

# **Baron Infotech Limited**



*gth*

**ANNUAL REPORT**

**2004-2005**

## **BOARD OF DIRECTORS**

- |                           |          |
|---------------------------|----------|
| 1. A A Rama Raju          | Chairman |
| 2. P V S S Raju           | Director |
| 3. P. Venkat Naidu        | Director |
| 4. K.V. Bangar Raju       | Director |
| 5. K. Laxamaiah Choudhary | Director |

### **REGISTERED OFFICE**

35 Journalist Colony  
Road No. 3, Banjara Hills  
Hyderabad 500 034

### **AUDITORS**

M/s. D. Venu Gopal & Co.  
Chartered Accountants

### **BANKERS**

ICICI Bank  
Himayathnagar Branch  
Hyderabad

Syndicate Bank  
Ameerpet Branch  
Hyderabad

### **REGISTRAR & SHARE TRANSFER AGENTS**

Venture Capital & Corporate Investments Ltd.,  
6-2-913/914, 3<sup>rd</sup> Floor, Progressive Towers,  
Khairatabad, Hyderabad 500 004.

### **SHARES LISTED AT**

Hyderabad Stock Exchange Limited  
Mumbai Stock Exchange.

*This is information as on 20<sup>th</sup> December 2005.*

---

## NOTICE

Notice is hereby given that the Adjourned Eighth Annual General Meeting of the members of **Baron Infotech Limited** will be held on Friday, 20<sup>th</sup> January 2006 at 2.00 p.m. at Vinay Nagar Community Hall, 95/96, Vinary Nagar Colony, Saidabad, Hyderabad 500 009 to transact the following business:

### ORDINARY BUSINESS:

To receive, consider and adopt the Audited Balance Sheet as at 30<sup>th</sup> June 2005 and the Profit & Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.

*For Baron Infotech Limited*

Place : Hyderabad  
Date : 20<sup>th</sup> December 2005

Sd/-  
(A. A. Rama Raju)  
Chairman

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIERS TO ATTEND AND VOTE THEREAT INSTEAD OF HIMSELF/ HERSELF. A PROXY NEED NOT BE A MEMBER.
2. The instrument of Proxies to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.

---

**NOTICE**

Notice is hereby given that the Eighth Annual General Meeting of the members of **Baron Infotech Limited** will be held on the Tuesday, 20<sup>th</sup> December 2005 at 11.00 A. M at the Registered Office of the Company to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 30<sup>th</sup> June 2005 and the Profit & Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To appoint Mr. P.V.S.S. Raju, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint M/s. D. Venugopal & Co., Chartered Accounts, the retiring statutory auditors of the Company and authorise the Board of Directors to fix their remuneration.

***For Baron Infotech Limited***

Sd/-

**(A. A. Rama Raju)**  
**Chairman**

Place : Hyderabad  
Date : 19-10-2005

**NOTES:**

- a. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THEREAT INSTEAD OF HIMSELF/ HERSELF. A PROXY NEED NOT BE A MEMBER.
- b. The instrument of Proxies to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.

## DIRECTORS' REPORT

Dear Shareholders

Your Directors' are pleased to present Eighth Annual Report along with the audited Accounts for the Financial Year ended 30<sup>th</sup> June, 2005.

The Company has convened the original Eighth Annual General Meeting on 20<sup>th</sup> December 2005 and transacted all the business given in the Notice except Adoption of Accounts for which meeting got adjourned as the Audited Accounts were not ready for circulation and adoption, and the same is being conducted now.

### Financial Results

(Rs. in lacs)

Particulars	2004-2005	2003-2004
Total Income	Nil	23.23
Total Expenditure	28.13	35.20
<b>Loss for the year</b>	<b>28.13</b>	<b>11.97</b>
Loss brought forwarded	597.34	583.58
<b>Accumulated Loss</b>	<b>625.47</b>	<b>597.34</b>

### Operations of the Company

The Company did not carry on any operations during the period under review.

### Dividend

Your Directors express their inability to recommend dividend for the year due to the loss incurred by the Company.

### Directors

Mr. P.V.S.S. Raju who is liable to retire at the 8<sup>th</sup> Annual General Meeting has been reappointed at the AGM held on 20<sup>th</sup> December 2005.

