



11<sup>th</sup>  
Annual Report  
2007-08



**SANKHYA INFOTECH LIMITED**

Regd Office:  
2<sup>nd</sup> Floor, Seven Hills Plaza  
S.D.Road, Secunderabad  
AP. India 500 003  
Tel: 91+40+27814217,  
Fax: 91+40+27819191  
Email: [info@sankhya.net](mailto:info@sankhya.net),  
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**FINANCIAL HIGHLIGHTS 2007-08**

(Rs. In lakhs)

<b>FINANCIAL HIGHLIGHTS</b>	<b>2007-08</b>	<b>2006-07</b>
Total Income	3620.32	2,630.96
Total Expenditure	2473.97	1,755.60
Earnings Before Depreciation, Interest and Tax	1146.35	875.36
Depreciation	94.97	104.33
Interest	105.50	47.27
Provision for Tax	43.58	13.57
Profit after Tax	902.29	710.19
Equity Share Capital	850.00	850.00
Reserves and Surplus	3588.04	2805.08
Capital Employed	5521.35	4,260.50
Gross Fixed assets	3022.98	2,220.59
Net Fixed Assets	2089.53	1382.11
Total Assets	5521.35	4,260.50
<b>KEY INDICATORS</b>		
Earnings per share Rs.	10.62	8.36
Cash Earnings per share Rs.	11.73	9.58
Book Value per share Rs.	52.21	43.00
EBDIT/Gross Turnover %	31.66%	33.27%
Net Profit Margin %	24.92%	26.99%



## COMPANY INFORMATION

(as on 30<sup>th</sup> October 2008)

### BOARD OF DIRECTORS

**Mr. N Ramakrishna Rao**  
Chairman-Emeritus

**Mr. N R Mohanty**  
Chairman

**Mr. N Srinivas**  
Vice Chairman

**Mr. N Sridhar**  
Managing Director &  
Chief Executive Officer

**Mr. J Bhadra Kumar**

**Mr. M Yugandhar**  
(upto 30<sup>th</sup> October 2008)

**Dr. Sridhar Seshadri**

**Mr. N. Rangachari**  
(Addl. Director from 27<sup>th</sup> May 2008)

### BOARD COMMITTEES

#### AUDIT COMMITTEE

1. Mr. N Rangachari - Chairman
2. Dr. Sridhar Seshadri - Member
3. Mr. J. Bhadra Kumar - Member
4. Mr. N. Srinivas - Member

#### SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

1. Mr. J. Bhadra Kumar - Chairman
2. Mr. N. Srinivas - Member
3. Mr. N. Sridhar - Member

### REMUNERATION COMMITTEE

1. Mr. N.R. Mohanty - Chairman
2. Dr. Sridhar Seshadri - Member
3. Mr. N. Rangachari - Member

### COMPENSATION COMMITTEE

1. Mr. N.R. Mohanty - Chairman
2. Mr. J. Bhadra Kumar - Member
3. Mr. N. Sridhar - Member

### REGISTERED OFFICE

2<sup>nd</sup> Floor, Seven Hills Plaza,  
S.D.Road, Secunderabad, AP India 500 003  
Tel: 91+40+ 27814217 / 27897910  
Fax: 91+40+27819191  
Email: [investors@sankhya.net](mailto:investors@sankhya.net)  
URL: <http://www.sankhya.net>

### REGISTRARS & TRANSFER AGENTS

M/s. Canbank Computer Services Limited  
Naveen Complex, 4th floor, #14 M.G Road,  
Bangalore-560001.  
Tel: 080-25320541/42/43  
Fax: 080-25320544  
Email id: [canbank\\_computer@dataone.in](mailto:canbank_computer@dataone.in)  
URL: [www.canbankrta.com](http://www.canbankrta.com)

### BANKERS

State Bank of India  
Commercial Branch  
Begumpet  
Secunderabad

### AUDITORS

M/s. Satyanarayana & Co  
Chartered Accountants  
Secunderabad

### LISTING

Bombay Stock Exchange Ltd.  
The Bhubaneswar Stock Exchange Ltd.



## NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of **SANKHYA INFOTECH LIMITED** will be held on Friday, **28<sup>th</sup> November 2008 at 10.00 a.m. at Hotel Taj Tristar, Secunderabad - 500003** to transact the following business.

### Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2008 and Profit & Loss Account for the year ended on that date together with Schedules thereto and the Reports of Board of Directors' and Auditors' thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. N.R.Mohanty, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

### Special Business

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

"RESOLVED THAT Mr. N. Rangachari who was appointed by the Board as an Additional Director of the Company with effect from 27<sup>th</sup> May, 2008 and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company and whose office is subject to liable to retire by rotation."

By Order of the Board of Directors

Place: Secunderabad

**N Sridhar**

Date : 30<sup>th</sup> October 2008

Managing Director & CEO

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, TO ATTEND AND VOTE ON POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing proxy should, however, be deposited at the registered office of the Company

not later than 48 hours before the scheduled commencement of the meeting.

2. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
3. Explanatory Statement stating all the material facts relating to the aforesaid Special Business contained in item # 5 pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will be closed from Saturday, the 22<sup>nd</sup> November 2008 to Friday, 28<sup>th</sup> November 2008 (both days inclusive).
5. Members are requested to intimate immediately any change in their address to the Share Transfer Agents **M/s. Canbank Computer services Limited**, Address: **Naveen Complex, 4th floor, # 14 M. G. Road, BANGALORE – 560 001** and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.
6. Members / Proxies are requested to bring the Attendance slip duly filled in
7. Dividend for the year ended 31<sup>st</sup> March, 2008 as recommended by the Directors of the Company if approved at the meeting will be paid within the prescribed time to,
  - a. Those members whose names appear in the Company's Register of Members on 22<sup>nd</sup> November 2008.
  - b. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited and / or Central Depository Services (India) Limited for this purpose.
8. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.



9. **Members may please note that the dividend warrant shall be payable at the designated branches of the bank for an initial period of three months only. Thereafter, the dividend warrant on revalidation is payable at limited centers/ branches of the bank. The Members are, therefore, advised to encash dividend warrant within the initial validity period.**

10. We wish to inform you that our Company shares have already been admitted in both M/s National Securities Depository Ltd (NSDL) and Central Depository Services India Ltd (CDSL) for the purpose of holding and trading of the shares in electronic mode. The **ISIN** allotted to M/s Sankhya Infotech Limited is **INE877A01013**. Members who are holding shares in physical form are advised in their own interest to immediately apply for Dematerialization of their shares to hold the same in an electronic form,

In order to dematerialize your shares and convert them into the electronic form, you are requested to open a Beneficiary Account with a Depository Participant (DP) and submit a dematerialization

request along with the original share certificate(s) to a DP with whom you open a Beneficiary Account. The DP in turn will send your share certificate(s) to **M/s. Canbank Computer Services Limited, Naveen Complex, 4th floor, #14 M.G. Road, Bangalore – 560001, Tel: 91+80-25320541** for dematerialization of shares. Thereafter, you will receive a confirmation from the DP that the shares have been dematerialized and held in the electronic form, subject to meeting the entire statutory requirement for conversion from physical mode to the electronic mode.

For further clarification, if any, please feel free to write to our Registrar & Share Transfer Agent at the following address:

**CANBANK COMPUTER SERVICES LIMITED**  
**Unit: M/s Sankhya Infotech Limited**  
Naveen Complex, 4th Floor, # 14, M G Road,  
Bangalore 560 001  
Phone Nos. 25320541-43 Fax No. 25320544  
E-mail: canbank\_computer@dataone.in

## EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

### Item # 5

In order to be in line with good Corporate Governance Practice, the Board has inducted Mr. N. Rangachari, as an Additional Director on 27<sup>th</sup> May 2008 whose expertise and knowledge will greatly benefit the Company. The Company has received a notice under Section 257 of the Companies Act 1956 along with the necessary deposit proposing the candidature of above Director. The Board recommends the adoption of the Resolution set out at Item 5.

None of the Directors except Mr.N.Rangachari may be deemed to be concerned or interested in the Resolution.

By Order of the Board of Directors

Place: Secunderabad  
Date: 30<sup>th</sup> October 2008

**N Sridhar**  
Managing Director & CEO



## DIRECTORS' REPORT

### To the Members

On behalf of the board of directors of your company it is indeed my privilege to present the 11<sup>th</sup> Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2008.

Key highlights for the year 2007-2008 are as follows:

- Top line growth 37.34%
- Earnings growth 27.04%
- Listing on the Bombay Stock Exchange

### FINANCIAL HIGHLIGHTS 2007-08

(Rs. in Lakhs)

FINANCIAL HIGHLIGHTS	2007-08	2006-07
Income from Operations	3,608.04	2,621.20
Other Income	12.28	9.76
Total Income	3,620.32	2,630.96
Total Expenditure	2,473.97	1,755.60
Earnings before Depreciation, Interest & Tax	1,146.35	875.36
Depreciation	94.97	104.33
Interest	105.50	47.27
Profit Before Tax	945.88	723.76
Provision for Tax (including FBT)	43.58	13.57
Profit after Tax	902.29	710.19
Earnings Per Share	10.62	8.36

During the Financial Year 2007-2008, the Company recorded a Total Income of Rs.3,620.32 lakhs (out of which export income accounted for Rs. 3201.70 lakhs) compared to Rs.2630.96 Lakhs for the previous Financial Year, registering an impressive growth of 37.60%. The increase in income was achieved due to vigorous efforts put in by the management team.

The Profit before Interest, Depreciation and Tax is Rs.1146.35 Lakhs compared to Rs.875.36 Lakhs that of previous year resulting in spurt in the Earning per Equity Share to Rs. 10.62 from Rs.8.36 in the previous year.

### OPERATIONS

Your Company's operations have gained significant momentum under the current financial year, the management team kept clear goals and has been successful in achieving in its effort to offer its products

and services to wider customer base, acquiring new and long term customer contracts.

Your company has been able to expand to the US market with impressive long term contracts during the current financial year. Your company's expanded focus on its traditional base of Europe and Middle East have brought good sales volumes that have contributed significantly to the business.

Indian contracts have been steadily growing in the current financial year. The company successfully completed a major project for Online Examinations for the Directorate of Naval Education.

### DIVIDEND

The board of directors of your company is pleased to recommend a dividend of 12% on the paid-up Equity Share Capital of the Company for the financial year ended 31<sup>st</sup> March 2008.

### OUTLOOK

The management team of the company has embarked on an aggressive strategy for rapid expansion of markets both horizontally and vertically. As a first step the target market has been expanded and re-categorized as under:

- Transportation Aerospace and Defense
- Manufacturing and Energy
- Education and Finance

Your company's flagship product suite SILICON™ is now available to each target segments. Your company's strength is in the area of professional simulation & training business. Professional Simulation & Training area are rapidly expanding and offers tremendous potential to further growth of your company.

Your company has established a strategic sales team with the clear focus to gain long term contracts from all the three areas. Your company has major plans to expand its distribution network with collaborations, strategic partnerships and joint ventures.

The Company is confident of achieving higher sales and profitability by expanding sales operations to all the three verticals and adding new long term clients. The software products business of your company is now being made available as "Software as a Service (SaaS). Initial results are highly encouraging. With SaaS model the company is targeting multiple geographies around the world for offering both its SILICON™ suite of products and its Resource Optimization tools.

### LISTING @ BSE

It is my pleasure to inform you that your company has kept its promise to list the stock of the company's equity at the Bombay Stock Exchange. Your Company's Equity



Shares have been listed with the Bombay Stock Exchange Limited (BSE) and trading has commenced with effect from 14<sup>th</sup> May 2008.

#### SUBSIDIARY COMPANIES

A statement pursuant to Section 212 of the Companies Act 1956 containing details of the Subsidiary Companies is annexed to this Report.

#### CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of the Accounting Standards 21, 23 & 27 issued by the Institute of Chartered Accountants of India.

The Audited Consolidated Financial Statements together with Auditors' Report thereon forms part of the Annual Report.

#### UTILISATION OF PROCEEDS OF PREFERENTIAL ALLOTMENT

During the financial year 2005-2006 the Company raised an amount of Rs.728.68 Lakhs by allotment of 18,21,705 Equity Shares of Rs.10/- each at a premium of Rs. 30/- per share. The proceeds of the preferential issue were utilized as under:

(Rs in Lakhs)

Particulars	2005-06	2006-07	2007-08	Total
Funds raised	728.68	-	-	728.68
<b>Funds utilized</b>				
Capital Expenditure	-	18.08	-	18.08
Revenue Expenditure	47.35	649.73	13.52	710.60
Un utilized	681.33	13.52	Nil	Nil

#### DEPOSITS

The Company has not accepted any Deposits from the Public during the year pursuant to Section 58A of the Companies Act, 1956.

#### DIRECTORS

Mr. N. Rangachari was appointed as an additional director by the Board w.e.f 27<sup>th</sup> May 2008. In terms of Section 260 of the Companies Act, he holds office upto the date of the ensuing annual general meeting. Notice as required under Section 257 of the Companies Act has been received proposing his candidature along with necessary deposit.

