be challenging, our increased efforts in the software product and custom solutions space will help your company derive major gains.

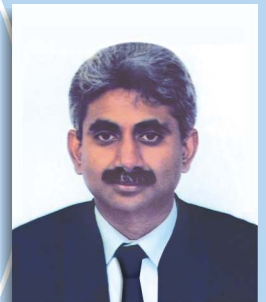
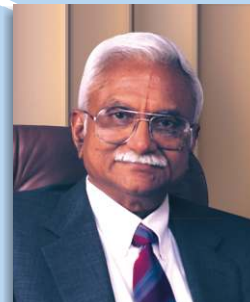
Warm regards,



PR Ramasubrahmaneya Rajha
Chairman



PR Venketrama Raja
Vice Chairman,
Managing Director and CEO.



CORPORATE CAPSULE

EXTENDING WITH



RELATIONSHIPS

We believe partnerships are the way to grow, especially from a strategic viewpoint. The company has entered into partnerships with global corporations to extend our reach and our offerings to provide our customers with best-of-breed solutions.

Some of the strategic partnerships the company concluded this year were with Triamun, Rockwell Automation, Bharat Earth Movers Limited (BEML), Enterasys Networks and Stonesoft Corporation.

The partnership with Triamun will help us expand our presence in the healthcare segment in Switzerland. Several joint programmes have been organized to showcase our solutions to government, NGOs and private corporations. This partnership will enable greater penetration in Western Europe.

The partnership with Rockwell Automation will expand our presence in the area of manufacturing, scheduling and optimization for our Enterprise Products business.

The partnership with Enterasys Networks will enable Ramco to enhance our portfolio and offerings to emerge as a one-stop shop for best-of-breed networking solutions. Another partnership with Stonesoft Corporation will enable Ramco to offer Stonegate - a high availability and high security firewall/VPN solution, to our customers.

The partnership with BEML will enable Ramco to expand our ERP presence in defense and civilian sectors. This partnership would leverage the domain know-how of BEML.

In addition, our existing partnerships with Boeing, Sun Microsystems, Siebel and Nortel Networks have been instrumental in giving us an edge over competition in various markets.

"The teaming of Boeing and Ramco Systems results in a synergy that will deliver a total enterprise maintenance solution to the airline industry. We have built Enterprise One using Ramco's technology and domain knowledge, as well as Boeing's expertise in system integration, innovative design and world class customer service."

- Richard Higgins, V.P.- Maintenance, Engineering & Publications, Boeing

Operations of the company have been restructured into three Business Units (BU) to increase customer satisfaction, leverage technology advancements and to enhance profitability.

- BU I Enterprise Products
- BU II Enterprise Solutions
- BU III Enterprise Services & Systems Integration - Networking & Information Security Solutions, CRM, Process Solutions and Consulting

Enterprise Products remains our mainstay and we will continue to expand our presence as a serious ERP vendor. Enhancements to our existing product suite, have earned recognition from Analysts. Significant investments have been made in **Ramco iEnterprise Series 4.0**, our next generation ERP-II suite of products. It is developed using our unique business process modeling and software delivery platform - **Ramco iEnterprise Foundation**. **Ramco iEnterprise Series 4.0** is a family of packaged applications, which include Corporate Solutions, Discrete Manufacturing, Process Manufacturing, EAM, Aviation Solutions, Human Resources and Business Decisions. These products are scheduled for launch in FY 2002-03.

Enterprise Solutions will provide value-added software solutions by successfully leveraging on our rich software product development experience gained over the past decade. The key differentiator would be offering solutions that will have a high degree of predictability in terms of cost, quality and time to market. This is enabled through our unique business process modeling and software delivery platform - **Ramco iEnterprise Foundation**.

Enterprise Solutions offer business solutions using the best of breed technology and solutions.



TECHNOLOGY WITH BUSINESS

These solutions are modeled through an Offshore Development methodology and support collaborative processes. Competency Centers on IBM, Sun and Web Methods provide us the cutting edge in customized solutions for discerning customers. This BU witnessed reasonable growth during the last fiscal, and buoyed by greater focus is expected to generate substantial business this year.

Enterprise Services & System Integration comprise of four business areas:

1. Networking & Information Security Solutions
2. CRM
3. Process Solutions
4. Consulting

Our Networking & Information Security Solutions span a wide range extending from a few nodes to building large networks as in the The Stock Exchange, Mumbai to high-performance firewalls and VPN solutions for banks. During this year, we increased our presence in the high-margin areas to improve profitability of this unit. Today, it commands an impressive list of blue chip clients and is a leader in the networking and information security business in India.

Enterprise Process Solutions (EPS) business provides optimization solutions, apart from control and automation solutions to the process industry. Over the last year, this business unit has successfully implemented its solutions across many cement plants in India and made a debut in the power vertical. During this fiscal, EPS intends to expand its offering geographically and into other verticals. We are one of the very few Indian companies to offer such services and solutions.

CRM Solutions are offered specifically to banks, financial services, telecom and hi-tech industries. These solutions leverage our partnership with Siebel and our talent pool of Certified CRM professionals. We have established a Siebel Competency Center and will offer our services to a wider base of customers this year.

The year 2001-02 was a challenging period. Our focus was to effectively

"Maintenance is of strategic value to us. Ramco offered us the flexibility we needed and meets our critical requirements."

- Scott McClure, Columbia Helicopters

CORPORATE CAPSULE

manage the downturn in the global economy and at the same time maintain a high employee morale.

The year began with a critical re-assessment of Human Resources requirements and the action-plan was to re-deploy rather than recruit to fill the critical requirements. In our process of consolidation and redeploying resources, we ensured that we could effectively right size the head-count. From a peak strength of almost 1700 at the beginning of the year we have stabilized at around 1525 employees at the end of the year.

The recommendations of the international HR consultants - Mercer Consulting on the Job description and Position Evaluation were analyzed at length and are being implemented across the organization. As a follow-up action, workshops on Key Result Areas (KRAs) and finalizing performance parameters and metrics were undertaken across



MANAGING

THROUGH PEOPLE

all managerial grades. We propose to take this forward to all levels across the organization to meet the overall objectives in the year ahead.

Ramco's strategy of attracting the right mix of professional talent from the premier management and engineering institutions continues to pay rich dividends and we have been one of the few corporates' which has honored the commitment made to the students and taken them on board, even during the most challenging times.

The company continues to invest time and effort in employee skills enhancement, competency building and developing of human resources through a well-planned, need-based training, both in the technical and behavioral areas.

Further, as an incentive for performing employees, the company has covered 60% of the employees in the ESOP scheme.

Customers continue to get our unstinted attention and no efforts are spared to provide the best value and support to customers.

"...both in terms of delivery of promises and levels of competence, we could not have asked for a more professional or committed partner."

*- Jasinder Singh, Chairman,
Radisson Edwardian Hotels,*

In today's complex and fast changing business world, there is an ever-increasing need for software solutions to adapt and evolve to the business processes of the organizations. We appreciate this need and employ superior engineering practices to provide agile solutions to our customers.

This year witnessed several new customers across the different lines of business. Ramco Systems now has more than 1000 customers worldwide. Some of the prestigious customers gained during the year are Cavin Kare, Chennai Petroleum, JK Ansell, Indian Airforce, Shoppers Stop, Steelage(Minimax), Northern Coal Fields, ICICI Infotech, ITC Greeting Cards, Reebok, AVT McCormick, Concor, Moser Baer, Central Bank of India, AFL Wiz, ICI-Uniqema, Centurion Bank, NTPC, South Indian Bank, TCS, NIC, I-Flex, Karnataka Bank, Verizon, ING Vysya, GE Capital, IT&T, APL Engineered Materials, MOC Products, Silver Spring, Essex Crane, Symantec, IDT Corp, Curt Bean, JWM Partners, Wexford Capital, Bentley, Hughes Network Systems, Triamun, Bixi, ATU, Optospeed, Seagate, Agilent, Panasonic, People's Association, PUTRA and JTC.

FOCUSING ON CUSTOMER SATISFACTION

Enhancing product portfolio and solution offering

Our products have matured through 3500 person years of development and implementation experience. Today we are reaping the advantage of this domain know-how, to develop next generation products and

Here's what one of our major customer have to say:

"The installation has been LIVE for more than two years with a very high availability. We have been successful in reaching our goal of uninterrupted business operations and our deliveries have never been delayed on account of system failure or breakdown. The system uptime is almost to the tune of 100%. This speaks very highly of the product and the people behind the system.

The flexibility and openness of the applications allowed us to adapt the business processes reflecting the changes in the market conditions at any given time. We have been successful, mainly because of the support and the competence level of the Ramco employees working at site together with the Euro Desk team at Chennai (India). Ramco guaranteed the high quality resources required for extensions anytime we wanted...

- Urs Kleiber,

"Galaxy V 5.0 is a quality software, developed within schedule and within budget."

- Louis Moser, CEO, Bixi Systems AG

(Galaxy V 5.0 is the next software version for Bixi Systems AG, developed offshore by Ramco Systems)

CORPORATE CAPSULE

solutions. The global launch is slated for this year. These products provide our future customers agile solutions that can easily adapt to business process/technology changes and ensure rapid delivery. Our future product, based on componentized architecture and platform independence, improves our acceptance and entry into the discerning large enterprise segment.

Tapping new markets

Ramco Systems is already present in seven countries and servicing over 1000 customers across 12 countries. We have set up an office in Cyberjaya in the Malaysian Super Corridor to develop solutions specifically for the Malaysian Government and other customers in the region. We are actively evaluating and exploring new markets to enter.

Strategic Partnerships/Alliances with global corporations

INVESTING IN



OPPORTUNITY

We believe partnerships are the way to grow, especially, from a strategic viewpoint. The company has entered into partnerships with global corporations to extend our reach and the offerings envelope, to provide our customers with best-of-breed solutions.

Some of the strategic partnerships the company concluded this year were with Triamun, Bharat Earth Movers Limited (BEML), Enterasys Networks and Stonesoft Corporation.

Enhanced Business from existing customers

The company enjoys an enviable base of over 1000 customers worldwide. We are looking to extend our basket of solutions and services to our existing customers. We have also entered into partnerships with our existing customers to draw their domain strength and market presence.

“software to adapt fast to our dynamic business processes... We appreciate and place on record the efforts and support provided by your on-site personnel.”

-Willi Rossi, MIGROS

OUR MISSION

”We will provide agile business solutions through superior engineering and best-in-class people”

QUALITY POLICY

We will achieve excellence in quality through continuous process improvement to deliver solutions that exceed customer expectations, on-time and within budget.

“We wish to record that we are happy with the quality of your (Ramco’s) personnel at the site and that we appreciate their sincerity and hard-working nature...”

-Dr E Martin, ETA SA (Swatch Group)

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. S. VISWANATHAN
Chartered Accountants, Chennai

BANKERS

State Bank of India
HDFC Bank Ltd.
Citibank N.A.
ICICI Bank Ltd.

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 Systems Sdn. Bhd., Malaysia

Ramco Systems Limited, India

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2002.

Financial Results

	For the Year ended 31st March 2002	(In Rs. Million) For the Year ended 31st March 2001
Net Sales/Income from Operations	938.37	1202.34
Other Income	46.89	67.42
Total Income	985.26	1269.76
Expenditure		
– Cost of resale material	372.24	551.28
– Staff Cost	350.84	313.51
– Sales & Marketing expenses	25.16	20.01
– Administration & Other Expenses	220.17	192.20
Total Expenditure	968.41	1077.00
Profit before Interest, Depreciation, Amortization & Tax	16.85	192.76
Interest	52.89	20.96
Depreciation	51.58	50.57
Amortization	—	109.15
Profit / (Loss) before tax	(87.62)	12.08
Provision for Taxation	—	1.65
Net Profit / (Loss)	(87.62)	10.43

BUSINESS OPERATIONS OVERVIEW

This year your company was put through the most trying times in the backdrop of the global economic slow-down, further accentuated by 9/11 terror attacks. We achieved revenues of Rs. 985.26 million in the fiscal year 2001-02. Significant investments were made to develop and prepare for the global launch of our next generation ERP-II product, **Ramco iEnterprise Series 4.0** and custom solutions, using our world standard business process modeling and software delivery platform, **Ramco iEnterprise Foundation**.

The global revenues of Ramco Systems Ltd, including revenues from subsidiaries in USA, Switzerland, Singapore and Malaysia and branches in UK and Germany, registered USD 36.33 million as against USD 45.36 million in the previous year.

BUSINESS UNITS

For our Enterprise Products the year has been challenging, yet inspiring. ERP is expected to make a global comeback. Our flagship product Ramco e.Applications and its forerunners are running at over 800 customer locations with more than 18,000 users. Our presence was consolidated in certain geographies competing against the world's best, while strengthening our hold in new geographies.

For Enterprise Solutions, our maiden year in the custom-built solutions space has been very significant. Major breakthroughs and unique solutions were provided to discerning global customers.

For Enterprise Services and Systems Integration, comprising Networking and Network Security, CRM and Process Solutions, the year has been very encouraging. In the networking space, information security has emerged as an attractive proposition clocking a host of prestigious customers. CRM expanded its presence with top-flight customers opting for Ramco's expertise. In the Process Solutions space, we succeeded in the Power vertical segment, apart from consolidating in the cement industry.

DOMESTIC OPERATIONS

The company's major focus on Enterprise Products continued its good run. Some of the prestigious names which opted for Ramco e.Applications were Cavin Kare, Chennai Petroleum, JK Ansell, Indian Airforce, Shoppers Stop, Steelage (Minimax), Northern Coal Fields, ICICI Infotech, ITC Greeting Cards, Reebok, AVT McCormick, Concor, Moser Baer and Central Bank of India.

For Enterprise Solutions unit, prestigious customer acquisitions were AFL WIZ (Domestic wing of Airfreight Limited) and ICI-Uniqema.

Enterprise Services and Systems Integration unit continued to consolidate and enter new markets. Our Networking business inked a partnership with Enterasys and Ramco RADAR partnered with Stonesoft to expand its offerings. Centurion Bank, NTPC, South Indian Bank, TCS, NIC, i-Flex, Karnataka Bank, Verizon, Ing Vysya, GE Capital and IT&T were some of the prestigious customers signed up.

Our Process Solutions registered an entry in the Power vertical adding BHEL to its customer list. Zuari Cement and Mangalam Cements were among the other prestigious customers.

OVERSEAS OPERATIONS

Despite the prevailing trend, our US Operations managed to win some significant orders like APL Engineered Materials, MOC Products, Silver Spring, Essex Crane, Symantec, IDT Corp, Curt Bean, JWM Partners, Wexford Capital, Bentley and Hughes Network Systems.

Our Operations in Germany witnessed a break-through with our first order. In Switzerland, we picked up new orders including Triamun, Bixi, ATU and Optospeed. Our UK branch also added some new customers.

Our Far East Operations were also very promising and we added new customers. Seagate, Agilent, Panasonic, People's Association, PUTRA and JTC were the prominent wins.

Our partnership with Boeing for the Enterprise One software entered a crucial phase with product demonstrations being made to airline companies. In the current fiscal, we hope to see a culmination of these efforts.

GLOBAL CONSOLIDATED FINANCIAL STATEMENTS UNDER AS-21

The Global consolidated financial statements, which have become mandatory in the current year, as prescribed by ICAI under Accounting Standard-21, together with the Auditor's Report thereon are enclosed.

EMPLOYEE STOCK OPTION PLANS

At the Annual General Meeting held on 28th August, 2000, the shareholders had approved the grant of options to employees convertible into equity shares aggregating to 1,60,000 equity shares of Rs.10 each representing approximately 2% of the paid up share capital of the company.

The details of options granted under this scheme are given below:

SI No.	Particulars	Remarks
1	Options Granted	1,26,150 equity shares
2	Pricing Formula	Rs.254 per share (Market Price)
3	Options Vested	61,900
4	Options exercised	Nil
5	The total number of shares arising as a result of exercise of options	Nil
6	Options lapsed	Nil
7	Money realised by exercise of options	Nil
8	Employee wise details of options granted to-	
	i) Senior Managerial Personnel	Nil
	ii) Any other employee who receives a grant in one year of option amounting to 5% or more of option granted during the year.	Nil
9	Basic and Diluted Earning per share (EPS) Pursuant to the issue of the above options.	(13.19)

RESEARCH AND DEVELOPMENT

Ramco Systems continues to invest in R&D and innovates in solution delivery methodologies and application of technologies. The company's research and development efforts are aimed at maintaining its leadership position in the areas of enterprise products and solutions. In continuation of the R&D efforts of the previous years, the company has announced the charter for the development and delivery of an integrated solution delivery platform. This platform will be built upon our innovation viz., RamcoVirtualWorks™. The platform has been suitably named Ramco iEnterprise Foundation, as it will be the distinguishing basis of all future solution development and delivery.

Ramco iEnterprise Foundation

Partnerships for domain expertise and market presence have been stated as important objectives for the coming financial year. Our innovation RamcoVirtualWorks™ has thus far enabled us to obtain deep insight into the process of software development, delivery and maintenance. Given the business objectives for the coming year, we recognize that RamcoVirtualWorks™ needs to encompass activities relating to areas other than the software development lifecycle. This will call for processes, hitherto not addressed, to be included as part of the overall framework for solution delivery. In addition to enabling the development and deployment of component based enterprise scale solutions, the Ramco iEnterprise Foundation will allow management of the partnered solution delivery program. Information systems for partner management, application content management, project scoping, planning and control, change management, solution exposure and product implementation besides execution metrics will be included as part of the solution delivery framework.

Ramco Systems Limited, India

Ramco iEnterprise Series 4.0

A new generation of functional applications on the RamcoVirtualWorks™ platform is planned to be released shortly.

- Ramco Process Manufacturing Solutions
- Ramco Discrete Manufacturing Solutions
- Ramco Human Resources Solutions
- Ramco Corporate Solutions
- Ramco Enterprise Asset Management Solutions
- Ramco Business Decisions (For use by Senior Management)

Research and Development efforts went in to incorporate best business practices, and concepts needed for making the functionality as strong as the leading players in relevant vertical markets.

QUALITY

Ramco Systems was certified as an ISO 9001 organisation by KPMG. Ramco Systems Limited is a Microsoft Solution provider, and ranks among the top hundred software companies in surveys by leading trade publications. The company is currently being assessed at level 4 of the Capability Maturity Model (CMM) by KPMG.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year.

RETIREMENT OF DIRECTORS

Shri.S.S.Ramachandra Raja and Shri.N.K.Shrikantan Raja, Directors, retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS

The auditors, Messrs. S.Viswanathan, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

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

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, though not given in this Report, is available for inspection by the Members at the Registered / Corporate Office of the Company during the working hours, as per the Proviso b (iv) to Sec. 219 (1) of the Companies Act, 1956. Any Member interested in obtaining a copy of the particulars may also write to Corporate Office of the Company.

CORPORATE GOVERNANCE

A detailed note on the Company's philosophy on Corporate Governance and the Management Discussion and Analysis report and such other disclosures as are required to be made under the Listing Agreement with the Stock Exchanges, is separately annexed herewith 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;

- a) That the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- b) 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;

- c) 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;
- d) That the annual accounts were prepared for the financial year ended 31st March, 2002 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.

ACKNOWLEDGMENT

Your Directors wish to thank the clients, vendors, investors, and bankers for their continued support of your Company's growth. Your Directors place on record their appreciation of the contribution made by all employees at all levels who have been responsible for the growth of your Company.

For and on behalf of the Board

Place: Chennai
Date : 24th June, 2002

P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN

Ramco Systems Limited, India

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH 2002

In terms of Section 217(1) (e) of the Companies Act 1956 (as amended) and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31st March 2002.

(A) **CONSERVATION OF ENERGY**

The operations of your company are not energy intensive.

(B) **TECHNOLOGY ABSORPTION**

Efforts made in Technology absorption : Particulars given in Form B

(C) **FOREIGN EXCHANGE EARNINGS AND OUTGO**

i) Activities relating to export : Exports of Software to Singapore, Malaysia, Philippines and Thailand.

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 in countries like Hongkong and China are being undertaken in the current year.

(Rs. In Lakhs)

i) Total foreign exchange used : **2183.45**

ii) Total foreign exchange earned : **3611.41**

FORM B

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

Ramco iEnterprise Foundation

Ramco iEnterprise Foundation is a solution delivery platform that brings together partners, customers and Ramco Systems to effectively deliver enterprise solutions. The delivered solution will be characterized by its capability to address enterprise scale computing requirements. The dynamic, adaptive quality of our solutions imparts the unique ability to deal with many diverse computing requirements within the extended enterprise. Solutions built upon the iEnterprise Foundation powerfully combine best-in-class delivery practices and a high performance technology framework.

Benefits derived as a result of the above R&D

Ramco iEnterprise Foundation offers the following benefits

- * Quick development of a completely new enterprise product.
- * Increased value for customers and partners
- * Effective management of the tripartite engagement (Customer, Partner and Ramco)
- * Increased productivity, quality and speed of delivery
- * Delivery of applications designed with adaptability to business and technology changes

Future Plan of Action

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

1. To improve the solution delivery program to provide strong and dynamic business application products/solutions that enhance customer, partner and company value.
2. To improve and enhance the capability to deliver within cost and with superior quality.
3. To improve and enhance the current portfolio of application products.
4. To use best-in-class technologies to provide solutions that enable business innovation.
5. To build a content repository of business applications that will enhance value in consulting engagements.

Expenditure on R&D

	(Rs. in lakhs)
A) Capital	311.48
B) Recurring	2687.71
C) Total	2999.19
D) Total R&D expenditure as a percentage of total turnover	31.9%

Ramco Systems Limited, India

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ramco Systems Limited (RSL) is committed to maintaining high standards of Corporate Governance, and protection of customers, shareholders interests and the company endeavors to maintain transparency at all levels. The following is a report on the status and progress on major aspects of corporate governance.