### Auditors & Auditors' Report

M/s. D. Venugopal & Co., Chartered Accountants, retiring auditors of the Company have been reappointed till the next Annual General Meeting. The following are the replies to various qualifications made by the Auditors' in their Report:

**Replies to Qualification to the Auditors Report:**

2. a. The company is in the process of recovery of the said Fixed Deposit amount from the Bank and the legal proceedings are already initiated against the bank as well as the Director concerned namely Mr. N.V. Rama Raju.  
b. Company is taking steps to reconcile this bank account. The delay caused due to the merging of the Bank of Madhura with ICICI Bank.  
c. Reply given in (a) above is stands good for this qualification
3. a. Necessary steps have being taken for recovering the advances concerned.  
b. The Call Centre has been purchased for lump sum consideration. On account of practical problem the valuation of different class of assets could not be bifurcated.  
c. The Provision will be created against the advance extended for development of call centre depending upon the surplus earned by the Company.  
d. The Company has taken necessary steps for recovery of Rs. 13.02 lacs.  
e. Necessary provision will be created in the Books of Account depending upon the future earning capacity of the Company.  
f. The Company has already initiated steps for making good of the money.

**Particulars of employees**

There are no employees drawing remuneration in excess of the limits prescribed under Sec. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**Fixed Deposits**

The Company does not have any deposits.

**Directors' Responsibility Statement**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to the Director's Responsibility Statement, it is hereby confirmed that except to the extent of qualification made by the Auditors in their Report for the financial year ending as on 30<sup>th</sup> June 2005:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied them consistently and have made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the financial year ended on 30<sup>th</sup> June, 2005;
- iii) proper and sufficient care had been taken by the Board of Directors' for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv) that the directors had prepared the annual accounts on a going concern basis;

### **Corporate Governance**

A report on corporate governance along with the certificate of auditors of your Company as required under Clause 49 of the Listing Agreement is enclosed.

### **Management Discussion and Analysis**

As you are aware your Company is engaged in the activity of software development and services. In view of the market conditions the Company has stopped all its operations. However your company is in the process of formulating a revival strategy and will be implemented vigorously from the coming months. Your Board is confident of turnaround of the Company in the next 2/3 financial years.

### **Conservation of energy & technology absorption, foreign exchange earnings and outgo**

**A. Conservation of Energy:** As there are no operations, it does not arise.

**B. Technology Absorption:**

#### **Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company: Nil
2. Benefits derived as a result of the R & D: Not Applicable
3. Expenditure on R & D : Nil

**C. Foreign Exchange Earnings & Outgo : Nil**

### **Acknowledgements**

The Directors express their sincere appreciation to the shareholders, bankers, share transfer agents and employees at all levels, for their invaluable contribution during the period under review.

**For Baron Infotech Limited**

Sd/-

**( A. A. Rama Raju )**

**Chairman**

Place: Hyderabad

Date: 20.12.2005

## **REPORT ON CORPORATE GOVERNANCE**

### ***Company's Philosophy on Corporate Governance:***

*The Philosophy is to ensure that the interest of all the stakeholders is protected and affairs of the company are conducted in transparent way and wealth is created and shared.*

### **Board of Directors**

The composition of the Board of Directors meets the stipulated requirements. The Board comprises 2 whole time directors and 2 non whole time independent directors. The composition of the Board as on the date of this report is as follows:

A.A. Rama Raju	Chairman & Whole time director	Non-independent
P.V.S.S. Raju	Whole time director	Independent
K.V. Bangar Raju	Non whole time director	Independent
P. Venkat Naidu	Non whole time director	Independent
K. Laxamaiah Choudhary	Non whole time director	Independent

**The Board of Directors met 4 times during the financial year 2004-2005 on the following dates: 22.07.2004, 27.10.2004, 28.01.2005, 27.04.2005**

None of the directors of the Company are members in more than 10 committees or acting as Chairman of more than five committees across all Companies in which he is a Director.

### **Audit Committee**

The constitution of the Committee is as follows:

Mr. A.A. Rama Raju – Chairman  
Mr. K.V. Bangar Raju – Member  
Mr. P. Venkat Naidu – Member

**During the financial year the audit committee met on 22.07.2004, 27.10.2004, 28.01.2005, 27.04.2005.**

The terms of reference made to the Audit Committee inter-alia include:

- i. To oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- ii. To review the management the annual financial statements before submission to the board
- iii. To review with the management & auditors, the adequacy of internal Control systems
- iv. To discuss with auditors any significant findings and follow up there on



- v. To review the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- vi. To discuss with auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern
- vii. To review the company's financial and risk management policies

### **Remuneration of Directors**

During the year under review no remuneration was paid to any of the whole time or non-whole time directors.

### **Management**

- A. The information under this heading is provided under various topics/items in the Directors' Report forming part of this annual report.
- B. The management during the financial year 2004-05 has not made disclosures to the Board relating to the material and commercial transactions, where they have personal interest that had a potential conflict with the interest of the Company at large.

### **Shareholders**

- a) The relevant information relating to the Directors, who would be re-appointed at the ensuing Annual General Meeting is given in the Notice convening the Annual General Meeting.