Mr. N. R. Mohanty, Director retires by rotation at the

ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Brief resume of the Directors proposed to be appointed, nature of their expertise in specific functional areas and names of companies in which they hold Directorship and Membership / Chairmanship of Board Committees as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are provided in the Report of Corporate Governance forming part of the Annual Report.

#### DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures from the same.
2. Directors have selected the appropriate Accounting Policies and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2008, and of the profit of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

#### AUDITORS

The Company's auditors M/s. Satyanarayana & Co., Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act 1956.

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

##### I. Conservation of Energy

Your company's operations are software oriented and not energy intensive. Adequate measures are taken to conserve energy wherever possible.

##### II. Technology absorption

- a. Research & Development: During the year R & D wing of the Company was engaged in supporting all the businesses through innovations and





undertook multifold research activities and presented papers in International Seminars. Some of the developments have resulted in brining efficiency in the products development cycle and efficiency of the productivity of the software that are under implementation.

- b. Benefits derived from the previous years Research and Development have started showing its returns in faster implementation cycles and customer acceptance.
- c. Future plan of action: The Company continues to put its efforts in Research and Development
- d. Expenditure on R & D: Nil

### III. Foreign exchange earnings and outgo

(Rs. In Lakhs)

Particulars	Year ended	
	31-Mar-08	31-Mar-07
Earnings	3201.70	2,530.12
Expenditure	1809.47	1724.09

### CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Report on Corporate Governance is enclosed forming part of the Annual Report.

A Certificate from a firm of Chartered Accountants in whole time practice confirming compliance with conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

### PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors Report for the year ended 31<sup>st</sup> March 2008.

Name	Qualification	Date of Joining/ Nature of Employment	Designation	Previous Employer	Experience	% of equity shares held by employee in the Company	Age	Remuneration
N. Srinivas	M.Com.	21.07.1997 / Contractual	Vice Chairman	Sankhya Management Services Ltd	20 yrs	9.66	48	Rs.24.00 Lakhs
N. Sridhar	M. Sc	21.07.1997 / Contractual	Managing Director & CEO	Sankhya Management Services Ltd	20 yrs	9.65	44	Rs.24.00 Lakhs
Rakesh D. Jayal	M.A.	06.03.2006 / Contractual	Chief Marketing	LML Limited	24 yrs	Nil	57	Rs.36.00 Lakhs

### INDUSTRIAL RELATIONS

Your Company enjoys cordial employee relations, marked by empowerment and delegation.

### ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the unstinted support extended by the esteemed Customers, Bankers and Institutions.

Your Directors also are pleased to record their appreciation for the services rendered by the Employees at all levels in bringing about a better performance.

Your Directors express their thanks to the Company's Shareholders, and the Investors for their sustained confidence in the Management of the Company.

For and on behalf of the Board of Directors

Place: Secunderabad  
Date : 30th May, 2008

**N R Mohanty**  
Chairman

**Statement pursuant to Section 212 of the Companies Act 1956 of Subsidiary Companies**

Sl. No	Particulars	1	2	3
1	Name of Subsidiary	Sankhya SARL, France	Sankhya Information Technologies (India) Private Limited	Sankhya US Corporation
2	Financial year end	31 <sup>st</sup> March, 2008	31 <sup>st</sup> March, 2008	31 <sup>st</sup> March, 2008
3	Extent of interest of the Holding Company in the capital of the Subsidiary.	100%	100%	100%
4	Date from which it became a subsidiary	13 <sup>th</sup> April 2005	01 <sup>st</sup> May 2006	17 <sup>th</sup> August 2006
5	Net aggregate amount of Subsidiary's profit or loss not dealt with in the Holding Company's accounts.			
	Current year	*	*	15,582,963
	Previous year	*	*	5,875,029
6	Net aggregate of the Subsidiary's profit less losses dealt with in the Holding Company's Accounts:			
	Current year	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil

\* Sankhya SARL, France and SITPL are yet to commence its commercial operations

For and on behalf of the Board of Directors

Place: Secunderabad  
Date : 30th May, 2008

**N R Mohanty**  
Chairman



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Your company's two main business areas are in the field of Simulation, Training & Education Service and resources optimization.

Key attributes of your company are an in depth domain knowledge, high quality technology advantage, an attractive Total Cost of Ownership (TCO), rapid deployment and quick ROI (Return on Investment). Internally, Sankhya has defined that Simulation & Training and Resource Optimization Solutions would be the cornerstones for its success.

Your company has chosen to actively pursue development of products and creating intellectual property in products, processes and tools. This strategy has been very successful. SILICON™ product suite is a major success for the company's growth. Being a comprehensive suite covering all aspects of Education & Training in eLearning, blended learning for all categories of learning community from the K-12 to Professional Education. By choice SILICON™ is initially targeted for the Professional Education segment in high domain knowledge demanding areas.

Your company carved a niche in these domain areas and has been able to successfully articulate the business needs of the customers with SILICON™ suite. From large multi-national corporations to small and medium enterprises of every business vertical can achieve continual improvement in their workforce performance using SILICON™ product suite. Guaranteed Return on Investments (ROI) is the key highlight of this product suite.

Development of high fidelity simulation and multimedia content for training has been your company's bedrock of success during the initial stages of development. This high value service is being offered to a wide range of customer needs. Simulation provides kinesthetic (experiential) knowledge to the trainers. Your company has an unassailable reputation of providing highest quality simulation and multimedia content.

Your company's quest for providing tools and solutions for lowering costs of every enterprises that has a high demand on resources has led to creation of intellectual property in the areas of Resources optimization. These tools are proven in cement, transportation and retail sectors. Your company's tools have been able to provide tremendous business value.

### Review of the year's performance:

During the current financial year the company has been successful in winning several large contracts the largest amongst them being.

SILICON™ suite of products and high fidelity simulation and training content for Institute of Chartered Accountants this is the largest eLearning initiative that is being executed in India covering over 3,60,000 students and over 1,80,000 members of the ICAI.

Several new clients have been added and a long term growth strategy has been created for the company.

During the year your company's business has grown nearly 40% on Y-o-Y. Earnings also has an impressive growth of 26% on Y-o-Y basis.

### Future Development:

Your company has embarked to scale up technology of its Simulation content business. This would give the company a direct advantage in pursuing large and multimillion dollar contracts in India and globally. The company has the requisite skill and competence in this area and where necessary the company is actively pursuing for industrial and academic collaborations. As a part of this activity your company is establishing an Advanced Simulation Lab for developing complex simulation content for multiple industrial domains.

Your company has plans to release the latest version of SILICON™ products, the most notable amongst them being the SILICON™ ATHENA the flagship training management and information system. Management team are confident this new release with breathtaking interface and vast functionality would provide an edge to the company to take the product to wide customer base within the focused vertical but also open up new opportunities.

Your company has plans to expand collaborations, strategic partnerships and joint ventures and is confident that this strategy would strengthen the sales and marketing opportunity spectrum.



Your company has definitive plans to launch a global portal for providing education and training in the financial sector.

Your company has plans to expand into new geographies.

The outlook for the company is extremely good.

**Competition:**

Your company's operations are in a niche area of Professional Education & Training segment to focused verticals. Competition in this area is limited by domain knowledge barriers. Having the first mover advantage the company has gone far ahead of its competition. However, the company is fully geared to meet the challenges of the competition both technologically and on business front.

**Risks:**

The company identified the following areas of risks

- Execution risk: driven by infrastructure limitations, qualified skilled talent with domain knowledge
- Sales & marketing: global operations requires manifold scaling up sales & marketing efforts
- R&D infrastructure: The company plans to double R&D spend to launch new products & tools
- Global economic situations and in particular, weakening of American Currency may result in lower margins.
- The Government policy of withdrawal of benefits to export units will lead to higher provisions for Taxation.

The company plans to mitigate these risks by expanding the small capital base it has currently

- Funds would be used for expanding infrastructure for executing the orders
- Increase sales and marketing activity to translate pipeline to firm orders
- Focus on training and development of human resources
- Enter into Joint Ventures and Alliances to expand the bucket of opportunity in defense
- Better cash management and improvement in efficiency of operations
- While canvassing through industry bodies for retention of benefits with the government take prudent fiscal management decisions to offset tax burden.

**Internal Controls:**

1. The sound recruitment policies of the Company and the manner of imparting training have resulted in quality deliverables.
2. The effective internal controls, management information systems and cost control measures have helped in substantial cost control and better accountability.
3. Internal budget exercise and variance analysis resulted in better understanding of the aspects of cost controls.
4. The Company follows the best Corporate Governance practices.



## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2007-08

(As required under clause 49 of the Listing Agreement entered into with the Stock Exchange)

Your Company endeavors to maintain the highest levels of transparency, accountability and equity in all operations and interactions with stakeholders.

### REPORT ON CORPORATE GOVERNANCE

The Company' has complied with the requirements of Corporate Governance in terms of Clause 49 of the Listing agreement.

#### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good governance practices would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximizing value for all its stakeholders. The Company maintains highest business ethics and complies with all the statutory and regulatory requirements.

All the relevant Corporate Governance standards have been fully adhered to.

#### 2. BOARD OF DIRECTORS

Six (6) Board Meetings were held during the year 2007-08 (i.e., from 1<sup>st</sup> April, 2007 to 31<sup>st</sup> March, 2008) on the following dates:-

14<sup>th</sup> April, 2007, 2<sup>nd</sup> June, 2007, 26<sup>h</sup> July, 2007, 11<sup>th</sup> August 2007, 31<sup>st</sup> October, 2007 & 30<sup>th</sup> January, 2008.

##### A. Composition and category of the Board of Directors is as follows:-

Name & Designation	Category	No. of Meeting held during the Last Financial Year	No. of Meeting attended	Attendance at the last Annual General Meeting held on 29-09-07	No. of Directorships in other public companies		No. of Committee positions held in other public Companies @	
					Chairman	Member	Chairman	Member
N. RAMAKRISHNA RAO Chairman - Emeritus	NED	6	3	YES	NIL	1	NIL	NIL
N. R. MOHANTY Chairman	NED-I	6	4	YES	NIL	5	NIL	1
N. SRINIVAS Vice - Chairman	WTD	6	5	YES	NIL	1	NIL	NIL
N. SRIDHAR Managing Director & Chief Executive Officer	WTD	6	6	YES	NIL	NIL	NIL	NIL
J. BHADRA KUMAR Director	NED-I	6	6	YES	NIL	NIL	NIL	NIL
M. YUGANDHAR Director	NED-I	6	4	NO	2	11	3	4
DR. SRIDHAR SESHADRI Director	NED-I	6	3	NO	NIL	NIL	NIL	NIL
N. RANGACHARI* Director	NED-I	N.A.	0	NO	NIL	3	NIL	NIL

**NED** – Non Executive Director      **WTD** – Whole Time Director      **NED-I** – Non Executive Director – Independent.

\*N. Rangachari was appointed as an Additional Director w.e.f 27<sup>th</sup> May 2008.

@Chairmanship/ membership in Investor Grievances Committee and Audit Committee are only considered.



**B. Relationship or transactions of the Non Executive Directors, vis-à-vis the Company.**

Independent Non-Executive Directors of the Company do not have any pecuniary relationship with the Company other than the sitting fee payable to them.

**C. Code of Conduct**

The Company has established a Code of Conduct for its Board Members and Senior Management personnel.

The Code of Conduct for the Board Members and Senior Management personnel is posted on the Company's Website [www.sankhya.net](http://www.sankhya.net).

All the Board Members and Senior Management personnel have complied with the Code of Conduct.

**D. Profile of Directors**

**Mr. N.R.Mohanty**

"Padma Shri N.R.Mohanty is the Chairman and Managing Director of M/s.Textron India. He retired as the Chairman of Hindustan Aeronauticals Ltd., and was advisor to the "Raksha Mantri", Government of India and held several distinguished positions. He is aged 63 years.

**Mr. N. Rangachari**

Mr.N.Rangachari is aged 70 years and currently the Advisor to the Government of Andhra Pradesh on Finance, Risk Management, Insurance. He was selected as Indian Revenue Service Officer in 1960 and retired in July 1996 as Chairman, Central Board of Taxes. He was the Founder Chairman for the Insurance Regulatory and Development Authority from August 1996 to 9<sup>th</sup> June 2003. Mr.N.Rangachari is a Fellow member of the Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Cost and Works Accounts of India. Besides he is also honorary fellow of Actuarial Society of India.

**3. AUDIT COMMITTEE**

The Board of Directors of the Company have re- constituted the Audit Committee on 14<sup>th</sup> April 2007 and 30<sup>th</sup> May 2008. The terms of reference of the Audit Committee covers the matters specified for Audit Committees under clause 49 of the Listing Agreement and also as required under Section 292A of the Companies Act, 1956.

The Audit Committee comprises of the following members 30<sup>th</sup> May 2008:

1.	Mr.N.Rangachari	-	Independent Director & Chairman
2.	Dr Sridhar Seshadri	-	Independent Director & Member
3.	Mr.J.Bhadra Kumar	-	Independent Director & Member
4.	Mr.N.Srinivas	-	Member

During the financial year 2007-08, Six (6) Audit Committee meetings were held on 14<sup>th</sup> April 2007, 2<sup>nd</sup> June 2007, 26<sup>th</sup> July 2007, 11<sup>th</sup> August 2007 and 31<sup>st</sup> October 2007 and 30<sup>th</sup> January 2008.