BOARD OF DIRECTORS

The composition of the Company's Board of Directors is in conformity with the code of Corporate Governance. The structure of the Board is as under:

Composition and category of Directors

SL No	NAME OF THE DIRECTOR	CATEGORY
1	Shri.P.R.Ramasubrahmaneya Rajha	Non Executive Director
2	Shri.P.R.Venketrama Raja	Executive Director
3	Shri.S.S.Ramachandra Raja	Non Executive Director
4	Shri.N.K.Shrikantan Raja	Non Executive Director
5	Shri.M.M.Venkatachalam	Non Executive Independent Director
6	Shri.V.Jagadisan	Non Executive Independent Director

The Managing Director 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 four times during the last financial year on 15th June, 31st July, 29th October 2001 and 30th January 2002. Details of attendance of each Director, at the Board Meetings held during the year are as follows:

Attendance of each director at Board Meetings and the last Annual General Meeting

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

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

BOARD COMMITTEES:

In accordance with the code of Corporate Governance, the Board has set up the following Committees.

AUDIT COMMITTEE

Brief Description of terms of reference :

The Audit Committee consists of three non executive directors with Shri.M.M.Venkatachalam (as Chairman), Shri.V.Jagadisan and Shri.S.S.Ramachandra Raja as Directors of the Committee.

The primary objective of the Committee is to monitor and provide effective supervision of the financial control and reporting system. The Audit Committee reviews the following:

- Internal Audit reports.
- Auditor's Report on the financial statements.
- The strength and weakness of the internal controls and recommendations relating thereto.
- Compliance with accounting standards

Names of Members and Chair person, Meetings and attendance

During the year the committee met 4 times viz., 14th June, 12th October, 28th October 2001 and 29th January, 2002. The attendance of directors at the committee meeting is as follows:

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

REMUNERATION COMMITTEE

The company has one Executive Director Shri P.R.Venketrama Raja who is the Managing Director and was appointed at the Board Meeting held on 23rd March 2000. His appointment and remuneration (please refer item 9 of notes to accounts) was approved by the shareholders at their Extraordinary General Meeting held on 12th June 2000. Since the company does not have any other executive directors, the Remuneration Committee has not been constituted. As and when the company proposes to appoint any other executive Director on the Board, arrangements will be made to constitute the remuneration committee in line with the guidelines on Corporate Governance. The Company does not pay any remuneration to the other directors apart from sitting fees.

SHAREHOLDERS COMMITTEE OF THE BOARD

The Shareholders Committee of the Board looks into the redressal of grievances of shareholders relating to transfer of shares, non receipt of certificates, change of address, dematerialisation of shares etc. 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, and such other issues relating to shares. During the year the committee has maintained nil grievances from the shareholders.

Members of the Committee

Shri P.R.Ramasubrahmaneya Rajha	–	Chairman
Shri P.R.Venketrama Raja	–	Director
Shri N.K.Shrikantan Raja	–	Director
Smt Chitra Sreenivas	–	Secretary of the Committee

Name and designation of Compliance Officer:

Your Company has appointed Smt. Chitra Sreenivas, Company Secretary, as the Compliance Officer as per Clause 47 of the Listing Agreement entered with the Stock Exchanges.

Number of Shareholders' complaints received and redressed during the year.

SI No	Particulars	Received	Redressed	Pending as on 31.3.02
1	Non receipt of share certificates	1	1	Nil
2	Change of Address request	10	10	Nil
3	Issue of Duplicate Share Certificates	Nil	Nil	Nil
4	Request for Stop Transfer	Nil	Nil	Nil
5	Pending Share Transfers	Nil	Nil	Nil

OTHER COMMITTEES

COMPENSATION COMMITTEE

The compensation committee of the company comprises of Shri.P.R.Ramasubrahmaneya Rajha (as Chairman), Shri.S.S.Ramachandra Raja, and Shri.N.K.Shrikantan Raja as Directors of the Compensation Committee.

The Compensation Committee meeting was held on 12th April, 2001 and granted options to eligible employees for a total of 1,26,150 equity shares @ Rs.254 per share under Employee Stock Option Scheme 2000. The exercise price is the closing price in The Stock Exchange, Mumbai on the date of grant. The unit exercise period for the first lot of share is from 12th April 2002 to 8th October 2002. As on date, no options have been exercised and consequently no shares have been allotted pursuant to the scheme.

BUSINESS STRATEGY COMMITTEE

The Business Strategy Committee was formed on 30th January 2002. The Business Strategy Committee of the company comprises of Shri.P.R.Ramasubrahmaneya Rajha (as Chairman), Shri.P.R.Venketrama Raja, Shri.M.M.Venkatachalam and Shri.V.Jagadisan as members of the committee. The main focus of the Committee is on formulating strategies for launch of new product, alliance with strategic partners, financial structuring and positioning of the Company.

Ramco Systems Limited, India

The first Business Strategy Committee meeting was held on 9th June 2002 and all the members of the committee were present at the meeting.

GENERAL BODY MEETINGS

Details of location, time and date of last three Annual General Meetings.

DATE	MEETING	LOCATION	TIME
28.07.99	A G M	47 P S K Nagar, Rajapalaiyam 626 108	10.45 A.M
09.08.00	A G M	Shri P A C R Centenary Community Hall Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalaiyam 626 108	09.30 A.M
01.08.01	A G M	–do–	03.00 P.M.

Postal Ballot

No Postal Ballot was conducted in any of the General Body Meetings held so far by the Company.

DISCLOSURES

Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, 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 : **Nil**

Details of non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : **Nil**

MEANS OF COMMUNICATION

The Board of Directors of the company takes on record the Unaudited Financial Results in the prescribed form within one month of the close of the 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, (English) and Dinamani (Tamil). The results are also promptly forwarded to the stock exchanges where the company's shares are listed.

The Quarterly results, Half-Yearly results, Annual Results, Shareholding Pattern as well as copies of the Press Release are displayed on the Companies web site at www.ramco.com.

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 web site periodically to include information on new developments and business opportunities of the Company.

Press briefings are held after important occasions viz., announcement of quarterly results, new tie up and such other occasions. Shareholders are being provided with timely information on all company related matters. For effective and better communication to the Shareholders, the company has appointed Good Relation Communications as Company's Advertising Agency for issue of Press Release, Results, etc.

The Management Discussions and Analysis giving an overview of the industry, Company's business and its financials etc., is provided separately as a part of this Annual Report.

GENERAL SHAREHOLDER INFORMATION

1	Number of Annual General Meeting	Fifth
2	Date	9th September, 2002
3	Day	Monday
4	Time	10.00 a.m.
5	Venue	47, P.S.K. Nagar, Rajapalaiyam-626 108

Financial Calendar (Tentative – Subject to change)

A	I Quarter Results for June 2002	Between 15th July & 31st July 2002
B	II Quarter Results for September, 2002	Between 15th October & 31st October 2002
C	III Quarter Results for December, 2002	Between 15th January & 31st January 2003
D	Financial Results for the year ending 31st March 2003	Between 15th June & 30th June 2003
E	Annual General Meeting for the year ending 31st March 2003	August/September, 2003
F	Book Closure Date	From 4th September to 9th September 2002 (both days inclusive)
G	Dividend Payment Date	Nil

Listing of equity shares on the stock exchanges at:-

- a) The Madras Stock Exchange Ltd, 11 Second Line Beach, Chennai – 600 001
- b) The Stock Exchange, Phiroze Jheejebhoy Towers, Dalal Street, Mumbai – 400 001
- c) The National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051

Depositories

- a) National Securities Depository Limited, Trade World, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013
- b) Central Depository Services (India) Limited, 28th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 023

Listing fee for the financial year 2002-2003 has been paid to the stock exchanges where the Company's shares are listed. There has been no penalty imposed on the Company by Stock Exchanges or SEBI or any other statutory authorities on any matter relating to capital markets during the year.

Stock Code in Madras Stock Exchange Ltd	RSST
Trading Symbol in NSE	RAMCOSYS
Stock code in BSE	RAMSYDM
ISIN No	INE 246B 01019

Details of share price movements in National Stock Exchange (in Rupees)

S No	Month	Volume	High		Low	
			Rs.	P	Rs.	P
1	April 2001	196204	385	20	245	00
2	May	110609	345	95	267	15
3	June	94429	317	00	277	00
4	July	37871	350	00	272	00
5	August	84520	268	00	220	10
6	September	57264	230	90	132	50
7	October	196455	158	80	136	80
8	November	141481	291	15	133	05
9	December	237959	330	00	223	20
10	January 2002	56247	290	00	197	00
11	February	156771	218	00	163	10
12	March	997574	284	00	145	00

Registrar and Share Transfer Agents

The Company is handling the physical share transfer work in house at 64 Sardar Patel Road, X Floor, Taramani, Chennai – 600 113.

Registrar for Electronic Connectivity : M/s Cameo Corporate Services Ltd
Subramaniam Building,
1, Club House Road, Chennai : 600 002
Phone: 044 - 8460390 : Fax 044 - 8460129

Share Transfer System

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 transfers are pending for more than the period stipulated in the listing agreement. Shares requested for dematerialisation are confirmed within 10 days. The Company has, as per SEBI guidelines offered the facility of transfer-cum-demat. Under the said system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of the shares transferred and requesting him/her in case he/she wishes to demat the shares, to approach a Depository Participant with the option letter. Based on the option letter, the Depository Participant generates demat request and sends the same to the company along with the option letter issued by the Company. On receipt of the same, the company dematerialises the shares. In case the transferee does not wish to dematerialise the shares, he need not exercise the option and the company will despatch the share certificates within 30 days from the date of option letter. During the year the Shareholders Committee has met 13 times and approved the transfer of 42376 equity shares. There is no specific complaint outstanding till date.

Ramco Systems Limited, India

Shareholding Pattern as on 31st March 2002

Description	Total Shares	%
Promoters	4624435	59.80
Mutual Fund	83921	1.08
Financial Institutions	9700	0.13
FII's	11500	0.15
Insurance Companies	343951	4.44
Unit Trust of India	128856	1.67
NRIs/OCBs	17008	0.22
Banks	28450	0.37
Bodies Corporate	282823	3.66
Indian Public	2202628	28.48
Total	7733272	100.00

Dematerialisation of Shares and Liquidity

As on 31st March 2002, 2739626 shares representing 35.43% of the Company's total number of shares have been dematerialised. The company has entered into agreements with both National Securities Depository Limited and Central Depository Services (India) Ltd to facilitate the shareholders to demat their equity shares with any one of the depositories.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity

The Company has not issued any ADR/GDR convertible Warrants

Plant Location

R&D Centre

: 64 Sardar Patel Road, Taramani,
Chennai – 600 113

Address for Correspondence

: 64 Sardar Patel Road
Taramani, Chennai – 600 113
Phone : 044-2354510 :
Telefax : 044- 2355078

For Shareholders' queries

: Smt.Chitra Sreenivas
Company Secretary
64 Sardar Patel Road, X Floor
Taramani, Chennai – 600 113
Phone : 044-2354510
Telefax : 044 - 2355078
Email : chitras@rsi.ramco.com

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 on 31st March, 2002 as stipulated in clause 49, of the Listing Agreement of the said company with the stock exchange (s).

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 Investor Grievances 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 **Messrs. S.VISWANATHAN**
Chartered Accountants

Place : Chennai
Dated : 24th June, 2002

C.N.GANGADARAN
Partner

MANAGEMENT DISCUSSION & ANALYSIS

Overview

This year the company was put through the most trying times in the backdrop of the US economic recession extended by terror attacks. Significant investments were made to develop and prepare for the global launch of our next generation ERP-II product and Custom-built solutions, using our world standard business process modeling and software delivery platform, **Ramco iEnterprise Foundation**.

Opportunities

Global organisations are faced with a new world order, which demands highly secure and adaptable solutions and services to confront today's business volatility. Hence search for new markets and geographies is a constant quest. At Ramco Systems we have taken this seriously and are consolidating and expanding our envelope in South East Asia, Africa and Middle East. In India, we are moving even higher up the value chain as a top tier player.

Our debut in Enterprise Solutions is gaining ground with acceptance and confidence building with our existing and new customers. We are aggressively promoting our Information Security Consulting to target high margin projects in this space.

Challenges

In sharp contrast to the software projects-based business, the software products business demands far greater investments and time to develop, fine-tune the methodology and delivery mechanisms. We have invested 3500 person years and are now poised to deliver a superior product offering which will compete with the world's best. This focus will pay rich dividends in the coming years. Since our new ERP-II product, Ramco iEnterprise Series 4.0 is based on a contemporary componentized technology, the company is on the right trajectory.

By nature, the software industry is people-intensive and employee retention and growth are critical to the success of the organisation. The company had appointed Mercer Consulting, an international HR Consultant to recommend the progression mechanism for managers. Further as an incentive for performing employees, the company has covered 60% of the employees under the ESOP scheme.

Restructuring and Executive Councils

After a difficult year, the management has re-defined and restructured the business lines into three Business Units, with a clear mandate of increasing profitability, achieving revenue targets and capitalizing on market opportunities. A Corporate Executive Council comprising of senior managers will review the company's achievements vs plans, strategic initiatives and periodic review of subsidiary operations. There is also an Operations Committee comprising of senior managers to review the operations of the company and to ensure stream-lined functioning of the company.

Ingredients for Success

Today, Ramco possesses **superior knowledge of business processes**, which help in design, development and implementation of solutions at a rapid pace.

The company has been built upon an impressive team of knowledgeable and motivated employees who are **best-in-class**. Very few companies worldwide enjoy this privilege.

Ramco Systems has developed a component-based business process modeling and software delivery platform called Ramco iEnterprise Foundation, which offers **superior engineering** capabilities. Ramco iEnterprise Foundation, helps in increasing productivity and reducing costs at all stages of the software development process - right from the requirements definition to maintenance of the applications.

Solutions created by a combination of the three critical inputs – People, Process & Technology ensures continued success for Ramco on a global scale.

Ramco Systems Limited, India

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS LIMITED

1. We have audited the attached Balance Sheet of Ramco Systems Limited as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the Notes and the Statement of Significant Accounting Policies attached thereto, give in the prescribed manner, the information required by 'The Companies Act 1956' of India (the 'Act') and also give respectively, a true and fair view of the state of the Company's affairs as at 31st March 2002 and its Loss for the year ended on that date.
4. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, proper books of account as required by law have been kept so far as appears from our examination of those books. In our opinion these accounts have been prepared materially in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India, referred to in Section 211(3C) of the Act, to the extent applicable.
5. Based on the representation made by all Directors of the company and the information and explanations as made available, the Directors of the company do not *prima facie* have any disqualification as referred to under Section 274 (1)(g) of the Act.
6. As required by the Manufacturing and other Companies (Auditor's Report) Order 1988, issued by the Government of India and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that:
 - 6.1 The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. As represented by the management, fixed assets of the Company have been physically verified by the management during the year in accordance with a phased programme and no material discrepancies between the book records and the physical inventory had been noticed.
 - 6.2 The fixed assets of the company have not been revalued during the year.
 - 6.3 The stocks of raw materials and finished goods of the company at all its locations have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
 - 6.4 In our opinion the procedure of physical verification followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - 6.5 The discrepancies between physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
 - 6.6 In our opinion the valuation of stocks of raw material and finished goods has been fair and proper in accordance with the normally accepted accounting principles followed in India and is on the same basis as in the preceding year.
 - 6.7 The company has not taken any loans secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Act. In view of deletion of Section 370(1-B) of the Companies Act, 1956 it is not possible for us to comment on loans from companies under same management.
 - 6.8 The company has not granted any loans to companies listed in the register maintained under Section 301 of the Act. In view of deletion of Section 370(1-B) of the Companies Act, 1956 it is not possible for us to comment on loans to companies under same management.
 - 6.9 The parties to whom loans or advances in the nature of loans have been given by the Company are repaying principal amounts as stipulated and are also regular in payment of interest, where applicable.
 - 6.10 In our opinion and according to the information and explanations given to us, the Company has an adequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of raw materials, plant and machinery, equipment and similar assets and for the sale of goods.

- 6.11 The Company has not purchased goods and materials and sold goods and materials or rendered services aggregating Rs. 50000/- or more in value from/to any of the parties listed in the register maintained under Section 301 of the Act.
- 6.12 We are informed that there are no unserviceable or damaged stores and raw materials for which provision is necessary.
- 6.13 The Company has not accepted any deposits from the Public under Section 58A of the Act and the Rules framed thereunder.
- 6.14 In our opinion, and to the best of our information the Company has no by product or scrap, which has any significant realisable value.
- 6.15 The Company has an internal audit system commensurate with the size of the company and the nature of its business.
- 6.16 The Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Act.
- 6.17 The Company during the year has been regular in depositing the Provident Fund and Employees State Insurance dues with the appropriate authorities.
- 6.18 There are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, and excise duty which were outstanding for a period exceeding six months from the day they became payable.
- 6.19 During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices followed in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations or in accordance with generally accepted business practice.
- 6.20 The Company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- 6.21 In respect of services rendered:
- (a) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with the size of the company and the nature of its business. Though allocation of materials consumed is not made to the relative jobs, in our opinion, control is exercised on total materials consumed on jobs.
- (b) In our opinion, the Company has a reasonable system of allocation of man-hours utilised to the relative jobs, commensurate with its size and nature of its business.
- (c) In our opinion, there is a reasonable system of authorisation at proper levels and an adequate system of internal controls for allocation of stores and labour commensurate with the size of the Company and nature of its business.
- 6.22 In respect of trading activities of the company:
- (a) The Company has a process of determining damaged goods and where the value of such goods is significant, adequate provision has been made for the loss.

For **Messrs. S.VISWANATHAN**
Chartered Accountants

Place : Chennai
Dated : 24th June, 2002

C.N.GANGADARAN
Partner

Ramco Systems Limited, India

BALANCE SHEET AS AT 31st MARCH, 2002

	Schedule	As at 31.03.2002 Rs.	As at 31.03.2001 Rs.
I. SOURCES OF FUNDS			
1. Share Holders' Funds			
a) Share Capital	I	77,680,720	77,680,720
b) Reserves & Surplus	II	2,428,069,977	2,775,257,582
		<u>2,505,750,697</u>	<u>2,852,938,302</u>
2. Loan Funds			
a) Secured	III	355,720,745	206,090,261
b) Unsecured	IV	60,000,000	111,490,852
		<u>415,720,745</u>	<u>317,581,113</u>
TOTAL		<u>2,921,471,442</u>	<u>3,170,519,415</u>
II. APPLICATION OF FUNDS:			
1. Fixed Assets			
Gross Block	V	1,313,809,260	639,378,214
Less : Depreciation		<u>305,226,311</u>	<u>255,289,515</u>
Net Block		<u>1,008,582,949</u>	<u>384,088,699</u>
Capital Work in progress		—	5,552,934
2. Investments			
	VI	754,906,697	754,906,697
3. Current Assets, Loans & Advances			
a) Inventories	VII	37,793,662	79,562,918
b) Sundry Debtors	VIII	629,589,366	882,828,361
c) Cash & Bank Balances	IX	135,805,797	457,215,475
d) Loans & Advances	X	186,080,418	228,746,115
e) Other Current Assets	XI	2,677,222	6,955,325
		<u>991,946,465</u>	<u>1,655,308,194</u>
Less : Current Liabilities and Provisions			
a) Current Liabilities	XII	192,104,554	259,569,103
b) Provisions	XIII	927,166	2,864,140
		<u>193,031,720</u>	<u>262,433,243</u>
Net Current Assets		<u>798,914,745</u>	<u>1,392,874,951</u>
4. Misc Expenditure			
(to the extent not written off / adjusted)	XIV	276,831,730	633,096,134
5. Profit & Loss Account			
	XV	82,235,321	—
TOTAL		<u>2,921,471,442</u>	<u>3,170,519,415</u>
Schedules, Accounting Policies and Notes form an integral part of the accounts	XXII		

As per our Report Annexed
For **Messrs. S. Viswanathan**
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 : 24th June, 2002

CHITRA SREENIVAS
Company Secretary

V. JAGADISAN
Directors

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

	Schedule	Year ended 31.03.2002 Rs.	Year ended 31.03.2001 Rs.
INCOME			
Sales	XVI	938,369,605	1,202,343,821
Other Income	XVII	46,894,736	67,417,163
		985,264,341	1,269,760,984
EXPENDITURE			
Cost of Resale Material		372,239,092	551,276,856
Employee Compensation & Benefits	XVIII	350,840,438	313,514,232
Sales & Marketing Expenses	XIX	25,159,675	20,013,235
Administrative & Other Expenses	XX	220,171,141	192,198,030
		968,410,346	1,077,002,353
Profit before Interest, Depreciation, Amortization & Tax		16,853,995	192,758,631
Interest & Finance Charges	XXI	52,897,215	20,965,108
Profit/(Loss) before Depreciation, Amortization & Tax		(36,043,220)	171,793,523
Depreciation		51,580,689	50,570,048
Profit/(Loss) before Amortization & Tax		(87,623,909)	121,223,475
Amortization of Product Research and Development Expenditure		—	109,149,798
Profit/(Loss) before Tax		(87,623,909)	12,073,677
Provision for Taxation		—	1,648,078
Profit/(Loss) after Tax		(87,623,909)	10,425,599
Profit & Loss Appropriation Account for the year ended 31st March 2002			
Transferred from Profit & Loss Account		(87,623,909)	10,425,599
Less : Balance brought forward (Profit)		14,738,211	4,312,612
Add : Prior period adjustments (Refer Note No.10)		(14,349,623)	—
Balance in Profit & Loss Account		(87,235,321)	14,738,211
Schedules, Accounting Policies and Notes form an integral part of the accounts	XXII		

As per our Report Annexed
For **Messrs. S. Viswanathan**
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 : 24th June, 2002

CHITRA SREENIVAS
Company Secretary

V. JAGADISAN
Directors

Ramco Systems Limited, India

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2002

	As at 31.03.2002 Rs.	As at 31.03.2001 Rs.
Schedule I		
Share Capital		
1. Share Capital		
Authorised :		
1,50,00,000 equity Shares of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued Share Capital		
80,81,272 equity shares of Rs.10/- each	<u>80,812,720</u>	<u>80,812,720</u>
Subscribed Share Capital		
80,81,272 equity shares of Rs.10/- each	<u>80,812,720</u>	<u>80,812,720</u>
Paid up Capital		
77,33,272 Equity shares of Rs.10/- each fully paid up	<u>77,332,720</u>	
Add: Forfeited Shares	<u>348,000</u>	<u>77,680,720</u>
	<u>77,680,720</u>	<u>77,680,720</u>

Of the above

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 Honourable 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 Shareholders of the company in the EGM held on 10, November 1999 and by the Reserve Bank of India.

