

**BOARD OF DIRECTORS:**

Sri P.C.PANTULU	-	Managing Director
Sri K.S.SHIVA KUMAR	-	Director & COO
Sri P. Chandra Sekhar	-	Director-Finance
Sri K K RAO	-	Director
Sri S SURENDRANATH	-	Director
Sri SHANKAR KHASNIS	-	Director
Sri PAWAN KUMAR KASERA	-	Director

**Auditors:**

B.Rama Rao & Co  
Chartered Accountants  
Hyderabad

**Bankers:**

ICICI Bank Ltd

**Registered Office &  
Software Development Centre:**

#11, Sripuri Colony,  
Kakaguda, Karkhna,  
Secunderabad-50015  
e-mail: [info@cybermateinfotek.com](mailto:info@cybermateinfotek.com)  
Url : [www.cybermateinfotek.com](http://www.cybermateinfotek.com)

## NOTICE

Notice is hereby given that the 12<sup>th</sup> Annual General Meeting of the shareholders of the company will be held on Monday, the 7<sup>th</sup> August 2006 at 10.00 A.M. at Mini Hall, Sundarayya Vignan Kendra, # 1-8-1/B/25/A, Baghlingampally, Hyderabad – 500 044 A.P India to transact the following business:

### AS ORDINARY BUSINESS:

1. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
“RESOLVED THAT the Audited Balance Sheet as at 31<sup>st</sup> March 2006 and the Profit and Loss Account of the Company for the year ended on that date and the report of the Directors and Auditors thereon be and are hereby considered and adopted.”
2. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
“RESOLVED THAT Mr. K .K. Rao, who retires by rotation and being eligible for re-appointment, offers himself for re-appointment be and is hereby re-appointed, as a Director of the Company.”
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.  
“RESOLVED THAT the retiring auditors M/s. B. RAMA RAO & Co., Chartered Accountants, Hyderabad, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed in this behalf by the Board of Directors of the Company.”

### AS SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr.S. Surendranath, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr. Shankar Khanis, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr. Pawan Kumar Kasera, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.  
“RESOLVED THAT Mr.P.Chandra Sekhar, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies Act”1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

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

**“RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, 310,311 and 314 read with Schedule XIII and other applicable provisions of the Companies Act 1956 (including any statutory modification or re-enactment thereof, for the time being in force), subject to the approval of the members of the company, the consent of the Company be and is hereby accorded to the Board of Directors for the appointment and the payment of remuneration of **Mr. P Chandra Sekhar**, as Director-Finance for the Five years with effect from 7<sup>th</sup> August 2006 to 6<sup>th</sup> August 2011 (both days inclusive) as set out hereunder:

**1.Salary: Rs.50,000 per month** (In the scale of 50,000-10,000-90,000 P.M.).

**2.Perquisites:**

- i. **Medical Reimbursement:** Expenses incurred for the Director and family subject to a ceiling of one month’s salary in a year of 3 months salary in a block of 3 years.
- ii. **Leave Travel Concession:** For the Director and his family consists of spouse, dependent children and parents once in a year incurred in accordance with the rules specified by the company.
- iii. **Club Fees:** Fees of Clubs subject, to a maximum of two clubs. This will not include admission and life Membership.
- iv. **Personal Accident Insurance:** Premium not exceeding Rs.2000/- per annum.
- v. **Provident Fund, Super Annuation Fund/Annuity Fund:** As per Company’s rules.
- vi. **Gratuity:** As per company’s rules
- vii. **Leaves:**
  - Casual Leaves : As per Company Rules.
  - Sick leaves : As per Company Rules.
  - Privilege Leaves : As per Company Rules.
- viii. **Leave Encashment:** As per Company’ Rules.
- ix. **Residential Telephone:**

Residential telephone be provided at the expense of the company. The Telephone bill including STD. and Trunk calls for the official business will be paid by the Company.
- x. **Car:** Entitled to use office car with driver for official purpose. Alternatively if he owns a car with driver he shall be entitled for reimbursement of expenses of Rs.4500/- p.m.

The following shall not be included in the computation of the ceiling on perquisites:

  - a. Contribution to provident fund, super annuation Fund/Annuity Fund to the extent either singly or put together are not taxable under income tax Act, 1961.
  - b. Gratuity payable at the rate not exceeding half month’s salary for each completed year of service.

**3. Minimum Remuneration:** In the event of loss or inadequacy of profits in any year during the period of his appointment, Mr. P Chandra Sekhar will be paid the remuneration as above as minimum remuneration. Mr. P Chandra Sekhar will not be entitled to any sitting fee for attending meetings of the Board or any committee thereof.”

**9. Cancellation of resolution passed in Extra-Ordinary General meeting held on 7<sup>th</sup> January 2006**

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

RESOLVED THAT the resolution no.1 for increase of authorized share capital passed in the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 is here by cancelled from the date of passing of this resolution by the members of the company w.e.f 07.01.2006 and the approval of the members is hereby granted for the same.

**10. Cancellation of resolution passed in Extra-Ordinary General meeting held on 7<sup>th</sup> January 2006**

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

RESOLVED THAT the resolution no.2 for alteration of increase of authorized share capital in Memorandum of Association passed in the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 is here by cancelled from the date of passing of this resolution by the members of the company w.e.f 07.01.2006 and the approval of the members is hereby granted for the same.

**11. Cancellation of resolution passed in Extra-Ordinary General meeting held on 7<sup>th</sup> January 2006**

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

RESOLVED THAT the resolution no.3 for alteration of increase of authorized share capital in Articles of Association passed in the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 is here by cancelled from the date of passing of this resolution by the members of the company w.e.f 07.01.2006 and the approval of the members is hereby granted for the same.

**12. Increase of Authorized Share Capital:**

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

"RESOLVED THAT the Authorised Capital of the Company be increased from Rs. 15.00 Crores (Rupees Fifteen Crores Only) divided into 1,50,00,000 equity shares of Rs. 10 each to Rs 45,00,00,000 (Rupees Forty Five Crores Only) divided into 4,50,00,000 equity shares of Rs 10 each by creation of 3,00,00,000 EQUITY SHARES OF Rs10/- each ranking pari passu with the existing Equity shares of the company.

**13. Alteration of Authorized Share Capital clause in Memorandum of Association**

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

RESOLVED THAT pursuant to section 16 and other applicable provisions, if any, of the companies act, 1956 the Memorandum of Association of the company is amended as follows.

By inserting in place of clause V, the following:

The authorized share capital of the company is Rs. 45,00,00,000/-(Rupees Forty Five Crores Only) divided in to 4,50,00,000 equity shares of Rs.10/- each with power for company to consolidate, convert, subdivide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached there to subject to the provisions of the companies Act, 1956

**14. Alteration of Authorized Share Capital clause in Articles of Association**

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

RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the companies act, 1956 and the Article 3 of the Articles of Association of the company is amended as follows.

By inserting in place of Article 3, the following:

The authorized share capital of the company is Rs. 45,00,00,000/- (Rupees Forty Five Crores Only) divided in to 4,50,00,000 equity shares of Rs.10/- each (Rupees Ten Only).