**4. SUBSIDIARY COMPANIES**

The Company has following subsidiaries:

Sankhya SARL, France.

Sankhya US Corporation, USA;

Sankhya Information Technologies (India) Private Limited and

The Audit Committee reviews the financial statements of the Subsidiaries M/s Sankhya SARL, France, Sankhya US Corporation and Sankhya Information Technologies (India) Pvt Ltd.



## 5. REMUNERATION

### Remuneration Committee

The Company reconstituted the Remuneration Committee on 30<sup>th</sup> May 2008 consisting of the following Independent Non Executive Directors:

- |      |                     |   |          |
|------|---------------------|---|----------|
| i.   | Mr. N.R.Mohanty     | - | Chairman |
| ii.  | Dr Sridhar Seshadri | - | Member   |
| iii. | Mr.N.Rangachari     | - | Member   |

### Details of Remuneration paid to all the Directors during the year 2007-08

(In Rs.)

Name & Designation	Category	Salary	Allowance / Perquisites	Commission	Total
Mr. N RAMAKRISHNARAO Chairman Emeritus	NED	-	-	-	-
Mr. N R MOHANTY Chairman	NED-I	-	-	-	-
Mr. N SRINIVAS Vice –Chairman	WTD	24,00,000	7,200	-	24,07,200
Mr. N SRIDHAR M. D. & C.E.O	WTD	24,00,000	7,200	-	24,07,200
Mr. J BHADRA KUMAR	NED-I	-	-	-	-
Mr. M. YUGANDHAR #	NED-I	-	-	-	-
Dr. SRIDHAR SESHADRI	NED-I	-	-	-	-
Mr. N. RANGACHARI*	NED-I	-	-	-	-

\* Mr.N.Rangachari joined the Board on 27<sup>th</sup> May 2008

# Mr.M.Yugandhar resigned w.e.f 30.10.2008

### Remuneration Policy

#### For Executive Directors:

- A fixed component consisting of salary, allowances, perquisites and benefits in line with the Company's rules for Senior Managerial personnel.
- A variable component linked to the performance of the Company consisting of Commission and special allowances as determined by the Remuneration Committee.

#### For Non-Executive Directors:

Sitting fee is paid to all Non –Executive Directors.

## 6. SHAREHOLDERS/INVESTORS GREIVANCE COMMITTEE

Details of the composition of Shareholders / Investors grievance committee is reconstituted with the following members:-

Name	Designation & Category
Mr. M Yugandhar	Independent Director & Chairman
Mr. J.Bhadra Kumar	Independent Director & Member
Mr. N Srinivas	Member

The terms of reference of the Committee cover the matters specified under Clause 49 of the listing Agreement with the Stock exchanges.

The Board of Directors notes the Minutes of the Shareholders/ Investors grievance Committee Meetings at Board Meetings.

Mr. N. Srinivas, Vice Chairman is the Compliance Officer of the Company.

**7. GENERAL BODY MEETINGS**

The particulars of the Annual General Meetings of the Company for the last three financial years are as follows:

Financial year	Location	Date of AGM	Time of AGM held
2004-05	Taj Tristar Hotel, Secunderabad	23-12-2005	3.00 pm
2005-06	Taj Tristar Hotel, Secunderabad	26-07-2006	3.00 pm
2006-07	Taj Tristar Hotel, Secunderabad	28-09-2007	10.00 am

Two (2) special resolutions were passed during last AGM held on 28<sup>th</sup> September 2007.

**8. DISCLOSURES**

- There were no materially significant related party transactions made by the Company with its Promoters, Directors or relatives or the Management, their subsidiaries etc., which have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested, if any, is placed before the Board at every Board Meeting for approval.
- Transactions with related parties are disclosed in Note No.7 of Schedule 12 to the Accounts in the Annual Report.
- During the last three years, there were no strictures or penalties imposed on the Company either by SEBI or the Stock Exchanges or any other statutory authority for non-compliance of any matter related to the Capital Market.

**9. MEANS OF COMMUNICATION**

- a. The Quarterly, Half yearly un-audited financial results are generally published in widely circulating national and local newspapers. These results are also published in the website of the Company [www.sankhya.net](http://www.sankhya.net) and sent to stock exchanges.
- b. The Management Discussion & Analysis Report forms part of this Annual Report.

**10. GENERAL SHAREHOLDERS INFORMATION****➤ Annual General Meeting**

- Day, date and time : Friday, the 28<sup>th</sup> November 2008 at 10.00 am  
Venue : Taj Tristar Hotel, Secunderabad

**➤ Financial Calendar**

1. First Quarter results : Last week of July 2008
2. Half yearly results : Last week of October 2008
3. Third Quarter results : Last week of January 2009
4. Last Quarter results /  
Results for the year  
ending 31<sup>st</sup> March 2009 : Last week of June 2009 (audited)
5. Book Closure date : from 22-11-2008 to 28-11-2008  
(Both days inclusive)
6. Listing of Equity shares on : Bombay Stock Exchange Limited (BSE)  
Stock Exchanges and Stock Code : Scrip Id : **SANKHYAIN**  
: Stock Code: **532972**  
: The Bhubaneswar Stock Exchange  
Stock Code: **SNK**

Listing fee has been paid to BSE and Bhubaneswar Stock Exchange for the financial year 2007-2008.

7. Demat ISIN for NSDL & CDSL : **INE877A01013**





1. 57,09,630 Equity shares, representing 67.17 % of the total Equity Capital are held in dematerialized form as on 31<sup>st</sup> March 2008.
2. Market price data (High /Low) on HSE during the each month.

MONTH	HIGH (Rs.)	LOW (Rs.)
April 2007	43.50	38.25
May 2007	44.70	41.40
June 2007	40.60	39.85
July 2007	39.10	36.85
August 2007*	36.85	36.85
September 2007*	--	--
October 2007	--	--
November 2007	--	--
December 2007	--	--
January 2008	--	--
February 2008	--	--
March 2008	--	--

\*As per the decision of the Governing Board of the Exchange pursuant to SEBI's Circular dated 16<sup>th</sup> June, 2006 Hyderabad Stock Exchange is de-recognized w.e.f. 18.08.2007

3. Registrar & Share Transfer Agent:  
**M/s. Canbank Computer services Limited**  
 Address: Naveen Complex, 4th floor, #14 M.G .Road,  
 BANGALORE – 560 001  
 Tel: 080-25320541 / 42 / 43  
 Fax: 080-25320544  
 Email id: canbank\_computer@dataone.in  
 url: [www.canbankrta.com](http://www.canbankrta.com)

- a. Share Transfer System: Presently the share transfers which are received in physical form are processed by the Registrar and Share Transfer Agent and approved by the Compliance Officer and the share certificates are returned within 15 days from the date of lodgment, subject to the transfer instruments being valid and complete in all respects.
- b. Shareholding Pattern of the Company as on March 31, 2008 was as follows:-

Category	% age of total Capital
Promoters Holding	35.25%
Non-Promoter Holding	
Private Corporate Bodies	6.60%
Indian Public	53.16%
NRIs/ OCBs	4.99%
TOTAL	100%

4. Dematerialisation of shares and liquidity  
 67.17% of the shares are in the dematerialised form. The shares of the Company are quoted regularly in Bombay Stock Exchange Since 14th May, 2008.

For and on behalf of the Board of Directors

Place: Secunderabad  
 Date :30th May, 2008

**N R Mohanty**  
 Chairman



## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members,  
M/s. SANKHYA INFOTECH LIMITED.

We have examined the compliance of conditions of Corporate Governance by **M/s. SANKHYA INFOTECH LIMITED**, for the year ended **31<sup>st</sup> March 2008**, 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 has been limited to procedures and implementations thereof, adopted by the Company for ensuring compliance of the conditions of the 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, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievances were pending for a period 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 of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For M/s Satyanarayana & Co.**  
Chartered Accountants

Place: Secunderabad  
Date: 30<sup>th</sup> May 2008

**J. Jagannadha Rao**  
Partner  
Membership No: 6239



## AUDITOR'S REPORT

To

The Members of

### M/s. SANKHYA INFOTECH LIMITED

1. We have audited the attached Balance Sheet of Sankhya Infotech Limited as at 31<sup>st</sup> March, 2008, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to the above, our Comment are as under:
  - a) Reference is invited to note no. B (10) under schedule 12 regarding dues to Micro, Small and Medium Enterprises.
  - b) Reference is invited to note No B (14) under schedule 12 regarding confirmation of balances
5. Further to our comments in the annexure referred to in paragraph (3) & (4) above
  - a) 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.
  - 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 such 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, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section(3C) of Section 211 of the Act.
  - e) On the basis of the written representations received from the Directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, none of the directors are disqualified as on 31<sup>st</sup> March, 2008 from being appointed as Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to and Directors in terms of clause (g) of sub-section (1) of section 274 of the notes the explanations given to us, the said Balance sheet, Profit & Loss account and Cash flow Statement read together with the significant accounting policies thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In so far as it relates to the Balance Sheet, of the state of affairs of the Company as on 31<sup>st</sup> March, 2008;
    - ii) In so far as it relates to the Profit and Loss Account, of the Profits 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 M/s SATYANARAYANA & Co**  
Chartered Accountants

**J. JAGANNADHA RAO**

Partner

Membership No.6239

Place : Secunderabad

Date : 30th May 2008



## ANNEXURE TO AUDITOR'S REPORT

Annexure referred to in paragraph 3 of the auditors' Report of even date to the members of Sankhya Infotech Ltd on the financial statements for the year ended March 31, 2008.

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation and fixed assets.  
(b) The Fixed assets are physically verified by the management according to a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and physical inventory have been noticed.  
(c) In our opinion and according to the information and explanations given to us, none of fixed assets has been disposed off by the Company during the year.
2. The Company's nature of operations does not require it to hold inventories. Accordingly, clause 4(ii) of the Order is not applicable.
3. The Company has neither granted nor taken any loans, secured or unsecured from any companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956 excepting loan to Wholly Owned subsidiary in USA.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets. The activities of the company do not involve purchase of inventory and the sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of the audit.
5. In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into with parties entered in the register maintained under section 301 of the companies Act, 1956 aggregating during the year to a value exceeding Rs. 5,00,000 in respect of such party during the year.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under excepting loan from a body corporate.
7. In our opinion, the Company has an internal audit system commensurate with its size and 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 under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company. Accordingly, clause 4(viii) of the order is not applicable.
9. (a) According to the information and explanations given to us, no undisputed dues payable in respect of income-tax, sales tax, wealth tax customs duty and cess were outstanding at 31, March 2008 for a period of more than six months from the date they became payable excepting the following
  - (i) An amount of Rs. 4.01 Lakhs represents unpaid dividend
  - (ii) An Income tax demand was raised for Rs. 385.59 Lakhs for the assessment years 2002-03, 2003-04, 2004-05 and 2005-06 by the assessing officer and the company went in appeal before the Commissioner of Income Tax (Appeals) –IV, Hyderabad and the same is pending disposal. The Company has not made any provision for the same.
10. The Company has no accumulated losses as at March 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. The Company has taken loan from bank during the year and has not defaulted in paying due to bank either in Principle or interest.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4 (xiii) of the order is not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares,



- securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. Accordingly to the information and explanations given to us, the Company has not given any guarantee for loans taken by other firms, or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
16. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment and vice versa.
18. The company has not made any preferential allotment or shares during the year.
19. The Company has not raised any money by public issue during the year. Accordingly, clause 4(xx) of the order is not applicable.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

**For M/s SATYANARAYANA & Co**  
Chartered Accountants

**J. JAGANNADHA RAO**  
Partner  
Membership No.6239

Place : Secunderabad  
Date : 30th May 2008

**BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Equity Share Capital	1	85,000,050	85,000,050
Reserves & Surplus	2	358,804,118	280,508,299
Total Shareholders' Fund		<u>443,804,168</u>	<u>365,508,349</u>
Loan Fund	3	108,331,301	60,542,098
<b>TOTAL OF SOURCES</b>		<u><b>552,135,469</b></u>	<u><b>426,050,447</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	302,298,354	222,059,284
Less: Accu. Depreciation		93,345,421	83,847,945
Net Block		<u>208,952,933</u>	<u>138,211,339</u>
<b>Investments</b>	5	35,501,057	58,914,807
Current Assets, Loans and Advances	6	339,325,813	244,063,547
Less: Current Liabilities and Provisions	7	31,644,334	15,139,246
<b>Net Current Assets</b>		<u>307,681,479</u>	<u>228,924,301</u>
<b>TOTAL OF APPLICATION</b>		<u><b>552,135,469</b></u>	<u><b>426,050,447</b></u>
Significant accounting policies & notes to accounts	12		

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239**N. R. Mohanty**  
Chairman**N. Sridhar**  
Managing Director  
& Chief Executive OfficerPlace: Secunderabad  
Date : 30<sup>nd</sup> May 2008