Schedule II

Reserves & Surplus

	As at 31.03.2002 Rs.	As at 31.03.2001 Rs.
Capital Reserve (Refer Note No.2)	<u>20,285,957</u>	347,735,351
Share Premium	<u>2,407,784,020</u>	2,407,784,020
General Reserve (Refer Schedule XV)	—	5,000,000
Balance in Profit & Loss Account	—	14,738,211
	<u>2,428,069,977</u>	<u>2,775,257,582</u>

Schedule III

Secured Loans

a) Bank Borrowings	<u>203,915,970</u>	50,000,000
b) Term Loan from		
Housing Development Finance Corporation Ltd.	<u>22,126,419</u>	26,893,998
Sundaram Home Finance Ltd.	<u>27,950,812</u>	28,715,452
State Bank of Mauritius	<u>100,000,000</u>	100,000,000
c) Hire Purchase Loans	<u>1,727,544</u>	480,811
(For security details, refer Note No. 4 of Notes on Accounts)		
	<u>355,720,745</u>	<u>206,090,261</u>

Schedule IV

Unsecured Loans

From Directors	—	1,490,852
From Banks-Short Term Loan	<u>60,000,000</u>	110,000,000
	<u>60,000,000</u>	<u>111,490,852</u>

Ramco Systems Limited, India

	As at 31.03.2002 Rs.	As at 31.03.2001 Rs.
Schedule IX		
Cash and Bank Balances		
Cash on hand	766,122	206,585
Balances with Scheduled Banks in		
a) Current Accounts	66,549,372	111,104,571
b) Deposit Accounts	68,490,303	345,904,319
	<u>135,039,675</u>	<u>457,008,890</u>
	<u>135,805,797</u>	<u>457,215,475</u>
Schedule X		
Loans and Advances		
(Unsecured, Considered Good)		
Advances recoverable in Cash or Kind		
From Subsidiaries	79,107,517	109,116,375
Others	71,767,531	86,704,183
Tax deducted at Source	24,379,241	25,105,881
Deposits with Government Departments and Others	10,826,129	7,819,676
	<u>186,080,418</u>	<u>228,746,115</u>
Schedule XI		
Other Current Assets		
Prepaid expenses	2,648,700	3,612,197
Interest Accrued	28,522	3,343,128
	<u>2,677,222</u>	<u>6,955,325</u>
Schedule XII		
Current Liabilities		
For Purchases	100,913,575	166,153,437
For Expenses :		
To subsidiaries	35,050,085	18,202,708
Others	56,140,894	75,212,958
	<u>192,104,554</u>	<u>259,569,103</u>
Schedule XIII		
Provisions		
Provision for Taxation	927,166	2,864,140
	<u>927,166</u>	<u>2,864,140</u>
Schedule XIV		
Miscellaneous Expenditure		
Product Research and Development Expenditure to the extent not amortised (Refer Note No. 1)	264,299,618	590,028,198
Deferred Revenue Expenses	12,532,112	43,067,936
	<u>276,831,730</u>	<u>633,096,134</u>
Schedule XV		
Profit & Loss Account		
Balance brought forwards from P&L	87,235,321	—
Appropriation Account		
Less : Balance in General Reserve Adjusted	(5,000,000)	—
	<u>82,235,321</u>	<u>—</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

	Year ended 31.03.2002 Rs.	Year ended 31.03.2001 Rs.
Schedule XVI		
Sales		
Software Sales	175,171,729	142,351,087
Service & Maintenance charges	298,019,249	372,615,496
Value Added Resale Software & Hardware Materials	423,115,506	602,986,584
Royalty	42,063,121	84,390,654
	938,369,605	1,202,343,821
Schedule XVII		
Other Income		
Interest Received (TDS Rs.26,78,675/-) (Previous year Rs.99,05,350/-)	22,337,130	50,733,675
Profit on sale of assets	495,527	65,929
Foreign Exchange Fluctuation	24,062,079	16,617,559
	46,894,736	67,417,163
Schedule XVIII		
Employee Compensation & Benefits		
Salaries, Bonus etc.,	304,712,395	274,016,435
Gratuity & Superannuation Fund Contributions	7,936,453	3,187,152
Provident Fund Contributions	18,533,585	15,044,424
Staff Welfare	19,658,005	21,266,221
	350,840,438	313,514,232
Schedule XIX		
Sales & Marketing Expenses		
Advertisement & Sales Promotion	23,012,038	16,541,579
Handling, Packing & Forwarding	2,147,637	3,471,656
	25,159,675	20,013,235
Schedule XX		
Administrative & Other Expenses		
Audit, Accountancy & Legal Charges	22,832,080	21,169,391
Bank Charges	5,257,302	7,373,465
Insurance	1,725,827	1,634,889
Loss on sale of fixed assets	484,283	1,029,642
Communication Expenses	19,470,188	15,220,020
Power & Fuel	11,048,139	7,082,665
Printing & Stationery	3,555,662	2,390,968
Rates & Taxes	3,443,302	5,095,780
Rent	50,944,959	36,600,363
Repairs - Buildings	235,545	—
Repairs - Plant & Machinery	5,347,926	2,164,497
Repairs - Others	4,767,591	1,489,097
Travel & Conveyance	64,178,473	73,807,196
Miscellaneous Expenses	26,879,864	17,140,057
	220,171,141	192,198,030
Schedule XXI		
Interest & Finance Charges		
Fixed Loans	5,052,576	2,818,385
Hire Purchase & Finance Charges	1,186,639	2,847,943
Others	46,658,000	15,298,780
	52,897,215	20,965,108

Ramco Systems Limited, India

Schedule XXII

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 Services

i) License Fees

License Fee revenue is recognised on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

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. E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

D. Other Income

Interest on bank deposits is recognised on accrual basis.

III. Fixed Assets and Depreciation

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/- or less 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 Account. In respect of Assets leased prior to 01.04.2001, the lease rentals payable during the year are charged to Profit & Loss Account. In respect of assets leased on or after 01.04.2001, the accounting treatment prescribed by Accounting Standard 19 on "Leases" is followed.

Cost incurred on development of new framework technology, which would enable the company to provide solutions - both standard and customised - in an efficient manner is treated as a fixed asset once the same is available for use and depending upon the estimated useful life of framework technology depreciation is charged.

IV. Investments

Long term investments are stated at cost.

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 are translated at the exchange rates prevailing on the date of the balance sheet or where 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 Account. 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 transactions 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 the head office after adjusting for unresponded transactions. Net gain / loss on foreign currency translation is recognised in the Profit & Loss Account.

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 Account 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 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. Research & Development

Research & Development Costs are capitalised and amortized over a period of 4 years following the year in which the product is available for use.

X. Earnings Per Share

Profit after tax is adjusted for prior period adjustments and divided by the number of Equity Shares outstanding as on the balance sheet date.

NOTES ON ACCOUNTS

1. Research & Development

Out of an amount of Rs.8,583.42 lacs capitalised upto the year 2000-01 in respect of the Product Research & Development Expenditure, an amount of Rs.3,774.64 lacs has been amortized upto 31 March 2002.

During the current year, an amount of Rs.2,687.71 lacs was incurred for Product Research and Development and has been capitalised and grouped under Product Research & Development Expenditure.

Out of the unamortised Product Research & Development Expenditure, an amount of Rs.4,853.50 lacs, being the cost of development of a "Technology Platform" using RamcoVirtualWorks™, has been capitalised as a fixed asset. In the opinion of the Company, the useful life of Technology Platform is estimated to be not less than ten years, during which it is expected to be used in the execution of product development and project execution. Accordingly, these costs will be written off over a period of ten years.

Depreciation charged to Profit & Loss Account includes Rs.423.89 lacs towards depreciation on assets used for Research and Development.

2. Capital Reserve

The reduction in the balance of capital reserve as on 31.03.02 is due to the debit of an amount of Rs.2,183 lacs being Product Research & Development Expenditure amortised during the years 1999-00 and 2000-01 and of Rs.1,091.50 lacs being the amortisation for the current year, aggregating to Rs.3,274.50 lacs. As the capital reserve represented the value of the net assets transferred to the Company through the Scheme of Demerger from Ramco Industries Ltd, the depletion in the value of unamortised Product Research & Development Expenditure (which also formed a portion of the assets transferred to the Company through the said scheme) through the amortisation stated above, has therefore been debited to the capital reserve Account.

Ramco Systems Limited, India

3. Sundry Debtors

Sundry Debtors include dues from Overseas subsidiaries as given below:

Subsidiary	Outstanding as on 31.03.2002	Maximum amount due During the year
Ramco Systems Corporation, USA	Rs.2,773.99 lacs (Previous year Rs.3,480.77 lacs)	Rs.4,184.15 lacs (Previous year Rs.3,480.77 lacs)
Ramco Systems Limited, Switzerland	Rs.1,278.78 lacs (Previous year Rs.907.47 lacs)	Rs.1,379.32 lacs (Previous year Rs.907.47 lacs)
Ramco Systems Sdn., Bhd., Malaysia	Rs.34.93 lacs(Previous year Rs. Nil)	Rs.34.93 lacs (Previous year Rs. Nil)
Ramco Systems Pte Ltd., Singapore	Rs.182.34 lacs (Previous year Rs.186.59 lacs)	Rs.243.59 lacs (Previous year Rs.186.59 lacs)

4. Secured Loans

Borrowings from the banks for working capital 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.

Term Loan from State Bank of Mauritius is secured by a charge on certain Fixed Assets of the Company, excluding Land & Building.

Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Limited represent a Line of Credit to the Company towards provision of housing loans to the employees, which is secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees.

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

5. Current Liabilities

There are no outstandings to Small Scale industrial Undertaking, for more than 30 days.

6. Taxation

No provision for current tax for the Company (including its Branches at United Kingdom and Germany) has been made in view of absence of taxable profits.

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

7. The Company's shares are listed on Madras Stock Exchange Limited, The Stock Exchange, Mumbai and National Stock Exchange of India Limited. The Listing Fees for the financial year 2001-2002 has been paid.

8. The Company has branches in United Kingdom and Germany. The United Kingdom branch has made a turnover of Rs.1006.42 lacs for the year ended 31st March 2002 (previous year Rs. 1368.08 lacs) and the Germany branch has made a turnover of Rs.24.58 lacs for the year ended 31st March 2002. (Previous year : Nil)

9. Managerial Remuneration

Computation of Profits as per Sec. 349 of the Companies Act, 1956 for remuneration to Vice Chairman and Managing Director for the year ended 31.03.2002:

	Rs.	Rs.
Loss as per P&L account		(87,623,909)
Add : Directors' Sitting Fees	195,000	
Vice Chairman & Managing Director's Remuneration	1,382,400	
Loss on Sale of Assets as per P&L Account	484,283	
Profit on Sale of Assets as per Sec 350	<u>1,103,065</u>	
		<u>3,164,748</u>
		(84,459,161)
Less : Profit on Sale of Assets as per P&L Account	495,527	
Loss on Sale of Assets as per Sec.350	<u>221,305</u>	
		<u>716,832</u>
Loss arrived for the purpose of Managerial Remuneration		<u>(85,175,993)</u>
3% of the above – Rs. Nil		

The Company's Vice Chairman as Managing Director 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. He has been paid a remuneration of Rs. 1,382,400/- for the year (Previous year Rs. 1,166,400/-) from the Company as per the terms of appointment by way of monthly remuneration. This remuneration has been adjusted in the overall maximum remuneration of Rs. 52,89,959/- (Previous year Rs. 57,18,392/-) payable by Ramco Industries Limited at 3% of its net profits computed in accordance with the provisions of the said Act.

10. Prior Year Adjustments:

Prior year adjustment in the Profit & Loss Appropriation Account represents the net amount arising out of:

- the transfer of Rs.2,183.00 lacs from out of the Capital Reserve to the Profit & Loss Appropriation Account due to write back of Product Research and Development Expenditure amortised in 1999-00 and 2000-01
- reversal of sales revenues amounting to Rs.1,940.51 lacs
- write off of obsolete stocks amounting to Rs.28.05 lacs
- write off of deferred revenue expenses amounting to Rs.357.93 lacs, in all aggregating to a net reversal Rs.143.49 lacs and relating to earlier years.

11. Contingent Liabilities

	As at 31.03.2002	(Rs. in lacs) As at 31.03.2001
(a) Estimated amount of contracts remaining to be executed on capital account	49.92	366.86
(b) Bank Guarantees	605.53	680.74
(c) Letters of Credit	581.19	68.00
(d) Customs duty payable on Raw Material stock at Bonded Warehouses.	Nil	16.21
(e) Octroi Liability	18.59	Nil
(f) The Company has extended Corporate Guarantee in favour of ICICI Bank Ltd. for an amount of US D 5.0 million (Previous year USD 3.0 million) to facilitate availment of loan by its subsidiary, viz., Ramco Systems Corporation, USA		
(g) The Company has extended Corporate Guarantee in favour of UTI Bank Ltd., for an amount of US D 2.5 million (Previous year : Nil) to facilitate availment of loan by its subsidiary, viz., Ramco Systems Limited, Switzerland.		
(h) The Company's Land and Building located at 64, Sardar Patel Road, Taramani has been provided as collateral security on a pari passu first charge basis to ICICI Bank Ltd., and UTI Bank Ltd., for the credit facilities provided by these banks to the Company's subsidiaries as mentioned in Note (f) and (g) above.		

12. Fees paid to Statutory Auditor's (included in audit, accountancy & legal charges) towards:

	For the year ended 31.03.2002	(Rs. in lacs) For the year ended 31.03.2001
(a) Statutory Audit	2.10	2.00
(b) Tax Audit	0.90	0.90

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

	For the year ended 31.03.2002	(Rs. in lacs) For the year ended 31.03.2001
	Net Value	Net Value
A) Sales:		
a) Ramco e.Applications and other Software & Services	4,994.03	5,756.27
b) Enterprise Networking Solutions	4,389.67	6,267.17
B) CIF Value of Imports -		
Raw Materials , Spare Parts & Capital Goods	1,464.01	2,953.32
C) Expenditure in Foreign Currency on account of		
1) Remittance to Overseas Subsidiaries	—	1,066.01
2) Travelling and other matters	719.44	417.94
D) Number of Non-resident shareholders	28	25

Ramco Systems Limited, India

	For the year ended 31.03.2002		(Rs. in lacs) For the year ended 31.03.2001	
	Value	%	Value	%
E) Value of consumption of imported and indigenous raw materials and spare parts				
RAW MATERIALS				
Imported	2,010.20	54.00	3,604.45	65.39
Indigenous	1,712.19	46.00	1,908.32	34.61
F) Earnings in Foreign Exchange on export of goods (F.O.B. basis)	3611.41		3063.45	

14. Earnings Per Share (EPS) :

Profit/(Loss) after Tax and prior period adjustments (Rs.)	(A)	(101,973,532)	10,425,599
Total Equity Shares outstanding	(B)	7,733,272	7,733,272
EPS - Basic and Diluted (per share of Rs.10/- each) (Rs.)	(A/B)	(13.19)	1.35

15. Related Party Transactions:

As per Accounting Standard 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 Ltd., Switzerland,
2. Ramco Systems Corporation, USA,
3. Ramco Systems Sdn Bhd., Malaysia,
4. Ramco Systems Pte Ltd., Singapore.

b. Key Management Personnel and Relatives ("KMP") :

Shri.P.R.Ramasubrahmaneya Rajha
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"):

Rajapalaiyam Mills Ltd.,
Madras Cements Ltd.,
Ramco Industries Ltd.,
The Ramaraju Surgical Cotton Mills Ltd.,

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

		(Rs.)		
Type of transaction		Subsidiaries	Group	KMP
Export of software & Services	Transaction during the year	17,98,22,576		
	Outstanding as on 31.03.02	18,16,40,015		
Sale of goods & services	Transaction during the year		2,39,05,837	
	Outstanding as on 31.03.02		28,23,177	
Royalty	Transaction during the year	4,20,63,121		
	Outstanding as on 31.03.02	24,46,21,264		
Purchase of vehicles	Transaction during the year		1,27,405	
	Outstanding as on 31.03.02		1,15,658	
Sale of vehicles	Transaction during the year		6,78,035	
	Outstanding as on 31.03.02		Nil	
Cost of services availed	Transaction during the year	1,34,48,412		
	Outstanding as on 31.03.02	3,50,50,085		
Loan availed	Transaction during the year		5,00,00,000	Nil
	Outstanding as on 31.03.02		Nil	Nil
Loans given	Transaction during the year	18,35,57,156	14,05,322	
	Outstanding as on 31.03.02 (including interest due)	7,91,07,517	14,05,322	
Interest	Expenses	Nil	2,92,808	17,432
	Income	63,39,021		

The above transactions were done in the ordinary course of business and at commercial rates. In respect of services rendered to Ramco Systems Corporation, USA, on a back to back basis, an amount of Rs. 6.07 crores has been provided as sales reversals in the books of the Company and reflected as part of the prior period adjustments.

Details of remuneration paid to Shri. P.R. Venketrama Raja are furnished in Note no. 9 above.

Details of corporate guarantees given to the subsidiaries are furnished in Note no. 11 above.

16. Segmental Revenue:

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

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

India and Middle East region, consisting of India, the Middle East and Africa.

Asean, consisting of Malaysia, Singapore, Thailand, Philippines 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, India

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

Segment Revenue - Primary Segments

(Rs. in lacs)

Sl. No.	Particulars	For the Year ended 31.03.2002
1	Segment Revenue	
	a. Product Software and Related Services	2,501.48
	b. Other Software Services	2,492.55
	c. Network Solutions	4,389.67
	Total Revenue	9,383.70
	Less: Inter Segment Revenue	—
	Net Sales / Income from Operations	9,383.70
2	Segment Profit / (Loss) before tax and interest	
	a. Product Software and Related Services	527.61
	b. Other Software Services	618.54
	c. Network Solutions	189.57
	Total	1335.72
	Less: Interest	528.97
	Less: Other unallocable expenditure net of unallocable income	1682.99
3	Profit / (Loss) before Tax	(876.24)

Segment Revenue – Secondary Segments

(Rs. in lacs)

Particulars	For the Year Ended 31.03.2002				
	India & Middle East	Asean	Europe	America	Total
Segment Revenue					
a. Product Software and Related Services	1,348.52	172.74	531.65	448.57	2,501.48
b. Other Software Services	395.70	289.39	1359.86	447.60	2,492.55
c. Network Solutions	4,389.67	—	—	—	4,389.67
Total Revenue	6,133.89	462.13	1,891.51	896.17	9,383.70
Less: Inter Segment Revenue	—	—	—	—	—
Net Sales / Income from Operations	6,133.89	462.13	1,891.51	896.17	9,383.70

The company believes that it is not practical to provide details of segmental assets as the assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) 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.

17. 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 **Messrs. S. Viswanathan**
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 : 24th June, 2002

CHITRA SREENIVAS
Company Secretary

V. JAGADISAN
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2002

		Year ended 31.03.2002		Year ended 31.03.2001
A. Cash Flow From Operating Activities	Rs.	Rs.	Rs.	Rs.
NET PROFIT / (LOSS) BEFORE TAX		(87,623,909)		12,073,677
Add : Interest		<u>52,897,215</u>		<u>20,965,108</u>
		(34,726,694)		33,038,785
Add : Depreciation and Amortisation		<u>51,580,689</u>		<u>159,719,846</u>
		16,853,995		192,758,631
Less : Interest Received	22,337,130		50,733,675	
Profit on sale of assets, Net	11,244		(963,713)	
Miscellaneous Income	<u>24,062,079</u>	<u>46,410,453</u>	<u>16,617,559</u>	<u>66,387,521</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(29,556,458)		126,371,110
Less : Increase / (Decrease) in Current assets:				
Trade and Other receivables	(101,853,709)		399,777,418	
Inventories	(38,964,128)		34,712,316	
Other current assets (other than Cash and Bank)	<u>(4,278,103)</u>	<u>(145,095,940)</u>	<u>3,638,192</u>	<u>438,127,926</u>
		115,539,482		(311,756,816)
Add : Increase / (Decrease) in Current Liabilities:				
Trade Payables & Taxes	(69,401,523)		(82,169,739)	
Bank Borrowings	<u>153,915,970</u>	<u>84,514,447</u>	<u>(1,130,906)</u>	<u>(83,300,645)</u>
CASH GENERATED FROM OPERATIONS		200,053,929		(395,057,461)
Interest payments		<u>52,897,215</u>		<u>20,965,108</u>
Net Cash (used in) / from operating activities		147,156,714		(416,022,569)
B. Cash Flow from Investing Activities:				
Purchase of Fixed assets	(187,785,256)		(48,990,612)	
Miscellaneous Expenditure	<u>(274,028,502)</u>	<u>(461,813,758)</u>	<u>(247,713,280)</u>	(296,703,892)
Less : Sale of fixed assets	2,613,250		2,662,984	
Interest received	22,337,130		50,733,675	
Miscellaneous Income	24,062,079		16,617,559	
Profit on sale of assets, Net	<u>11,244</u>	<u>49,023,705</u>	<u>(963,713)</u>	<u>69,050,505</u>
NET CASH (USED IN) / FROM INVESTING ACTIVITIES		(412,790,055)		(227,653,387)

Ramco Systems Limited, India

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2002 (Contd.)