**15. Further issue of equity shares:**

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

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

“RESOLVED THAT, in super session of the resolution passed in the Extra-ordinary General Meeting held on 7<sup>th</sup> January 2006, pursuant to the provisions of section 81 and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with applicable provisions of Foreign Exchange Management Act, 1999 and of the company and the listing Agreement entered into by the Company with the stock Exchanges, where the Company's shares are listed and subject to the consent /approval/permission of the Central Government, Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other appropriate authorities and departments if any and to the extent necessary and subject to such conditions and modifications, as may be required by any of them in granting such approvals, which are acceptable to the Board of Directors of the Company (hereinafter referred to as the “Board of Directors” which expression shall include a Committee of Directors”) the consent of the members be and is hereby accorded to the Board/Committee of Directors to offer/issue/allot Equity Shares/Preference Shares/Convertible Notes/Securities /Zero Interest Fully Convertible Debentures(FCDs)or any Securities convertible into equity shares whether optionally or otherwise(herein after referred to as “Securities”) for an aggregate amount not exceeding Rs.30 crores(Rupees Thirty Crores Only) on rights basis for cash at par or such premium as may be decided by the Board/ Committee of Directors (hereinafter referred to as “Issue”), in the ratio to be decided by the Board on such date (herein after referred to as record date) to be fixed by the Board/Committee of Directors at a later date (fractional entitlements, if any, to be rounded off to the next higher integer), or to such person or persons, who may or may not be the shareholders of the Company, being renounces in whose favour the rights may be renounced by the respective shareholders provided that the Board may in its absolute discretion reject any such application without assigning any reason whatsoever or Qualified Institutional Buyers under chapter XIII-A of SEBI(Disclosure and Investor Protection) Guide Lines.

RESOLVED FURTHER THAT in case of issuance of securities to qualified Institutional Buyers in accordance with chapter XIII-A of SEBI (Disclosure and Investor Protection) Guidelines, the pricing of the securities shall be made in accordance with clause 13A.3.1 as explained therein, at a price not less than the higher of the following: i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date; OR ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date and the relevant date means the day which is thirty days prior to the date on which the meeting of the general body of shareholders is held, under section 81(1A) of the companies Act,1956, which shall be July 7<sup>th</sup> 2006.

RESOLVED FURTHER THAT such of these securities as are not subscribed may be disposed off by the Board/Committee if Directors thereof to such persons as the Board/Committee of Directors in its absolute discretion think most beneficial to the Company including offering or placing them with Banks /Financial Institutions/Investment Institutions/Mutual Funds/Foreign Institutional Investors/ Bodies Corporate/ High Net worth Investors(HNI)/Promoters/ such other person/s as the Board/Committee of Directors thereof may in its absolute directions decide.

RESOLVED FURTHER THAT these securities shall rank in all respects (including voting rights) pari passu with the existing equity shares except that these securities will only be entitled to pro-rata Dividend, if any, which may be declared or paid thereon from the date of allotment for the financial year in which the same are allotted.

RESOLVED FURTHER THAT the allotment to Non-resident shareholders shall be subject to the sanction of the Reserve bank of India and such conditions that may be imposed in this regard.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board/Committee of Directors of the Company, be and is hereby authorized to finalize the Terms of Issue, the Draft of Letter of Offer, to fix and announce the Record Date, to appoint Lead Managers/ Registrars/ Bankers to the Issue and other agencies as may be required and to determine the terms and conditions of their appointment as may be deemed appropriate and give such directions, as they may from time to time, think fit and proper and to do all such acts, deeds and things including settling any questions, doubt or difficulty that may arise in regard to the offer, issue and allotment of the said securities and execute such documents as the Directors/Committee of Directors in their absolute discretion consider necessary/desirable and pay any fees and commission to such agencies and incur any expenses in relation thereto.

By order of the Board  
For Cybermate Infotek Limited  
-sd-  
P. C. Pantulu  
Managing Director

Place: Secunderabad  
Date: 13<sup>th</sup> July, 2006

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and the proxy need not be a member. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not later than 48 hours before the meeting.
2. The share transfer books and Register of Members of the Company will remain closed from 3<sup>rd</sup> August 2006 to 7<sup>th</sup> August 2006(both days inclusive).
3. Members are requested to bring their copies of the Annual Report to the meeting. Please bring the Attendance slip with you duly filled in and handover the same at the entrance of the Meeting hall. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. Members are requested to notify immediately any change in their address to the Company in case their shares held in dematerialized form; this information should be passed so that the information required can be made readily available at the meeting.
5. Members holding shares in physical form are requested to de-materialize the shares in electronic form to facilitate faster transfer and avoid rejections for bad deliveries. The Share Certificates may be sent to Aarthi Consultants (p) Ltd,1-2-285,Domalguda, Hyderabad-500029

**ITEM NO. 2:**

**Information on Director's seeking appointment / re-appointment as required under clause 49 of the listing agreement with stock exchanges.**

**Sri. K.K.Rao**, aged 56 years, is an NRI director on the Board. He is a Chartered Accountant who had worked and gained experience in large industries like Bharath Earth Movers Ltd., AP Fisheries Corporation, Lasheo Group of companies before leaving for the Middle East. He is currently managing a construction company in Doha, Qatar for the past 16 years.

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

**ITEM NO. 4:**

Mr.S. Surendranath was appointed by the Board as Additional Director w.e.f 28<sup>th</sup> December 2005 pursuant to Section 260 of the Companies Act 1956. Sri S. Surendranath, aged 55 years, is an independent director on the Board. He is a commerce & law graduate. He has 15 years experience in International Banking, Foreign Exchange Dealings. He is also a visiting faculty for international Finance, Treasury Operations and Risk Management in various management institutions/ Colleges and published various articles on International Business, Foreign exchange and economic issues- In ECONOMIC TIMES, BUSINESS STANDARD, and STOCK EXCHANGE JOURNAL.

The company will immensely benefit from the association of Sri S Surendranath. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Mr.S Surendranath, none of the directors are interested in this resolution.

**ITEM NO. 5:**

**Sri Shankar Khasnis** was appointed by the Board as Additional Director w.e.f 28<sup>th</sup> December 2005 pursuant to Section 260 of the Companies Act 1956. Sri Shankar Khasnis, aged 40 years is an independent director on the board. He is a Bachelor of Engineering with a varied experience in industry. He has over 15 years of experience in areas of IT and ITES. Presently, he is a senior associate with Feedback Business Consulting Services Private Limited.

The Company will immensely benefit from the association of Sri Shankar Khasnis. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Mr Shankar Khasnis, none of the directors are interested in this resolution.

**ITEM NO. 6:**

**Sri Pawan Kumar Kasera** was appointed by the Board as Additional Director w.e.f 28<sup>th</sup> December 2005 pursuant to Section 260 of the Companies Act<sup>1956</sup>. Sri Pawan Kumar Kasera, aged 44 years, is an independent director on the Board. He is a commerce graduate from Calcutta University. He has previously worked with Cabeltel India Ltd. He was the Chairman (Eastern Region) of Electronics and Computer Software Export Council (An Autonomous Organization under the Department of Information Technology, Ministry of communications and information technology, Govt. Of India). Presently he is a Member- Telecom Committee (National) Electronics and Computer Software Export Council from 2004 and Chairman, Acme Group of Companies from 1980 to till date.

The company will immensely benefit from the association of Sri Pawan Kumar Kasera. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Sri Pawan Kumar Kasera, none of the directors are interested in this resolution.

**ITEM NO. 7&8:**

**Mr.P. Chandra Sekhar** was appointed by the Board as Additional Director w.e.f 13<sup>th</sup> July, 2006 pursuant to Section 260 of the Companies Act<sup>1956</sup>. Sri P Chandra Sekhar, aged 31 years is an executive director on the board. He is a Cost Accountant from Institute of Cost and works Accountants of India. Prior to joining the board, he was employed with a large retailing company as senior Financial Analyst. During his employment he was exposed to International Trade Practice.

The company will immensely benefit from the association of Sri P Chandra Sekhar. Hence he was inducted into the Board

The board commends this resolution for approval of the members.

Except Mr. P. Chandra Sekhar and Sri P C Pantulu a relative of the director, none of the directors are interested in this resolution.

**ITEM NO. 9,10&11:**

The members are aware that at the Extra-Ordinary General Meeting held on 7<sup>th</sup> January 2006 the resolution for increase of authorized share capital was adopted along with the resolutions for alteration of authorized share capital clause in Memorandum and Articles of Association. However the resolutions were not implemented due to various reasons. Hence the present the resolutions are proposed for cancellation of the same.