#### **b) Shareholders/Investors Grievances Committee**

The shareholders / investors grievance committee consists of

Mr. A.A. Rama Raju – Chairman

Mr. K.V. Bangar Raju – Member

Mr. P. Venkat Naidu – Member

The Committee looks into the redressal of shareholders' complaints, transfers and dematerialization of shares.

### **Compliance of Corporate Governance**

The Compliance Certificate obtained from the Statutory Auditors of the Company M/s D. Venugopal & Company is given as a part of the Annual Report.

## General Body Meetings

The following are the details of the last 3 Annual General Meetings:

Financial year	Date	Time	Venue	Nature of special resolutions, if any passed.
2001-2002	28.11.2002	11.00 a.m.	Registered Office	Nil
2002-2003	10.12.2003	11.00 a.m.	Registered Office	Nil
2003-2004	27.11.2004	11.00 a.m.	Registered Office	Nil

Special resolutions were neither put through for post ballot before the last Annual General Meeting nor proposed to put through for the ensuing Annual General Meeting.

## Disclosures

- During the period, there are no related party transactions.
- There have been no non-compliance by the Company of the regulations imposed by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets during the last 3 years.

## General Shareholder Information:

(a) Date, Time & Venue of the 8<sup>th</sup> Annual General Meeting (adjourned):

Date of Annual General Meeting : 20<sup>th</sup> January 2006  
 Time : 2.00 p.m.  
 Venue : Vinay Nagar Community Hall  
 95/96, Vinay Nagar Colony  
 Saidabad, Hyderabad 500 059

(b) The Financial year of the Company is from 1<sup>st</sup> July 2004 to 30<sup>th</sup> June 2005

(c) The shares of the Company are listed on

- Hyderabad Stock Exchange
- Mumbai Stock Exchange.

(e) The details of the scrip of the Company are:

Stock Code : Scrip code 532336

Trading Symbol : **BARON INFOTE**

**Electronic Connectivity**

National Securities Depository Limited  
Trade World, Kamala Mills Compound  
Senapati Bapat Marg, Lower Parel  
Mumbai- 400 013

Central Depository Services (India) Limited  
Phiroze Jeejeebhoy Towers, 28<sup>th</sup> Floor  
Dalal Street, Mumbai\_ 400 023

**(g) Market Price Data**

There is no trading in the Company's scrip during the period under review.

**(h) Registrars and Share Transfer Agents (RTA):**

Venture Capital & Corporate Investments Ltd.,  
6-2-913/914, 3<sup>rd</sup> Floor, Progressive Towers  
Khairatabad, Hyderabad 500 004.

---

**CERTIFICATE**

To  
The Members of  
Baron Infotech Limited

We have examined the compliance of conditions of corporate governance by Baron Infotech Limited, for the period ended on **30<sup>th</sup> June 2005**, as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchange (s).

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

In our opinion and to the best of our information and according to the explanations given to us:

1. We certify that the Company **has not complied** with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.
2. We state that no investor grievance is pending for a period exceeding one month as on **30.06.2005** against the Company as per the records maintained by the shareholders / Investors Grievance Committee.
3. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **D.VENUGOPAL & CO.**  
Chartered Accountants

Sd/  
**D.VENUGOPAL**  
Partner  
M.No. 25220

Place : Hyderabad  
Date : 20-12-2005

---

**AUDITORS' REPORT**

To  
**The Members of BARON INFOTECH LIMITED,**  
Hyderabad.

We have audited the attached Balance Sheet of **Baron Infotech Limited** as at **30<sup>TH</sup> JUNE 2005** and also the Profit and Loss Account for the Year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit

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

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of "The Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that
  - a. The company's Fixed Deposits of Rs. **1.75** Crores are with the Bharat Mercantile Co-operative Urban Bank Ltd., as on the date of the Report as explained to us and information and explanations obtained during the audit it appears that one of the then Director has availed loan in his personal capacity against company's FDRs and the same was adjusted by the Bank against the said Loans.
  - b. The company has Rs.**3.88** Lakhs as deposit with Bank of Madhura. No documentary evidence such as confirmation from bank is not available. Provision is not created on this deposit. Consequently the bank balances are overstated and loss is understated to that extent.
  - c. An amount of Rs.**6.94** lakhs interest receivable from bank is shown under other current assets as interest receivable though the banker adjusted the deposit and interest receivable there on during the year 2001-02. Consequently LOSS for the year is understated and Current assets are overstated to that extent.
3. a. The company has made an advance of Rs.**92.50** Lakhs towards the capital works. There is no evidence regarding the execution of capital works for which provision has to be created which has not been complied by the company. Hence advance for fixed assets is overstated and loss for the year is under stated to that extent.