	Rs.	Year ended 31.03.2002 Rs.	Rs.	Year ended 31.03.2001 Rs.
C. Cash Flow from Financing Activities				
Proceeds from secured borrowings	1,246,733		128,715,452	
Proceeds from unsecured borrowings	<u>50,000,000</u>	<u>51,246,733</u>	<u>160,000,000</u>	288,715,452
Less : Repayment of finance Liabilities	5,532,218		25,925,887	
Income Tax	-		1,648,078	
Repayment of unsecured borrowings	<u>1,01,490,852</u>	<u>1,07,023,070</u>	<u>36,639,023</u>	64,212,988
NET CASH FROM FINANCING ACTIVITIES		(55,776,337)		224,502,464
Net Increase / (Decrease) in cash and cash equivalents		(321,409,678)		(419,173,492)
Cash and Cash equivalents as on 01.04.01	457,215,475		876,388,967	
Cash and Cash equivalents as on 31.03.02	<u>135,805,797</u>	<u>(321,409,678)</u>	<u>457,215,475</u>	(419,173,492)

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

M.M.VENKATACHALAM

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

V. JAGADISAN
Directors

Place: Chennai
Date : 24th June 2002

CHITRA SREENIVAS
Company Secretary

AUDITOR'S CERTIFICATE

To

The Board of Directors
Ramco Systems Limited
Chennai - 600 113.

We have examined the above Cash Flow Statement of Ramco Systems Limited. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchange(s) and is based on and in agreement with the corresponding Profit and Loss Account and the Balance Sheet of the Company covered by our report of even date to the members of the Company.

For **Messrs. S. Viswanathan**
Chartered Accountants

Place : Chennai
Dated : 24th June, 2002

C.N. GANGADARAN
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I 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 & Loss Account

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover and Other income Total Expenditure

Loss before Tax Loss after Tax

Earning/(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

P.R. RAMASUBRAHMANEYA RAJHA

Chairman

S.S RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

M.M.VENKATACHALAM

P.R. VENKETRAMA RAJA

Vice Chairman, Managing Director & CEO

V. JAGADISAN

Directors

Place: Chennai

Date : 24th June 2002

CHITRA SREENIVAS

Company Secretary

Ramco Systems Limited, India

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

1	Name of the Subsidiary Company	Ramco Systems Corporation, USA	Ramco Systems Limited, Switzerland	Ramco Systems Sdn Bhd, Malaysia	Ramco Systems Pte Ltd, Singapore
2	Financial Year end of the Subsidiary Company	March 31, 2002	March 31, 2002	March 31, 2002	March 31, 2002
3	No of shares held in the Subsidiary Company as on the above date	121,135,800 Equity Shares of USD 0.10 each	9,600 Equity Shares of CHF 1,000 each	1,280,000 Equity Shares of RM 1/- each	725,000 Equity Shares of SD 1/- each
4	Percentage of holding (Equity)	97%	100%	100%	100%
5	Percentage of holding (Preference)	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 in Accounts of the Company for the year ended 31st March 2002	Nil	Nil	Nil	Nil
	b. Not dealt with in Accounts of the Company for the year ended 31st March 2002	USD (4,252,786)	CHF 605,481	RM 283,000	S D 350,183
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 in Accounts of the Company for the year ended 31st March 2002	Nil	Nil	RM 512,000	Nil
	b. Not dealt with in Accounts of the Company for the year ended 31st March 2002	USD (5,101,054)	CHF (967,116)	RM 1,074,572	S D 426,722
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 2002	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 2002	N A	N A	N A	N A
	a. Fixed Assets				
	b. Investments				
	c. Money lent				
	d. Money borrowed other than those for meeting Current Liabilities				

P.R. RAMASUBRAHMANEYA RAJHA

Chairman

S.S RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

M.M.VENKATACHALAM

P.R. VENKETRAMA RAJA

Vice Chairman, Managing Director & CEO

V. JAGADISAN

Directors

Place: Chennai

Date : 24th June 2002

CHITRA SREENIVAS

Company Secretary

RAMCO SYSTEMS CORPORATION, USA

(Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

Shri. P.R. RAMASUBRAHMANEYA RAJHA
Shri. P.R. VENKETRAMA RAJA
Shri. S.R. SRIRAMA RAJA
Smt. NALINA RAMALAKSHMI
Shri. K. RAMACHANDRAN

OFFICES

REGISTERED OFFICE

18510, Decatur Road
Monte Sereno
CA 95030

CORPORATE OFFICE

3150, Brunswick Pike
Crossroads Corporate Center
Lawrenceville
NJ 08648

BRANCH OFFICE

Lisle, Illinois
Dallas, Texas
Santa Clara, California

AUDITORS

Messrs S. VISWANATHAN

BANKERS

FLEET BANK

Ramco Systems Corporation, USA

DIRECTORS' REPORT TO THE MEMBERS

Your directors are pleased to present their report on the Company, its performance and the Audited Accounts for the year ended 31st March, 2002.

Financial Results

Particulars	March 31, 2002	March 31, 2002	March 31, 2001	March 31, 2001
	(USD)	(Rs.)	(USD)	(Rs.)
Revenues	10.84	518.26	15.40	701.34
Expenditure				
Staff Cost	8.99	429.57	11.87	540.81
Other Direct costs	2.97	142.04	2.56	116.67
Sales and Marketing Expenses	0.21	9.89	0.24	10.79
Administration and other expenses	2.41	115.30	3.88	176.56
Earnings before Interest, Depreciation and Tax	(3.74)	(178.54)	(3.15)	(143.49)
Interest	0.61	29.13	0.40	18.22
Depreciation	0.10	4.95	0.10	4.83
Profit/(Loss) before Tax	(4.45)	(212.62)	(3.65)	(166.54)
Tax Payments	—	—	0.05	2.34
Net Profit/(Loss)	(4.45)	(212.62)	(3.70)	(168.88)

OPERATIONS

Revenues of your Company for the year was USD 10.84 mln as against USD 15.40 mln in the previous year. Net losses stand at USD 4.45 mln. as against USD 3.70 mln. in the previous year. The global economic slowdown together with the September 11th attack had an impact on the company's operations. Despite the prevailing trends the company managed to win some significant orders during the year.

DIVIDENDS

In view of the losses no dividend is being recommended.

DIRECTORS

The Board is happy to welcome its new member Mr. K. Ramachandran. During the year Mr. Lakshmi Narasimhan resigned from the Board as a Director of the Company. There has been no other change in the composition of the Board. Local laws do not require retirement by rotation.

AUDITORS

Messrs. S. Viswanathan, Auditors being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 (the Act) the directors confirm that in the preparation of the Annual Accounts for the year ending 31st March, 2002, that:

- the applicable accounting standards' had been followed along with proper explanation relating to material departures, if any
- the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of state of affairs of the Company as at 31st March, 2002 and Loss of the Company for the year ended 31st March, 2002.
- proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai

Date : 24th June, 2002

P.R. VENKETRAMA RAJA

Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2002

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2002.

(A) CONSERVATION OF ENERGY

- | | | |
|--|---|--|
| (a) Energy conservation measures taken | : | Strict control was exercised over consumption of energy at all sections. |
| (b) Additional investment and proposals if any, being implemented for reduction of consumption of energy | : | — |
| (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | : | — |
| (d) Total energy consumption per unit of production of goods | : | — |

(B) TECHNOLOGY ABSORPTION

- | | | |
|---------------------------------------|---|---|
| Efforts made in Technology absorption | : | This company is supported by its holding company viz., Ramco Systems Ltd., India in Research & Development activities and hence there is no technology absorption |
|---------------------------------------|---|---|

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in software services and consulting business in the US market only and as such the company is not engaged in any export activity.

- | | | (Rs. in Lacs) |
|----------------------------------|---|---------------|
| 1) Total foreign exchange used | : | — |
| 2) Total foreign exchange earned | : | — |

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS CORPORATION, USA

1. We have examined the attached Balance Sheet of Ramco Systems Corporation, USA as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.
2. These financial statements are the responsibility of the Ramco Systems Corporation'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 an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us, the accounts give a true and fair view,
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
 - (b) in the case of Profit and Loss Account, of the Loss for the year ended 31st March, 2002.
4. In our opinion, clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, are not applicable.

For **Messrs. S. VISWANATHAN**
Chartered Accountants

Place : Chennai
Date : 24th June, 2002

C.N. GANGADARAN
Partner

Ramco Systems Corporation, USA

BALANCE SHEET AS AT 31st MARCH, 2002

	Sch	As at 31-03-2002 USD	As at 31-03-2002 Rs.	As at 31-03-2001 USD	As at 31-03-2001 Rs.
I. SOURCES OF FUNDS					
1. Share Holder's Funds					
Share Capital	I	12,502,080	443,173,433	12,502,080	443,173,433
2. Reserves & Surplus					
	II	—	60,640,100	—	77,599,766
3. Loan Funds					
a) Secured	III	6,254,967	305,617,703	4,197,630	195,693,497
b) Unsecured	IV	1,569,471	76,684,370	2,418,000	112,727,160
		<u>7,824,438</u>	<u>382,302,073</u>	<u>6,615,630</u>	<u>308,420,657</u>
TOTAL		<u>20,326,518</u>	<u>886,115,606</u>	<u>19,117,710</u>	<u>829,193,856</u>
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	V	1,067,321	46,798,806	1,057,305	46,320,164
Less: Depreciation		<u>934,654</u>	<u>41,469,632</u>	<u>830,475</u>	<u>36,521,475</u>
Net Block		<u>132,667</u>	<u>5,329,174</u>	<u>226,830</u>	<u>9,798,689</u>
2. Current Assets, Loans & Advances					
a) Sundry Debtors	VI	5,856,238	286,135,806	6,191,769	288,660,318
b) Cash & Bank Balance	VII	241,228	11,786,393	824,931	38,458,305
c) Loans and Advances	VIII	638,266	31,185,668	3,204,235	149,381,413
d) Other Current Assets	IX	25,953	1,268,064	71,841	3,349,227
		<u>6,761,685</u>	<u>330,375,931</u>	<u>10,292,776</u>	<u>479,849,263</u>
Less: Current Liabilities and Provisions					
a) Current Liabilities	X	8,779,195	428,951,448	9,163,281	427,192,144
Net Current Assets		<u>(2,017,510)</u>	<u>(98,575,517)</u>	<u>1,129,495</u>	<u>52,657,119</u>
3. Profit & Loss Account					
	XI	<u>22,211,361</u>	<u>979,361,949</u>	<u>17,761,385</u>	<u>766,738,048</u>
TOTAL		<u>20,326,518</u>	<u>886,115,606</u>	<u>19,117,710</u>	<u>829,193,856</u>

Significant Accounting Policies and Notes
to accounts

XVIII

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

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002

	Sch	Year ended 31-03-2002 USD	Year ended 31-03-2002 Rs.	Year ended 31-03-2001 USD	Year ended 31-03-2001 Rs.
INCOME					
Sales	XII	10,830,056	517,543,460	15,297,121	696,828,236
Other Income	XIII	15,064	719,909	99,065	4,512,679
		<u>10,845,120</u>	<u>518,263,369</u>	<u>15,396,186</u>	<u>701,340,915</u>
EXPENDITURE					
Cost of Sales		2,972,289	142,038,936	2,561,113	116,666,145
Employee Compensation & Benefits	XIV	8,989,072	429,567,120	11,872,174	540,811,953
Sales & Marketing Expenses	XV	207,112	9,897,395	236,916	10,792,203
Administrative & Other Expenses	XVI	2,412,850	115,304,583	3,875,986	176,562,407
		<u>14,581,323</u>	<u>696,808,034</u>	<u>18,546,189</u>	<u>844,832,708</u>
Profit / (Loss) before Interest, Depreciation & Tax		(3,736,203)	(178,544,665)	(3,150,003)	(143,491,793)
Interest & Finance Charges	XVII	609,594	29,131,079	399,893	18,216,307
Profit / (Loss) before Depreciation & Tax		(4,345,797)	(207,675,744)	(3,549,896)	(161,708,100)
Depreciation		104,179	4,948,157	103,558	4,827,851
Profit / (Loss) before Tax		(4,449,976)	(212,623,901)	(3,653,454)	(166,535,951)
Tax		—	—	50,269	2,343,494
Profit / (Loss) for the year		(4,449,976)	(212,623,901)	(3,703,723)	(168,879,445)
Accumulated Profit/(Loss) b/f		<u>(17,761,385)</u>	<u>(766,738,048)</u>	<u>(14,057,662)</u>	<u>(597,858,603)</u>
Retained Profit /(Loss) c/f to Balance Sheet		<u>(22,211,361)</u>	<u>(979,361,949)</u>	<u>(17,761,385)</u>	<u>(766,738,048)</u>

Significant Accounting Policies and Notes to accounts

XVIII

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

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2002

	As at 31-03-2002 USD	As at 31-03-2002 Rs.	As at 31-03-2001 USD	As at 31-03-2001 Rs.
Schedule I Share Capital				
Authorised: (2,000,000,000 equity shares of USD 0.10 each)	200,000,000	7,089,595,215	200,000,000	7,089,595,215
Issued Share Capital (125,020,800 equity shares of USD 0.10 each)	12,502,080	443,173,433	12,502,080	443,173,433
Paid up Share Capital (125,020,800 equity shares of USD 0.10 each)	12,502,080	443,173,433	12,502,080	443,173,433
Schedule II Reserves & Surplus				
Translation Reserve account (Refer Note No. 2)	—	60,640,100	—	77,599,766
	—	60,640,100	—	77,599,766
Schedule III Secured Loans				
Bank Borrowings	6,254,967	305,617,703	4,197,630	195,693,497
	6,254,967	305,617,703	4,197,630	195,693,497
Schedule IV Unsecured Loans				
1) From Related Companies	1,444,471	70,576,870	2,293,000	106,899,660
2) Short term loans and advances	125,000	6,107,500	125,000	5,827,500
	1,569,471	76,684,370	2,418,000	112,727,160

**Schedule V
Fixed Assets**

Description	Gross Block						Depreciation				Net Block					
	Balance as at 1-4-2001 USD	Balance as at 1-4-2001 USD	Additions during the year USD	Additions during the year Rs.	Deletions during the year USD	Deletions during the year Rs.	Balance as at 31.3.2002 USD	Balance as at 31.3.2002 Rs.	For the year USD	For the year Rs.	Balance as at 31.3.2002 USD	Balance as at 31.3.2002 Rs.	As at 31.03.2002 USD	As at 31.03.2002 Rs.	As at 1.4.2001 USD	As at 1.4.2001 Rs.
	Plant & Machinery	162,229	7,082,322	—	—	—	—	162,229	7,082,322	21,462	1,025,642	148,616	6,636,555	13,613	445,767	35,075
Hardware & Software	847,511	37,147,912	10,016	478,642	—	—	857,527	37,626,554	73,773	3,525,441	738,473	32,743,147	119,054	4,883,407	182,811	7,930,206
Furniture, fittings & office equipment	47,565	2,089,930	—	—	—	—	47,565	2,089,930	8,944	397,074	47,565	2,089,930	—	—	8,944	397,074
Total	1,057,305	46,320,164	10,016	478,642	—	—	1,067,321	46,798,806	104,179	4,948,157	934,654	41,469,632	132,667	5,329,174	226,830	9,798,689
Previous year	943,799	41,149,637	113,506	5,170,527	—	—	1,057,305	46,320,164	103,558	4,827,851	830,475	36,521,475	226,830	9,798,689	216,881	9,456,013

	As at 31-03-2002 USD	As at 31-03-2002 Rs.	As at 31-03-2001 USD	As at 31-03-2001 Rs.
Schedule VI				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months				
Debts considered good	3,979,851	194,455,538	3,176,842	148,104,437
Debts considered doubtful	—	—	75,303	3,510,645
	<u>3,979,851</u>	<u>194,455,538</u>	<u>3,252,145</u>	<u>151,615,082</u>
b) Other debts - considered good	1,876,387	91,680,268	3,014,927	140,555,881
Total	5,856,238	286,135,806	6,267,072	292,170,963
Less: Provision for Bad & Doubtful Debts	—	—	75,303	3,510,645
	<u>5,856,238</u>	<u>286,135,806</u>	<u>6,191,769</u>	<u>288,660,318</u>
Schedule VII				
Cash and Bank Balances				
Cash on hand	500	24,430	375	17,489
Balances with other Banks in Current Account				
Fleet Bank, USA	238,626	11,659,271	822,610	38,350,113
Balances with other Banks in Deposit Account				
Fleet Bank, USA	2,102	102,692	1,946	90,703
	<u>241,228</u>	<u>11,786,393</u>	<u>824,931</u>	<u>38,458,305</u>
Schedule VIII				
Loans and Advances				
a) Advances recoverable in Cash or Kind				
From related companies	320,304	15,650,033	—	—
From Others	153,453	7,497,717	3,020,945	140,836,433
b) Deposits with Government Department and others	164,509	8,037,918	183,290	8,544,980
	<u>638,266</u>	<u>31,185,668</u>	<u>3,204,235</u>	<u>149,381,413</u>
Schedule IX				
Other Current Assets				
Prepaid Expenses	25,953	1,268,064	71,841	3,349,227
	<u>25,953</u>	<u>1,268,064</u>	<u>71,841</u>	<u>3,349,227</u>
Schedule X				
Current Liabilities				
a) Sundry creditors for expenses	1,714,058	83,748,832	1,643,065	76,599,695
b) Payable to related companies	7,065,137	345,202,616	7,520,216	350,592,449
	<u>8,779,195</u>	<u>428,951,448</u>	<u>9,163,281</u>	<u>427,192,144</u>
Schedule XI				
Profit & Loss Account				
Loss b/f from Profit and Loss Account	22,211,361	979,361,949	17,761,385	766,738,048
	<u>22,211,361</u>	<u>979,361,949</u>	<u>17,761,385</u>	<u>766,738,048</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002

	Year ended 31-03-2002 USD	Year ended 31-03-2002 Rs.	Year ended 31-03-2001 USD	Year ended 31-03-2001 Rs.
Schedule XII				
Sales				
Software Sales	4,357,812	208,249,827	5,529,716	251,894,596
Service & Maintenance Charges	6,419,301	306,763,633	9,672,919	440,629,526
Value Added Resales Software & Hardware Material	52,943	2,530,000	94,486	4,304,114
	<u>10,830,056</u>	<u>517,543,460</u>	<u>15,297,121</u>	<u>696,828,236</u>
Schedule XIII				
Other Income				
Interest Income	622	29,742	1,249	56,905
Other income	14,442	690,167	97,816	4,455,774
	<u>15,064</u>	<u>719,909</u>	<u>99,065</u>	<u>4,512,679</u>

Ramco Systems Corporation, USA

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

	Year ended 31-03-2002 USD	Year ended 31-03-2002 Rs.	Year ended 31-03-2001 USD	Year ended 31-03-2001 Rs.
Schedule XIV				
Employee Compensation and Benefits				
Salaries, Bonus etc	7,716,465	368,752,111	10,192,841	464,313,466
Statutory Contributions	605,722	28,946,085	864,840	39,395,961
Staff Welfare	666,885	31,868,924	814,493	37,102,526
	<u>8,989,072</u>	<u>429,567,120</u>	<u>11,872,174</u>	<u>540,811,953</u>
Schedule XV				
Sales & Marketing Expenses				
Advertisement	4,656	222,491	12,727	579,751
Selling and Marketing	202,456	9,674,904	224,189	10,212,452
	<u>207,112</u>	<u>9,897,395</u>	<u>236,916</u>	<u>10,792,203</u>
Schedule XVI				
Administrative and other expenses				
Consultancy	206,121	9,850,052	657,042	29,930,173
Bank Charges	3,589	171,525	2,487	113,302
Insurance	131,568	6,287,308	130,809	5,958,731
Communication Expenses	331,755	15,853,827	499,624	22,759,319
Power & Fuel	11,030	527,094	16,734	762,290
Rent	686,678	32,814,752	670,604	30,547,935
Printing & Stationery	54,559	2,607,231	84,318	3,840,945
Repairs & Maintenance	34,109	1,629,997	47,581	2,167,438
Provision for Bad & Doubtful Debts	—	—	75,303	3,430,289
Travel & Conveyance	373,411	17,844,460	1,406,360	64,063,772
Miscellaneous expenses	266,294	12,725,599	285,124	12,988,214
Foreign Currency Fluctuation Account	313,736	14,992,738	—	—
	<u>2,412,850</u>	<u>115,304,583</u>	<u>3,875,986</u>	<u>176,562,407</u>
Schedule XVII				
Interest & Finance Charges				
Finance Charges	62,323	2,978,265	11,075	504,520
Loan Interest	547,271	26,152,814	388,818	17,711,787
	<u>609,594</u>	<u>29,131,079</u>	<u>399,893</u>	<u>18,216,307</u>

Schedule XVIII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

- Accounts are maintained on accrual basis. The transactions are in local currency (US Dollars-USD) and are translated for reporting in Indian Currency as provided in item 2 below.
- Translation to Indian Rupees:**
For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All 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 prevailing at the date of investment by the holding company. The exchange difference arising out of the translation is debited or credited to Translation Reserve account and is being classified under Reserves and Surplus account.
- Revenue Recognition**
 - Software Services**
 - License Fees**
License Fee revenue is recognised on delivery of the software.
 - Implementation Fees**
Implementation Contracts are either milestones based or time and material based.
In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.
In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.
 - 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) E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method. Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

The estimated useful life of the assets are:

Computer	5 years
Furniture & Fixtures and Office Equipment	7 years

5. Holding Company Transactions:

The Company has significant transactions with its parent company for financial support. The same is unsecured and interest is charged at reasonable rates. However there is no fixed terms of repayment.

The amounts due in respect of trade related activities are unsecured, interest free and have no fixed terms of payment.

NOTES TO ACCOUNTS

1. The Company is a majority owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company so as to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (US Dollars-USD) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above.
3. The accounts pertain to the year April 1, 2001 to March 31, 2002.

4. Secured Loans:

Borrowings from Bank amounting to Rs.2443 lacs (USD 5 million) are collaterally secured by a pari passu first charge on Land & Buildings located at 64, Sardar Patel Road, Chennai – 600 113, belonging to Ramco Systems Limited, India and further by a corporate guarantee from Ramco Systems Limited, India.

Borrowings from Bank amounting to Rs.613 lacs (USD 1.25 million) are secured by cash deposits of Ramco Systems Limited, India.

5. Current Liabilities:

The Company does not have any dues to any small scale industrial undertaking

6. Contingent Liability – NIL

7. Taxation:

No provision has been made for current year as the company has reported losses.