Your directors recommend the passing of above resolutions in the interest of the company.

**ITEM NO.12, 13&14:**

The Authorized share Capital of the company is at present Rs.15.00 Crores divided into 1,50,00,000 equity shares of Rs.10 each. In view of the proposed issue of equity shares on rights basis and or QIP placement it is necessary to increase the Authorised share Capital. The Board of Directors of the Company accordingly recommend the passing of these resolutions

None of the Directors of the company are interested in the proposed resolutions except to the extent of their shareholding in the company.

Your directors recommend the passing of above resolutions in the interest of the company.

**ITEM NO.15:**

The company is planning to setup development centers in the states of Andhra Pradesh and North Eastern States in terms of the expansion plans for taking up software services and BPO activities and further to setup overseas offices in Europe and Asia Pacific to explore the potential for the business of the company in this region. The company would require huge funds to meet the project requirements. Keeping in view all the above it is proposed to increase the authorized share capital and to offer/ issue/ allot equity shares to the existing shareholders on rights basis and or QIP placement as detailed in the resolution.

None of the Directors of the company are interested in the proposed resolution except to the extent of their shareholding in the company.

Your directors recommend the passing of above resolution in the interest of the company.

By order of the Board  
For Cybermate Infotek Limited

-sd-

P. C. Pantulu  
Managing Director

Place: Secunderabad  
Date: 13<sup>th</sup> July, 2006

#### Directors' Report:

To the Members,

Your Directors have pleasure in presenting their 12<sup>th</sup> Annual Report of the business and operations of your company for the year ended March 31<sup>st</sup> 2006.

#### Financial Results:

(Rs. in lakhs)

	2005-06	2004-05 (9 Months)
Operational Income	1577.34	221.84
Other Income	94.77	28.65
Total Revenues	1672.11	250.49
Earning before Depreciation, Interest & Tax	532.22	164.69
Depreciation	216.52	157.88
Interest	15.50	2.35
Profit before Tax	300.21	4.46
Provision for Tax	23.49	1.34
Profit after Tax	276.72	3.12

#### Overview of Operations:

Your company has overcome the hurdles faced in the past by any other small and medium IT-ITES companies and has consolidated the operations with an utmost focus on building the technical strengths both at senior management as well as middle management levels. Your company is also exploring the possibilities and opportunities of penetrating into newer geographic and vertical markets.

#### Subsidiary Company Accounts:

Due to certain administrative difficulties the accounts of the overseas subsidiary could not be finalized and hence the consolidation of accounts could not be completed. We have informed the auditors about the difficulty and the auditors have qualified their report. We shall ensure to get the accounts of the subsidiary updated and include the same in our next report.

#### Fixed Deposits

Your company has not accepted any deposits and, as such no amount of principal or interest was outstanding on the date of Balance Sheet.

#### Directors:

Sri K. K. Rao retire at the conclusion of this annual general meeting and being eligible offer him self for reappointment. The Board of Directors recommend his appointment.

Sri Ijju Shivanand and Sri P S Murthy were removed from the Board in the Board Meeting held on 2<sup>nd</sup> October, 2005 in view of their inability to attend Board Meetings as per the provisions contained in section 283 (1) (g) of the Companies act, 1956. The Board of Directors wish to place on record the appreciation for the services rendered by them during their tenure on the Board.

During the year Sri S Surendranath, Sri Shankar Khasnis, Sri Pawan Kumar Kasera and Sri P Chandra sekhar were inducted into the board at the Board of Directors Meeting held on 28<sup>th</sup> December 2005 and 13<sup>th</sup> July 2006 respectively and they will hold office till the conclusion of the ensuing Annual General Meeting and further being eligible offer them selves for reappointment in terms of section 257 of the Companies Act, 1956. The Board of Directors recommend their appointments.

In accordance with the requirements of Clause 49 of the Listing Agreement executed with the stock exchanges as also in pursuance of section 292A of the Companies Act'1956, following steps have been taken by the Board of Directors:

a) The Board of Directors has been reconstituted and comprises seven members (inclusive of three executive directors and four Non-Executive directors). The reconstituted Board comprises the following:

1) Mr. P. C. Pantulu	Managing Director
2) Mr. K. S. Shiva Kumar	Director & COO
3) Mr. P.Chandra Sekhar	Director-Finance
4) Mr. K. K. Rao	Non-Executive Director
5) Mr. S. Surendranath	Non-Executive Director
6) Mr. Shankar Khasnis	Non-Executive Director
7) Mr. Pawan Kumar Kasera	Non-Executive Director

#### **Audit Committee**

The Audit committee provides direction to the audit and risk management function in the company and monitors the quality of internal audit and management audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statement, recommending appointment/removal of external auditors and fixing remuneration.

The present audit committee comprises the following directors:

1) Mr. P C Pantulu	Chairman
2) Mr. Pawan Kumar Kasera	Member
3) Mr. S Surendranath	Member

**Directors' Responsibility Statement** (As the provisions of Section 217(2AA) of the Companies Act' 1956), the Directors confirm that:

a) in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation related to material departures.

b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at the end of 31<sup>st</sup> March 2006 and the profits for the year ended on that date.

c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) the directors have prepared the annual accounts on a going concern basis.

#### **Corporate Governance**

A report on corporate governance and management discussion and analysis as required under clause 49 of the listing agreement are enclosed.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

##### **Industry Structure and developments.**

Worldwide spending on IT-ITES is witnessing a steady growth, on the back of healthier spending across key markets. Outsourcing continues to be the primary growth factor with global delivery forming an integral part of the strategies adopted by customers and service providers.

The IT industry has seen the Indian IT multinationals, with the traditionally India-centric, indigenous players beginning to build noticeable presence in other locations – through cross border acquisitions, onshore contract wins and organic growth in other low-cost locations. This has once again has proven the success of the global delivery expanding into higher-value, more complex activities model and highlighting India's increasingly important role in the new world IT order.

#### **Opportunities and threats**

Your company intends to benefit from this steady growth in the outsourcing opportunities and has taken the necessary initiatives in this direction. Recruitment cum training drive has been initiated and the required up gradation in the existing infrastructure and is also being taken up. Your company plans a modest beginning subsequently moving up the value chain thereby increasing the margins.

#### **Segment or product-wise performance**

Segment-wise or product-wise performance has already been furnished elsewhere in this Report.

#### **Outlook:**

This has been already furnished elsewhere in this report.

#### **Risks and concerns:**

There is pressure on profitability due to the lack of export orders to execute offshore projects.

#### **Internal control systems and their adequacy:**

Your Company placed considerable emphasis on internal control system so as to minimize the costs and improve the efficiencies and existing systems are adequate given the size of the company.

#### **Financial /operational performance:**

This has been already discussed elsewhere in this Report.

#### **Human Resources/ Industrial Relations:**

Due to lack of sufficient export orders, several employees left the company for better prospects and career growth. However all out effort was made to retain the talent and improve the productivity.

#### **Auditors:**

The auditors, M/s. B.Rama Rao & Co., Chartered Accountants, Hyderabad retire at this Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.

#### **Auditors Observations:**

The observations of the auditors in their report to the members are self-explanatory and are not called for any explanation from the Board. The observations of auditors as referred to in the annexure to the Auditors Report are suitably explained in the notes to the accounts.

#### **Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo**

The particulars as prescribed under sub-section (1)(e) of section 217(2A) of the Companies Act'1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, are given in Annexure B.

#### **Employee Particulars**

As required under the provisions of Section 217(2A) of the Companies read with the Companies (Particulars of employees) Rules' 1975 as amended form part of this report. However, in pursuance of section 219(1)(b)(iv) of the companies Act' 1956 this report is being sent to all shareholders of the company excluding the aforesaid information and the said particulars are made available at the registered office of the company.