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

Particulars	Schedule	(Rs.)	
		Year Ended 31-Mar-08	Year Ended 31-Mar-07
<b>INCOME</b>			
Software Income	8	360,804,001	262,119,780
Other Income	9	1,228,363	976,269
<b>TOTAL INCOME</b>		<b>362,032,364</b>	<b>263,096,049</b>
<b>EXPENDITURE</b>			
Employee Cost	10	35,929,663	25,185,720
Operations & Other Expenses	11	222,017,446	155,100,905
<b>Total Expenditure</b>		<b>257,947,108</b>	<b>180,286,625</b>
<b>Profit Before Depreciation &amp; Taxes</b>		<b>104,085,255</b>	<b>82,809,424</b>
Depreciation	4	9,497,476	10,432,941
<b>Profit Before Tax</b>		<b>94,587,779</b>	<b>72,376,483</b>
Provision for FBT		85,249	100,310
Provision for Income tax		4,273,214	1,256,551
<b>Net Profit</b>		<b>90,229,316</b>	<b>71,019,622</b>
Prior Period Expenditure			219,321
<b>Profit After Tax &amp; Prior Period Adjustments</b>		<b>90,229,316</b>	<b>70,801,301</b>
Transfer to General Reserve		2,255,733	
Less :Proposed Dividend @ 12%		10,200,006	8,500,005
Tax on Proposed Dividen @ 16.99%		1,733,491	1,444,151
<b>Amount transferred to Balance Sheet</b>		<b>76,040,086</b>	<b>60,856,145</b>
<b>EPS</b>		<b>10.62</b>	<b>8.36</b>
Significant accounting policies & Notes to accounts	12		

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

Place: Secunderabad  
Date : 30<sup>nd</sup> May 2008

For and on behalf of the Board

**N. R. Mohanty**  
Chairman

**N. Sridhar**  
Managing Director  
& Chief Executive Officer

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As At 31-Mar-08	As At 31-Mar-07
<b>EQUITY SHARE CAPITAL</b>	<b>1</b>		
<b>A. Authorized Capital</b>		150,000,000	150,000,000
1,50,00,000 Equity Shares of Rs.10 Each			
<b>Total</b>		<b>150,000,000</b>	<b>150,000,000</b>
<b>B. Issued, Subscribed and Paid-up Capital</b>			
85,00,005 equity shares of Rs.10 each fully paid up		85,000,050	85,000,050
<b>Total</b>		<b>85,000,050</b>	<b>85,000,050</b>
<b>RESERVES &amp; SURPLUS</b>	<b>2</b>		
- General Reserve		3,739,921	1,484,188
- Share Premium		91,711,650	91,711,650
- Profit & Loss Account (Opening)		187,312,461	126,456,316
- Add: Profit for the Year		76,040,086	60,856,145
<b>Total</b>		<b>358,804,118</b>	<b>280,508,299</b>
<b>LOAN FUND</b>	<b>3</b>		
<b>Secured Loans</b>			
<b>Term Loan from SBI</b>			338,349
(Secured by first charge on assets purchased with bank finance and further secured by Equitable Mortgage of the immovable assets belonging to the company, agricultural land belonging to promoters and pledge of shares belonging to Promoter Directors in favour of State Bank of India, Commercial Branch, Secunderabad).			
Sub-total			338,349
<b>Working Capital Loan from SBI</b>		107,097,578	60,203,749
(Secured by first charge on Export bills and further secured by Equitable Mortgage of the immovable assets belonging to the company, agricultural land belonging to promoters and pledge of shares belonging to Promoter Directors in favour of State Bank of India, commercial Branch, Secunderabad.			
(The above loans are further secured by Personal Guarantees of Promoter Directors and Guarantor)			
Sub-total		107,097,578	60,203,749
<b>Unsecured Loans</b>		<b>1,233,723</b>	
<b>Total</b>		<b>108,331,301</b>	<b>60,542,098</b>





**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008**  
**4. FIXED ASSETS** (Rs.)

Name of the Asset	Gross Block at Cost			Depreciation				Net Block			
	Rate %	As at 01-Apr-07	Additions during the year	Deletions during the period	As at 31-Mar-08	As at 01-Apr-07	For the Period	Adjustment	As at 31-Mar-08	At at 31-Mar-07	
Plant & Machinery	15.33%	6,580,812			6,580,812	4,207,704	363,797		4,571,501	2,009,311	2,373,108
Air Conditioners	15.33%	1,167,555			1,167,555	801,686	56,088		857,774	309,781	365,869
Computers	40.00%	33,818,085	147,172		33,965,257	31,805,368	834,372		32,639,740	1,325,517	2,012,717
Projector	20.00%	283,108	58,000		341,108	224,060	22,806		246,866	94,242	59,048
Furniture	18.10%	16,491,161	17,529		16,508,690	12,588,163	708,266		13,296,429	3,212,261	3,902,998
Vehicles	25.89%	691,709			691,709	609,843	21,195		631,038	60,671	81,866
Software Products											
- Silicon LMS/OT	40.00%	26,790,000	29,829,450		56,619,450	26,071,238	287,505		26,358,743	30,260,707	718,762
- Silicon LCMS	40.00%	25,000,000	16,000,000		41,000,000	7,479,452	7,008,219		14,487,671	26,512,329	17,520,548
- Sage CRM											
Server 200	40.00%	420,944			420,944	60,431	144,205		204,636	216,308	360,513
- Flight Dispatcher *	40.00%	37,800,000			37,800,000					37,800,000	37,800,000
- Silicon ATHENA *	40.00%	73,015,910	33,758,000		106,773,910					106,773,910	73,015,910
- Tally 9.0	40.00%		9,360		9,360		2,226		2,226	7,134	
- Visual Studio Team	40.00%		408,200		408,200		48,760		48,760	359,440	
- Teamprise & Service											
- Capture	40.00%		11,360		11,360		37		37	11,323	
Total		222,059,284	80,239,071		302,298,355	83,847,945	9,497,476		93,345,421	208,952,934	138,211,339
Previous Year		195,251,757			222,059,284	73,415,004			83,847,945	138,211,339	121,836,753

\* New additions to Silicon Athena and Flight Dispatcher are made during the year

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008** (Rs.)

Particulars	Schedule	As At 31-Mar-08	As At 31-Mar-07
<b>INVESTMENTS</b>	<b>5</b>		
<b>Long Term Investments</b>			
Investments in Wholly Owned Subsidiaries			
- Sankhya SARL, France		29,829,450	29,829,450
- Sankhya US Corporation, US		4,671,607	4,671,607
- Sankhya Information Technologies Pvt Ltd, Hyd		1,000,000	995,000
Sub-total		<b>35,501,057</b>	<b>35,496,057</b>
Investments in stocks & Mutual funds			
- Investments in Mutual Funds*			23,418,750
<b>Total</b>		<b>35,501,057</b>	<b>58,914,807</b>
<b>CURRENTS ASSETS, LOANS AND ADVANCES</b>	<b>6</b>		
A. Cash and Bank Balances			
Cash in Hand		83,814	20,996
Bank			
- in Current Account		5,483,111	1,376,494
- Overseas		11,988,308	58,244,703
Sub-total		<b>17,555,233</b>	<b>59,642,193</b>
B. Work in Progress		72,675,672	46,252,642
C. Sundry Debtors (Un-secured and considered good)			
- Exceeding Six Months			
- Less than Six Months		207,042,811	124,474,114
Sub-total		<b>207,042,811</b>	<b>124,474,114</b>
D. Loans & Advances			
- Advances for Expenditure		3,716,990	371,227
- Deposits		6,165,706	11,746,508
- Advance Taxes & TDS		1,000,000	191,893
- Prepaid Expenses		1,774,940	1,384,970
- Advances to WOS		29,394,461	
Sub-total		<b>42,052,097</b>	<b>13,694,598</b>
<b>Total</b>		<b>339,325,813</b>	<b>244,063,547</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>7</b>		
- Sundry Creditors		11,490,300	4,036,748
- Provisions		20,154,034	11,102,498
<b>Total</b>		<b>31,644,334</b>	<b>15,139,246</b>


**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008**

(Rs.)			
Particulars	Schedule	Year Ended 31-Mar-08	Year Ended 31-Mar-07
<b>INCOME</b>			
<b>Software Income</b>	<b>8</b>	<b>360,804,001</b>	<b>262,119,780</b>
Domestic		40,634,126	9,108,000
Exports		320,169,875	253,011,780
<b>Other Income</b>	<b>9</b>	<b>1,228,363</b>	<b>976,269</b>
<b>Total Income</b>		<b>362,032,364</b>	<b>263,096,049</b>
<b>EMPLOYEE COST</b>			
	<b>10</b>	<b>35,929,663</b>	<b>25,185,720</b>
Salaries		33,600,660	22,721,863
Employee benefits		1,658,833	1,931,437
Staff recruitment & Training expenditure		537,397	414,278
Staff welfare Expenses		132,773	118,142
<b>OPERATION AND OTHER EXPENSES</b>			
	<b>11</b>	<b>222,017,446</b>	<b>155,100,905</b>
<b>Overseas cost</b>		180,947,037	133,708,162
<b>Administrative cost</b>		<b>26,238,896</b>	<b>13,009,632</b>
Advertisement		26,214	27,189
Annual Maintenance		123,303	67,818
Audit remuneration		112,510	112,371
Bank Charges		3,279,289	1,618,937
Board Meeting expenses		49,875	40,000
Books & Periodicals		1,205	20,602
Business Promotion		202,348	239,275
Communication Charges		331,787	441,298
Computer Maintenance & others		12,538,021	581,248
Consultancy Charges		3,219,497	4,223,372
Electricity Charges		996,401	905,872
Insurance		404,531	256,927
Membership & Subscription		51,391	123,489
Miscellaneous Expenditure		5,696	21,687
Office maintenance		1,119,086	731,451
Postage & Courier		166,160	63,510
Printing & Stationery		224,284	101,937
Rates & Taxes		578,081	454,260
Rents		2,367,960	2,318,460
Telephones		322,048	394,458
Travel & Conveyance		119,211	265,471
<b>Selling and marketing expenditure</b>		<b>4,281,374</b>	<b>3,656,036</b>
Travel Expenditure		4,083,205	3,159,135
Other Expenses		198,169	496,901
<b>Financial Expenses</b>		<b>10,550,138</b>	<b>4,727,075</b>
<b>Total Expenditure</b>		<b>257,947,108</b>	<b>180,286,625</b>

**SCHEDULE – 12****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention and the requirements of the Companies Act 1956.

**2. Use of estimates**

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

**3. Revenue recognition**

Fixed-price, fixed-time frame contracts or mile stone contracts revenue for the software is recognized as per the proportion/stage/time completion method, in all other contracts such as time and material the revenue is recognized as and when the related services are rendered. In technical services contracts which are on annual basis revenue from fixed price maintenance contracts are recognized proportionately over the period in which services are rendered. In other income such as income from interest is recognized using the time proportion method, based on rates implicit in the transaction.

**4. Expenditure**

All software development and services purchased are charged to cost of revenue in the year of acquisition. Provisions are made for all known losses and liabilities. Where ever applicable leave encashment liability is provided on the basis of actuarial valuation.

**5. Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Direct costs are capitalized until fixed assets are ready for use. "Cost means" cost of bringing the asset to its working condition for its

intended use. Fixed assets are capitalized as per the statement issued by the Institute of Chartered Accountants of India.

**6. Depreciation**

Depreciation on fixed assets is applied on the written down value method based by following the rates prescribed in Schedule XIV of the Companies Act, 1956. Individual low cost assets (acquired for less than Rs.5000/-) are entirely depreciated in the year of acquisition.

**7. Investments**

Investments in Wholly owned Subsidiary are at cost

**8. Retirement Benefits**

Provident fund is administered through Regional Provident Fund Commissioner. The Gratuity Fund is administered through the scheme of Life Insurance Corporation of India. The contributions to the above said funds are charged against revenue. Provision for Leave encashment is made on an estimated basis on the assumption that such benefits are payable to all the eligible employees at the end of the accounting year.

**9. Foreign currency transactions**

Transactions in foreign currencies are recorded in the Books of Account in Indian Rupees at the rate of exchange as given by RBI.

Monetary Assets and Liabilities related to Foreign Currency transactions and outstanding at the close of the year are expressed in Indian Rupees at the rate of exchange prevailing on the date of Balance sheet.

Exchange differences arising on foreign currency transactions are being recognized as income or expense in the period in which they arise.

**10. Income tax**

Provision is made for income tax on yearly basis, based on tax liability, computed after taking credit for allowances and exemptions.

**11. Earnings per share**

The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.



## B. NOTES ON ACCOUNTS

### 1. Fixed Assets

During the year fixed assets have been added to the extent Rs.802.39 Lakhs Comprising of Computers, Furniture and Software.

### 2. Investments

Investments in Wholly owned Subsidiary are at Cost.

### 3. Contingent Liabilities not provided for

No provision has been made on Rs.3.85 Crores Tax demand raised by the Income Tax authorities for the 4 Assessment years 2002-03 to 2005-06 as it pertains to technical Interpretation of Sec 10 A of the Income Tax Act. An appeal is pending before the Commissioner of Income Tax (Appeals), Hyderabad.

### 4. Deposits

Overseas Deposits include an amount of Rs.119.88 lakhs deposited with Scheduled bank in France.