- b. As per the books of account an amount of Rs.60.00 Lakhs is showing in fixed assets as CALL CENTRE inclusive of all assets belonging to call centre. Details of classification of assets such as plant and equipment, furniture and fixtures ... are **not available** for our verification. Hence we are unable to express our opinion on the said items.
  - c. The company has given an advance of Rs.10.00 Lakhs for the development of a call center for which no evidence is available. The company has not created any provision even though no development has taken place. Hence the loss for the **YEAR** is understated and advances were overstated to that extent.
  - d. The company has advanced an amount of Rs.13.02 Lakhs to different parties, but no recorded evidence is available. Since the company has not created any provision against the same the loss is understated and advances are over stated to that extent.
  - e. An amount of Rs.15.00 Lakhs paid towards cost of ERP Modules showing in Advances for Fixed Assets. No proofs of having these modules in the office were shown either in the computer systems or through the C.D's. As the provision was not made on this advance consequently the Advance for fixed assets was over stated by Rs.15.00 Lakhs and Loss was understated by 15.00 Lakhs
  - f. Fixed assets includes Rs 61.46 lakhs towards purchase of Computer Equipment. However, there is no proof of receipt and installation of equipment. Hence Fixed Assets are overshadowed 61.46 lakhs and current assets are under shown by the same amount.
4. Bank balances are subject to confirmation.
5. Debit / Credit balances in parties' accounts are subject to confirmation.
- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of such books.
- iii. The Balance Sheet and Profit and loss Account dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 **subject to**
- Fixed assets capitalization in Call centre premises is not as per Accounting Standard 10 issued by ICAI.
  - Depreciation on Call centre premises is not provided deviation Accounting Standard 6 issued by ICAI.



Due to non availability of information we are unable to comment on the quantum of impact on the financial statements

- v. On the basis of written representations received from the directors and taken on record by the Board of Directors, We report that none of the directors is disqualified as on **June 30, 2005** from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the company's accounting policies and notes hereto, give the information required by the companies Act, 1956 in the manner so required and give a true and fair view **SUBJECT TO THE INFORMATION MENTIONED IN PARGRAPH Numbers 2 and 3 OF THE REPORT** in conformity with the accounting principles generally accepted in India.
- In the case of the Balance Sheet, of the state of affairs of the Company **as at 30<sup>th</sup> June, 2005**; and
  - In the case of the Profit and Loss Account, of the **LOSS** of the company for the **YEAR** ended on that date.
  - In case of the cash flow statement, of the cash flows for the year ended on that date.

For **D.VENUGOPAL & CO.**  
Chartered Accountants

Sd/  
**D.VENUGOPAL**  
Partner  
M.No. 25220

Place : Hyderabad  
Date : 20-12-2005

---

**Annexure to the Auditor's Report****Annexure referred to in paragraph 1 of our report of even date:-**

- i. a. The Company **has not maintained** records to show full particulars including quantitative details and situation of fixed assets.  
b. There is no documentary evidence regarding the physical verification of assets at frequent intervals. In the absence of the proper information we are unable to comment on the situation and the discrepancy between the books stock and physical stock of fixed assets.  
c. None of the fixed assets have disposed off during the year
- ii. During the period the company **has not dealt** with any inventory consequently clause (a), Clause (b) and Clause (c) of paragraph ii are not applicable to the company.
- iii. a. The company has **not maintained the register** to be maintained under section 301. Based on the information and explanations given by the management that the company has not granted any loans except advances to directors in the normal course of business.  
b. Since the company has not maintained the register we are unable to comment upon clause (b), Clause (c), Clause (d) of paragraph iii.  
e. The company has **not maintained the register** to be maintained under section 301. Hence we are unable to comment on the clause (e) of paragraph iii.  
f. In view of our comment in paragraph iii(e) above we are unable to comment on the clauses iii(f), iii(g) of paragraph iii.
- iv. In our opinion and according to the information and explanations given to us, certain items purchased are of a special nature in respect of which suitable alternative sources do not exists for obtaining comparative quotations, there are **no adequate internal control procedures** commensurate with the size of the company and nature of its business for the purpose of computer hardware and software, consumables, plant and machinery, equipment and other assets. The activities of the Company do not involve sale of goods.
- v. a. The company has **not maintained the register** to be maintained under section 301, hence we are unable to comment upon entries to be entered in 301 register.  
b. In view of our comment in paragraph v(a) above we are unable to comment on the clause v(b) of paragraph iii.
- vi. In our opinion and according to the information and explanation given to us the Company has not accepted any deposits from the Public under section 58A and 58AA of the Companies Act, 1956 and rules there under are not applicable to the company.