**Acknowledgement**

Your Directors acknowledge with a deep sense of gratitude the continued support extended by investors, customers, business associates, bankers and government departments.

For and on behalf of the Board

Place: Secunderabad  
Date: 13<sup>th</sup> July, 2006

Sd/-  
P. C. Pantulu  
Managing Director

sd/-  
K.S.Shiva Kumar  
Director & COO

**Annexure to the Directors' Report**

a) Particulars pursuant to Companies (disclosure of particulars in the report of the Board of Directors) Rules, 1988

**1.Conservation of Energy**

The operations of your company are not energy-intensive by using energy efficient computer terminals and equipment and electrical fittings. Energy saving conditioners are being purchased that reduces heat absorption. Your company is always in the look out for newer and efficient energy conservation technologies and introduces them appropriately.

**2.Research and Development (R & D)**

Research and Development of new products and services that allows software designs across different projects that continue to increase quality and productivity. Your company is continuously strengthening its research exposure in application and system development areas. Your company has set up practice units for web-related technologies and object and component technologies. Your company helps its customers creating a world standard virtual workplace connecting across offices, geographies, on a real time with multimedia linkups.

**3.Technology absorption, adaptation and Innovation**

Your company has taken steps to improvise on quality and desktops, that reduces working time on desktops. Various communication facilities include Video-conferencing, and Middleware technologies. Your company has

**4.Foreign Exchange earnings and outgo**

Activities relating to exports, development of new markets, for products and services and export plans. Your company has over the past period, set up communication facilities and marketing offices situated in North America. Your company has plans to set up marketing and development centers at San Jose, California catering to the client needs.

**Foreign Exchange earned and used for the year ended**

	(Rs. in Lacs)	
	2006	2005
Foreign Exchange Earnings	---	-----
Foreign Exchange Outgo	---	-----

**REPORT ON CORPORATE GOVERNANCE:****1. Company's Philosophy on Corporate Governance:**

Corporate Governance is more a way of Business life than a mere legal compulsion. Your Company believes that, though its primary focus is on the core objective of earning profits, the same should be aligned with the expectations of stakeholders. In this direction, the Board of Directors of your Company is committed to adopt good corporate governance practice as a part of the corporate culture, a way of its Corporate life and a kind of self-disciplinary code designed to serve the ultimate goal of making the Company a value driven Organization.

## 2. Board of Directors (Board)

The Board consists of 7 members comprising:

- 3 Executive Directors:
- 4 Independent Non-executive Directors:

### Attendance Record – 2005-2006

S.No	Name of the Director	Category	Meetings Attended	Attendance at last AGM on 29.09.2005	Remarks
1	Sri P.C. Pantulu	Executive	11	Yes	-
2	Sri K.S. Shiva Kumar	Executive	11	Yes	-
3	Sri K.K. Rao	Non-Executive	03	NO	In Aboard
4	Sri S. Surendranath	Non-Executive	01	No	(Appointed on 28.12.05)
5	Sri Shankar Khasnis	Non-Executive	01	No	(Appointed on 28.12.05)
6	Sri Pawan Kumar Kasera	Non-Executive	01	No	(Appointed on 28.12.05)
7	Sri P Chandra Sekhar	Executive	00	No	(Appointed on 13.07.06)

### Number of other Directorships, Committee Membership(s) & Chairmanship(s):

Sl.No	Name of the Director	Other Directorship	Committee Membership	Committee Chairmanship
1	Sri P.C. Pantulu	1	2	1
2	Sri K.S. Shiva Kumar	None	2	Nil
3	Sri K.K. Rao	None	1	Nil
4	Sri S. Surendranath	None	2	1
5	Sri Shankar Khasnis	None	1	Nil
6	Sri Pawan Kumar Kasera	7	1	Nil
7	Sri P Chandra Sekhar	2	None	Nil

### Number of Board Meetings held and the date on which held:

Ten Board Meetings were held during the year as against the minimum requirement of four meetings. The gap between two Board meetings was not more than 4 months at any time.

The dates of Board meeting held during the year under review are:

S.No	Date	Time
1	30.06.05	10.00 A.M
2	15.07.05	4.30 P.M
3	19.08.05	11.30A.M
4	05.09.05	3.00 P.M
5	26.09.05	11.00 A.M
6	02.10.05	5.00 P.M
7	31.10.05	10.00 A.M
8	06.12.05	4.30 P.M
9	12.12.05	9.30 A.M
10	28.12.05	2.00 P.M
11	25.01.06	9.00 A.M

## 3. Audit Committee:

The Board of Directors of the Company Constituted Audit Committee consisting of the following Directors, with the role and responsibilities duly defined and in accordance with the applicable statutory

and other requirements. During the year, in all, 4 meetings of the Committee took place and the Audit Committee comprises of the following Directors.

- 1) Mr. P C Pantulu Chairman
- 2) Mr.K S Shiva Kumar Member
- 3) Mr.K K Rao Member

The present audit committee comprises the following directors:

- 1) Mr. P C Pantulu Chairman
- 2) Mr. Pawan Kumar Kasera Member
- 3) Mr. S Surendranath Member

#### 4.Remuneration of Directors & Remuneration Committee:

Other than whole-time Directors, no other Director receives any remuneration from the Company excepting Sitting Fees for attending the Board Meetings. The details of remuneration paid to the whole-time Directors is mentioned in Schedule 12 read with notes on accounts 14 (12) (iii) to the Balance Sheet of the Company.

The Board of Directors of the Company constituted Remuneration Committee consisting of the following Directors, with the role and responsibilities duly defined and in accordance with the applicable statutory and other requirements.

- a) Composition, Name of the Chairman and Members:

Mr. S Surendranath	-	Chairman
Mr. Shankar Khasnis	-	Member
Mr. Pawan Kumar Kasera	-	Member

- b) Attendance during the year

The remuneration Committee had met once during the year and all the members of the Committee were present at the meeting.

#### 5.Shareholders' Grievance Committee:

The Shareholders' Grievance Committee constituted by the Board of Directors and comprising of Mr. P.C. Pantulu (Chairman) Mr. K. Shiva Kumar and Mr.S.Surendranath, inter-alia oversees the transfer of shares and redressal of shareholders/ Investors grievances and complaints.

All the complaints received are replied to the satisfaction of shareholders during the year under review and there are no outstanding complaints as on 31<sup>st</sup> March 2006.

#### 6.General Body Meetings:

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

Year	Location	Date	Time
2003	1-8-1/B/25/A Sundaraya Vignan Kendra, Baghlingampally, Hyderabad-44	30.09.2003	3.00 P.M.
2004	1-8-1/B/25/A Sundaraya Vignan Kendra, Baghlingampally, Hyderabad-44	31.03.2005	10.00 A.M.
2005	1-8-1/B/25/A Sundaraya Vignan Kendra, Baghlingampally, Hyderabad-44	29.09.2005	10.00 A.M

#### 7.Disclosures:

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature with the promoters, the Directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of the Company at large -

None of the transactions with any of the related parties were in conflict with the interest of the Company.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges or The Securities and Exchange Board of India of (SEBI) or any other statutory authority on any matter related to the Capital Markets during the last 4 years

None.

#### 8.Means of Communication:

Un-audited Quarterly results have been approved by the Board and has intimated to the Stock Exchanges and are published in Indian Express and Andhra Prabha. Management Discussion and Analysis Report forms part of Annual Report.