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

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

(Rs. In lacs)

	2001-02	2000-01
A) Sales: Ramco e.Application and other Software & Services	5175.43	6968.28

9. 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 **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

RAMCO SYSTEMS LIMITED

BASEL, SWITZERLAND

(Wholly Owned Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

Shri. P.R. VENKETRAMA RAJA
DR. STEPHEN ESCHMANN
MR. ERWIN BRUNNER

OFFICE

Lange Gasse 90, Postfach
CH - 4020 Basel, Switzerland

AUDITORS

Messrs ERNST & YOUNG
Messrs S. VISWANATHAN

BANKERS

UBS AG, Basel, Switzerland

Ramco Systems Limited, Switzerland

DIRECTORS' REPORT

The Directors present the Annual Report of Ramco Systems Ltd., Basel, Switzerland for the year ended 31st March, 2002.

PRINCIPAL ACTIVITY

The Principal activity of the Company is to carry on the business of software services.

Financial Results

Particulars	(In Millions)			
	March 31, 2002 (CHF)	March 31, 2002 (Rs.)	March 31, 2001 (CHF)	March 31, 2001 (Rs.)
Revenues	10.05	274.24	8.68	234.36
Expenditure				
Staff cost	4.77	130.26	3.96	106.93
Other Direct costs	1.46	39.79	1.17	31.47
Sales & Marketing Expenses	0.89	24.26	0.74	20.11
Administration & other expenses	1.43	39.06	1.26	34.07
Earnings before Interest, Depreciation & Amortization	1.50	40.87	1.55	41.78
Interest	0.11	2.96	0.07	1.96
Depreciation	0.07	2.07	0.05	1.43
Amortization	0.71	20.80	0.88	23.68
Profit/(Loss)	0.61	15.04	0.54	14.71

OPERATIONS

The revenue for the year 2001-2002 stood at CHF 10.05 mln up from CHF 8.68 mln in the previous year. Approximately 50% of the revenue came from ERP Licence and Services and the balance from Software Projects to existing ERP and new customers.

SALES AND MARKETING

In 2001-02 we acquired a few new customers, like Optospeed, ATU, GutJahr, Bau Commerce as well as new orders from existing customers i.e., Maurice Lacroix, ETA etc., With the increased marketing activity throughout the year the prospect activity and awareness in market has increased and it is felt that with the increased sales capacity the company will be able to handle a much larger prospect base.

Given the economic conditions in the second half of the financial year the marketing activities were toned down and now with the slow increase in demand this would be stepped up for new business acquisition in the year 2002-2003.

CUSTOMER SATISFACTION

Significant repeat business from existing customers was done owing to high degree of focus on customer satisfaction and achievement of the same. The company continue to get excellent reference from all the customers viz., ETA, SWATCH, Migros, Triamun, Bixie Systems, Galenica, Rehau etc. The projects were managed on schedule and the Company has received written testimonials from demanding customers like SWATCH AG.

BUSINESS OUTLOOK

The quality of prospect base has improved and several decisions that were postponed during the period October 2001 to January 2002 are expected to get revived in the second half of 2002. In addition with the new partnership and the relationship in place a significant increase in prospect base in both ERP and project areas is expected.

With the initial success of pilot of RamcoVirtualWorks™ (RVW) at ETA and extensive coverage of the same to decision makers and technology strategies in the market, the company expects to increase the revenue as well as profitability of project business in the coming years. With the RVW technology's breakthrough Ramco today is in a position to address requirements of markets like banking, finance, insurance etc., which were not tapped in the past.

It is expected that RVW technology and the new methodology of project execution will find favour with large corporate clients and result in higher revenues for the company.

PARTNERSHIP

The company entered into a strategic partnership with its customer Triamun, (company promoted by Galenica and Ludwig Partners) to address IT opportunities in the Healthcare segment. This will be done through a 50:50 joint venture viz., Triamun Ramco Healthcare Systems AG. This company is incorporated in Switzerland based currently in Baar, Zug. The first project through this venture is expected to commence by July 15th 2002. Information systems market in Healthcare industry is expected to be very large and one of the high growth areas in the next 5 years and with this Joint Venture and through the software work done for Galenica the company is well positioned to address requirements in this segment.

DIRECTORS

The Directors in office at the date of this report are

1. Mr P R Venketrana Raja
2. Dr Stephen Eschmann
3. Mr Erwin Brunner

AUDITORS

M/s ERNST & YOUNG the Company's Auditors under the Swiss law of reporting and Messrs S.Viswanathan, Auditors for reporting under the provisions of the Indian Companies Act, 1956 are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 (the Act) the directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2002, that:

- (a) the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- (b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and the Profit of the Company for the year ended 31st March, 2002.
- (c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- (d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 24th June, 2002

P R VENKETRAMA RAJA
Director

Ramco Systems Limited, Switzerland

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2002

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2002.

(A) CONSERVATION OF ENERGY

- | | | |
|--|---|--|
| (a) Energy conservation measures taken | : | Strict control was exercised over consumption of energy at all sections. |
| (b) Additional investment and proposals if any, being implemented for reduction of consumption of energy | : | — |
| (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | : | — |
| (d) Total energy consumption per unit of production of goods | : | — |

(B) TECHNOLOGY ABSORPTION

- | | | |
|---------------------------------------|---|-----------------------------|
| Efforts made in Technology absorption | : | Particulars given in Form B |
|---------------------------------------|---|-----------------------------|

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in the Swiss market only and as such the company is not engaged in any export activity.

- | | | (Rs. in Lacs) |
|----------------------------------|---|---------------|
| 1) Total foreign exchange used | : | 860.56 |
| 2) Total foreign exchange earned | : | — |

FORM – B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT (R&D)

1. Special areas in which R&D is carried out by the company

The company continues to invest in software localisation cost as part of Research & Development Programme. There has been major additions and improvements in the product.

2. Benefit derived as a result of the above R&D

The company is keeping abreast with the latest development so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. Future Plan of Action

- Web enabled application
- Target existing customers of Ramco Systems
- Strategic alliances with consulting companies

4. Expenditure on R&D

- | | | (Rs. In Lakhs) |
|---|---|----------------|
| a) Recurring | : | 431.03 |
| b) Total R&D expenditure as a percentage of total turn over | : | 16% |

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS LIMITED, SWITZERLAND

1. We have examined the attached Balance Sheet of Ramco Systems Limited, Switzerland as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. Also we have placed reliance on the report of the independent auditors M/s. Ernst & Young for expressing an opinion.
2. These financial statements are the responsibility of the 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 an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us and relying on other Auditor's report, the accounts give a true and fair view,
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended 31st March, 2002.
4. In our opinion, clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, are not applicable.

For Messrs. S. VISWANATHAN
Chartered Accountants

Place : Chennai
Date : 24th June, 2002

C.N. GANGADARAN
Partner

Ramco Systems Limited, Switzerland

BALANCE SHEET AS AT 31st MARCH 2002

	Sch	As at 31.03.2002 CHF	As at 31.03.2002 Rs.	As at 31.03.2001 CHF	As at 31.03.2001 Rs.
I. SOURCES OF FUNDS					
1. Share Holder's Funds					
a) Share Capital	I	9,600,000	288,671,649	8,350,000	253,910,776
b) Share application money pending allotment		—	—	1,250,000	34,760,873
2. Secured Loans	II	4,454,388	129,889,960	—	—
3. Unsecured Loans	III	415,000	12,101,400	4,114,701	110,182,229
TOTAL		14,469,388	430,663,009	13,714,701	398,853,878
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	IV	810,100	21,540,654	687,856	18,205,844
Less : Depreciation		670,000	17,948,510	599,056	15,879,832
Net Block		140,100	3,592,144	88,800	2,326,012
2. Investments	V	1,178,000	34,350,480	—	—
3. Current Assets, Loans & Advances					
a) Sundry Debtors	VI	3,352,545	97,760,207	2,898,422	77,613,075
b) Cash & Bank Balance	VII	514,188	14,993,729	1,056,251	28,283,971
c) Loans and advances	VIII	62,016	1,808,374	50,497	1,352,194
d) Other Current Assets	IX	172,273	5,023,481	214,709	5,749,392
		4,101,022	119,585,791	4,219,879	112,998,632
Less: Current Liabilities and Provisions					
a) Current Liabilities	X	4,780,665	139,404,203	4,151,290	111,161,986
		4,780,665	139,404,203	4,151,290	111,161,986
Net Current Assets		(679,643)	(19,818,412)	68,589	1,836,646
4. Miscellaneous Expenses (to the extent not written off)	XI	3,615,000	105,413,400	2,735,900	73,261,110
5. Profit & Loss Account	XII	10,215,931	307,125,397	10,821,412	321,430,110
TOTAL		14,469,388	430,663,009	13,714,701	398,853,878

Significant Accounting Policies and
Notes to accounts

XIX

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

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

DR. STEPHEN ESCHMANN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002

	Sch	Year ended 31.03.2002 CHF	Year ended 31.03.2002 Rs.	Year ended 31.03.2001 CHF	Year ended 31.03.2001 Rs.
INCOME					
Sales	XIII	10,025,295	273,491,054	8,622,736	232,738,001
Other Income	XIV	27,773	757,638	60,345	1,628,784
		<u>10,053,068</u>	<u>274,248,692</u>	<u>8,683,081</u>	<u>234,366,785</u>
EXPENDITURE					
Cost of Sales		1,458,554	39,789,483	1,165,806	31,466,490
Employee Compensation & Benefits	XV	4,775,095	130,265,076	3,961,848	106,935,032
Sales & Marketing Expenses	XVI	889,440	24,264,010	745,235	20,114,817
Administrative & Other Expenses	XVII	1,431,662	39,055,885	1,262,308	34,071,198
		<u>8,554,751</u>	<u>233,374,454</u>	<u>7,135,197</u>	<u>192,587,537</u>
Profit before Interest, Depreciation & Amortization		1,498,317	40,874,238	1,547,884	41,779,248
Interest & Finance charges	XVIII	108,493	2,959,704	72,675	1,961,603
Profit before Depreciation & Amortization		1,389,824	37,914,534	1,475,209	39,817,645
Depreciation		70,943	2,068,679	53,276	1,426,609
Profit before Amortization		1,318,881	35,845,855	1,421,933	38,391,036
Amortization		713,400	20,802,744	884,300	23,679,520
Profit for the year		605,481	15,043,111	537,633	14,711,516
Accumulated Profit/(Loss) b/f		(10,821,412)	(306,180,550)	(11,359,045)	(320,892,066)
Retained Profit/(Loss) C/f to Balance Sheet		(10,215,931)	(291,137,439)	(10,821,412)	(306,180,550)
Significant Accounting Policies and Notes to accounts	XIX				
Schedules Accounting Policies and Notes form an integral part of the accounts					

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

DR. STEPHEN ESCHMANN
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2002

**Schedule I
Share Capital**

	As at 31.03.2002 CHF	As at 31.03.2001 CHF	As at 31.03.2001 Rs.
Authorised:			
9600 Shares of CHF 1000 each	9,600,000	8,350,000	253,910,776
(Previous year 8350 shares of CHF1000 each)			

Issued and Paid-up Share Capital

9600 Shares of CHF 1000 each	9,600,000	8,350,000	253,910,776
(Previous year 8350 shares of CHF1000 each)	9,600,000	8,350,000	253,910,776

Schedule II

Secured Loans

Borrowings from UTI Bank	4,193,750	—	—
Borrowings from UBS Bank	260,638	—	—
	4,454,388	—	—

Schedule III

Unsecured Loans

From Related Companies	415,000	4,114,701	110,182,229
	415,000	4,114,701	110,182,229

Schedule IV Fixed Assets

Description	Gross Block						Depreciation				Net Block					
	Opening Balance 1.4.2001 CHF	Opening Balance 1.4.2001 Rs.	Additions during the year CHF	Additions during the year Rs.	Deletions during the year CHF	Deletions during the year Rs.	Balance as at 31.3.2002 CHF	Balance as at 31.3.2002 Rs.	For the year CHF	For the year Rs.	Closing balance 31.3.2002 CHF	Closing balance 31.3.2002 Rs.	As at 31.3.2002 CHF	As at 31.3.2002 Rs.	As at 01.04.2001 CHF	As at 01.04.2001 Rs.
Furniture	319,725	8,532,868	2,209	60,258	—	—	287,825	7,709,160	19,708	574,681	307,534	8,283,841	14,400	309,285	31,900	823,708
Plant & Machinery	2,755	72,165	—	—	—	—	1,855	48,823	400	11,664	2,255	60,487	500	11,678	900	23,341
EDP-Hardware	271,911	7,152,579	77,543	2,115,367	—	—	222,611	5,845,265	33,343	972,267	255,954	6,817,532	93,500	2,450,414	49,300	1,307,314
EDP-Software	93,465	2,448,232	16,992	463,543	—	—	86,765	2,276,583	8,992	262,207	95,757	2,538,790	14,700	372,985	6,700	171,649
Vehicles	—	—	25,500	685,642	—	—	—	—	8,500	247,860	8,500	247,860	17,000	447,782	—	—
Total	687,856	18,205,844	122,244	3,334,810	—	—	599,056	15,879,831	70,943	2,068,679	670,000	17,948,510	140,100	3,592,144	88,800	2,326,012
Previous year	648,880	17,153,835	38,976	1,052,009	—	—	545,780	14,453,223	53,276	1,426,609	599,056	15,879,832	88,800	2,326,012	103,100	2,700,612

	As at 31.03.2002 CHF	As at 31.03.2002 Rs.	As at 31.03.2001 CHF	As at 31.03.2001 Rs.
Schedule V				
Investments				
253 shares in Triamun AG - (175 shares of face value of CHF 1000 each at a premium of CHF 5000 per share and 78 shares of face value of CHF 1000 each at par)	1,128,000	32,892,480	—	—
5000 shares in Triamun Ramco Health Care Systems AG at face value of CHF 10 each at par	50,000	1,458,000	—	—
	<u>1,178,000</u>	<u>34,350,480</u>	<u>—</u>	<u>—</u>
Schedule VI				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months	619,744	18,071,723	154,258	4,130,675
b) Other debts	2,782,801	81,146,484	2,794,164	74,821,285
Less: Provision for Bad & Doubtful Debts	(50,000)	(1,458,000)	(50,000)	(1,338,885)
	<u>3,352,545</u>	<u>97,760,207</u>	<u>2,898,422</u>	<u>77,613,075</u>
Schedule VII				
Cash and Bank Balances				
Cash on hand	4,048	118,051	11,220	3,00,436
Balances with other Banks in Current Account				
UBS AG, Switzerland	9,290	2,70,890	93,562	25,05,364
Credit Suisse, Switzerland	815	23,772	4,34,394	1,16,32,071
ABN Amro Bank, Switzerland	8,210	2,39,414	8,249	2,20,883
Dresdner Bank, Switzerland	—	—	7,615	2,03,912
Balances with other Banks in Deposit Account				
UBS AG, Switzerland	3,85,825	1,12,50,642	3,95,211	1,05,82,868
Credit Suisse, Switzerland	1,06,000	30,90,960	1,06,000	28,38,437
	<u>5,14,188</u>	<u>1,49,93,729</u>	<u>10,56,251</u>	<u>2,82,83,971</u>
Schedule VIII				
Loans and Advances				
(Unsecured, Considered good)				
Advances recoverable in cash or in kind or for value to be received	14,135	412,171	9,174	245,666
Deposits with Government Department and others	47,881	1,396,203	41,323	1,106,528
	<u>62,016</u>	<u>1,808,374</u>	<u>50,497</u>	<u>1,352,194</u>
Schedule IX				
Other Current Assets				
Prepaid Expenses	172,273	5,023,481	214,709	5,749,392
	<u>172,273</u>	<u>5,023,481</u>	<u>214,709</u>	<u>5,749,392</u>
Schedule X				
Current Liabilities				
a) Sundry Creditors				
for Purchases	134,122	3,911,005	205,296	5,497,356
other creditors	4,102,222	119,620,796	3,419,677	91,571,085
b) Accrued Expenses	544,321	15,872,402	526,317	14,093,545
	<u>4,780,665</u>	<u>139,404,203</u>	<u>4,151,290</u>	<u>111,161,986</u>
Schedule XI				
Miscellaneous Expenses to the extent not written off				
Product Development Expenditure	3,595,000	104,830,200	2,719,000	72,808,566
Foundation cost	20,000	583,200	16,900	452,544
	<u>3,615,000</u>	<u>105,413,400</u>	<u>2,735,900</u>	<u>73,261,110</u>
Schedule XII				
Profit & Loss Account				
Accumulated Losses b/f from P&L Account	10,215,931	291,137,439	10,821,412	306,180,550
Translation Reserve Account (Refer Note No. 2) (exchange difference on conversion)	—	15,987,958	—	15,249,560
	<u>10,215,931</u>	<u>307,125,397</u>	<u>10,821,412</u>	<u>321,430,110</u>

Ramco Systems Limited, Switzerland

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

	Year Ended 31.03.2002 CHF	Year Ended 31.03.2002 Rs.	Year Ended 31.03.2001 CHF	Year Ended 31.03.2001 Rs.
Schedule XIII				
Sales				
Software Sales	280,291	7,646,377	435,911	11,765,762
Service & Maintenance Charges	9,538,853	260,220,855	7,924,505	213,891,916
Value Added Resales Software & Hardware Material	—	—	102,430	2,764,709
Others	206,151	5,623,822	159,890	4,315,614
	<u>10,025,295</u>	<u>273,491,054</u>	<u>8,622,736</u>	<u>232,738,001</u>
Schedule XIV				
Other Income				
Interest	27,773	757,638	14,577	393,451
Others	—	—	45,768	1,235,333
	<u>27,773</u>	<u>757,638</u>	<u>60,345</u>	<u>1,628,784</u>
Schedule XV				
Employee Compensation and Benefits				
Salaries, Bonus etc	1,851,502	50,509,157	1,553,864	41,940,664
Statutory Contributions	169,925	4,635,582	140,948	3,804,345
Employee Benefits	2,753,668	75,120,337	2,267,036	61,190,023
	<u>4,775,095</u>	<u>130,265,076</u>	<u>3,961,848</u>	<u>106,935,032</u>
Schedule XVI				
Sales & Marketing Expenses				
Advertisement	106,388	2,902,262	7,760	209,452
Marketing expenses	783,052	21,361,748	737,475	19,905,365
	<u>889,440</u>	<u>24,264,010</u>	<u>745,235</u>	<u>20,114,817</u>
Schedule XVII				
Administrative and other expenses				
Insurance	24,937	680,273	11,360	306,628
Electricity	10,371	282,922	8,896	240,111
Postage	5,654	154,229	30,045	810,940
Communication	126,496	3,450,832	115,785	3,125,168
Consultancy	127,591	3,480,703	183,794	4,960,821
Board Members Fees	20,339	554,853	20,385	550,215
Printing & Stationery	26,927	734,569	25,798	696,319
Travel & Conveyance	76,963	2,099,550	46,887	1,265,532
Repairs & Maintenance	49,918	1,361,768	40,232	1,085,919
Rent & Leasing cost	813,641	22,196,212	718,457	19,392,014
Other Expenses	14,162	386,339	2,138	57,709
Exchange fluctuation	98,250	2,680,274	—	—
Bad Debts written off	36,413	993,361	58,531	1,579,822
	<u>1,431,662</u>	<u>39,055,885</u>	<u>1,262,308</u>	<u>34,071,198</u>
Schedule XVIII				
Interest & Finance Charges				
Bank Interest	108,493	2,959,704	72,675	1,961,603
	<u>108,493</u>	<u>2,959,704</u>	<u>72,675</u>	<u>1,961,603</u>

Schedule XIX

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

1. Accounts are maintained on accrual basis. The transactions are in local currency (Swiss Francs-CHF) and are translated for reporting in Indian Currency as provided in item 2 below.

2. Translation to Indian Rupees:

For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All 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 prevailing at the date of investment by the holding company. The exchange difference arising out of the translation is debited or credited to Translation Reserve account and grouped under Reserves and Surplus a/c.

3. Revenue Recognition

A) Software Services

i) Licence Fees

Licence Fee revenue is recognised on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

a) In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

b) 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) E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method. Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

The estimated useful life of the asset are as follows

Computer	5 years
Software	5 years
Office Equipments	8 years

5. Holding Company Transaction:

The Company has significant transactions with its holding company which are trade related. However the same are unsecured and interest free.

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company so as to comply with the provisions of the Companies Act, 1956.

2. For translating local currency (CHF) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above. For the current year, Translation reserve is grouped along with Profit & Loss a/c on the asset side, being exchange loss on conversion.

3. The accounts pertain to the year April 1,2001 to March 31,2002.

4. Secured Loans:

Borrowings from Bank, amounting to Rs.1222.89 lacs are collaterally secured by a pari passu first charge on Land & Buildings located at 64, Sardar Patel Road, Chennai –113, belonging to Ramco Systems Limited, India and further by a corporate guarantee from Ramco Systems Limited, India. Borrowings from Bank, amounting to Rs.76 lacs are secured by cash deposits of Ramco Systems Limited, Switzerland.

Ramco Systems Limited, Switzerland

5. Current Liabilities:

The Company does not have any dues to any small scale industrial undertaking

6. Research & Development:

Out of an amount of Rs.716.21 lacs capitalised upto the year 2000-01 in respect of Software Localisation an amount of Rs.205.28 lacs has been amortised. During the current year 2001-02, an amount of Rs.431.03 lacs has been capitalised and grouped under Software Localisation and will be amortised over the useful life of the asset.

7. Contingent liability – NIL

8. Taxation:

The company has not provided for taxation, as it has carry forward losses of earlier years. In the perception of the Company, provision for Deferred Tax Assets / Deferred Tax Liabilities does not arise.