- vii. The Company **hasn't internal audit system** commensurate with its size and nature of its business.
- viii. The Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956.
- ix. a. According to the information and explanations given to us, the company is **not regular** in depositing undisputed statutory dues including provident fund, Investor education and protection fund, Employee state insurance, income tax, sales tax, Wealth tax, Customs Duty, Excise Duty, Cess and other Statutory dues with the appropriate authorities during the year. At the last day of the financial period **there were amounts outstanding** in respect of undisputed Income Tax, Wealth Tax, Customs Duty, Excise Duty and Sales Tax which were due for more than six months from the date they became payable. Following are details.

S.No	Particulars	Amount	Remarks
1	Professional tax	<b>20,004</b>	For the Year 1999-2000 — Rs. 16,955 For the Year 2000-2001 — Rs. <u>32</u> For the year 2001-2002 — Rs. <u>3,017</u> Total Rs. <u>20,004</u>
2	TDS-Salaries	<b>62,800</b>	For the Period 2000-2001
3	TDS-Others	<b>318,210</b>	For the Year 2000-2001 Rs. 96,060 For the Year 2001-2002 Rs. 222,150 Total Rs. 318,210

- b. According to the information and explanations given to us, the company hasn't any disputed statutory dues including provident fund, Investor education and protection fund, Employee state insurance, income tax, sales tax, Wealth tax, Customs Duty, Excise Duty, Cess and other Statutory dues. Hence this clause is not applicable to the company.
- x. The company has **accumulated losses** at the end of the year. The accumulated losses and miscellaneous expenditure are **more than fifty percent** of the capital of the company. The company has incurred **cash loss** during the financial year i.e **2004-05** and has not incurred Cash losses during the immediately preceding year i.e **2003-04**.
- xi. Based on our audit procedures and on the basis of information and explanations given by the management we are of opinion that the company has not defaulted in the repayment of dues to banks subject to PARAGRAPH 2 OF THE REPORT. The company has no dues to financial institutions.
- xii. According to the information and explanations given to us the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- xiii. In our opinion the company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore the provisions of clause 4 (13) of the Companies (Auditors Report) Order 2003 are not applicable to the Company
- xiv. In our opinion the company is not dealing in or trading in shares securities, debentures and other investments, accordingly the provisions of Clause 4(14) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
- xv. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi. During the year no term loans were accepted by the company hence this clause is redundant.
- xvii. According to cash flow statement and records examined by us and according to the information and explanations given to us on overall basis funds raised on short term basis to the extent of Rs.1.09 lakhs as **increase in Net Current Assets** used during the year for **long term** investment and no long terms funds have been used for short term investment.
- xviii. During the year the company has not made any allotment. Consequently clause xviii is not applicable to the company.
- xix. According to the information and explanations given to us and the records examined by us no debentures were issued by the company and therefore the provisions of Clause 4(19) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
- xx. During the year the company has not raised by any public issues and hence the question of disclosure and verification of end use of such money doesn't arise.
- xxi. According to the information and explanations given to us and the records examined by us no fraud on or by the company was noticed or reported during the year.

For **D.VENUGOPAL & CO.**  
Chartered Accountants

Sd/  
**D.VENUGOPAL**  
Partner  
M.No. 25220

Place : Hyderabad  
Date : 20-12-2005

<b>BALANCE SHEET AS AT 30th June, 2005</b>			
<b>PARTICULARS</b>	<b>SCH No.</b>	<b>AS AT 30.06.2005</b>	<b>AS AT 30.06.2004</b>
<b>SOURCE OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
Share Capital	1	102,000,000	102,000,000
<b>LOAN FUNDS</b>			
Secured Loans	2	800,035	800,035
Unsecured Loans	3	292,338	209,338
<b>TOTAL Rs.</b>		<b>103,092,373</b>	<b>103,009,373</b>
<b>APPLICATION OF FUNDS</b>			
Fixed assets	4		
Gross Block		26,284,541	26,284,541
Less: Depreciation		21,470,785	19,948,503
Net block		4,813,756	6,336,038
Advance for Fixed Assets	5	14,551,557	14,551,557
<b>Current Assets, Loans &amp; Advances</b>			
<b>A. Current Assets</b>			
Sundry Debtors	6	762,552	762,552
Cash & Bank Balances	7	18,391,457	18,399,955
Other Current Assets	8	694,017	694,017
<b>B. Loans &amp; Advances</b>			
	9	2,916,884	2,916,884
		22,764,910	22,773,408
Less: Current Liabilities & Provisions	10	1,584,956	1,483,956
Net Current Assets		21,179,954	21,289,452
Miscellaneous Expenditure	11	-	1,097,895
P & L A/c Dr Balance		62,547,107	59,734,431
<b>TOTAL Rs.</b>		<b>103,092,373</b>	<b>103,009,373</b>