#### General Shareholders Information:

Annual General Meeting	:	Date : 07.08.2006 Time: 10.00 A.M. Venue: 1-8-1/B/25/A, Mini Hall, Sundaraya VignanKendra,Baghlingampally,Hyderabad.
Financial Calendar	:	01.04.2005 to 31.03.2006
Date of Book Closure	:	03.08.2006 TO 07.08.2006 (Both days inclusive)
Listing on Stock Exchanges		1. The Hyderabad Stock Exchanges Limited 2. The Stock Exchange , Mumbai 3. The Bangalore Stock Exchange Limited
Stock Code	:	532271 on BSE

#### Market Price Date:

Month	High (Rs)	Low (Rs)
April, 05	6.24	4.18
May, 05	6.50	4.01
June, 05	8.90	5.50
July, 05	8.49	5.07
August, 05	9.33	6.26
September, 05	9.45	4.80
October, 05	6.16	4.01
November, 05	5.36	4.25
December, 05	6.94	4.69
January, 06	7.56	6.18
February, 06	7.83	6.20
March, 06	6.40	4.46

#### Registrar/ Share Transfer Agents:

Aarathi Consultants (p) Ltd  
1-2-285,Domalguda,  
Hyderabad-500029.  
Ph:040-27634445/8111/27642217  
Fax No.040-27632184  
Email:Info@aarthiconsultants.com  
[Url:www.aarthiconsultants.com](http://www.aarthiconsultants.com).

#### Share Transfer System:

Shares are received at the Registered office of the Company as well as directly at Registrar's Office. All are registered within 15 days from the date of receipt, if the documents submitted are found in order in all respects. A Committee of Directors authorized for approval of share transfers meets at regular intervals as required and the certificates duly endorsed for transfer are returned to shareholders within stipulated time of 30 days.

**DISTRIBUTION OF SHAREHOLDING:**

The distribution of shareholding as on 31<sup>st</sup> March 2006, was as follows:

Category	No. Of Shares	Percentage(%)
Promoters	12,60,380	8.67
Financial Institutions & Banks	200	0.00
FII's	100	0.00
Bodies Corporate	19,46,601	13.39
NRIs/ OCBs	92,155	0.63
Trust	9,100	0.06
Resident Individuals	1,12,33,426	77.25
<b>Total</b>	<b>1,45,41,962</b>	<b>100.00</b>

**Dematerialization of shares:**

Particulars	Number of Shares	% Of Share Capital
NSDL	1,04,15,583	71.62
CDSL	31,57,060	21.71
Physical	9,69,319	6.67
<b>Total</b>	<b>1,45,41,962</b>	<b>100.00</b>

**Address for Correspondence:**

Shareholders can correspond at the Registered Office of the Company at Secunderabad, addressed to the Company Secretary/Compliance Officer or to the Registrars & Share Transfer Agents, whose address has been mentioned elsewhere in this Report.

Particulars of Directors seeking re-appointment at the forthcoming Annual General Meeting pursuant to Clause 49 of the Listing Agreement:

Name of Director	K.S.Shiva Kumar
Expertise in specific functional area	Marketing Operations & Business Development
Date of Birth	02.04.1967
List of other Companies in which Directorship is held as on 31 <sup>st</sup> March, 2006	Nil
Chairman/member of the Committees of the Board of other Companies in which he is a Director as on 31 <sup>st</sup> March, 2006	Nil

**AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE**

To the Members of M/s. Cybermate Infotek Limited, Secunderabad

We have examined the compliance of conditions of corporate governance by Cybermate Infotek Limited for the year ended on 31.03.2006, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial statements of the Company.

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

We state that generally no Investor Grievances are pending for a year exceeding one month against the company as per the records maintained by the shareholders/Investors Grievance 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.

Place: Hyderabad

Date: 13.07.2006

For B.Rama Rao & Co.  
Chartered Accountants  
sd/-

G.V.Ranga Babu  
Partner

## AUDITORS' REPORT

To  
The Members,  
Cybermate Infotek Limited.

We have audited the attached Balance Sheet of M/s. CYBERMATE INFOTEK LIMITED as at 31<sup>st</sup> March 2006 and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the companies (Auditor's Report) Order, 2003 issued by the central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order:

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account:
- d) In our opinion, the Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act with an exception to AS 21 i.e Consolidated Financial Statements. The reason given by the management is due to certain unavoidable reasons subsidiary accounts were not made available
- e) On the basis of written representation received from the directors, as on 31.03.2006, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31<sup>st</sup> March 2006 from being appointed as director in terms of Clause (g) of section 274 (1) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, subject to our comments in paragraphs No.21 of annexure attached to Auditors Report .
  - I. In the case of the Balance Sheet, of the State of Affairs of the company as at 31<sup>st</sup> March 2006
  - II. In the case of the Profit and Loss Account, of the Profit for the year ended on that date and
  - III. In the case of cash flow statement, of the cash flows for the year ended on that date

for B.Rama Rao & Co.  
Chartered Accountants  
Sd/-

Place : Hyderabad  
Date: 13<sup>th</sup> July 2006

G.V.Ranga Babu  
Partner

## **ANNEXURE TO THE AUDITOR'S REPORT**

1.a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.

b) As per the information and explanation given to us, the management at reasonable intervals carried out the physical verification of the fixed assets. No material discrepancies were noticed on such verification.

c) There was no substantial disposal of fixed assets during the year under audit.

2 Due to the nature of its business, clause (ii) of the order, relating to physical verification of inventory is not applicable to the company.

3. As informed, the Company has neither granted or taken any loans, secured or unsecured to /from companies, firms or other parties covered in the register maintained under section 301 of the companies Act.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the company and the nature of its business, for the purchase of fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls in respect of this area.

5 According to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under Section 301 of the Act.

6.The Company has not accepted any deposits from public to which the provisions of Section 58A of the act, and the rules made there under apply.

7.In our opinion, the company has an internal audit system, which is commensurate with the size and the nature of its business

8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records prescribed under section 209(1)(d) of the act.

9.(a) According to the information and explanation given to us and the records examined by us, the Company is not regular in statutory payment of TDS. Outstanding as at 31<sup>st</sup> March 2006 for a year more than six months from the date they became payable is Rs.2,18,108/-

(b) According to the information and explanations given to us, there are no dues of sales tax, provident fund and Tax deducted at source, which have not been deposited on account of any dispute. However there is a disputed income-tax liability of Rs.5, 72,000/- relating to the Assessment Year 1998-99.The case is in Appellate Commissioner.

10.The company has been registered for a period of more than five years and has no accumulated losses at the end of the year under audit.

11. Based on our examination of the records and the information and explanation given to us, the company has not granted any loan and or advances on the basis of security by way of pledge of shares, debentures and other securities.

12. The company is not a chit fund, nidhi, mutual benefit fund or a society.

13.In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(XIV) of the order are not applicable to the company.

15. According to the information and explanations given to us the company has not given any guarantee for loans taken by others from bank or financial institutions except loans to employees given by banks.

16. According to the information and explanations given to us no term loans were raised by the company.

17. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that the company has not raised any funds on short- term basis (excluding permanent working capital)

18. The company has not made any preferential allotment of shares during the year.

19. During the year covered by our audit report the company has not issued any secured debentures.

20. As per the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

21. Inventories: The company has shown an amount of Rs.3, 62,90,842/- as Work-in-Progress at the year-end of 31.03.2006 and also at the end of previous year i.e. 31.03.2005. Keeping the vulnerability of W-I-P into products/software, the auditors have proposed to write off at least 50% of the inventories as obsolete/not fit to convert into products. If inventories are written off by 50%, the Net Profit shown in the Profit and Loss Accounts is reduced by an amount of Rs.181 lakhs