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

	2001-02	(Rs. In Lacs) 2000-01
a) Sales		
Ramco e.Application and other Software & Services	2734.91	2327.38
b) Expenditure in Foreign Currency on account of		
Transfer Pricing, Royalty and Debit notes	860.56	68.33

11. 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 **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

DR. STEPHEN ESCHMANN
Director

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Wholly Owned Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

SHRI. P.R. VENKETRAMA RAJA
SHRI. IYENGAR VIJAYKUMAR GOPALAN
SHRI. K. RAMACHANDRAN

SECRETARY

Kong Yuh Ling Doreen

REGISTERED OFFICE

78, Shenton Way #26-02A, Singapore 079 120

HEAD OFFICE

10, Eunos Road 8
08-05, Singapore Post Centre,
Singapore 408 600

AUDITORS

Messrs ROHAN.MAH & PARTNERS
Messrs S. VISWANATHAN

BANKERS

ABN Amro Bank

Ramco Systems Pte. Ltd., Singapore

DIRECTORS' REPORT

The Directors present their Report along with the audited financial statements of the Company for the financial year ended 31st March 2002.

DIRECTORS OF THE COMPANY

The directors in office at the date of this report are:

P R Venketrama Raja,
Iyengar Vijaykumar Gopalan
K. Ramachandran (Appointed on 5th June,2002)
Lakshmi Narasimhan (Resigned on 30th March, 2002)

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business pertaining to or connected with and involving information technology and software.

There have been no significant changes in the nature of these activities during the financial year.

ACQUISITION OR DISPOSAL OF SUBSIDIARIES

There were no acquisitions or disposals of subsidiaries during the financial year.

FINANCIAL RESULTS

Particulars	(In Millions)			
	March 31, 2002 (S\$)	March 31, 2002 (Rs.)	March 31, 2001 (S\$)	March 31, 2001 (Rs.)
Revenues	6.13	160.95	3.47	91.28
Expenditure				
Staff cost	1.60	42.03	1.26	33.21
Other Direct costs	3.09	81.00	0.91	24.00
Sales & Marketing Expenses	0.23	6.10	0.08	2.19
Administration & other expenses	0.67	17.58	0.82	21.43
Earnings before Depreciation & Tax	0.54	14.24	0.40	10.45
Depreciation	0.05	1.51	0.03	0.78
Profit/(Loss) before Tax	0.49	12.73	0.37	9.67
Tax	0.15	3.85	0.15	3.88
Net Profit/(Loss)	0.34	8.88	0.22	5.79

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES OR DEBENTURES

No shares or debentures have been issued during the financial year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end, nor at any time during the financial year, was the company a party to any arrangement, whose object was to enable the directors of the Company to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The directors holding office at the end of the financial year and their interests in the shares of the Company and related Corporations, as recorded in the register kept as per the Companies Act, 1956 were as follows:

Name of Director	Shareholdings registered in the Name of Directors		Shareholdings in which registered Directors are deemed to have an interest	
		(Shares of S\$ 1 each)		
In Ramco Systems Ltd (Holding Company)	31.03.01	31.03.02	31.03.01	31.03.02
P.R.Venketrama Raja				
S/o.P.R.Ramasubrahmaneya Rajha	239350	239350	7220	7220

DIVIDENDS

The directors do not recommend payment of a dividend for the financial year under review.

No dividend has been paid since the end of the previous financial year.

BAD AND DOUBTFUL DEBTS

Before the Profit and Loss account and the Balance Sheet of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts, if any, have been written off and that, where necessary, adequate provisions have been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances, which would render any amounts written off or provided for bad and doubtful debts, inadequate to any substantial extent.

CURRENT ASSETS

Before the Profit and Loss account and the Balance Sheet were made out, the directors took reasonable steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business, have been written down to their estimated realisable values or have been adequately provided for.

At the date of this report, the directors are not aware of any circumstances, which would render the values attributable to the current assets, in the financial statements of the Company, misleading.

CHARGES AND CONTINGENT LIABILITIES

At the date of this report:

- (a) there does not exist any charge on the assets of the Company, which has arisen since the end of the financial year, which secures the liability of any other person, and
- (b) there does not exist any contingent liability of the Company, which has arisen since the end of the financial year.

CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER YEAR END

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations, as and when they fall due.

OTHER CIRCUMSTANCES

As at the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or financial statements of the Company, which would render any amount stated in the financial statements of the Company, misleading.

UNUSUAL ITEMS

In the opinion of the directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

SUBSEQUENT EVENTS

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under the Companies Act, 1956 by reason of a contract made by the Company or a related corporation, with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

SHARE OPTIONS

- a) No options were granted during the financial year to take up unissued shares of the Company.
- b) During the financial year, no shares were issued by virtue of the exercise of options granted.
- c) There were no unissued shares under option at the end of the financial year.

AUDITORS

The Auditors, M/s Rohan.Mah & Partners, the Company's Auditors under the Singapore law of reporting and Messrs S Viswanathan, Auditors for reporting under the provisions of the Companies Act, 1956, are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 (the Act) the directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2002, that:

- (a) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- (b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and the Profit of the Company for the year ended 31st March, 2002.
- (c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- (d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 24th June, 2002

P.R. VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2002

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2002.

(A) CONSERVATION OF ENERGY

- (a) Energy conservation measures taken : Strict control was exercised over consumption of energy at all sections
- (b) Additional investment and proposals if any, being implemented for reduction of consumption of energy : —
- (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : —
- (d) Total energy consumption per unit of production of goods : —

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in Singapore market only and as such the company is not engaged in any export activity.

(Rs. in Lacs)

- 1) Total foreign exchange used : **388.36**
- 2) Total foreign exchange earned : Nil

FORM – B

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION
RESEARCH AND DEVELOPMENT (R&D)**

1. Special areas in which R&D is carried out by the company

The company continues to invest in software localisation cost as part of Research & Development Programme. There has been major additions and improvements in the product.

2. Benefit derived as a result of the above R&D

The company is keeping abreast with the latest development so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. Future Plan of Action

- a) Web enabled application
- b) Target existing customers of Ramco Systems
- c) Strategic alliances with consulting companies

4. Expenditure on R&D

(Rs. In Lakhs)

- a) Recurring : 32.63
- b) Total R&D expenditure as a percentage of total turn over: 2%

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS PTE. LIMITED, SINGAPORE

1. We have examined the attached Balance Sheet of Ramco Systems Pte. Ltd., Singapore as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. Also we have placed reliance on the report of the independent auditors M/s. Rohan.Mah & Partners for expressing an opinion.
2. These financial statements are the responsibility of the Ramco Systems Pte. Ltd., 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 an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us and relying on other Auditor's report, the accounts give a true and fair view,
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended 31st March, 2002.
4. In our opinion, clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, are not applicable.

For Messrs. S. VISWANATHAN
Chartered Accountants

Place : Chennai
Date : 24th June, 2002

C.N. GANGADARAN
Partner

Ramco Systems Pte. Ltd., Singapore

BALANCE SHEET AS AT 31st MARCH, 2002

	Sch	As at 31-03-2002 S\$	As at 31-03-2002 Rs.	As at 31-03-2001 S\$	As at 31-03-2001 Rs.
I. SOURCES OF FUNDS					
1. Share Holders' Funds					
a) Share Capital	I	725,000	18,616,100	725,000	18,616,100
b) Reserves and Surplus	II	596,653	16,421,478	256,470	6,759,737
TOTAL		1,321,653	35,037,578	981,470	25,375,837
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	III	168,230	4,398,433	91,241	2,376,949
Less: Depreciation		103,944	2,718,805	47,103	1,210,813
Net Block		64,286	1,679,628	44,138	1,166,136
2. Current Assets, Loans & Advances					
a) Sundry Debtors	IV	1,586,400	42,087,188	1,542,678	39,844,762
b) Cash & Bank Balance	V	728,906	19,337,880	813,039	20,999,416
c) Loans and advances	VI	194,067	5,148,589	138,204	3,569,561
d) Other Current Assets	VII	–	–	1,600	41,325
		2,509,373	66,573,657	2,495,521	64,455,064
Less: Current Liabilities and Provisions					
a) Current Liabilities	VIII	1,255,353	33,304,517	1,481,899	38,274,922
b) Provisions	IX	119,667	3,174,751	76,290	1,970,441
		1,375,020	36,479,268	1,558,189	40,245,363
Net Current Assets		1,134,353	30,094,389	937,332	24,209,701
3. Miscellaneous Expenses (to the extent not written off)		123,014	3,263,561	–	–
TOTAL		1,321,653	35,037,578	981,470	25,375,837
Significant Accounting Policies and Notes to accounts	XIV				
Schedules, Accounting Policies and Notes form an integral part of the accounts.					

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

	Sch	Year ended 31-03-2002 S\$	Year ended 31-03-2002 Rs.	Year ended 31-03-2001 S\$	Year ended 31-03-2001 Rs.
INCOME					
Sales	X	6,123,653	160,787,519	3,466,764	91,027,516
Other Income		6,280	164,882	10,000	258,283
		<u>6,129,933</u>	<u>160,952,401</u>	<u>3,476,764</u>	<u>91,285,799</u>
EXPENDITURE					
Cost of Sales		3,085,047	81,003,466	913,973	23,998,372
Employee Compensation & Benefits	XI	1,600,600	42,026,668	1,264,679	33,206,933
Sales & Marketing Expenses	XII	232,365	6,101,145	83,515	2,192,870
Administrative & Other Expenses	XIII	669,602	17,577,300	816,332	21,434,597
		<u>5,587,614</u>	<u>146,708,579</u>	<u>3,078,499</u>	<u>80,832,772</u>
Profit before Depreciation & Tax		542,319	14,243,822	398,265	10,453,027
Depreciation		56,841	1,507,992	30,411	785,464
Profit before Tax		485,478	12,735,830	367,854	9,667,563
Provision for Taxation		145,295	3,854,676	150,054	3,875,640
Profit after Tax		340,183	8,881,154	217,800	5,791,923
Accumulated Profit b/f		256,470	6,960,764	38,670	1,168,841
Retained Profit/(Loss) c/f to Balance Sheet		<u>596,653</u>	<u>15,841,918</u>	<u>256,470</u>	<u>6,960,764</u>

Significant Accounting Policies and Notes to accounts

XIV

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

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2002

As at 31-03-2002 S\$	As at 31-03-2002 Rs.	As at 31-03-2001 S\$	As at 31-03-2001 Rs.
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Schedule I

Share Capital

Authorised:

(8,00,000 ordinary shares of S\$ 1 each)

800,000	20,541,903	800,000	20,541,903
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Issued and Paidup Share Capital

(7,25,000 ordinary shares of S\$ 1 each)

725,000	18,616,100	725,000	18,616,100
725,000	18,616,100	725,000	18,616,100

Schedule II

Reserves & Surplus

Profit b/f from Profit and Loss Account

596,653	15,841,918	256,470	6,960,764
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Translation Reserve a/c (Refer Note No. 2)

-	579,560	-	(201,027)
596,653	16,421,478	256,470	6,759,737

Schedule III

Fixed Assets

Description	Gross Block						Depreciation				Net Block				
	Balance as at 1.4.2001	Balance as at 1.4.2001	Additions during the year	Additions during the year	Deletions during the year	Deletions during the year	Balance as at 1.4.2001	For the Year	For the Year	Balance as at 31.3.2002	Balance as at 31.3.2002	As at 31.3.2002	As at 1.4.2001	As at 1.4.2001	As at 1.4.2001
	S\$	Rs.	S\$	Rs.	S\$	Rs.	S\$	Rs.	S\$	Rs.	S\$	Rs.	S\$	Rs.	Rs.
Computers	81,053	2,113,155	2,973	78,061	-	-	40,666	1,045,918	28,036	743,795	1,789,713	15,324	40,387	1,067,237	
Office equipments	10,188	263,794	74,016	1,943,423	-	-	6,437	164,895	28,805	764,197	929,092	48,962	3,751	98,899	
TOTAL	91,241	2,376,949	76,989	2,021,484	-	-	47,103	1,210,813	56,841	1,507,992	2,718,805	64,286	44,138	1,166,136	
Previous year	24,238	617,637	67,003	1,759,312	-	-	16,692	425,349	30,411	785,464	47,103	44,138	7,546	192,288	

	As at 31-03-2002 S\$	As at 31-03-2002 Rs.	As at 31-03-2001 S\$	As at 31-03-2001 Rs.
Schedule IV				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months				
i. Debts considered good	222,687	5,907,886	332,812	8,595,967
ii. Debts considered doubtful	—	—	40,850	1,055,086
	<u>222,687</u>	<u>5,907,886</u>	<u>373,662</u>	<u>9,651,053</u>
b) Other debts considered good	<u>1,363,713</u>	<u>36,179,302</u>	<u>1,209,866</u>	<u>31,248,795</u>
Total	<u>1,586,400</u>	<u>42,087,188</u>	<u>1,583,528</u>	<u>40,899,848</u>
Less: Provision for Bad and doubtful Debts	—	—	40,850	1,055,086
	<u>1,586,400</u>	<u>42,087,188</u>	<u>1,542,678</u>	<u>39,844,762</u>
Schedule V				
Cash and Bank Balances				
Balance with other Banks in Current Account				
ABN Amro Bank, Singapore	728,906	19,337,880	813,039	20,999,416
	<u>728,906</u>	<u>19,337,880</u>	<u>813,039</u>	<u>20,999,416</u>
Schedule VI				
Loans and Advances				
(Unsecured, Considered good)				
Advances recoverable in cash or in kind or for value to be received	127,800	3,390,525	83,534	2,157,528
Rent Deposit	66,267	1,758,064	54,670	1,412,033
	<u>194,067</u>	<u>5,148,589</u>	<u>138,204</u>	<u>3,569,561</u>
Schedule VII				
Other Current Assets				
Prepaid Expenses	—	—	1,600	41,325
	<u>—</u>	<u>—</u>	<u>1,600</u>	<u>41,325</u>
Schedule VIII				
Current Liabilities				
a) Sundry Creditors				
for Purchases	132,625	3,518,554	374,343	9,668,643
for Expenses	196,072	5,201,771	160,165	4,136,790
b) GST payable	40,612	1,077,448	39,228	1,013,194
c) Unaccrued maintenance charges	196,055	5,201,341	187,338	4,838,611
d) Payable to Related Companies	689,989	18,305,403	720,825	18,617,684
	<u>1,255,353</u>	<u>33,304,517</u>	<u>1,481,899</u>	<u>38,274,922</u>
Schedule IX				
Provisions				
Provision for taxation	119,667	3,174,751	76,290	1,970,441
	<u>119,666</u>	<u>3,174,751</u>	<u>76,290</u>	<u>1,970,441</u>

Ramco Systems Pte. Ltd., Singapore

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

	Year ended 31-03-2002 S\$	Year ended 31-03-2002 Rs.	Year ended 31-03-2001 S\$	Year ended 31-03-2001 Rs.
Schedule X				
Sales				
Software Sales	416,948	10,947,713	200,800	5,272,446
Service & Maintenance Charges	4,464,299	117,218,200	2,841,169	74,601,143
Value Added Resales Software & Hardware Material	1,242,406	32,621,606	424,795	11,153,927
	<u>6,123,653</u>	<u>160,787,519</u>	<u>3,466,764</u>	<u>91,027,516</u>
Schedule XI				
Employee Compensation and Benefits				
Salaries, Bonus etc	1,481,602	38,902,140	1,226,034	32,192,220
Statutory Contributions	5,770	151,502	5,180	136,012
Employee Benefits	110,629	2,904,772	31,514	827,473
Staff Welfare	2,599	68,254	1,951	51,228
	<u>1,600,600</u>	<u>42,026,668</u>	<u>1,264,679</u>	<u>33,206,933</u>
Schedule XII				
Sales & Marketing Expenses				
Advertisement & Sales Promotion	49,228	1,292,559	83,515	2,192,870
Others	183,137	4,808,586	-	-
	<u>232,365</u>	<u>6,101,145</u>	<u>83,515</u>	<u>2,192,870</u>
Schedule XIII				
Administrative and other expenses				
Audit, Accountancy & Legal Charges	10,214	268,176	40,404	1,060,896
Bank Charges	3,064	80,443	847	22,231
Office Expenses	52,137	1,368,940	91,272	2,396,573
Communication Expenses	52,840	1,387,400	58,253	1,529,559
Membership fees	515	13,522	430	11,291
Rent	312,603	8,207,964	232,360	6,101,123
Guest House Expenses	42,051	1,104,124	61,869	1,624,495
Travel & Conveyance	176,750	4,640,894	252,194	6,639,429
Entertainment	9,428	247,554	-	-
Bad Debts Written off	-	-	37,853	993,914
Provision for Doubtful Debts	-	-	40,850	1,055,086
Other expenses	10,000	258,283	-	-
	<u>669,602</u>	<u>17,577,300</u>	<u>816,332</u>	<u>21,434,597</u>

Schedule XIV

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

- Accounts are maintained on accrual basis. The transactions are in local currency (Singapore Dollars-S\$) and are translated for reporting in Indian Currency as provided below.

Translation to Indian Rupees:

For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All 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 prevailing at the date of investment by the holding company. The exchange difference arising out of the translation is debited or credited to Translation Reserve account and is being classified under Reserves and Surplus account.

2. Revenue Recognition

A) Software Services

i) Licence Fees

Licence Fee revenue is recognised on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Services

Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract

iv) **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) **E-Commerce**

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

3. **Fixed Assets & Depreciation:**

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method. Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

The estimated useful life of the assets are as follows

Computer	3 years
Software	3 years
Office Equipment	3 years

4. **Holding Company Transaction:**

The Company has significant transactions with its holding company which are trade related. However the same is unsecured and interest free.

5. **Software Development Cost:**

Software Development costs have been capitalised and amortized over its useful life

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company so as to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (Singapore Dollars) into Indian Rupees the exchange rate applied is as per paragraph 1 of the accounting policies given above.
3. The accounts pertain to the year April 1, 2001 to March 31, 2002.
4. Current Liabilities:
The Company does not have any dues to any small scale industrial undertaking
5. Software Development
During the year an amount of Rs.32.63 lacs has been capitalised and grouped under Miscellaneous Expenses and will be amortised over the useful life of the asset.
6. Contingent liability – NIL
7. Taxation:
Provision has been made for current year taxation.
In the perception of the Company, provision for Deferred Tax Assets / Deferred Tax Liabilities does not arise.
8. Audit, Accountancy and Legal Charges include fees paid to Statutory Auditors towards Statutory Audit Fee Rs. 1.57 lacs.
9. Additional information as required by Schedule VI of the Companies Act, 1956

(Rs. In Lacs)

a) Sales	2001-02	2000-01
Ramco e.Application and other Software & Services	1607.88	910.27
b) Expenditure in Foreign Currency on account of Transfer Pricing, Royalty and Debit notes	388.36	36.94

10. 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 **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

RAMCO SYSTEMS SDN. BHD., MALAYSIA

(Company No. 342313W)

(Incorporated in Malaysia)

(Wholly Owned Subsidiary of Ramco Systems Limited, India)

DIRECTORS

Shri. P.R. VENKETRAMA RAJA

SAW BEE LEAN

LUM CHEE YENG

Shri. K. RAMACHANDRAN

SECRETARIES

SAW BEE LEAN

LUM CHEE YENG

REGISTERED OFFICE

11th Floor, Wisma Damansara

Jalan Semantan, Damansara Heights

50490, Kuala Lumpur, Malaysia

HEAD OFFICE

Suite 1001, Level 10, Menara PJ,

Amcorp Trade Centre, 18, Persiaran Barat

46050, Petaling Jaya, Selangor Darul Ehsan, Malaysia

AUDITORS

Messrs KPMG

Messrs S. VISWANATHAN

BANKERS

ABN AMRO BANK BERHAD

BUMIPUTRA - COMMERCE BANK BERHAD

Ramco Systems Sdn.Bhd., Malaysia

DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2002

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31st March, 2002.

PRINCIPAL ACTIVITY

The principal activity of the Company remained unchanged and is to carry on the business of a computer software house. The Company obtained Multimedia Super Corridor (MSC) status in 1997.

Financial Results

Particulars	(in millions)			
	March 31, 2002 (RM)	March 31, 2002 (Rs.)	March 31, 2001 (RM)	March 31, 2001 (Rs.)
Revenues	5.26	65.61	4.82	57.75
Expenditure				
Staff cost	2.02	25.19	1.79	21.42
Other Direct costs	0.29	3.65	—	—
Sales & Marketing Expenses	0.16	2.04	0.44	5.34
Administration & other expenses	2.22	27.63	1.91	22.86
Earnings before				
Depreciation & Amortization	0.57	7.10	0.68	8.12
Depreciation	0.20	2.19	0.21	2.58
Amortization	0.09	1.10	—	—
Net Profit/(Loss)	0.28	3.81	0.47	5.55

RESERVES

All material transfers to or from reserves, and provisions during the year under review are disclosed in the financial statements.

DIVIDENDS

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Mr. P R Venketrama Raja
Ms. Lum Chee Yeng
Mr. Saw Bee Lean
Mr. Kalyanasundaram Ramachandran (appointed on 7th June, 2002)
Mr. Lakshmi Narasimhan (resigned on 5th March, 2002)

None of the Directors in office at the year end held any beneficial interest in the shares of the company, related corporations or holding company during the year ended 31st March, 2002 except as follows:

In holding Company	Balance as on 1.4.2001	Number of Shares		Balance as on 31.3.2002
		Bought	Sold	
Mr P R Venketrama Raja	239350	—	—	239350

DIRECTORS BENEFIT

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements, or the fixed salary of a full time employee of the Company or of a related Company) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, other than fees paid to a firm in which two directors are also directors, for professional services rendered to the company.

There were no arrangements during and at the end of the year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the year.

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

No options were granted to any person to take up unissued shares or debentures of the company during the year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provisions made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off as bad debts, or the amount of the provision for doubtful debts in the Company, inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the company that has arisen since the end of the financial year and which secures the liability of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year, which in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Company, for the financial year ended 31st March, 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

Messrs KPMG, the Company's Auditors under the Malaysian law of reporting and Messrs S Viswanathan, Auditors for reporting under the provisions of the Companies Act, 1956 are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 (the Act), the directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2002, that:

- (a) the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- (b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2002 and the Profit of the Company for the year ended 31st March, 2002.
- (c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.
- (d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 24th June 2002

P R VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2002

In terms of Section 217(1)(e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31.03.2002.