Notes forming part of accounts

16

as per our Report of Even Date  
For. D. Venugopal & Co.,

For and on behalf of the Board of Directors

Sd/-  
(D. Venugopal)  
Partner

Sd/-  
(A.A. Rama Raju)  
Chairman

Sd/-  
(P.V.S.S. Raju)  
Director

Place : Hyderabad  
Date: 20-12-2005

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th June, 2005**

<b>PARTICULARS</b>	<b>SCH NO.</b>	<b>Year ended 30.06.2005</b>	<b>Year ended 30.06.2004</b>
<b>INCOME</b>			
Other Income	12	-	2,323,432
<b>TOTAL Rs.</b>		<b>-</b>	<b>2,323,432</b>
<b>EXPENDITURE</b>			
Staff Cost	13	60,000	25,233
Interest & Financial Charges	14	-	13,193
Admn. & Selling Expenses	15	132,497	130,159
Written off of Preliminary Expenses	11	1,097,896	1,164,397
Depreciation	4	1,522,282	2,187,180
<b>TOTAL Rs.</b>		<b>2,812,676</b>	<b>3,520,162</b>
<b>LOSS FOR THE YEAR</b>		<b>2,812,676</b>	<b>1,196,730</b>
Add Loss Brought forward for previous year		59,734,431	58,537,701
Balance Carried Forward To Balance Sheet		62,547,107	59,734,431

Notes forming part of accounts

16

as per our Report of Even Date

For. D. Venugopal &amp; Co.,

For and on behalf of the Board of Directors

Sd/-  
(D. Venugopal)  
Partner

Sd/-  
(A.A. Rama Raju)  
Chairman

Sd/-  
(P.V.S.S. Raju)  
Director

Place : Hyderabad

Date: 20-12-2005



**SCHEDULES forming part of Balance Sheet As at 30th June 2005**

<b>PARTICULARS</b>	<b>SCH. No.</b>	<b>AS AT 30.06.2005</b>	<b>AS AT 30.06.2004</b>
<b>Share Capital</b>			
<b>Authorised Capital</b>	<b>1</b>	<b>110,000,000</b>	<b>110,000,000</b>
1,10,00,000 Equity shares of Rs. 10/- each (Previous year 1,10,00,000 Equity Shares of Rs.10/- each)			
<b>Issued, Subscribed &amp; Paid up Capital</b>			
1,02,00,000 Equity shares of Rs.10/- each fully paid up (Previous year 1,02,00,000 Equity Shares of Rs.10/- each)		<b>102,000,000</b>	<b>102,000,000</b>
<b>TOTAL Rs.</b>		<b>102,000,000</b>	<b>102,000,000</b>
<b>Secured Loans</b>	<b>2</b>		
Overdraft		<b>800,035</b>	<b>800,035</b>
<b>TOTAL Rs.</b>		<b>800,035</b>	<b>800,035</b>
<b>Unsecured Loans</b>	<b>3</b>		
Other Unsecured Loans		<b>292,338</b>	<b>209,338</b>
<b>TOTAL</b>		<b>292,338</b>	<b>209,338</b>
<b>Advance for Fixed Assets</b>	<b>5</b>		
Call Centre Advance		<b>1,116,000</b>	<b>1,116,000</b>
Other advances - O		<b>1,066,000</b>	<b>1,066,000</b>
Advance for Software Development		<b>1,500,000</b>	<b>1,500,000</b>
B I I T		<b>607,026</b>	<b>607,026</b>
Chanakya Micro Technologies		<b>45,500</b>	<b>45,500</b>
Design Square		<b>2,200</b>	<b>2,200</b>
Front Line Technologies Ltd		<b>240,290</b>	<b>240,290</b>
Future Computers		<b>11,508</b>	<b>11,508</b>
Krushni Constructions		<b>9,250,000</b>	<b>9,250,000</b>
Parity Systems Pvt Ltd		<b>325,000</b>	<b>325,000</b>
Sharp Micro Technologies		<b>370,000</b>	<b>370,000</b>
Virtual Computers		<b>18,033</b>	<b>18,033</b>
		<b>14,551,557</b>	<b>14,551,557</b>