### 5. Overseas Cost

Overseas Cost includes

Particulars	(Rs.in Lakhs)	
	31-Mar-08	31-Mar-07
Employee Cost	1360.13	545.48
Business Expenses	449.34	791.60

### 6. Secured Loans

Outstanding in Working Capital as at the end of March 31<sup>st</sup>, 2008 aggregated to Rs.1070.98 lakhs respectively availed from State Bank of India, Commercial Branch, Secunderabad.

### 7. Related Party Disclosures

The disclosure of the transactions with related parties is as per Accounting Standard 18 are given below:

#### a) Names of Related Parties in the nature of relationships

Name	Relationship
i) Sankhya SARL, France	Wholly Owned Subsidiary
ii) Sankhya US Corporation, USA	Wholly Owned Subsidiary
iii) Sankhya Information Technologies (India) Private Limited, Secunderabad	Wholly Owned subsidiary
ii) Key Management Personnel	
Sri. N. Ramakrishna Rao	Chairman Emeritus and Director
Sri. N. Srinivas	Vice Chairman and Director
Sri. N. Sridhar	Managing Director and Chief Executive Officer

#### b) Transactions during the year with Related Parties

Parties	Rupees	Details
i) Sankhya US Corporation, USA	29394461	Investment
ii) Sri. N. Ramakrishna Rao	4,000	Sitting Fee Paid

**8. Managerial Remuneration**

(Rupees)

	Current Year 31-Mar-08	Current Year 31-Mar-07
Vice Chairman Salary including PF	24,07,200	24,07,200
Managing Director & Chief Executive Officer Salary including PF	24,07,200	24,07,200

**9. Remuneration to Statutory Auditors (incl. Service Tax)**

(Rupees)

	Current Year 31-Mar-08	Current Year 31-Mar-07
Statutory Auditors	75,000	75,000
Certification Fee	25,000	25,000
Service Tax	12,240	12,240
Total	112,240	112,240

**10. Micro, Small and Medium Enterprise.**

There are no Micro, Small and Medium Enterprise, to whom the Company owes dues, which are outstanding at the Balance Sheet date, computed on unit wise basis.

**11. EOU's Exemptions**

The Company's operations are carried through 100% Export Oriented Unit ("EOU"). Income from EOU's are exempt for the earlier of 10 years commencing from the fiscal year in which the Software development commenced by the Unit. Exemptions if any applicable are applied with the relevant rules of the Income Tax, 1961 and other laws. Hence, the company has not provided any deferred tax liability as per AS 22 issued by the Institute of Chartered of India.

**12. Earnings Per Share**

	Current Year 31-Mar-08	Current Year 31-Mar-07
Net profit for the Year (Rs.)	902.29	710.19
Weighted Average No. of Shares outstanding during the year	85,00,005	85,00,005
Earnings Per Share (Rs.)	10.62	8.36
Nominal Value of the Share(Rs.)	10	10

**13. Segment Reporting**

The company's operations relate to providing IT services, delivered to customers globally operating in transportation segment.

Income and expenses which are direct in nature in relation to segments is categorized based on items that are identifiable individually to that segment, rest are categorized in relation to the associated turnover of the segment. Expenses such as Depreciation and Interest, which form a significant component of total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably.



(Rs. In Lakhs)

Industry Segment		Aviation	Service	Total
Revenue	31-03-2008	3,201.70	406.34	3,608.04
	31-03-2007	2,411.50	209.70	2,621.20
Identifiable operating expenses	31-03-2008	2,195.33	278.62	2,473.95
	31-03-2007	1615.19	140.45	1755.60
Segment Operating Profit	31-03-2008	1,006.37	127.72	1,134.09
	31-03-2007	796.31	69.25	865.60

#### 14. Balance Confirmation

Balances of certain, Sundry Creditors, Loans and Advances and Sundry Debtors are subject to confirmation and/or reconciliation, if any.

#### 15. Regrouping & Rounding off

The previous year's figures have been reclassified and regrouped, wherever necessary to confirm the Current Year classification and to confirm to the relevant laws. Paise have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 12 form an integral part of our accounts

**For Satyanarayana & Co**  
Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

Place: Secunderabad  
Date : 30<sup>nd</sup> May 2008

For and on behalf of the Board

**N. R. Mohanty**  
Chairman

**N. Sridhar**  
Managing Director  
& Chief Executive Officer

**CASH FLOW STATEMENT AS AT MARCH 31ST 2008**

Particulars	(Rs)	
	As at 31-Mar-08	As at 31-Mar-07
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	90,229,316	70,800,301
Adjustment for:		
Depreciation	9,497,476	10,432,941
Interest	10,550,138	4,727,075
<b>Operating Profit Before WC Changes</b>	<b>110,276,930</b>	<b>85,960,317</b>
Adjustment for:		
Trade and Other Receivables	(81,531,735)	(39,479,778)
Work In Progress	(26,423,030)	(21,055,490)
Trade payables	14,515,172	9,593,832
<b>Net Cash Flow from Operating Activities</b>	<b>16,837,336</b>	<b>35,018,881</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets Additions	(80,239,071)	(26,807,527)
Change in Investments	(5,980,711)	(29,085,357)
<b>Net Cash from/(Used) in Investing Activities</b>	<b>(86,219,782)</b>	<b>(55,892,884)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Short term borrowings	47,789,203	5,109,207
Interest & dividend and tax on dividend	(20,493,417)	(14,671,231)
<b>Net Cash from/(Used) in Financing Activities</b>	<b>27,295,786</b>	<b>(9,562,024)</b>
<b>Opening Cash and Cash Equivalents</b>	<b>59,641,893</b>	<b>90,078,220</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>(42,086,660)</b>	<b>(30,436,327)</b>
<b>Closing Cash and Cash Equivalents</b>	<b>17,555,233</b>	<b>59,641,893</b>

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239**N. R. Mohanty**  
Chairman**N. Sridhar**  
Managing Director  
& Chief Executive OfficerPlace: Secunderabad  
Date : 30<sup>nd</sup> May 2008





## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details:

Registration No:	01-45306
State Code	01
Balance Sheet date	31st March, 2008

### II. Capital raised during the year

Rupees ('000)

Public Issue	NIL	Pre. Issue	NIL
Rights Issue	NIL	Bonus Issue	NIL
Private Placements	NIL		

### III. Position of Modification and deployment of funds

Total Liabilities	5521.36	Total Assets	5521.36
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#### Sources of Funds

Paid Up Capital	85000	Share Application Money	NIL
Secured Loans	107097	Reserves & Surplus	358804

#### Application of Funds

Net Fixed Assets	208953	Net Current Assets	307681
Miscellaneous Expenditure	NIL		

### IV. Performance of the Company

Turnover	362032	Profit/Loss before tax	94588
Earning per share in Rs. (Annualized)	10.62	Dividend	12%

### V. Generic Name of Three Principle products/Services of the Company (as per monetary terms)

Item Code No.: (ITC CODE)	NIL
Product Description	Computer Based Training Resource Optimizers

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

**N. R. Mohanty**  
Chairman

**N. Sridhar**  
Managing Director  
& Chief Executive Officer

Place: Secunderabad  
Date : 30<sup>th</sup> May 2008



## CONSOLIDATED AUDITOR'S REPORT

To,  
The Board of Directors,  
Sankhya Infotech Limited,  
Hyderabad.

1. We have audited the attached Consolidated Balance sheet of Sankhya Infotech Limited as on 31<sup>st</sup> March 2008 and the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the 12 month period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial are free of material misstatement. An audit includes examining on the test basis, evidence supporting the amounts and disclosures in the financial statements. 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. We have audited the financial statements and other information of Sankhya Infotech Limited and Sankhya Information Technologies (India) Private Limited. The financial statements and other financial information of Sankhya US Corporation and Sankhya SARL France have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standards (AS) 21, consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said consolidated Balance Sheet, consolidated Profit & Loss Account and consolidated Cash Flow Statement read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - I. In so far as it relates to the consolidated Balance Sheet, of the state of affairs of the Sankhya Group as on 31<sup>st</sup> March, 2008.
  - II. In the case of consolidated Profit & Loss Account, of the Profit of the Sankhya Group for the year ended on that date;
  - III. In case of the consolidated Cash Flow Statement, of the cash flows of Sankhya group for the period ended on that date.

**For M/s. Satyanarayana & Co**  
Chartered Accountants

**J. Jagannadha Rao**  
Partner  
Membership No: 6239

Place Secunderabad  
Date 30<sup>th</sup> May 2008

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Fund</b>			
Equity Share Capital	1	85,000,050	85,000,050
Reserves & Surplus	2	337,409,388	274,633,271
Total		<u>422,409,438</u>	<u>359,633,321</u>
Loan Fund	3	108,331,301	60,542,098
<b>TOTAL OF SOURCES</b>		<b><u>530,740,739</u></b>	<b><u>420,175,419</u></b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	4		
Gross Block		302,298,355	222,059,284
Less: Accu. Depreciation		93,345,421	83,847,945
Net Block		<u>208,952,934</u>	<u>138,211,339</u>
Investments	5		23,418,750
Current Assets, Loans and Advances	6	353,963,835	275,350,821
Less: Current Liabilities and Provisions	7	32,350,833	16,911,608
Net Current Assets		<u>321,613,002</u>	<u>258,439,213</u>
Misc. Expenditure (to the extent not written off)		174,803	106,117
<b>TOTAL OF APPLICATION</b>		<b><u>530,740,739</u></b>	<b><u>420,175,419</u></b>
Significant accounting policies & notes to accounts	11		

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

**N. R. Mohanty**  
Chairman

**N. Sridhar**  
Managing Director  
& Chief Executive Officer

Place: Secunderabad  
Date : 30<sup>nd</sup> May 2008

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

(Rs.)			
Particulars	Schedule	Year Ended 31-Mar-08	Year Ended 31-Mar-07
<b>INCOME</b>			
Software Income	8	360,884,523	262,346,142
Other Income	9	1,243,701	976,269
<b>TOTAL INCOME</b>		<b><u>362,128,224</u></b>	<b><u>263,322,411</u></b>
<b>EXPENDITURE</b>			
Employee Cost	10	38,540,566	28,458,490
Operations & Other Expenses	11	234,989,505	157,929,526
<b>Total Expenditure</b>		<b><u>273,530,071</u></b>	<b><u>186,388,016</u></b>
<b>Profit Before Depreciation &amp; Taxes</b>		<b>88,598,152</b>	<b>76,934,395</b>
Depreciation	4	9,497,476	10,432,941
<b>Profit Before Tax</b>		<b><u>79,100,677</u></b>	<b><u>66,501,455</u></b>
Provision for FBT		85,249	100,310
Provision for Income tax		4,305,814	1,256,551
<b>Net Profit</b>		<b><u>74,709,614</u></b>	<b><u>65,144,594</u></b>
Prior Period Expenditure			219,321
<b>Profit After Tax &amp; Prior Period Adjustments</b>		<b>74,709,614</b>	<b>64,925,273</b>
Transfer to General Reserve		2,255,733	
Less :Proposed Dividend @ 12%		10,200,006	8,500,005
Tax on Proposed Dividend @ 16.99%		1,733,491	1,444,151
<b>Amount transferred to Balance Sheet</b>		<b><u>60,520,384</u></b>	<b><u>54,981,117</u></b>
<b>EPS</b>		<b>8.79</b>	<b>7.66</b>
Significant accounting policies & Notes on accounts	11		

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239**N. R. Mohanty**  
Chairman**N. Sridhar**  
Managing Director  
& Chief Executive OfficerPlace: Secunderabad  
Date : 30<sup>nd</sup> May 2008


**Schedules Forming Part of Consolidated Balance Sheet as at 31st March 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>EQUITY SHARE CAPITAL</b>	<b>1</b>	<b>85,000,050</b>	<b>85,000,050</b>
<b>Total</b>		<b>85,000,050</b>	<b>85,000,050</b>
 <b>RESERVES &amp; SURPLUS</b>	 <b>2</b>		
- General Reserve		3,739,921	1,484,188
- Share Premium		91,711,650	91,711,650
- Profit & Loss Account (Opening)		181,437,433	126,456,316
- Add: Profit for the Year		60,520,384	54,981,117
<b>Total</b>		<b>337,409,388</b>	<b>274,633,271</b>
 <b>LOAN FUND</b>	 <b>3</b>		
<b>Secured Loans</b>			
<b>Term Loan from SBI</b>			338,349
(Secured by first charge on assets purchased with bank finance and further secured by Equitable Mortgage of the immovable assets belonging to the company, agricultural land belonging to promoters and pledge of shares belonging to Promoter Directors in favour of State Bank of India Commercial Branch, Secunderabad.			
Sub-total			338,349
<b>Working Capital Loan from SBI</b>		107,097,578	60,203,749
(Secured by first charge on Export bills and further secured by Equitable Mortgage of the immovable assets belonging to the company, agricultural land belonging to promoters and pledge of shares belonging to Promoter Directors in favour of State Bank of India Commercial Bank, Secunderabad.			
Sub-total		107,097,578	60,203,749
Unsecured Loans		1,233,723	
<b>Total</b>		<b>108,331,301</b>	<b>60,542,098</b>