For B.RAMA RAO & CO  
Chartered Accountants

Sd/-  
G.V. Ranga Babu  
Partner

Hyderabad.  
13.07.2006

BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2006

	Schedule No.	31.03.2006 Rs.	31.03.2005 Rs.
<b>SOURCES OF FUNDS</b>			
1. Share Holders' Funds			
(a) Capital	1	145419620	145414655
(b) Reserves and Surplus	2	191727515	163013583
2. Loan Funds			
(a) Secured Loans	3	24293084	27454898
(b) Unsecured Loans	4	8739000	7739000
<b>TOTAL</b>		<b>370179219</b>	<b>343622136</b>
<b>APPLICATION OF FUNDS</b>			
1. Fixed Assets	5		
Gross Block		187089560	186778405
Less: Depreciation		109340619	87688841
Net Block		77748941	99089564
2. Investments	6	195471218	65333450
3. Current Assets, Loans & Advances	7		
(a) Inventories		36290842	36290842
(c) Sundry Debtors		159979631	132453221
(d) Cash and Bank balances		92206	56849
(e) Loans and Advances		18461467	33224384
<b>TOTAL</b>		<b>214824146</b>	<b>202025296</b>
Less : Current Liabilities & Provisions			
i. Current Liabilities	8 (a)	127530113	33820954
ii. Provisions	8 (b)	2349647	1687377
Net Current Assets	<b>TOTAL</b>	84944386	166516965
3. Miscellaneous Expenditure	9	12014674	12682157
<b>TOTAL</b>		<b>370179219</b>	<b>343622136</b>
Statement of significant Accounting Policies & Notes forming part of Accounts	14		

As per our report of even date

**For B.RAMA RAO & CO.**  
**Chartered Accountants**

For and on behalf of the Board of Directors

**G.V.Ranga Babu**  
Partner

**P.C.Pantulu**  
Managing Director

**K.S.Shiva Kumar**  
Director

Date : 13.07.2006

Place : Secunderabad

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006**

<b>PARTICULARS</b>	<b>Schedule No.</b>	<b>31.03.2006 Rs.</b>	<b>31.03.2005 Rs.</b>
<b>Income</b>			
Revenue	10	157734720	22183711
Other Income	-	9477225	2864874
	<b>TOTAL</b>	<b>167211945</b>	<b>25048585</b>
<b>Expenditure</b>			
Operating Expenses	12	113988543	8580115
Financial Charges	13	1550199	234668
Depreciation		21651777	15788067
	<b>TOTAL</b>	<b>137190519</b>	<b>24602850</b>
Profit for the year		<b>30021426</b>	<b>445735</b>
Provision for Tax		2349647	133720
Profit after Tax		<b>27671779</b>	<b>312014</b>
Excess provision written back		<b>1042153</b>	<b>0</b>
Balance brought forward from the previous year		<b>68591907</b>	<b>68182528</b>
Profit available for appropriation		<b>97305839</b>	<b>68494542</b>
Appropriations:			
Provisions for Dividends		--	--
Transfer to General Reserve		<b>3002143</b>	<b>44573</b>
Balance carried to Balance Sheet		<b>94303696</b>	<b>68449969</b>
Statement of significant Accounting Policies & Notes forming part of Accounts	14		

As per our report of even date

**For B.Rama Rao & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**G.V.Ranga Babu**  
Partner

**P.C.Pantulu**  
Managing Director

**K.S.Shiva Kumar**  
Director

Date: 13.07.2006  
Place: Secunderabad

<b>SCHEDULE – I</b>	<b>31.03.2006</b>	<b>31.03.2005</b>
<b>SHARE CAPITAL</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Authorised</b> (150,00,000 Equity Shares of Rs. 10/- each fully paid up)	<b>150000000</b>	<b>150000000</b>
<b>Subscribed &amp; Paid Up</b>  (1,45,41,962 Equity Shares of Rs. 10/- each fully paid up)	  145419620	  145419620
Less: Calls-in-arrears	----	4965
<b>TOTAL</b>	<b>145419620</b>	<b>145414655</b>
<b>SCHEDULE - 2</b>		
<b>Reserves &amp; Surplus</b>		
General Reserve	11713819	8711676
Profit and Loss Account	94303697	68591907
Share Premium	85710000	85710000
<b>TOTAL</b>	<b>191727516</b>	<b>163013583</b>
<b>SCHEDULE – 3</b>		
<b>Secured Loans</b>		
Hire Purchase	662088	633407
State Bank of India Term Loan	0	6000000
Working Capital Loan	0	20821491
Dewan Housing Finance-Loan Against Rent	23630996	0
<b>TOTAL</b>	<b>24293084</b>	<b>27454898</b>
<b>SCHEDULE – 4</b>		
<b>UnSecured Loans</b>		
Security Deposits	7739000	7739000
(Loan from Govt. of Nagaland)	1000000	0
<b>TOTAL</b>	<b>8739000</b>	<b>7739000</b>

**SCHEDULE – 5**  
**Fixed Assets**

Name of Asset	Gross Block	Additions	Gross Block	Depreciation		Net Block	Net Block	
	on 01.04.05	/Deletions	As on	Up to the	During the	Total	As on	As on
	Rs.	Rs.	31.03.06	year	year	Rs.	31.03.05	31.03.06
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1) Motor Vehicles	1054448	50155	1104603	1054448	2382	1056830	0	47773
2) Computers & Peripherals	39520426	261000	39781426	39520426	42308	39562734	0	218692
3) Office Equipment	1173419	0	1173419	503791	74277	578068	669628	595351
4) Furniture	6731886	0	6731886	2074735	426128	2500863	4657151	4231023
5) Electrical Equipment	3273353	0	3273353	939953	172833	1112786	2333400	2160567
6) Buildings	24131497	0	24131497	3337559	393343	3730902	20793938	20400595
7) Web Development Expenses	63007779	0	63007779	37138138	15751945	52890083	25869641	10117696
8) Software Products	47885597	0	47885597	3119792	4788560	7908352	44765805	39977245
<b>TOTAL</b>	<b>Rs. 186778405</b>	<b>311155</b>	<b>187089560</b>	<b>87688841</b>	<b>21651777</b>	<b>109340619</b>	<b>99089564</b>	<b>77748941</b>

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE-6</b>		
<b>Investments</b>		
<b>Investments Non Trade Unquoted</b>		
Cybermate Infotek Limited USA	187571218	57433450
Twin Cities Investments and Finances Ltd	100000	100000
Advance for Purchase of Portal	7800000	7800000
<b>TOTAL</b>	<b>195471218</b>	<b>65333450</b>
<b>SCHEDULE-7</b>		
<b>Current Assets Loans &amp; Advances</b>		
<b>Current Assets</b>		
a) Inventories		
Work In Progress	36290842	36290842
<b>TOTAL</b>	<b>36290842</b>	<b>36290842</b>
b) Sundry Debtors		
(Unsecured, Considered Good)		
More than six months old	63314653	132453221
Less than six months old	96664978	
<b>TOTAL</b>	<b>159979631</b>	<b>132453221</b>
c) Cash & Bank Balances		
i. Cash on hand	3232	31643
ii. Balance with Scheduled Banks	88975	25206
<b>TOTAL</b>	<b>92207</b>	<b>56849</b>
<b>Loans and Advances</b>		
Advances Recoverable in cash or kind or for value to be received	1155050	2338461
Loans to others	710000	710000
Inter Corporate Deposits	13306720	27840378
Deposits with Others	701922	650522
Advance Tax Paid	1186023	1186023
TDS	1401752	499000
<b>TOTAL</b>	<b>18461467</b>	<b>33224384</b>

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE-8</b>		
<b>Current Liabilities &amp; Provisions</b>		
<b>(a) Current Liabilities</b>		
Sundry Creditors	1628641	1874209
Other Current Liabilities	122136037	27956310
Loan from Others	3765435	3990435
<b>TOTAL</b>	<b>127530113</b>	<b>33820954</b>
<b>(b) Provisions</b>		
Provision for Tax	2349647	1687377
<b>TOTAL</b>	<b>2349647</b>	<b>1687377</b>
<b>SCHEDULE-9</b>		
<b>Miscellaneous Expenses</b>		
To the extent not written off		
Public Issue Expenses	1067591	1126902
Product Development Expenses	9895603	10445359
Software Products	1051480	1109896
<b>TOTAL</b>	<b>12014674</b>	<b>12682157</b>
<b>SCHEDULE-10</b>		
<b>Revenue</b>		
Exports	157734720	22183711
<b>TOTAL</b>	<b>157734720</b>	<b>22183711</b>
<b>SCHEDULE-11</b>		
<b>Increase/Decrease in Stock</b>		
Opening Stock		
Work in Process	<u>36290842</u>	<u>36290842</u>
	<b><u>36290842</u></b>	<b><u>36290842</u></b>
Less:		
Closing Stock		
Work in Process	<u>36290842</u>	<u>36290842</u>
	<b><u>36290842</u></b>	<b><u>36290842</u></b>
<b>Decrease in Stock</b>	<b>0</b>	<b>0</b>