PARTICULARS	SCH. No.	AS AT 30.06.2005	AS AT 30.06.2004
<b>Sundry Debtors</b>	6		
Unsecured			
a. Considered Good			
Debts due over six months		762,552	762,552
		762,552	762,552
b. Considered doubtful	7		
Debts due over six months		18,683,202	18,683,202
Less: Provision for bad & doubtful debts		18,683,202	18,683,202
		-	-
		-	-
<b>TOTAL Rs.</b>		<b>762,552</b>	<b>762,552</b>
<b>Cash &amp; Bank Balances</b>	7		
Cash and Bank Balances		891,457	899,955
Fixed Deposits with Bharath Mer. Co-Op Bank		17,500,000	17,500,000
<b>TOTAL Rs.</b>		<b>18,391,457</b>	<b>18,399,955</b>
<b>Other Current Assets</b>	8		
Interest Receivable (Bharat Mer. Co-Op Bank Ltd)		694,017	694,017
<b>TOTAL Rs.</b>		<b>694,017</b>	<b>694,017</b>
<b>Loans &amp; Advances</b>	9		
Rental Deposit		14,000	14,000
Deposit - Others		360,000	360,000
Deposit with customs authorities		250,000	250,000
Advance for Expenses- Directors		1,231,469	1,231,469
Pre-Paid Taxes		1,061,415	1,061,415
<b>TOTAL Rs.</b>		<b>2,916,884</b>	<b>2,916,884</b>

PARTICULARS	SCH. No.	AS AT 30.06.2005	AS AT 30.06.2004
<b>Current Liabilities &amp; Provisions</b>	<b>10</b>		
<b>A. Current liabilities:</b>			
Sundry Creditors - Others		23,370	23,370
Outstanding Expenses		196,113	95,113
Share Application Money (Pending for refund)		83,546	83,546
Statutory dues payable		401,014	401,014
Other Current Liabilities		880,913	880,913
<b>(1 + 2 + 3) TOTAL Rs.</b>		<b>1,584,956</b>	<b>1,483,956</b>
<b>Miscellaneous expenditure to the extent not written off</b>	<b>11</b>		
<b>Public Issue Expenses</b>			
Opening Balance		1,097,895	2,262,292
Less Written off/Transferred to P&L A/c during the year		1,097,895	1,164,397
		-	<b>1,097,895</b>

# SCHEDULE

## FIXED ASSETS and DEPRECIATION SCHEDULE

PARTICULARS			GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
1	2	3	4	5	6	7	8	9	10	11	12	13
SL.N O.	DESCRIPTION	RATE OF DEP	AS AT 30.06.04	ADDITI ON	DELETION	AS AT 30.06.05	UPTO 30.06.04	FOR THE PERIOD	DELETION	AS AT 30.06.05	AS AT 30.06.05	AS AT 30.06.04
1	FURNITURE	18.10%	5,765,350	-	-	5,765,350	3,105,070	481,511	-	3,586,581	2,178,769	2,660,280
2	OFFICE EQUIPMENT	13.91%	2,357,985	-	-	2,357,985	1,104,693	174,333	-	1,279,026	1,078,959	1,253,292
3	COMPUTERS	40.00%	16,288,322	-	-	16,288,322	14,463,716	729,842	-	15,193,558	1,094,764	1,824,607
4	VEHICLES	25.89%	1,598,134	-	-	1,598,134	1,152,106	115,477	-	1,267,582	330,552	446,028
5	AIR CONDITIONERS	13.91%	274,750	-	-	274,750	122,919	21,120	-	144,039	130,711	151,831
			26,284,541	-	-	26,284,541	19,948,503	1,522,282	-	21,470,785	4,813,756	6,336,038
Previous year			26,284,541	-	-	26,284,541	17,761,323	2,187,180	-	19,948,503	6,336,038	8,523,218



**SCHEDULES forming part of Profit & Loss Account for the year ended 30th June 2005**

<b>PARTICULARS</b>	<b>SCH. No.</b>	<b>AS AT 30.06.2005</b>	<b>AS AT 30.06.2004</b>
<b>Other Income</b>	<b>12</b>		
Write back of credit balances			2,082,832
Recovery of call centre expenses			240,600
<b>TOTAL Rs.</b>		<b>-</b>	<b>2,323,432</b>
<b>Staff Costs</b>	<b>13</b>		
Staff Costs		60,000	25,200
Staff Welfare		-	33
<b>TOTAL Rs.</b>		<b>60,000</b>	<b>25,233</b>
<b>Interest &amp; Financial Charges</b>	<b>14</b>		
Interest to others		-	13,193
<b>TOTAL Rs.</b>		<b>-</b>	<b>13,193</b>
<b>Administrative &amp; Selling Expenses</b>	<b>15</b>		
Rent		84,000	66,500
Office Maintenance		3,500	4,495
Auditors Remuneration		20,000	20000
Share Transfer Expenses		23,682	-
Bank Charges		1,315	1,494
Printing & Stationary		-	1,359
Rates & Taxes		-	25,400
Repairs & Maintenance		-	10,741
Other Expenses		-	170
<b>TOTAL Rs.</b>		<b>132,497</b>	<b>130,159</b>

**SCHEDULE XVI**

**Significant Accounting Policies and Notes on Accounts forming part of the Accounts for the YEAR ended 30<sup>TH</sup> JUNE, 2005.**

**SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.

Accounting policies not specifically referred to otherwise are in consonance with prudent accounting principles.