**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008**

**4. FIXED ASSETS (Rs.)**

Name of the Asset	Gross Block at Cost			Depreciation				Net Block		
	Rate %	As at 01-Apr-07	Additions during the year	Deletions during the period	As at 31-Mar-08	As at 01-Apr-07	For the Period	Adjustment	As at 31-Mar-08	At at 31-Mar-07
Plant & Machinery	15.33%	6,580,812			6,580,812	4,207,704	363,797		2,009,311	2,373,108
Air Conditioners	15.33%	1,167,555			1,167,555	801,686	56,088		309,781	365,869
Computers	40.00%	33,818,085	147,172		33,965,257	31,805,368	834,372		1,325,517	2,012,717
Projector	20.00%	283,108	58,000		341,108	224,060	22,806		94,242	59,048
Furniture	18.10%	16,491,161	17,529		16,508,690	12,588,163	708,266		3,212,261	3,902,998
Vehicles	25.89%	691,709			691,709	609,843	21,195		60,671	81,866
Software Products										
- Silicon LMS/QT	40.00%	26,790,000	29,829,450		56,619,450	26,071,238	287,505		30,260,707	718,762
- Silicon LCMS	40.00%	25,000,000	16,000,000		41,000,000	7,479,452	7,008,219		26,512,329	17,520,548
- Sage CRM										
Server 200	40.00%	420,944			420,944	60,431	144,205		216,308	360,513
- Flight Dispatcher #	40.00%	37,800,000			37,800,000				37,800,000	37,800,000
- Silicon ATHENA #	40.00%	73,015,910	33,758,000		106,773,910				106,773,910	73,015,910
- Tally 9.0	40.00%		9,360		9,360		2,226		7,134	
- Visual Studio Team	40.00%		408,200		408,200		48,760		359,440	
- Teamprise & Service										
- Capture	40.00%		11,360		11,360		37		11,323	
Total		222,059,284	80,239,071		302,298,355	83,847,945	9,497,476		208,952,934	138,211,339
Previous Year		195,251,757			222,059,284	73,415,004			138,211,339	121,836,753

# New Additions to Silicoon Athena and Flight Dispatcher have made during the Year.



## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>INVESTMENTS</b>	<b>5</b>		
Current Investments			
Mutual Funds - Liquid/Short Term Schemes			23,418,750
<b>Total</b>			<u>23,418,750</u>
<b>CURRENTS ASSETS, LOANS AND ADVANCES</b>	<b>6</b>		
A. Cash and Bank Balances			
Cash in Hand		83,884	21,066
Bank			
- in Current Account		18,683,257	2,834,248
- Fixed Deposits			16,426,945
- Overseas Deposits		11,988,308	41,817,758
Sub-total		<u>30,755,449</u>	<u>61,100,017</u>
B. Work in Process		72,675,672	46,252,642
C. Sundry Debtors (Un-secured and considered good)			
- Exceeding Six Months		29,907,166	29,829,450
- Less than Six Months		207,042,811	124,474,113
Sub-total		<u>236,949,977</u>	<u>154,303,563</u>
D. Loans & Advances			
- Advances for Expenditure		4,642,090	371,227
- Deposits		6,165,707	5,790,001
- Rent Advance			5,956,507
- Inter-corporate Deposits			
- Advance Taxes & TDS		1,000,000	191,893
- Prepaid Expenses		1,774,940	1,384,970
Sub-total		<u>13,582,737</u>	<u>13,694,598</u>
<b>Total</b>		<b><u>353,963,835</u></b>	<b><u>275,350,820</u></b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>7</b>		
- Sundry Creditors		12,196,799	4,091,748
- Provisions		20,154,034	12,819,860
<b>Total</b>		<b><u>32,350,833</u></b>	<b><u>16,911,608</u></b>



## Schedules forming part of Consolidated Profit &amp; Loss Account for the Year Ended 31st March, 2008

(Rs.)			
Particulars	Schedule	Year Ended 31-Mar-08	Year Ended 31-Mar-07
<b>INCOME</b>			
Software Income	8	360,884,523	262,346,142
Domestic		40,714,648	253,238,142
Exports		320,169,875	9,108,000
Other Income	9	1,243,701	976,269
<b>Total Income</b>		<b>362,128,224</b>	<b>263,322,411</b>
<b>EXPENDITURE</b>			
<b>EMPLOYEE COST</b>	10	<b>38,540,566</b>	<b>28,458,490</b>
Salaries		36,211,563	25,994,632
Employee benefits		1,658,833	1,931,438
Staff recruitment & Training expenditure		537,397	414,278
Staff welfare Expenses		132,773	118,142
<b>OPERATION AND OTHER EXPENSES</b>	11	<b>234,989,505</b>	<b>157,929,526</b>
<b>OVERSEAS COST</b>		<b>180,947,037</b>	<b>133,708,162</b>
<b>ADMINISTRATIVE COST</b>		<b>38,508,824</b>	<b>15,657,558</b>
Advertisement		26,214	246,169
Annual Maintenance		123,303	67,818
Audit remuneration		157,510	112,371
Bank Charges		3,281,528	1,630,625
Board Meeting expenses		49,875	40,000
Books & Periodicals		1,205	20,602
Business Promotion		11,202,348	239,275
Communication Charges		331,787	441,298
Computer Maintenance & others		12,538,021	581,248
Consultancy Charges		3,226,006	4,743,389
Electricity Charges		996,401	905,872
Insurance		975,062	585,592
Membership & Subscription		51,391	132,077
Miscellaneous Expenditure		57,770	57,770
Office maintenance		1,119,086	848,586
Postage & Courier		166,160	63,510
Printing & stationery		226,584	151,326
Rates & Taxes		777,014	738,718
Rents		2,367,960	2,467,986
Telephones		376,163	500,770
Travel & conveyance		515,208	1,082,557
<b>SELLING &amp; MARKETING EXPENDITURE</b>		<b>4,281,374</b>	<b>3,656,036</b>
Other Expenses		4,083,205	496,901
Travel Expenditure		198,169	3,159,135
<b>FINANCIAL CHARGES</b>		<b>11,252,270</b>	<b>4,907,770</b>
<b>Total Expenditure</b>		<b>273,230,071</b>	<b>186,388,016</b>





## SCHEDULE - 11

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

#### (A) Significant Accounting Policies

1) Basis of preparation of consolidated Financial Statements :

- a. The consolidated Financial Statements are prepared in accordance with accounting Standards (AS21) on consolidated financial statements.
- b. Accounts are prepared on the historical cost basis and on the principles of a going concern
- c. Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles

2) Principles of Consolidation

- a. The Financial Statements of Sankhya Infotech Ltd and its subsidiaries are consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities and income & expenses.
- b. The Financial statements of Sankhya Infotech Ltd and its subsidiaries are consolidated using uniform accounting policies for like transactions.

3) Revenue recognition

Fixed-price, fixed-time frame contracts or mile stone contracts revenue for the software is recognized as per the proportion/stage/time completion method, in all other contracts such as time and material the revenue is recognized as and when the related services are rendered. In technical services contracts which are on annual basis revenue from fixed price maintenance contracts are recognized proportionately over the period in which services are rendered. In other income such as income from interest is recognized using the time proportion method, based on rates implicit in the transaction.

4) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Direct costs are capitalized until fixed assets are ready for use. "Cost means" cost of bringing the asset to its working condition for its intended use. Fixed assets are capitalized as per the statement issued by the Institute of Chartered Accountants of India.

5) Depreciation

Depreciation on fixed assets is applied on the written down value method based by following the rates prescribed in Schedule XIV of the Companies Act, 1956. Individual low cost assets (acquired for less than Rs.5,000/-) are entirely depreciated in the year of acquisition.

6) Investments

Investments in Wholly owned Subsidiary are at cost

7) Retirement Benefits

Provident fund is administered through Regional Provident Fund Commissioner. The Gratuity Fund is administered through the scheme of Life Insurance Corporation of India. The contributions to the above said funds are charged against revenue. Provision for Leave encashment is made on an estimated basis on the assumption that such benefits are payable to all the eligible employees at the end of the accounting year.

8) Foreign currency transactions

Transactions in foreign currencies are recorded in the Books of Account in Indian Rupees at the rate of exchange as given by RBI.

Monetary Assets and Liabilities related to Foreign Currency transactions and outstanding at the close of the year are expressed in Indian Rupees at the rate of exchange prevailing on the date of Balance sheet.

Exchange differences arising on foreign currency transactions are being recognized as income or expense in the period in which they arise.



## 9) Earnings per share

Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

**(B) Notes to Consolidated Accounts**

## 1. Basis of consolidation:

The consolidated financial statements relate to Sankhya Infotech Limited, the holding company and its wholly owned subsidiaries (the Group). The consolidation of the Financial Statements of the Company with its subsidiaries has been prepared in accordance with the requirements of Accounting Standard (AS21) 'Consolidated Financial Statements'. The financial statements of the parent and its subsidiaries are combined on a line by line and intra group balances, intra group transactions and unrealized profits or losses are fully eliminated.

In case of foreign subsidiaries, revenue items are consolidated at the rate as mentioned above. All Assets and Liabilities are converted at the rates prevailing at the end of the year. Exchange gains / losses arising on conversion are charged to Profit & Loss account under Gain/Loss on Foreign Exchange fluctuations.

## 2. The financial statements of the subsidiaries used in the consolidation are drawn in accordance with the prevailing local laws of the respective countries upto the same reporting date as that of Sankhya Infotech Ltd i.e. year ended March 31, 2008.

## 3. The subsidiary companies considered in the consolidated financial statements are:-

Sl. No	Name of the Company	Country of Incorporation	% of holding
1.	Sankhya USA	U.S.A	100%
2.	Sankhya SARL	FRANCE	100%
3.	Sankhya Information Technologies (India) Private Limited	INDIA	100%

## 4. Fixed Assets

During the year fixed assets have been added to the extent Rs.802.39 Lakhs Comprising of Computers, Furniture and Software

## 5. Investments

Investments in Wholly owned Subsidiary are at cost

## 6. Provisions

Provision for Taxation:

Provision for Current Income Tax is made on the basis of the Assessable Income under the Income Tax Act 1961.

Provision & Contingent Liabilities:

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

## 7. Segment reporting

The company's operations relate to providing IT services, delivered to customers Globally operating in transportation segment.

Income and expenses which are direct in nature in relation to segments is categorized based on items that are identifiable individually to that segment, rest are categorized in relation to the associated turnover of the segment. Expenses such as Depreciation and Interest, which form a significant component of total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably.



(Rs. In Lakhs)

Industry Segment		Aviation	Service	Total
Revenue	31-03-2008	3,214.14	407.14	3,621.28
	31-03-2007	2,413.76	209.70	2,623.46
Identifiable Operating Expenses	31-03-2008	2,513.72	218.58	2,732.30
	31-03-2007	1,669.74	145.06	1,814.80
Segment Operating Profit	31-03-2008	700.42	188.56	888.98
	31-03-2007	744.02	64.64	808.66

(Rs. In Lakhs)

Geographic Segment		US	Europe	Middle East	India	Total
Revenue	31-03-2008	0.96	1701.04	1878.65	40.63	3621.28
	31-03-2007	2.26	1307.59	1222.53	91.08	2623.46
Identifiable Operating Expenses	31-03-2008	152.83	1173.31	1380.90	25.26	2732.30
	31-03-2007	59.17	875.80	818.83	61.00	1814.80
Segment Operating Profit	31-03-2008	(151.87)	527.73	497.75	15.37	888.88
	31-03-2007	(56.91)	431.79	403.7	30.08	808.66

## 8. Related Party Disclosures

The disclosure of the transactions with related parties is as per Accounting Standard 18 are given below:

## a. Names of Related Parties in the nature of relationships

Name	Relationship
i) Sankhya SARL, France	Wholly Owned Subsidiary
ii) Sankhya US Corporation, USA	Wholly Owned Subsidiary
iii) Sankhya Information Technologies (India) Private Limited, Secunderabad	Wholly Owned subsidiary
ii) Key Management Personnel	
Sri. N. Ramakrishna Rao	Emeritus Chairman and Director
Sri. N. Srinivas	Vice Chairman and Director
Sri. N. Sridhar	Managing Director and Chief Executive Officer

## 9. Micro Small and Medium Enterprise

There are no Micro, Small and Medium Enterprise, to whom the Company owes dues, which are outstanding for more than 4 days at the Balance Sheet date, computed on unit wise basis.



10. Earnings Per Share

	<b>Current Year 31-Mar-08</b>	Current Year 31-Mar-07
Net profit for the Year (Rs.)	750.09	651.44
Weighted Average No. of Shares outstanding during the year	85,00,005	85,00,005
Earnings Per Share (Rs.)	8.79	7.66
Nominal Value of the Share (Rs.)	10	10

11. Regrouping

The previous year's figures have been recast/restated and regrouped, wherever necessary to confirm the Current Year's classification.

Signatures to Schedules 1 to 11 form an integral part of our accounts.