(A) CONSERVATION OF ENERGY

- | | | | |
|-----|--|---|---|
| (a) | Energy conservation measures taken | : | Strict control was exercised over consumption of energy at all sections |
| (b) | Additional investment and proposals if any, being implemented for reduction of consumption of energy | : | — |
| (c) | Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | : | — |
| (d) | Total energy consumption per unit of production of goods | : | — |

(B) TECHNOLOGY ABSORPTION

- | | | |
|---------------------------------------|---|-----------------------------|
| Efforts made in Technology absorption | : | Particulars given in Form B |
|---------------------------------------|---|-----------------------------|

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in Malaysia market only and as such the company is not engaged in any export activity.

- | | | |
|----|-------------------------------|---------------|
| | | (Rs. in Lacs) |
| 1) | Total foreign exchange used | : 73.76 |
| 2) | Total foreign exchange earned | : Nil |
-

FORM – B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT (R&D)

1. Special areas in which R&D is carried out by the company

The company continues to invest in software localisation cost as part of Research & Development Programme. There has been major additions and improvements in the product.

2. Benefit derived as a result of the above R&D

The company is keeping abreast with the latest development so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. Future Plan of Action

- Web enabled application
- Target existing customers of Ramco Systems
- Strategic alliances with consulting companies

4. Expenditure on R&D

(Rs. in Lacs)

- | | | | |
|----|---|---|-------|
| a) | Recurring | : | 33.17 |
| b) | Total R&D expenditure as a percentage of total turnover | : | 5% |

AUDITORS' REPORT
TO THE MEMBERS OF RAMCO SYSTEMS SDN. BHD., MALAYSIA

1. We have examined the attached Balance Sheet of Ramco Systems Sdn. Bhd., Malaysia as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account. Also we have placed reliance on the report of the independent auditors M/s. KPMG for expressing an opinion.
2. These financial statements are the responsibility of the Ramco Systems Sdn. Bhd., Malaysia 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 an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us and relying on other Auditor's report, the accounts give a true and fair view,
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended 31st March, 2002.
4. In our opinion, clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, are not applicable.

For **Messrs. S. VISWANATHAN**
Chartered Accountants

Place : Chennai
Date : 24th June, 2002

C.N. GANGADARAN
Partner

Ramco Systems Sdn.Bhd., Malaysia

BALANCE SHEET AS AT 31st MARCH, 2002

	Sch	As at 31.03.2002 RM	As at 31.03.2002 Rs.	As at 31.03.2001 RM	As at 31.03.2001 Rs.
I. SOURCES OF FUNDS					
1. Share Holder's Funds					
a) Share Capital	I	1,280,000	18,217,054	1,280,000	18,217,054
b) Reserves and Surplus	II	2,232,626	26,718,339	1,948,979	21,063,177
TOTAL		3,512,626	44,935,393	3,228,979	39,280,231
II. APPLICATION OF FUNDS					
1. Fixed Assets					
	III				
Gross Block		697,184	8,049,284	683,730	7,881,417
Less: Depreciation		619,772	7,173,577	426,315	5,058,413
Net Block		<u>77,412</u>	<u>875,707</u>	<u>257,415</u>	<u>2,823,004</u>
2. Current Assets, Loans & Advances					
a) Sundry Debtors	IV	2,316,304	29,785,543	2,108,244	25,865,408
b) Cash & Bank Balance	V	817,730	10,431,940	872,430	10,703,585
c) Loans and Advances	VI	1,056,906	13,483,139	970,318	11,904,542
		<u>4,190,940</u>	<u>53,700,622</u>	<u>3,950,992</u>	<u>48,473,535</u>
Less: Current Liabilities and Provisions					
a) Current Liabilities	VII	838,205	10,693,131	888,574	10,901,643
b) Provisions	VIII	90,854	1,159,045	90,854	1,114,665
		<u>929,059</u>	<u>11,852,176</u>	<u>979,428</u>	<u>12,016,308</u>
Net Current Assets		<u>3,261,881</u>	<u>41,848,446</u>	<u>2,971,564</u>	<u>36,457,227</u>
3. Miscellaneous Expenditure					
(to the extent not written off)	IX	173,333	2,211,240	—	—
TOTAL		3,512,626	44,935,393	3,228,979	39,280,231
Significant Accounting Policies and Notes to accounts	XV				
Schedules, Accounting Policies and Notes form an integral part of the accounts					

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002

	Sch	Year Ended 31.03.2002 RM	Year Ended 31.03.2002 Rs.	Year Ended 31.03.2001 RM	Year Ended 31.03.2001 Rs.
INCOME					
Sales	X	5,230,992	65,268,162	4,817,384	57,752,721
Other income	XI	28,108	350,706	—	—
		<u>5,259,100</u>	<u>65,618,868</u>	<u>4,817,384</u>	<u>57,752,721</u>
EXPENDITURE					
Cost of Resale material		292,358	3,647,808	—	—
Employee Compensation & Benefits	XII	2,018,821	25,189,249	1,786,809	21,420,976
Sales & Marketing Expenses	XIII	163,605	2,041,331	445,855	5,345,076
Administrative & Other Expenses	XIV	2,215,025	27,637,323	1,907,072	22,862,742
		<u>4,689,809</u>	<u>58,515,711</u>	<u>4,139,736</u>	<u>49,628,794</u>
Profit before Depreciation, Amortization		569,291	7,103,157	677,648	8,123,927
Depreciation		198,977	2,185,584	209,984	2,576,231
Profit before Amortization		370,314	4,917,573	467,664	5,547,696
Amortization		86,667	1,105,627	—	—
Profit		283,647	3,811,946	467,664	5,547,696
Accumulated Profit b/f		1,948,979	22,162,648	1,481,315	16,614,952
Retained Profit c/f to Balance Sheet		2,232,626	25,974,594	<u>1,948,979</u>	<u>22,162,648</u>
Significant Accounting Policies and Notes to accounts	XV				
Schedules, Accounting Policies and Notes form an integral part of the accounts					

As per our report annexed
For **Messrs. S. VISWANATHAN**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
Director

K. RAMACHANDRAN
Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2002

**Schedule I
Share Capital**

	As at 31.03.2002 RM	As at 31.03.2002 Rs.	As at 31.03.2001 RM	As at 31.03.2001 Rs.
Authorised:				
1500,000 Ordinary shares of RM 1 each	1,500,000	21,348,110	1,500,000	21,348,110
Issued & Paid up Share Capital				
1280,000 Ordinary shares of RM 1 each	1,280,000	18,217,054	1,280,000	18,217,054
	<u>1,280,000</u>	<u>18,217,054</u>	<u>1,280,000</u>	<u>18,217,054</u>
Schedule II Reserves and Surplus				
Balance in Profit & Loss Account	2,232,626	25,974,594	1,948,979	22,162,648
Translation Reserve a/c (refer note No. 2)	<u>2,232,626</u>	<u>743,745</u>	<u>1,948,979</u>	<u>(1,099,471)</u>
				<u>21,063,177</u>

**Schedule III
Fixed Assets**

Description	Gross Block						Depreciation						Net Block						
	Balance as at 1.4.2001 RM	Balance as at 1.4.2001 Rs.	Additions during the year RM	Additions during the year Rs.	Deletions during the year RM	Deletions during the year Rs.	Balance as at 31.3.2002 RM	Balance as at 31.3.2002 Rs.	For the year Rs.	For the year RM	Deletions during the year RM	Deletions during the year Rs.	Balance as at 31.3.2002 RM	Balance as at 31.3.2002 Rs.	As at 31.3.2002 RM	As at 31.3.2002 Rs.	As at 1.4.2001 RM	As at 1.4.2001 Rs.	
Plant & Machinery	93,630	1,110,610	6,680	83,348	28,073	350,273	72,237	843,685	14,447	184,303	5,520	70,420	34,606	423,330	37,631	420,355	67,951	801,163	
- EDP	550,000	6,310,700	11,000	137,249	-	-	561,000	6,447,949	171,741	1,838,129	-	-	553,667	6,366,043	7,333	81,906	168,074	1,782,786	
- Software	40,100	460,107	23,847	297,543	-	-	63,947	757,650	12,789	163,152	-	-	31,499	384,204	32,448	373,446	21,390	239,055	
Office equipment	683,730	7,881,417	41,527	518,140	28,073	350,273	697,184	8,049,284	198,977	2,185,584	5,520	70,420	619,772	7,173,577	77,412	875,707	257,415	2,823,004	
Total	613,165	7,035,455	79,765	956,255	9,200	110,293	683,730	7,881,417	209,984	2,576,231	-	-	426,315	5,058,413	257,415	2,823,004	396,834	4,553,273	
Previous year																			

	As at 31.03.2002 RM	As at 31.03.2002 Rs.	As at 31.03.2001 RM	As at 31.03.2001 Rs.
Schedule IV				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months				
(i) Debts considered good	373,200	4,997,015	452,163	5,547,452
(ii) Debts considered doubtful	643,272	7,970,301	268,275	3,291,386
	<u>1,016,472</u>	<u>12,967,316</u>	720,438	8,838,838
b) Other Debts - considered good	1,943,104	24,788,528	1,656,081	20,317,956
Total	<u>2,959,576</u>	<u>37,755,844</u>	2,376,519	29,156,794
Less: Provision for Bad & Doubtful debts	643,272	7,970,301	268,275	3,291,386
	<u>2,316,304</u>	<u>29,785,543</u>	2,108,244	25,865,408
Schedule V				
Cash and Bank Balances				
Cash on hand	736	9,389	149	1,830
Balances with other Banks in Current Account				
Bumiputra Commerce Bank Berhad, Malaysia	487,117	6,214,245	103,310	1,267,478
ABN Amro Bank Berhad, Malaysia	329,877	4,208,306	768,971	9,434,277
	<u>817,730</u>	<u>10,431,940</u>	872,430	10,703,585
Schedule VI				
Loans and Advances (Unsecured, Considered Good)				
a) Advances recoverable in Cash or Kind	908,326	11,587,672	885,123	10,859,306
b) Deposits with Government Department and others	148,580	1,895,467	85,195	1,045,236
	<u>1,056,906</u>	<u>13,483,139</u>	970,318	11,904,542
Schedule VII				
Current Liabilities				
a) Sundry Creditors for purchases	408,916	5,216,613	84,490	1,036,583
b) Payable others	429,289	5,476,518	804,084	9,865,060
	<u>838,205</u>	<u>10,693,131</u>	888,574	10,901,643
Schedule VIII				
Provisions				
Provision for Taxation	90,854	1,159,045	90,854	1,114,665
	<u>90,854</u>	<u>1,159,045</u>	90,854	1,114,665
Schedule IX				
Miscellaneous Expenditure				
Software Development cost to the extent not amortized	173,333	2,211,240	—	—
	<u>173,333</u>	<u>2,211,240</u>	—	—

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002

	Year Ended 31.03.2002 RM	Year Ended 31.03.2002 Rs.	Year Ended 31.03.2001 RM	Year Ended 31.03.2001 Rs.
Schedule X				
Sales				
License fee	253,593	3,164,128	154,525	1,852,508
Service & Maintenance Charges	4,755,599	59,336,590	4,662,859	55,900,213
Value added Resale Software & Hardware Materials	221,800	2,767,444	—	—
	<u>5,230,992</u>	<u>65,268,162</u>	4,817,384	57,752,721
Schedule XI				
Other Income				
Foreign Exchange Fluctuation	28,108	350,706	—	—
	<u>28,108</u>	<u>350,706</u>	—	—

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

	Year Ended 31.03.2002 RM	Year Ended 31.03.2002 Rs.	Year Ended 31.03.2001 RM	Year Ended 31.03.2001 Rs.
Schedule XII				
Employee Compensation and Benefits				
Salaries, Bonus etc	1,806,609	22,541,436	1,452,130	17,408,712
Statutory Contributions	21,026	262,346	23,468	281,344
Employee Benefits	191,186	2,385,467	311,211	3,730,920
	2,018,821	25,189,249	1,786,809	21,420,976
Schedule XIII				
Sales & Marketing Expenses				
Advertisement & Sales Promotion	3,310	41,300	—	—
Discount	5,293	66,039	27,602	330,904
Others	155,002	1,933,992	418,253	5,014,172
	163,605	2,041,331	445,855	5,345,076
Schedule XIV				
Administrative and other expenses				
Audit, Accountancy & Legal Charges	54,847	684,342	14,491	173,727
Consultancy	104,922	1,309,127	159,176	1,908,270
Bank Charges	2,978	37,156	1,296	15,542
Insurance	16,344	203,932	14,559	174,533
Postage & Courier	4,125	51,462	4,889	58,615
Telephone	268,021	3,344,157	338,280	4,055,432
Water & Power	15,399	192,138	13,730	164,596
Printing & Stationery	13,429	167,559	9,428	113,028
Rent	426,605	5,322,844	399,336	4,787,406
Equipment Rentals & Lease Rentals	15,328	191,254	22,398	268,521
Repairs - Plant & Machinery	1,926	24,036	13,093	156,958
Repairs - Others	13,047	162,790	5,778	69,267
Entertainment	12,908	161,040	8,972	107,562
Travel & Conveyance	851,789	10,627,945	504,098	6,043,313
Stamp Duty	2,228	27,798	18,165	217,773
Forex fluctuation	—	—	29,200	350,061
Loss on sale of asset	15,480	193,147	7,000	83,919
Secretarial Fee	4,116	51,352	25,531	306,078
Provision for Bad & Doubtful Debts	374,997	4,678,915	268,275	3,291,386
Other expenses	16,536	206,329	49,377	516,755
	2,215,025	27,637,323	1,907,072	22,862,742

Schedule XV

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

- Accounts are maintained on accrual basis. The transactions are in local currency (Malaysian Ringgitt - RM) and are translated for reporting in Indian Currency as provided below.

Translation to Indian Rupees:

For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All 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 by the holding company. The exchange difference arising out of the translation is debited or credited to Translation Reserve account and is being classified under Reserves and Surplus account.

- Revenue Recognition**

Software Services

- License Fees**

License Fee revenue is recognised on delivery of the software.

- Implementation Fees**

Implementation Contracts are either milestones based or time and material based.

- a) In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.
 b) In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Services

Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract

iv) Annual Maintenance Contract

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

3. Fixed Assets & Depreciation:

Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method. Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

The estimated useful life of the assets are as follows

Computer	5 years
Software	3 years
Office Equipment	5 years

4. Holding Company Transaction:

The Company has significant transactions with its holding company which are trade related. However the same is unsecured and interest free.

5. Software Development Cost:

Software Development costs are capitalised and amortized over its useful life

NOTES TO ACCOUNTS

- The Company is a wholly owned subsidiary of Ramco Systems Limited, India. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company so as to comply with the provisions of the Companies Act, 1956.
- For translating local currency (RM) into Indian Rupees the exchange rate applied is as per paragraph 1 of the accounting policies given above.
- The accounts pertain to the year April 1,2001 to March 31,2002.
- Current Liabilities:
The Company does not have any dues to any small scale industrial undertaking
- Software Development
During the year an amount of Rs.33.17 lacs has been capitalised, out of which Rs.11.05 lacs has been amortized and the balance amount of Rs.22.11 lacs is grouped under Miscellaneous Expenses.
- Contingent liability – NIL
- Taxation:
No provision for Tax is made in the Current Year's accounts as the company has been granted pioneer status incentive arising from its Multimedia Super Corridor (MSC) Status.
In the perception of the Company, provision for Deferred Tax Assets / Deferred Tax Liabilities does not arise.
- Audit, accountancy and legal charges include fees paid to Statutory Auditors towards Statutory Audit Fee Rs. 1.87 lacs.
- Additional information as required by Schedule VI of the Companies Act, 1956

	(Rs. In Lacs)	
	2001-02	2000-01
a) Sales		
Ramco e.Application and other Software & Services	652.68	577.52
b) Expenditure in Foreign Currency on account of		
Transfer Pricing, Royalty and Debit notes	73.76	110.58

10. 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 **Messrs. S. VISWANATHAN**
 Chartered Accountants

C.N. GANGADARAN
 Partner

Place : Chennai
 Date : 24th June, 2002

For and on behalf of the Board

P.R. VENKETRAMA RAJA
 Director

K. RAMACHANDRAN
 Director

RAMCO SYSTEMS LIMITED
GLOBAL CONSOLIDATED FINANCIAL STATEMENTS
UNDER AS-21

AUDITORS
Messrs S. VISWANATHAN
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 IT'S SUBSIDIARIES.

We have examined the attached Consolidated Balance Sheet of Ramco Systems Limited and its Subsidiaries as at 31st March 2002, and the Consolidated Profit and Loss Account 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 misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.510,635,980 as at 31st March 2002 and total revenues of Rs.500,819,961 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar 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 Standards (AS) 21- Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Ramco Systems Limited and that of its Subsidiaries included in the Consolidated Financial Statements.

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

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Ramco Systems Limited and its Subsidiaries as at 31st March 2002 ; and
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Ramco Systems Limited and its Subsidiaries for the year then ended.

For **Messrs. S.VISWANATHAN**
Chartered Accountants

Place: Chennai
Date: 24th June 2002

C.N.GANGADARAN
Partner

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

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2002

	SCHEDULE	As at 31.03.2002	
		Rs.	USD
I. SOURCES OF FUNDS			
1. Share Holders' Funds			
a) Share Capital	I	77,680,720	1,815,374
b) Reserves & Surplus	II	2,449,241,324	51,782,311
2. Loan Funds			
a) Secured	III	791,228,408	16,193,786
b) Unsecured	IV	66,107,500	1,352,998
		<u>857,335,908</u>	<u>17,546,784</u>
TOTAL		<u>3,384,257,952</u>	<u>71,144,469</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	V	1,394,596,437	29,504,839
Less : Depreciation		<u>374,536,836</u>	<u>7,972,161</u>
Net Block		<u>1,020,059,601</u>	<u>21,532,678</u>
2. Investments			
	VI	34,350,480	703,039
3. Current Assets, Loans & Advances			
a) Inventories	VII	37,793,662	773,509
b) Sundry Debtors	VIII	633,608,772	12,967,842
c) Cash & Bank Balances	IX	192,355,741	3,936,875
d) Loans & Advances	X	128,505,323	2,630,072
e) Other Current Assets	XI	8,968,766	183,561
		<u>1,001,232,264</u>	<u>20,491,859</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	XII	292,641,825	5,989,395
b) Provisions	XIII	<u>5,260,962</u>	<u>107,674</u>
		<u>297,902,787</u>	<u>6,097,069</u>
Net Current Assets		<u>703,329,477</u>	<u>14,394,790</u>
4. Misc Expenditure			
(to the extent not written off / adjusted)	XIV	387,719,933	7,935,324
5. Profit & Loss Account			
	XV	1,238,798,461	26,578,638
TOTAL		<u>3,384,257,952</u>	<u>71,144,469</u>

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

XXII

As per our Report Annexed
For **Messrs. S. Viswanathan**
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 : 24th June, 2002

CHITRA SREENIVAS
Company Secretary

V. JAGADISAN
Directors

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2002

	Schedule	Rs.	Year ended 31.03.2002 USD
INCOME			
Sales	XVI	1,733,574,104	36,325,757
Other Income	XVII	24,875,836	521,255
		<u>1,758,449,940</u>	<u>36,847,012</u>
EXPENDITURE			
Cost of Resale Material		416,833,088	8,734,427
Employee Compensation & Benefits	XVIII	984,835,059	20,636,487
Sales & Marketing Expenses	XIX	60,720,977	1,272,363
Administrative & Other Expenses	XX	401,869,287	8,420,872
		<u>1,864,258,411</u>	<u>39,064,149</u>
Profit/(Loss) before Interest, Depreciation, Amortisation & Tax		(105,808,471)	(2,217,137)
Interest & Finance Charges	XXI	78,648,975	1,648,030
Profit/(Loss) before Depreciation, Amortisation & Tax		(184,457,446)	(3,865,167)
Depreciation		62,291,102	1,305,264
Profit/(Loss) before Amortisation & Tax		(246,748,548)	(5,170,431)
Amortisation of Product Research and Development Expenditure		21,908,371	459,074
Profit/(Loss) before Tax		(268,656,919)	(5,629,505)
Provision for Taxation		3,854,676	80,771
Profit/(Loss) after Tax		<u>(272,511,595)</u>	<u>(5,710,276)</u>
Profit & Loss Appropriation Account for the year ended 31st March 2002			
Transferred from Profit & Loss Account		(272,511,595)	(5,710,276)
Add: Balance brought forward from previous years		(1,029,056,976)	(22,174,509)
Less: Prior period adjustments (Refer Note No. 4)		43,998,571	921,957
Balance in Profit & Loss Account		<u>(1,257,570,000)</u>	<u>(26,962,828)</u>
Schedules, Accounting Policies and Notes form an integral part of the accounts	XXII		

As per our Report Annexed
For **Messrs. S. Viswanathan**
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 : 24th June, 2002

CHITRA SREENIVAS
Company Secretary

V. JAGADISAN
Directors

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

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2002

Schedule I	As at 31.03.2002	
Share Capital	Rs.	USD
Share Capital		
Authorised :		
1,50,00,000 equity Shares of Rs.10/- each	150,000,000	_____
Issued Share Capital		
80,81,272 equity shares of Rs.10/- each	80,812,720	1,888,568
Subscribed Share Capital		
80,81,272 equity shares of Rs.10/- each	80,812,720	1,888,568
Paid up Capital		
77,33,272 Equity shares of Rs.10/- each fully paid up	77,332,720	1,807,241
Add: Forfeited Shares	348,000	8,133
	<u>77,680,720</u>	<u>1,815,374</u>

Out of the above 43,33,153 equity shares of face value of 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 Honourable 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 shareholders of the company in the EGM held on 10th November 1999 and by the Reserve Bank of India.