**SCHEDULE - 12**

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Operating and Other Expenditure</b>		
Salaries	36552278	3258148
Directors Remuneration	4054800	3006000
Software Purchases	31400000	202596
Administration Expenses	30732073	428014
Consultancy and Professional Expenses	1629582	107895
Rent, Rates and Taxes	1271819	369000
Business Promotion Expenses	1019454	93636
Audit Fee	100000	100000
Insurance	112161	0
Bank Charges	113527	8903
A.G.M.Expenses	159571	30000
Security Charges	72732	59508
Overseas Marketing Expenses	5965734	248933
Loss on Chits	137330	0
Miscellaneous Expenses written off	667482	667482
<b>TOTAL</b>	<b>113988543</b>	<b>8580115</b>

**31.03.2006****Rs.****31.03.2005****Rs.****SCHEDULE – 13****Financial Charges**

Interest on secured loans	1343695	0
Interest – others	206504	234668
<b>TOTAL</b>	<b>1550199</b>	<b>234668</b>

## **SCHEDULE 14**

### **Significant Accounting Policies & Notes on Accounts**

#### **A. Significant Accounting Policies**

##### **i. Accounting Convention**

Financial statements are prepared under the historical cost convention on the basis of a going concern with revenues and expenses recognized on accrual basis with the exception of insurance claims, export incentives, interest on calls in arrears and interest on over due receivables which are accounted for on cash basis.

##### **ii. Revenue Recognition.**

Revenue from software development on time and material contracts is recognized based on software developed and billed in accordance with the terms of specific contracts. Revenue from a fixed price contract is recognized on the basis of milestones achieved in the performance of the contracts on a percentage completion basis.

##### **iii. Fixed Assets and Depreciation**

Fixed Assets are stated at cost less depreciation. Cost includes freight, installation costs, duties and taxes and other incidental expenses incurred during the construction / installation.

Depreciation on Fixed Assets has been provided on the Straight Line Method and at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 on a single-shift working basis. Depreciation is charged on a prorata basis.

##### **iv. Expenditure**

The cost of software user licenses purchased for software development and the rendering of IT services is charged to revenue in the year the software is acquired at the time of acquisition. Provisions are made for all known losses and liabilities, future unforeseeable circumstances that may affect the profit on fixed-price software development contracts and also towards likely expenses for providing post-sales client support.

##### **v. Investments**

Long Term Investments are stated at cost.

##### **vi. Inventories.**

Software Products/ Projects in process are stated at cost. Development Costs of products are amortised over a period of five years or earlier on the basis of Management's evaluation.

##### **vii. Retirement benefits.**

Gratuity liability towards existing eligible employees will be met by the contribution made to the fund administered by LIC, since, the company has settled the employees dues from its resources who left the services of the company. Hence, during the year no contributions were made

##### **viii. Foreign currency transactions**

Foreign Exchange transactions are recorded at the spot rate prevailing at the beginning of the concerned month. Year-end balances of foreign currency assets and liabilities are restated at the closing rate/forward contract rate as applicable. Gains/Losses arising out of fluctuations in the exchange rates are recognized in Profit & Loss A/c.

**ix. Deferred Tax liability**

The Company is a 100% EOU engaged in export of computer software and is claiming exemption of its business income under Section 10B. Hence, Accounting Standard on Deferred Tax liability is not applicable in so far as it relates to the business income of the company. However, with respect to other income, there is no timing or permanent deferral and hence provision for tax is recognized in the year in which it arises.

**x. Miscellaneous Expenditure**

Expenses in connection with public issue of shares and preliminary expenses are being written off over a period of 10 years.

**B. Notes on Accounts**

(All figures are reported in rupees, except data relating to shares or unless stated otherwise)

1. Cost of Acquisition of Software

Cost of Acquisition of Licensed versions of Software is charged off in the year of purchase.

2. Secured Loans

a) Rupee Term Loan

Rupee Lease Rental Finance from Dewan Housing Finance Corporation Limited is primarily secured by assignment of rent receivables, collateral security by a first charge on the property of the company and by way of pledge of 5,00,000 equity shares of the company held by the promoters of the company.

3. Employee Stock Option Scheme. (ESOP)

The compensation committee of the board evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options.

Amount received from employees on exercise of stock option, pending allotment of shares is shown as share application money pending allotment.

4. Related Party Transactions

The company has entered into related party transactions during the year ended 31<sup>st</sup> March, 2006 with its subsidiary Cybermate Infotek Ltd. Inc. comprising sales of Rs. 2,55,60,692/- during the year from 1<sup>st</sup> April 2005 to until March 2006.

5. Key Management personnel are non-director officers of the company, who have the authority and Responsibility for planning, directing and controlling the activities of the Company. The loans and advances receivable from non-director officers as at 31<sup>st</sup> March, 2006 are at Rs. NIL.

6. Segment reporting: The entire operations of the company relate only to one segment i.e., Computer Software. Assets taken on lease comprise motor vehicles, which are accounted as per the tenor of the hire purchase agreement. There are dues against certain assets on HP basis. These could not be settled as the HP Company has suspended its operations.

7. Dues to S.S.I.: There are no dues to S.S.I. units in respect of Sundry Creditors as required to be disclosed in accordance with Section 211 read with part 1 of Schedule VI of the Companies Act, 1956.

8. Miscellaneous expenses: Miscellaneous expenses not written of include expenditure in connection with development of software products. The company proposed to charge off the same to revenue over a period of three years commencing from 2003-2004. However the company did not written off the same during the year.
9. Inventories: The inventories include substantial amount related to the PKI project, which was contracted for execution in Gujarat. As the project was deferred by the customer midway, the amount spent on the project was treated as work-in –progress (Inventory). Efforts are being made to arrive at a compromise with customer for reviving the project or for recovering amounts as per the contract. Hence the board feels that the matter can be settled amicably in favour of the company.
10. Investments by the company are in the category of non-trade and unquoted shares. The book values have been taken for the valuation of company's investments.
11. Inter corporate Deposits: The recovery of interest on these deposits is very irregular and outstanding for a long period. The auditors requested the company to make a suitable provision in the books of accounts. However the company has obtained judgment in favour of the company on a suit filed on Armour pharmaceuticals Ltd for the recovery of inters corporate deposit.
12. Additional Information Pursuant to the provisions of the Schedule VI to the Companies Act, 1956.