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

**N. R. Mohanty**  
Chairman

**N. Sridhar**  
Managing Director  
& Chief Executive Officer

Place: Secunderabad  
Date : 30<sup>th</sup> May 2008

**CONSOLIDATED CASH FLOW STATEMENT**

Particulars	(Rs)	
	As at 31-Mar-08	As at 31-Mar-07
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	74,709,614	64,925,273
Adjustment for:		
Depreciation	9,497,476	10,432,941
Interest	11,252,270	4,907,770
<b>Operating Profit Before WC Changes</b>	<b>95,759,359</b>	<b>80,265,984</b>
Adjustment for:		
Trade and Other Receivables	(82,534,553)	(39,479,777)
Work In Progress	(26,423,030)	(21,055,490)
Trade payables	15,439,225	11,311,193
<b>Net Cash Flow from Operating Activities</b>	<b>2,241,001</b>	<b>31,041,910</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets Additions	(80,239,071)	(26,807,527)
Change in Investments	23,418,750	(23,418,750)
<b>Net Cash from/(Used) in Investing Activities</b>	<b>(56,820,321)</b>	<b>(50,226,277)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Short term borrowings	47,789,203	5,109,207
Increase in Misc. Expenditure	(68,686)	(51,117)
Interest & dividend and tax on dividend	(23,185,765)	(14,851,926)
<b>Net Cash from/(Used) in Financing Activities</b>	<b>24,524,752</b>	<b>(9,793,836)</b>
<b>Opening Cash and Cash Equivalents</b>	<b>61,100,017</b>	<b>90,078,220</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>(30,044,568)</b>	<b>(28,978,203)</b>
<b>Closing Cash and Cash Equivalents</b>	<b>30,755,449</b>	<b>61,100,017</b>

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

**N. R. Mohanty**  
Chairman

**N. Sridhar**  
Managing Director  
& Chief Executive Officer

Place: Secunderabad  
Date : 30<sup>nd</sup> May 2008



**SANKHYA US CORPORATION**  
**A WHOLLY OWNED SUBSIDIARY OF**  
**M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA,**

**Report of Independent Accountants,**

**BOARD OF DIRECTORS**

Sankhya US Corporation  
Marina, CA 93933

We have compiled the accompanying Balance Sheet of Sankhya US Corporation, as of March 31, 2008 and the related statements of Loss and accumulated deficit and Cash flows for the period 1st April, 2007 to 31st March, 2008, in accordance with the Statements on Standards of Accounting and Review Services issued by the American Institute of Certified Public Accountants.

The Compilation is limited to presenting, in the form of Financial Statements, information that is the representation of management. We have neither audited nor reviewed the accompanying Financial Statements and, accordingly do not express an opinion nor any other form of assurance on them.

**Levorato and Darling, Inc.**  
Certified Public Accountants

Dated : 27th May, 2008.



**SANKHYA US CORPORATION**  
A WHOLLY OWNED SUBSIDIARY OF  
M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA,

**BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>SOURCES OF FUNDS</b>			
Shareholders' Fund	1		
Equity Share Capital		515,657	515,657
Share Application Money		4,155,950	4,155,950
<b>TOTAL OF SOURCES</b>		<u><b>4,671,607</b></u>	<u><b>4,671,607</b></u>
<b>APPLICATION OF FUNDS</b>			
Current Assets, Loans and Advances	2	13,248,531	508,323
Less: Current Liabilities and Provisions	3	29,971,656	1,711,745
<b>Net Current Assets</b>		(16,723,125)	(1,203,422)
Profit & Loss Account (Dr.)	4	21,394,732	5,875,029
<b>TOTAL OF APPLICATION</b>		<u><b>4,671,607</b></u>	<u><b>4,671,607</b></u>

for M/s. Lavorato & Darling, Inc  
Certified Public Accountants

For and on behalf of the Board

Pamela E. Darling,  
CPA

**Stu Taylor II**  
Authorised Signatory

Place: California  
Date: 27<sup>th</sup> May 2008



**SANKHYA US CORPORATION**  
A WHOLLY OWNED SUBSIDIARY OF  
M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA,

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	Year ended 31-Mar-08	Year ended 31-Mar-07
<b>INCOME</b>			
Software Income	5	80,522	226,362
Other Income		15,338	--
<b>TOTAL INCOME</b>		<b>95,860</b>	<b>226,362</b>
<b>EXPENDITURE</b>			
Employee Cost	6	2,610,903	3,272,769
Operations & Other Expense	7	12,972,060	2,828,622
<b>Total Expenditure</b>		<b>15,582,963</b>	<b>6,101,391</b>
Profit Before Depreciation & Taxes		(15,487,103)	(5,875,029)
Depreciation			
Profit Before Tax		<b>(15,487,103)</b>	<b>(5,875,029)</b>
Provision for FBT		--	--
Income Tax		32,600	--
<b>Net Profit</b>		<b>(15,519,703)</b>	<b>(5,875,029)</b>
Prior Period Expenditure		--	--
<b>Profit After Tax &amp; Prior Period Adjustments</b>		<b>(15,519,703)</b>	<b>(5,875,029)</b>
<b>Amount transferred to Balance Sheet</b>		<b>(15,519,703)</b>	<b>(5,875,029)</b>

for M/s. Lavorato & Darling, Inc  
Certified Public Accountants

Pamela E. Darling,  
CPA

Place: California  
Date: 27<sup>th</sup> May 2008

For and on behalf of the Board

Stu Taylor II  
Authorised Signatory





**SANKHYA US CORPORATION**  
A WHOLLY OWNED SUBSIDIARY OF  
M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA,

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>EQUITY SHARE CAPITAL</b>			
<b>A. Authorized Capital</b>	<b>1</b>	515,657	515,657
11944 Equity Shares of US dollar 1 each (11944* 43.17)			
1 USB = Rs. 43.17/-			
		<u>515,657</u>	<u>515,657</u>
<b>B. Issued, Subscribed and Paid-up Capital</b>		516,657	516,657
11944 Equity Shares of US dollar 1 each (11944* 43.17)			
1 USB = Rs. 43.17/-			
		<u>516,657</u>	<u>516,657</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
<b>A. Cash and Bank Balances</b>	<b>2</b>		-
Cash at Bank		13,170,815	508,323
Sub-total		<u>13,170,815</u>	<u>508,323</u>
<b>B. Sundry Debtors</b>		77,716	-
<b>Total</b>		<u>13,248,531</u>	<u>508,323</u>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>Salaries</b>		-	423,066
<b>Int. Payable</b>		29,857,967	163,506
<b>Payroll Taxes</b>			45,359
<b>Miscellaneous Expenses</b>		113,689	564,157
<b>Total</b>		<u>29,971,656</u>	<u>1,196,088</u>
<b>PROFIT &amp; LOSS ACCOUNT</b>			
<b>- Profit &amp; Loss Account (Opening Bal Loss)</b>	<b>4</b>	(5,875,029)	-
<b>- Loss for the year</b>		(15,519,703)	(5,875,029)
<b>Total</b>		<u>(21,394,732)</u>	<u>(5,875,029)</u>



**SANKHYA US CORPORATION**  
A WHOLLY OWNED SUBSIDIARY OF  
M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA,

**SCHEDULES FORMING OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

(Rs.)			
Particulars	Schedule	Year ended 31-Mar-08	Year ended 31-Mar-07
<b>INCOME</b>	<b>5</b>		
Software Income		80,522	226,362
Other Income		15,338	--
<b>TOTAL INCOME</b>		<b>95,860</b>	<b>226,362</b>
<b>EXPENDITURE</b>	<b>6</b>		
Employee Cost		2,610,903	3,272,769
Salaries - S & M		2,600,195	3,272,769
Salaries - Administration		10,708	
<b>OPERATIONS &amp; OTHERS EXPENSES</b>	<b>7</b>	<b>12,972,060</b>	<b>2,828,622</b>
Administrative Cost		11,969,928	2,828,622
Advertisement Charges		--	218,980
Audit Remuneration		45,000	--
Bank Charges		2,239	11,688
Business Promotion		11,000,000	--
Consultancy Charges		--	520,017
Insurance Medical		570,531	328,665
Miscellaneous Expenditure		813	36,083
Membership & Subscriptions		--	8,587
Office maintenance		--	117,135
Printing & Stationery		2,300	49,390
Rates & Taxes		198,933	284,458
Rent		--	149,526
Telephones		54,115	106,312
Travel		395,997	817,086
Financial Expenses		702,132	180,695
<b>Total Expenditure</b>		<b>15,582,963</b>	<b>6,101,391</b>



**SANKHYA US CORPORATION**  
**A WHOLLY OWNED SUBSIDIARY OF**  
**MIS SANKHYA INFOTECH LIMITED, SECUNDERABAD**

**Notes to Financial Statements & Accounting Principles and Policies**

**Nature of Operations**

The Company was incorporated on August 31, 2006 under the laws of Delaware. The company complied with the requirements of California law in effect on that date for the purpose of to transacting intrastate business in the State of California as of August 31, 2006, the corporation became qualified to transact intrastate business in the State of California, subject however, to any licensing requirements otherwise imposed by the laws of California.

The Company is primarily involved In providing software for self teaching. This is custom designed software, for aircraft, aviation, defense and high end instruction manuals. The major accounting principles and polices used in the preparation of the accompanying financial statements for the company are summarized as follows:

**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly actual results could differ from these estimates.

**Revenue Recognition**

Revenue is recognized when products are ordered.

**Inventory**

Sankhya US Corporation currently does not have any inventory.

**Income taxes**

Deferred income tax are recognized for temporary differences between the financial statements and income tax basis of assets and liabilities, loss carry forwards, tax credit carry forwards and timing differences in recognition of payroll expenses for which income tax benefits are available in future years. A valuation allowance is established to reduce deferred tax assets when it is more likely than not, that all, or some portion of such deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in earnings in the period that includes the enactment date.

**Statement of Cash flows**

For the purpose of reporting cash flows, it is the company's policy to include cash on hand and amounts on deposit as cash and cash equivalents.

**for M/s. Lavorato & Darling, Inc**  
Certified Public Accountants

**Pamela E. Darling,**  
CPA

Place: California  
Date: 27<sup>th</sup> May 2008

For and on behalf of the Board

**Stu Taylor II**  
Authorised Signatory



**SANKHYA US CORPORATION**  
A WHOLLY OWNED SUBSIDIARY OF  
M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA,

**CASH FLOW STATEMENT**

Particulars	(Rs)	
	As at 31-Mar-08	As at 31-Mar-07
<b>A. CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	(15,519,703)	(5,875,029)
Operating Profit Before WC Changes	<b>(15,519,703)</b>	<b>(5,875,029)</b>
Adjustment for:		
Trade and Other Receivables	(77,716)	—
Work In Progress	—	—
Trade payables	28,259,911	1,196,088
<b>Net Cash Flow from Operating Activities</b>	<b>12,662,492</b>	<b>(4,678,941)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Application Money	—	—
Notes Payable Borrowings	—	4,671,607
Increase in Share Capital	—	515,657
<b>Net Cash from/(Used) in Financing Activities</b>	<b>—</b>	<b>5,187,264</b>
Opening Cash and Cash Equivalents	508,323	—
<b>Net increase in Cash and Cash Equivalents</b>	<b>12,662,492</b>	<b>508,323</b>
<b>Closing Cash and Cash Equivalents</b>	<b>13,170,815</b>	<b>508,323</b>

for M/s. Lavorato & Darling, Inc  
Certified Public Accountants

Pamela E. Darling,  
CPA

Place: California  
Date: 27<sup>th</sup> May 2008

For and on behalf of the Board

Stu Taylor II  
Authorised Signatory



## AUDITOR'S REPORT

To  
The Members of  
**M/s. SANKHYA INFORMATION TECHNOLOGIES (INDIA) PRIVATE LTD**

1. We have audited the attached Balance Sheet of Sankhya Information Technologies (India) Private Limited as at 31<sup>st</sup> March, 2008 annexed thereto and Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on test basis evidence supporting the amounts disclosed in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As the Company has not commenced any commercial activity, the report as required under the Companies (Auditor's Report) Order 2003 not enclosed.
4. Further to our Comments in the Paragraph 3 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 purpose 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 such books.
  - c) The Balance Sheet dealt with by this report is in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, dealt with by this report complies with the Accounting Standards referred to in sub-section (3C) of Section 41 of the Act.
  - e) On the basis of the written representations received from the Directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31<sup>st</sup> March, 2008 from being appointed as Directors in terms of clause (g) of sub-section (1) of section 274 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 Balance Sheet read together with the significant accounting policies and notes on accounts forming part of the financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of affairs of the Company as on 31<sup>st</sup> March, 2008;

**For M/s SATYANARAYANA & Co**  
Chartered Accountants

PLACE: Secunderabad  
DATE: 30th May 2008

**J. JAGANNADHA RAO**  
Partner  
Membership No.6239



## ANNEXURE TO AUDITOR'S REPORT

Annexure referred to in paragraph 3 of the auditors' Report of even date to the members of Sankhya Information Technologies (India) Private Ltd on the financial statements for the year ended March 31, 2008.