Schedule II

Reserves & Surplus

Capital Reserve (Refer Note No. 2)	20,285,957	415,185
Share Premium	2,407,784,020	56,269,155
Translation Reserve a/c (Refer Accounting Policy No III)	21,171,347	(4,902,029)
	<u>2,449,241,324</u>	<u>51,782,311</u>

Schedule III

Secured Loans

a) Bank Borrowings	639,423,633	13,086,853
b) Term Loan from		
Housing Development Finance Corporation Limited	22,126,419	452,853
Sundaram Home Finance Limited	27,950,812	572,059
State Bank of Mauritius	100,000,000	2,046,664
c) Hire Purchase Loans	1,727,544	35,357
(For details of securities, Refer Note No. 3)		
	<u>791,228,408</u>	<u>16,193,786</u>

Schedule IV

Unsecured Loans

From Banks	60,000,000	1,227,998
Others	6,107,500	125,000
	<u>66,107,500</u>	<u>1,352,998</u>

Schedule V
Fixed Assets

Asset Description	Gross Block						Depreciation Block						Net Block							
	As at 01.04.01		Additions		Withdrawals		As at 31.03.02		As at 01.04.01		Additions		Withdrawals		As at 31.03.02		As at 01.04.01		As at 31.03.02	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
Land	34,472,975	735,973	83,346,626	1,746,467	-	2,482,440	-	-	-	-	-	-	-	-	-	34,472,975	735,973	117,819,601	2,482,440	
Building	160,205,030	3,420,261	3,983,070	83,462	-	3,503,723	23,873,956	509,692	111,838	-	-	-	-	-	-	136,331,074	2,910,569	134,976,877	2,882,493	
Plant & Machinery																				
-EDP	275,883,468	5,889,912	34,291,699	718,557	38,540	6,569,929	198,153,726	4,239,438	32,624,044	683,613	1,284,797	26,922	229,492,973	4,887,129	1,659,474	77,729,742	1,659,474	78,842,951	1,682,800	
-Software	46,472,236	982,149	11,821,565	247,712	-	1,239,861	22,736,235	485,402	7,901,305	165,566	-	-	30,637,540	650,968	506,747	23,736,001	506,747	27,656,261	588,893	
-Others	39,019,422	833,036	-	-	-	833,036	14,845,843	316,948	2,561,555	53,675	-	-	17,407,398	370,623	516,088	24,173,579	516,088	21,612,024	462,413	
Furniture																				
-Furniture	75,502,073	1,611,914	30,421,646	637,463	182,370	2,245,556	30,221,378	645,204	7,615,658	159,580	33,430	700	37,803,606	804,084	966,770	45,280,695	966,770	67,937,743	1,441,472	
-Office Equipments	16,831,094	359,332	2,273,967	47,649	-	406,861	4,160,404	88,822	1,671,534	35,026	-	-	5,831,938	123,848	270,510	12,670,690	270,510	13,273,123	283,133	
Electrical Items	60,342,668	1,288,272	30,423,680	637,506	748,844	1,910,086	19,025,101	406,172	3,817,527	79,993	81,194	1,701	22,761,434	484,464	882,100	41,317,567	882,100	67,256,070	1,425,622	
Vehicles	5,434,619	116,004	3,129,014	65,566	1,836,958	38,492	943,405	28,141	7,62,213	15,973	314,893	6,599	1,390,725	29,515	95,863	4,490,214	95,863	5,334,951	113,563	
Technology Platform	-	-	485,350,000	10,170,149	-	485,350,000	10,170,149	-	-	-	-	-	-	-	-	-	-	-	485,350,000	10,170,149
Total	714,162,585	15,246,653	685,041,267	14,354,531	4,607,416	29,504,839	313,960,048	6,702,819	62,291,102	1,305,264	1,714,314	35,922	374,536,636	7,972,161	8,544,034	400,202,538	8,544,034	1,000,659,601	21,532,678	

Note: Gross Block includes assets acquired under Hire Purchase Rs.27,68,000/- (USD 58, 863)

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

	As at 31.03.2002	
	Rs.	USD
Schedule VI		
Investments		
Trade -Unquoted:		
253 shares in Triamun AG,Switzerland	32,892,480	673,199
175 shares of face value of CHF 1000 each at a premium of CHF 5000 per share and 78 shares of face value of CHF 1000 each at par)		
5000 shares in Triamun Ramco Healthcare Systems AG, Switzerland of face value of CHF 10 each at par	1,458,000	29,840
	<u>34,350,480</u>	<u>703,039</u>
Schedule VII		
Inventories		
Resale Hardware & Software Materials	37,793,662	773,509
(Valued at Cost or Net realisable value whichever is lower and as certified by management)	<u>37,793,662</u>	<u>773,509</u>
Schedule VIII		
Sundry Debtors (Unsecured)		
a) Debts Outstanding for period exceeding six months	146,672,095	3,001,885
Less: Provision for Bad & Doubtful Debts	(9,428,301)	(192,966)
	<u>137,243,794</u>	<u>2,808,919</u>
b) Other debts	496,364,978	10,158,923
	<u>633,608,772</u>	<u>12,967,842</u>
Schedule IX		
Cash and Bank Balances		
Cash on hand	917,992	18,788
Balances with Scheduled Banks in		
a) Current Accounts	66,549,372	1,362,042
b) Deposit Accounts	68,490,303	1,401,766
Balances with Other Banks in Current Account		
Fleet Bank, USA	11,659,271	238,626
UBS AG,Switzerland	270,891	5,544
Credit Suisse, Switzerland	23,773	487
ABN Amro Bank, Switzerland	239,414	4,900
ABN Amro Bank, Singapore	19,337,880	395,780
Bumiputra Commerce Bank Berhad, Malaysia	6,214,245	127,185
ABN Amro Bank Berhad, Malaysia	4,208,306	86,130
Balances with Other Banks in Deposit Account		
Fleet Bank, USA	102,692	2,102
UBS AG, Switzerland	11,250,642	230,263
Credit Suisse, Switzerland	3,090,960	63,262
	<u>192,355,741</u>	<u>3,936,875</u>
Schedule X		
Loans and Advances (Unsecured, Considered Good)		
Advances recoverable in Cash or Kind	80,212,302	1,641,676
Tax deducted at Source	24,379,241	498,961
Deposits with Government Departments and Others	23,913,780	489,435
	<u>128,505,323</u>	<u>2,630,072</u>
Schedule XI		
Other Current Assets		
Prepaid expenses	8,940,244	182,977
Interest Accrued	28,522	584
	<u>8,968,766</u>	<u>183,561</u>
Schedule XII		
Current Liabilities		
For Purchases	113,559,746	2,324,186
For Expenses	179,082,079	3,665,209
	<u>292,641,825</u>	<u>5,989,395</u>
Schedule XIII		
Provisions		
Provision for Taxation	5,260,962	107,674
	<u>5,260,962</u>	<u>107,674</u>
Schedule XIV		
Miscellaneous Expenditure		
Product Research and Development Expenditure to the extent not amortised (Refer Note No. 1)	375,187,821	7,678,834
Deferred Revenue Expenses	12,532,112	256,490
	<u>387,719,933</u>	<u>7,935,324</u>
Schedule XV		
Profit & Loss Account		
Balance brought forward from Profit & Loss Appropriation account	1,257,570,000	26,962,828
Less: Balance in General Reserve adjusted	(5,000,000)	(102,333)
Less: Share of Minority Interest (Refer Note No. 9)	(13,771,539)	(281,857)
	<u>1,238,798,461</u>	<u>26,578,638</u>

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

Schedule XVI

Sales

	Year ended 31.03. 2002	
	Rs.	USD
Software Sales	542,725,831	11,372,416
Service & Maintenance charges	762,435,323	15,976,266
Value Added Resale Software & Hardware Materials	428,412,950	8,977,075
	<u>1,733,574,104</u>	<u>36,325,757</u>

Schedule XVII

Other Income

Interest Received (TDS Rs.26,78,675/-)	16,785,488	351,727
Profit on sale of assets	495,527	10,383
Foreign Exchange Fluctuation	6,904,655	144,682
Other Income	<u>690,166</u>	<u>14,463</u>
	<u>24,875,836</u>	<u>521,255</u>

Schedule XVIII

Employee Compensation & Benefits

Salaries, Bonus etc.,	792,159,816	16,599,120
Gratuity & Superannuation Fund Contributions	7,936,453	166,302
Provident Fund & other statutory Contributions	52,529,099	1,100,708
Staff Welfare	<u>132,209,691</u>	<u>2,770,357</u>
	<u>984,835,059</u>	<u>20,636,487</u>

Schedule XIX

Sales & Marketing Expenses

Advertisement & Sales Promotion	48,832,397	1,023,247
Others	<u>11,888,580</u>	<u>249,116</u>
	<u>60,720,977</u>	<u>1,272,363</u>

Schedule XX

Administrative & Other Expenses

Audit Accountancy & Legal Charges	36,990,581	775,110
Bank Charges	5,546,425	116,221
Insurance	8,693,408	182,164
Loss on sale of fixed assets	677,430	14,195
Communication Expenses	43,712,094	915,954
Power & Fuel	12,050,292	252,505
Printing & Stationery	7,065,020	148,042
Rates & Taxes	3,443,302	72,152
Rent	119,486,731	2,503,757
Repairs - Buildings	235,545	4,936
Repairs - Plant & Machinery	5,371,963	112,565
Repairs - Others	9,291,087	194,688
Travel & Conveyance	99,391,323	2,082,671
Bad Debts	5,672,276	118,858
Miscellaneous Expenses	<u>44,241,810</u>	<u>927,054</u>
	<u>401,869,287</u>	<u>8,420,872</u>

Schedule XXI

Interest & Finance Charges

Fixed Loans	8,030,841	168,280
Hire Purchase & Finance Charges	30,299,156	634,896
Others	<u>40,318,978</u>	<u>844,854</u>
	<u>78,648,975</u>	<u>1,648,030</u>

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

Schedule XXII

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

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 (GAAP), 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 cover Ramco Systems Limited, India, the Parent company and its Subsidiaries namely,

Ramco Systems Corporation, USA

Ramco Systems Limited, Switzerland

Ramco Systems Pte Limited, Singapore and

Ramco Systems SDN BHD, Malaysia

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 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 assets and liabilities are translated at the prevailing rate as on the Balance Sheet date. The equity share capital and share premium are stated at the exchange rate at the date of investment. The exchange difference arising out of the 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" (Schedule XXII) of the financial statements of Ramco Systems Limited, India.

NOTES ON ACCOUNTS

1. Research & Development

India: Out of an amount of Rs.8583.42 lacs (USD 17.57 mln) capitalised upto the year 2000-01 in respect of the Product Research & Development Expenditure, an amount of Rs.3,774.64 lacs (USD 7.73 mln) has been amortized upto 31 March 2002.

During the current year, an amount of Rs.2,687.71 lacs (USD 5.50 mln) has been capitalised and grouped under Product Research & Development Expenditure.

Out of the unamortised Product Research & Development Expenditure, an amount of Rs.4853.50 lacs (USD 9.93 mln) being the cost of development of a "Technology Platform", using "RamcoVirtualWorks™" has been capitalised as a fixed asset. In the opinion of the Company, the useful life of Technology Platform is estimated to be not less than ten years, during which it is expected to be used in the execution of product development and project execution. Accordingly, these costs will be written off over a period of ten years.

Depreciation charged to Profit & Loss Account includes Rs.423.89 lacs (USD 0.88 mln) towards depreciation on assets used for Research and Development.

Switzerland: Out of an amount of Rs.716.21 lacs (CHF 27.19 lacs) capitalised upto the year 2000-01 in respect of Software Localisation, an amount of Rs.205.28 lacs (CHF 7.04 lacs) has been amortised. During the current year 2001-02, an amount of Rs.431.03 lacs (CHF 15.80 lacs) has been capitlaised and grouped under Software Localisation and will be amortised over the useful life of the asset.

Singapore: During the year an amount of Rs.32.63 lacs (S \$ 1.23 lacs) has been capitalised and grouped under product research and development expenses and will be amortised over the useful life of the asset.

Malaysia: During the year an amount of Rs.33.17 lacs (RM 2.60 lacs) has been capitalised and out of which Rs.11.05 lacs (RM 0.87 lacs) has been amortized and the balance amount of Rs.22.12 lacs (RM 1.73 lacs) is grouped under product research and development expenses.

2. Capital Reserve

Capital Reserve as on 31.03.02 is after a debit of an amount of Rs. 2183 lacs (USD 4.57 mln), being Product Research & Development Expenditure amortised in the books of parent company during the previous years 1999-2000 and 2000-2001 and of Rs.1091.50 lacs (USD 2.29 mln) being the amortisation for the current year, in the books of the parent company aggregating to Rs. 3274.50 lacs (USD 7.86 mln). As the capital reserve represented the value of the net asset transferred to the Company at the time of Demerger from Ramco Industries Limited, the depletion in the value of unamortised Product Research & Development Expenditure (which also formed a portion of the assets transferred to the Company through the said scheme) through the amortisation stated above has therefore been debited to the capital reserve.

3. Secured Loans

(a) India: Borrowings from banks amounting to Rs.2039.15 lacs (USD 4.17 mln) 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.

USA: Borrowings from banks amounting to Rs.2443 lacs (USD 5 million) are collaterally secured by a pari passu first charge on Land & Buildings located at 64, Sardar Patel Road, Chennai –600113, belonging to Ramco Systems Limited, India and further by a corporate guarantee from Ramco Systems Limited, India.

Borrowings from banks amounting to Rs.613.17 lacs (USD 1.25 million) are secured by cash deposits of Ramco Systems Limited, India.

Switzerland: Borrowings from banks amounting to Rs.1222.89 lacs (CHF 4.19 million) are collaterally secured by a pari passu first charge on Land & Buildings located at 64, Sardar Patel Road, Chennai –600113, belonging to Ramco Systems Limited, India and further by a corporate guarantee from Ramco Systems Limited, India.

Borrowings from banks amounting to Rs.76.03 lacs (CHF 0.26 million) are secured by cash deposits of Ramco Systems Limited, Switzerland.

(b) Term Loan in India from State Bank of Mauritius is secured by a charge on certain Fixed Assets of the Company, excluding Land & Building.

(c) Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Limited represent a Line of Credit to the Company towards provision of housing loans to the employees which is secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees.

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

4. Prior Period Adjustments:

Prior Period adjustments in the Profit & Loss Appropriation Account represent the net amount arising out of:

- the transfer of Rs.2183 lacs (USD 4.57 mln) from out of the Capital Reserve to the Profit & Loss Appropriation Account due to write back of Product Research and Development Expenditure amortised in 1999-00 and 2000-01:
- reversal of sales revenues amounting to Rs.1357.02 lacs (USD 2.84 mln)
- write off of obsolete stocks amounting to Rs.28.05 lacs (USD 0.06 mln)
- write off of deferred revenue expenses amounting to Rs.357.93 lacs (USD 0.75 mln) in all aggregating to a net write back of Rs.439.98 lacs (USD 0.92 mln) and relating to earlier years.

5. Earnings per share (EPS):

Profit / (Loss) after tax and prior period adjustments	(A)	(Rs. 228,513,024)	(USD 4,788,319)
Total Equity Shares Outstanding	(B)	77,33,272	77,33,272
EPS - Basic and diluted (per share of Rs.10/- each)	(A/B)	(Rs. 29.55)	(USD 0.62)

6. Related Party Transactions:

As per Accounting Standard 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)
 - Shri.P.R.Ramasubrahmaneya Rajja
 - 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)
 - Rajapalayam Mills Ltd.,
 - Madras Cements Ltd.,
 - Ramco Industries Ltd.,
 - The Ramaraju Surgical Cotton Mills Ltd.,

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

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

Type of transaction		Group (Rs.)	Group (USD)	KMP (Rs.)	KMP(USD)
Loans availed	Transaction during the year	50,000,000	1,023,332		
	Outstanding as on 31.03.02	Nil	Nil		
Loans given	Transaction during the year	1,405,322	28,762		
	Outstanding as on 31.03.02 (including interest due)	1,405,322	28,762		
Interest paid	Transaction during the year	292,808	6,136	17,432	365
Sale of goods & services	Transaction during the year	23,905,837	50,096		
	Outstanding as on 31.03.02	2,823,177	57,781		
Purchase of vehicle	Transaction during the year	127,405	2,670		
	Outstanding as on 31.03.02	115,658	2,367		
Sale of vehicles	Transaction during the year	678,035	14,209		
	Outstanding as on 31.03.02	Nil	Nil		

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

7. Taxation:

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

Provision for taxation during the year pertains to the current tax provision on the profits of Ramco Systems Pte Limited, Singapore.

8. Segmental Revenue:

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

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

India and Middle East region, consisting of India, the Middle East and Africa.

Asean, consisting of Malaysia, Singapore, Thailand, Philippines 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.

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

Segment Revenue for the year ended 31st March 2002

Primary Segments	(Rs. Lacs)	(USD mln)
Particulars		
Segment Revenue		
a. Product Software and Related Services	5,971.02	12.51
b. Other Software Services	6,917.71	14.50
c. Network Solutions	4,447.01	9.32
Total Revenue	17,335.74	36.33
Less: Inter Segment Revenue	—	—
Net Sales / Income from Operations	17,335.74	36.33
Segment Profit / (Loss) before tax and interest		
a. Product Software and Related Services	(47.60)	(0.10)
b. Other Software Services	(185.85)	(0.39)
c. Network Solutions	114.32	0.24
Total	(119.14)	(0.25)
Less: Interest	786.49	1.65
Less: Other unallocable expenditure net of unallocable income	1,780.94	3.73
Profit / (Loss) before Tax	(2,686.57)	(5.63)

Segment Revenue
Secondary Segments

For the Year Ended 31.03.2002										
Particulars	India & Middle East		Asean		Europe		America		Total	
	Rs.Lacs	USD mln.	Rs.Lacs	USD mln.	Rs.Lacs	USD mln.	Rs.Lacs	USD mln.	Rs.Lacs	USD mln.
Segment Revenue										
a. Product Software and Related Services	2,459.76	5.15	1,228.85	2.57	1,156.32	2.42	2,237.33	4.69	7,082.26	14.83
b. Other Software Services	1,503.31	3.15	1,031.71	2.16	2,609.54	5.47	2,880.76	6.04	8,025.31	16.82
c. Network Solutions	4,389.67	9.20	—	—	—	—	57.34	0.12	4,447.01	9.32
Total Revenue	8,352.74	17.50	2,260.56	4.73	3,765.86	7.89	5,175.43	10.85	19,554.59	40.97
Less: Inter Segment Revenue	(2,218.86)	(4.64)	—	—	—	—	—	—	(2,218.86)	(4.64)
Net Sales / Income from Operations	6,133.88	12.86	2,260.56	4.73	3,765.86	7.89	5,175.43	10.85	17,335.74	36.33

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 such details as the assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) 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.

9. Minority Interest:

As the share of accumulated loss attributable to the 3% Minority Interest in Ramco Systems Corporation, USA, is more than their share holding, the share of accumulated loss is restricted to their share holding.

10. For translating local currency of subsidiaries into Indian Rupees the exchange rate applied is as per Policy No. III of the accounting policies given above.

The figures in the US Dollars given alongside the Indian Rupees are provided by way of additional information and are obtained by converting:

the assets and liabilities at the exchange rates prevailing 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.

11. Previous year's figures have not been given in line with the transitional provisions of the Accounting Standard 21 issued by the Institute of Chartered Accountants of India.

As per our Report Annexed
For **Messrs. S. Viswanathan**
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 : 24th June, 2002

CHITRA SREENIVAS
Company Secretary

V. JAGADISAN
Directors

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2002

	Year ended 31.03.2002			
	Rs.	Rs.	USD	USD
A. Cash Flow From Operating Activities				
Net Profit / (Loss) before tax		(268,656,919)		(5,629,505)
Add: Interest		78,648,975		1,648,031
		(190,007,944)		(3,981,474)
Add: Depreciation	62,291,102		1,305,264	
Amortisation	21,908,371	84,199,473	459,074	1,764,338
		(105,808,471)		(2,217,136)
Less: Interest Received	16,785,488		351,727	
Profit on sale of assets, net	(181,903)		(3,812)	
Miscellaneous Income	7,594,822	24,198,407	159,144	507,059
Operating Profit before Working Capital Changes		(130,006,878)		(2,724,195)
Less: Increase / Decrease in Current assets:				
Trade and Other receivables	(646,553,158)		(13,775,417)	
Inventories	(38,964,128)		(866,321)	
Other current assets (other than Cash and Bank)	(7,126,503)	(692,643,789)	(160,062)	(14,801,800)
		562,636,911		12,077,605
Add: Increase/Decrease in Current Liabilities:				
Trade Payables & Taxes	(536,528,572)		(11,717,435)	
Bank Borrowings	393,730,136	(142,798,436)	7,703,704	(4,013,731)
Cash generated from operations		419,838,475		8,063,874
Interest payments		78,648,975		1,648,031
Net Cash (used in) / from operating activities		341,189,500		6,415,843
B. Cash Flow from Investing Activities:				
Purchase of Fixed assets	(194,138,333)		(4,065,831)	
Purchase of Investments	(34,350,480)		(703,039)	
Miscellaneous Expenditure	(333,563,966)	(562,052,779)	(6,468,279)	(11,237,149)
Less: Sale of fixed assets	2,893,104		60,623	
Interest received	16,785,488		351,727	
Miscellaneous Income	7,594,822		159,144	
Profit on sale of assets, net	(181,903)	27,091,511	(3,812)	567,682
Net cash used in Investing Activities		(534,961,268)		(10,669,467)
C. Cash Flow from Financing Activities				
Proceeds from secured borrowings	1,246,733		25,516	
		1,246,733		25,516
Less: Repayment of finance Liabilities	5,532,219		113,225	
Income Tax	3,854,676		80,772	
Repayment of unsecured borrowings	161,393,081	170,779,976	3,503,974	3,697,971
Net Cash from financing activities		(169,533,243)		(3,672,455)
Net Increase / (Decrease) in cash and cash equivalents		(363,305,011)		(7,926,079)
Cash and Cash equivalents as on 01.04.01	555,660,752		11,862,954	
Cash and Cash equivalents as on 31.03.02	192,355,741	(363,305,011)	3,936,875	(7,926,079)

As per our Report Annexed
For **Messrs. S. Viswanathan**
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 : 24th June, 2002

CHITRA SREENIVAS
Company Secretary

V. JAGADISAN
Directors

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India

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