		<b>Figures in Rupees</b>	
i. Earnings in Foreign currency (Receipt Basis)		<b>Figures in Rupees</b>	
		<b>31.03.06</b>	<b>31.03.05</b>
Sales		--	----
	Total	-----	-----
		-	---
		=====	=====
ii. Amounts paid/payable to Auditors		<b>31.03.06</b>	<b>31.03.05</b>
Audit Fees		60,000	60,000
Tax Audit Fee		5,000	5,000
Certification Fee		10,000	10,000
Tax Representation fee		10,000	10,000
Management Consultancy fee		10,000	10,000
Out of Pocket Expenses		5,000	5,000
		-----	-----
		1,00,000	1,00,000
		=====	=====
iii. Managerial Remuneration		<b>31.03.06</b>	<b>31.03.05</b>
Salaries		40,54,800	30,06,000
		-----	-----
		40,54,800	30,06,000
		=====	=====
iv. Contingent Liabilities not provided for			
a) Bank Guarantee		Rs.Nil	(Rs. Nil)
b) LC's		Rs.Nil	(Rs. Nil)
c) Foreign Bills Discount		Rs.NIL	(Rs. Nil)
d) Disputed Income Tax Liability in respect of pending appeal before Appellate Tribunal for			

Assessment year 1998-99.	5,72,000	5,72,000
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vi. Reconciliation of basic and diluted shares used in computing earnings per share

	<b>Year ended 31.03.06</b>	<b>Period ended 31.03.05</b>
Number of shares considered as basic	145,41,962	145,41,962
Weighted average shares outstanding (12 months)		
Add: Effect of dilutive issues of shares / Stock options	----	----
Number of shares considered as weighted average shares and potential shares outstanding	145,41,962	145,41,962
Earnings per share	1.90	0.02

vii. Debtors, Creditors, Loans and Advances are subject to confirmation and reconciliation.

viii. Previous year's figures have been regrouped wherever necessary.

ix. Figures are rounded off to nearest rupee.

x. The accounts for the year are prepared for the period of 12 months from 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2006.

For **B.Rama Rao & Co**  
**Chartered Accountants**

For and on behalf of the Board

Sd/-  
**G.V.Ranga Babu**  
**Partner**

Sd/-  
**P.C. Pantulu**  
**Managing Director**

Sd/-  
**K.S.Shiva Kumar**  
**Director**

Date : 13.07.2006  
Place : Secunderabad

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

i. Registration Details:

Registration N o. 

1	7	4	8	5
---	---	---	---	---

 State code: 

0	1
---	---

Balance Sheet Date: 

3	1	0	3	2	0	0	6
---	---	---	---	---	---	---	---

ii. Capital raised during the year (Amt. In Rs. thousands)

Public Issue : 

N	I	L
---	---	---

 Rights Issue: 

N	I	L
---	---	---

Bonus Issue: 

N	I	L
---	---	---

 Private Placement: 

N	I	L
---	---	---

iii. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

3	7	0	1	7	9
---	---	---	---	---	---

Total Assets

3	7	0	1	7	9
---	---	---	---	---	---

Sources of Funds:

Paid up Capital

1	4	5	4	1	9
---	---	---	---	---	---

Reserves & Surplus

1	9	1	7	2	7
---	---	---	---	---	---

Secured Loans

2	4	2	9	3
---	---	---	---	---

Unsecured Loans

8	7	3	9
---	---	---	---

Application of Funds

Net Fixed Assets

7	7	7	4	9
---	---	---	---	---

Investments

1	9	5	4	7	1
---	---	---	---	---	---

Net Current Assets

8	4	9	4	4
---	---	---	---	---

Misc. Expenditure

1	2	0	1	4
---	---	---	---	---

Accumulated Losses

N	I	L
---	---	---

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

Turnover including

Other Income

9	4	7	7
---	---	---	---

Total Expenditure

1	3	7	1	9	0
---	---	---	---	---	---

+/- Profit/Loss before Tax

3	0	0	2	1
---	---	---	---	---

+/- Profit after Tax

2	7	6	7	1
---	---	---	---	---

Earning per share

1	.	9	0
---	---	---	---

Dividend Rate

-
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- v. Generic Names of three principal products/services of the company.

Item Code No.  
(ITC Code)

8	5	-	0	4
---	---	---	---	---

Product Description

C	O	M	P	U	T	E	R	S	O	F	T	W	A	R	E
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

**Cash Flow Statement for the year ended 31<sup>st</sup> March 2006.**

	<b>Rupees</b>	
	<b>Year ended 31<sup>st</sup> March, 2006</b>	<b>Year ended 31<sup>st</sup> March, 2005</b>
<b>Cash Flow from Operating Activities:</b>		
Net Profit before Tax	30021426	445735
Depreciation	21651778	15788067
Miscellaneous Expenses written off	667483	667481
<b>Operating Profit before working capital</b>	<b>52340687</b>	<b>16901283</b>
<b>Changes in Working Capital</b>		
Increase / (Decrease) in Sundry Debtors	(27526410)	(15895336)
Increase / (Decrease) in Loans & Advances	14762917	312518
Increase / (Decrease) in Current Liabilities	92021782	4479038
Cash Generated from Operations	79258289	(11103780)
<b>Net Cash from Operating Activities</b>	<b>131598976</b>	<b>5797504</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(311155)	(4088375)
Increase / (Decrease) in Investments	(130137768)	0
<b>Net Cash from Investing Activities</b>	<b>(130448923)</b>	<b>(4088375)</b>
<b>Cash Flow from Financing Activities</b>		
Increase in Share Capital	4965	0
Change in profit and loss account	1042153	141938
Increase / (Decrease) in Secured Loans	(3161814)	(2002443)
Decrease in Unsecured Loans	1000000	0.00
<b>Net Cash used in Financing Activities</b>	<b>(1114696)</b>	<b>(1860505)</b>
<b>Net change in Cash and Cash Equivalents</b>	<b>35357</b>	<b>(151376)</b>
Cash & Cash Equivalents at the Beginning of the year	56849	208226
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>92206</b>	<b>56849</b>

**For and on Behalf of the Board**

**Date: 13<sup>th</sup> July, 2006**  
**Place: Secunderabad**

**P.C.Pantulu**  
**Managing Director**

**K.S.Shiva Kumar**  
**Director**

**AUDITOR'S CERTIFICATE**

To, The Board of Directors  
Cybermate Infotek Limited, Secunderabad

We have examined the attached Cash Flow Statement of M/s. Cybermate Infotek Limited, for the year ended 31<sup>st</sup> March 2006. The statement has been prepared by the company in accordance with the requirements of Clause 32 of listing agreement with Hyderabad, Mumbai and Bangalore Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss A/c. Balance Sheet of the Company covered by our report of 13<sup>th</sup> July 2006 to the members of the Company.

For B. Rama Rao & Co.  
Chartered Accountants  
Sd/-

Date: 13<sup>th</sup> July, 2006  
Place: Hyderabad

G.V.Ranga Babu  
Partner

**PROXY FORM**

Folio No.: \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a Member/Members of the above named Company, hereby appoint Mr/Mrs/Kum \_\_\_\_\_ in the District of \_\_\_\_\_ as my/our proxy to attend and vote for me/us on my/our behalf at the 12<sup>th</sup> Annual General Meeting of the Company to be held at Mini Hall, Sundarayya Vignan Kendra, # 1-8-1/B/25/A, Baghlingampally, Hyderabad – 500 044 A.P India, on Thursday the 7<sup>th</sup> August 2006 at 10.00 A.M. and at any adjournment thereof.

Signed \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_ 2006

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature \_\_\_\_\_

Note: The proxy form duly completed must be deposited at the Registered Office of the Company addressed to SECRETARIAL DEPARTMENT Cybermate Infotek Ltd. at Plot 11, Sripuri Colony, Karkhana, Secunderabad- 500015. A.P. Not less than 48 Hrs. before the time for holding the meeting. A proxy need not be Member.

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**ATTENDANCE SLIP**

I hereby record my presence at the 12<sup>th</sup> Annual General Meeting of the company at Mini Hall, Sundaraya Vignan Kendra, # 1-8-1/B/25/A, Baghlingampally, Hyderabad – 500 044 A.P India, on Monday the 7<sup>th</sup> August, 2006 at 10.00.A.M.

Full Name of the Shareholder (in block letters) \_\_\_\_\_

Signature \_\_\_\_\_

Folio No. \_\_\_\_\_ No. of Shares Held \_\_\_\_\_

Full Name of the Proxy (in block letters) \_\_\_\_\_

\_\_\_\_\_  
(to be filled if the proxy attends instead of the Member)

Signature \_\_\_\_\_

Note: Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand over at the entrance of the meeting hall.

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