1. The Company has no fixed assets and hence this clause is not applicable to the Company
2. The Company's nature of operations does not require it to hold inventories. Accordingly, clause 4(ii) of the Order is not applicable.
3. The Company has neither granted nor taken any loans, secured or unsecured from any companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956 excepting loan to Wholly Owned subsidiary in USA.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets. The activities of the company do not involve purchase of inventory and the sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of the audit.
5. In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into with parties entered in the register maintained under section 301 of the companies Act, 1956 aggregating during the year to a value exceeding Rs. 5,00,000 in respect of such party during the year.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under excepting loan from a body corporate.
7. In our opinion, the Company has an internal audit system commensurate with its size and 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 under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company. Accordingly, clause 4(viii) of the order is not applicable.
9. (a) According to the information and explanations given to us, no undisputed dues payable in respect of income-tax, sales tax, wealth tax customs duty and cess were outstanding at 31, March 2008 for a period of more than six months from the date they became payable.
10. The Company has no accumulated losses as at March 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. The Company has not taken loan from banks during the year and has not defaulted in paying due to bank either in Principle or interest.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. In our opinion the Company is not a chit fund company
14. In our opinion the Company is not a Nidhi, mutual benefit fund or a society. Accordingly, clause 4 (xiii) of the order is not applicable.
15. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
16. Accordingly to the information and explanations given to us, the Company has not given any guarantee for loans taken by other firms, or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
17. The Company has not taken any term loans during the year.
18. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment and vice versa.
19. The company has not made any preferential allotment or shares during the year.
20. The Clause is not applicable to the Company as it is a private Limited Company.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

**For M/s SATYANARAYANA & Co**  
Chartered Accountants

PLACE: Secunderabad  
DATE: 30th May 2008

**J. JAGANNADHA RAO**  
Partner  
Membership No.6239



**SANKHYA INFORMATION TECHNOLOGIES (INDIA) PVT.LTD**  
**A WHOLLY OWNED SUBSIDIARY OF**  
**M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD**

**BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>SOURCES OF FUNDS</b>			
Shareholders' Fund			
Equity Share Capital	1	1,000,000	1,000,000
Reserves & Surplus		—	—
<b>TOTAL OF SOURCES</b>		<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>
<b>APPLICATION OF FUNDS</b>			
Current Assets, Loans and Advances	2	954,501	954,501
Less: Current Liabilities and Provisions	3	19,311	5,618
<b>Net Current Assets</b>		<b><u>935,190</u></b>	<b><u>948,883</u></b>
Misc. Expenditure (to the extent not written off)	4	64,810	51,117
<b>TOTAL OF APPLICATION</b>		<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

**N. RAMAKRISHNA RAO**  
Director

**N. Sridhar**  
Director

Place: Secunderabad  
Date : 30<sup>nd</sup> May 2008



**SANKHYA INFORMATION TECHNOLOGIES (INDIA) PVT.LTD**  
A WHOLLY OWNED SUBSIDIARY OF  
M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>EQUITY SHARE CAPITAL</b>	<b>1</b>		
<b>A. Authorized Capital</b>			
1,00,000 Equity Shares of Rs. 10 Each		<u>1,000,000</u>	<u>1,000,000</u>
		<u>1,000,000</u>	<u>1,000,000</u>
<b>B. Issued, Subscribed and Paid-up Capital</b>			
1,00,000 Equity Shares of Rs. 10 Each		<u>1,000,000</u>	<u>1,000,000</u>
		<u>1,000,000</u>	<u>1,000,000</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>	<b>2</b>		
Current Assets			
Cash and Bank Balances			
Cash in Hand		70	70
Cash at Bank		29,331	954,431
Sub-total		<u>29,401</u>	<u>954,501</u>
Loans & Advances			
Advances for expenditure		925,100	—
Sub-total		925,100	—
Total		<u>954,501</u>	<u>954,501</u>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>3</b>		
- Provisions			
Creditors & Suppliers		<u>19,311</u>	<u>5,618</u>
Total		<u>19,311</u>	<u>5,618</u>
<b>MISC. EXPENDITURE</b>	<b>4</b>		
Preliminary Expenses		44,624	44,624
Preoperative Expenses		20,186	6,493
		<u>64,810</u>	<u>51,117</u>





## Schedule - 5

### A. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention and the requirements of the Companies Act 1956.

#### 2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of **income and** expenses during the period. Examples of such estimates include provisions for doubtful debts, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

#### 3. Deferred Tax Liability

The Company has no fixed assets and has not provided any depreciation during the year. Hence no deferred tax liability is provided for as there is no tax on timing differences between the taxable income and accounting income that originate in accordance with the Accounting Standard 22, issued by The Institute of Chartered Accountants of India,

### B. NOTES ON ACCOUNTS

#### 1. Contingent Liabilities

All known and undisputed liabilities have been provided for. The Company has no contingent liabilities.

#### 2. Directors Remuneration

Directors Remuneration as prescribed in Paragraphs of 4A of Part II of Schedule VI of the Companies Act, 1956 is: Nil

#### 3. Related Party Disclosures

There are no related party disclosures. > As per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, there are no transactions with the related parties.

#### 4. Remuneration to Statutory Auditors (incl. Service Tax)

Auditor Remuneration as prescribed in Paragraphs of 4B of Part II of Schedule VI of the Companies Act, 1956 is:

(Rs.)

	31-Mar-08	31-Mar-07
Statutory Audit Fee	5,000	5,000
Certification Fee	1,000	1,000
Service Tax	742	735
Total	6,742	6,735

**There are no dues to Small Scale Industrial undertakings as at the end of the year.**

5. The Particulars prescribed in 4C of Part II of Schedule VI of the Companies Act, 1956 are not applicable to this company as this is not a manufacturing company



**6. Micro, Small and Medium Enterprise.**

There are no Micro, Small and Medium Enterprise, to whom the Company owes dues, which are outstanding at the Balance Sheet date, computed on unit wise basis.

**7. Balance Confirmation**

Balances of certain, Sundry Creditors, Loans and Advances and Sundry Debtors are subject to confirmation and/or reconciliation, if any.

**8. Regrouping & Rounding off**

The previous year's figures have been reclassified and regrouped, wherever necessary to confirm the Current Year classification and to confirm to the relevant laws. Paise have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 5 form an integral part of our accounts.

As per our report of even date

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

**N. RAMAKRISHNA RAO**  
Director

**N. Sridhar**  
Director

Place: Secunderabad  
Date : 30<sup>nd</sup> May 2008



**SANKHYA INFORMATION TECHNOLOGIES (INDIA) PVT.LTD**  
**A WHOLLY OWNED SUBSIDIARY OF**  
**M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD**

**CASH FLOW STATEMENT**

Particulars	(Rs)	
	As at 31-Mar-08	As at 31-Mar-07
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	–	–
Adjustment for:		
Trade and Other Receivables	(925,100)	–
Work In Progress	–	–
Trade payables	13,693	5,618
<b>Net Cash Flow from Operating Activities</b>	<b>(911,407)</b>	<b>5,618</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital	–	1,000,000
Increase in Misc. Expenditure	(13,693)	(51,117)
<b>Net Cash from/(Used) in Financing Activities</b>	<b>(13,693)</b>	<b>948,883</b>
<b>Opening Cash and Cash Equivalents</b>	<b>954,501</b>	<b>–</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>(925,100)</b>	<b>954,501</b>
<b>Closing Cash and Cash Equivalents</b>	<b>29,401</b>	<b>654,501</b>

**For Satyanarayana & Co**  
Chartered Accountants

For and on behalf of the Board

**J. Jagannadha Rao**  
Partner  
Membership No. 6239

**N. RAMAKRISHNA RAO**  
Director

**N. Sridhar**  
Director

Place: Secunderabad  
Date : 30<sup>th</sup> May 2008



**SANKHYA SARL, FRANCE**  
**A WHOLLY OWNED SUBSIDIARY OF**  
**M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA**

To the Board of Directors

**Sankhya SARL**

# 7, Chemin des Sept denier

Room # 1, ertage 2

Toulouse 31200 30th June 2008

We inspected the Balance Sheet of the Sankhya SARL, a private company, as at the March 31, 2008 and the statements of losses and accumulated deficit and cash flows for the period from April 1, 2007 at 31 March, 2008, in accordance with Statements on Standards of Accounting and Review Services issued by the French Public Accounts Standards Department.

A compilation is limited to the presentation in the form of financial statements, information that is the representation of management. We reviewed the financial statements and, accordingly express an opinion, subject to ensuring the availability of information.

For and on behalf of

**Actifsud**

The French public accounting



**SANKHYA SARL, FRANCE**  
**A WHOLLY OWNED SUBSIDIARY OF**  
**M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA**

**BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>SOURCES OF FUNDS</b>			
Shareholders' Fund			
Equity Share Capital	1	172,920	172,920
Reserves & Surplus		—	—
<b>Total shareholder's Fund</b>		<u>172,920</u>	<u>172,920</u>
<b>Share Application Money</b>		<u>29,656,530</u>	<u>29,656,530</u>
<b>TOTAL OF SOURCES</b>		<u>29,829,450</u>	<u>29,829,450</u>
<b>APPLICATION OF FUNDS</b>			
Current Assets, Loans and Advances	2	29,829,450	29,829,450
Less: Current Liabilities and Provisions	3	110,000	55,000
<b>Net Current Assets</b>		<u>29,719,450</u>	<u>29,719,450</u>
Misc. Expenditure (to the extent not written off)	4	110,000	55,000
<b>TOTAL OF APPLICATION</b>		<u>29,829,450</u>	<u>29,829,450</u>

For and on behalf of

**Actifsud**  
The French public accounting



**SANKHYA SARL, FRANCE**  
A WHOLLY OWNED SUBSIDIARY OF  
M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs.)

Particulars	Schedule	As at 31-Mar-08	As at 31-Mar-07
<b>EQUITY SHARE CAPITAL</b>	<b>1</b>		
3000 Equity Shares of Euro1 each (3000* 57.64) Euro 1 = Rs. 57.64/-		172,920	172,920
<b>TOTAL</b>		<u>172,920</u>	<u>172,920</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>	<b>2</b>		
Sundry Debtors (Un-secured and considered good)			
- Exceeding Six months		29,829,450	29,829,450
- Less than Six months		-	-
Total		<u>29,829,450</u>	<u>29,829,450</u>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>3</b>		
- Sundry Creditors		110,000	55,000
- Provisions		-	-
<b>Total</b>		<u>110,000</u>	<u>55,000</u>
<b>MISC. EXPENDITURE</b>	<b>4</b>		
Misc. Expenditure		110,000	55,000
<b>Total</b>		<u>110,000</u>	<u>55,000</u>



**SANKHYA SARL, FRANCE**  
**A WHOLLY OWNED SUBSIDIARY OF**  
**M/S SANKHYA INFOTECH LIMITED, SECUNDERABAD, INDIA**

**CASH FLOW STATEMENT**

Particulars	(Rs)	
	As at 31-Mar-08	As at 31-Mar-07
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) after tax and extra Ordinary Items	–	–
Adjustment for:		
Trade and Other Receivables	–	(29,829,450)
Trade payables	55,000	55,000
<b>Net Cash Flow from Operating Activities</b>	<b>55,000</b>	<b>(29,774,450)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital	–	172,920
Increase in Share Premium	–	–
Increase in Share Application Money	–	29,656,530
Increase in Misc. Expenditure	(55,000)	(55,000)
<b>Net Cash from/(Used) in Financing Activities</b>	<b>(55,000)</b>	<b>29,774,450</b>
<b>Opening Cash and Cash Equivalents</b>	<b>–</b>	<b>–</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>–</b>	<b>–</b>
<b>Closing Cash and Cash Equivalents</b>	<b>–</b>	<b>–</b>

For and on behalf of

**Actifsud**  
The French public accounting

**SANKHYA INFOTECH LIMITED**Regd Office: 2<sup>nd</sup> floor, Seven Hills Plaza, S.D. Road, Secunderabad – 500 003.**PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL**

Joint shareholders may obtain additional slip at the venue of the meeting

DP. ID*	Master Folio No.	
Client ID*	No. of Shares	

Name and Address of Shareholder

No. of share(s) Held

I hereby record my presence at the 11th ANNUAL GENERAL MEETING of the Company held on 28th November, 2008 at 10.00 a.m. at Hotel Taj Tristar, Secunderabad – 500 003.

Signature of the Share holder or Proxy

Applicable for investors holding shares in Dematerialized form

**SANKHYA INFOTECH LIMITED**Regd Office: 2<sup>nd</sup> floor, Seven Hills Plaza, S.D. Road, Secunderabad – 500 003.**PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL**

Joint shareholders may obtain additional slip at the venue of the meeting.

DP. ID*	Master Folio No.	
Client ID*	No. of Shares	

/We \_\_\_\_\_ of \_\_\_\_\_ being a member / members of Sankhya Infotech Ltd hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to vote for me/us and on my/our behalf at the 11<sup>th</sup> ANNUAL GENERAL MEETING to be held on 28<sup>th</sup> November, 2008 at 10.00 a.m. at Hotel Taj Tristar, Secunderabad – 500 003 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

\* Applicable for investors holding shares in dematerialized form.

**Note:**

- I. 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 less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the company.
- II. Members holding shares under more than one folio may use photocopy of the proxy form for other folios. The company shall provide additional forms on request.





Printed Matter  
Book Post

To,

If undelivered Please return to :



**Corporate Office**  
2<sup>nd</sup> Floor, Seven Hills Plaza  
S.D.Road, Secunderabad  
AP. India 500 003  
[www.sankhya.net](http://www.sankhya.net)