All income and expenditure items having material bearing on the financial statements are recognized on accrual basis.

**2. Revenue Recognition**

Revenue from Software Services is recognized based on milestones reached as per the terms of the contract.

**3. Fixed Assets**

Fixed assets are stated at actual cost of Acquisition. Cost of acquisition is inclusive of freight, duties, taxes installation expenses and other incidental expenses.

**4. Depreciation**

Depreciation on fixed assets has been provided on pro-rata basis on W. D V method as per the rates provided in the schedule XIV to the Companies Act, 1956. Individual assets acquired for less than Rs.5000/- are entirely depreciated in the year of acquisition.

**5. Product Development Expenditure**

There are no product development expenses during the period

**6. Preliminary Expenses:**

Preliminary expenses incurred up to **31.03.1999** are amortized over a period of 10 years. Preliminary expenses incurred after **01.04.1999** are amortized over a period of 5 years.

## 7. Expenditure

Expenses are accounted on **accrual** basis and provision is made for all known liabilities. Computer Spares, accessories and stationery are charged to revenue in the year in which such expenditure is incurred.

## 8. Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Assets and Liabilities, receivable / payable in foreign currency are shown at the exchange rate prevailing on the date of the Balance Sheet complying Accounting Standard 11 issued by ICAI

## 9. Inventory Valuation:

Materials, Stores and spares are stated at lower of cost and net realisable value.

## Notes to Accounts

### 1. Secured Loans

Over draft of Rs.8.00 Lakhs from Bharat Mercantile Co-Operative Urban bank Ltd is secured by hypothecation of all tangible movable properties such as products, stock in trade and goods apart from personal guarantees of Directors.

### 2. Depreciation

Depreciation on fixed assets has been provided on pro-rata basis Written-Down -Value method as per the rates provided in the schedule XIV to the Companies Act, 1956. Individual assets acquired for less than Rs.5000/- are entirely depreciated in the year of acquisition.

### 3. Advances to Directors:

An amount of Rs.12.31 lakhs has been lying in advances to directors in Loans & advances. This amount has been given to directors to meet the expenses in the normal course of business. As bills have not submitted by the directors the amount kept pending and considered to be good.

### 4. Current Liabilities:

Dues to SSI — NIL Previous year – NIL.

### 5. Gratuity & Leave Encashment

- i. There is no liability provided for Gratuity, as none of the employees are eligible for Gratuity as per payment of Gratuity Act.
- ii. There is no liability provided in respect of leave encashment, as none of the employees have credit of earned leave.

## 6. Managerial Remuneration

Salaries include Managerial Remuneration paid to three whole time Directors are as follows

	Amount in Rupees	
Particulars	Current Period	Previous Year
Remuneration	NIL	NIL
Other benefits	NIL	NIL

## 7. Auditors Remuneration

	Amount in Rupees	
Particulars	Current Period	Previous Year
For Statutory Audit	20,000	20,000

## 8. Foreign Exchange Inflow/Outflow

Foreign Exchange transactions are NIL

## 9. Related Party Transactions

During the period, there are no related party transactions.

## 10. Segmental Reporting

The company has not earned any income during the year

## 11. Contingent Liabilities

There are no contingent liabilities as at the close of the year.( Previous Year NIL)

## 12. Quantitative Details

During the year the company has not dealt with any material/ goods hence particulars to be given such as quantitative details of sales and the information as required under paragraph 3, 4c, and 4d of part II of Schedule VI to the Companies Act, 1956 may be treated as NIL.



**13. General**

- i. Balances due to / Due from various parties are subject to confirmation.
- ii. Previous year figures have been rearranged, regrouped, reclassified and recast wherever necessary to conform to current year's classification.

**As per our report of even date**  
For D.Venugopal & Co.  
Chartered Accountants

**By Order of the Board**

Sd/-  
**(D.VENUGOPAL)**  
Partner

Sd/-  
**(A. A RAMA RAJU)**  
Chairman

Sd/-  
**(P.V.S.S. RAJU)**  
Director

Place : Hyderabad  
Date : 20-12-2005



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 20, 2005

	30-Jun-05		30-Jun-04	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit / (Loss)		(2,812,676)		(1,196,736)
Adjustment for:				
Depreciation	1,522,282		2,187,180	
Interest (Net)	-		-	
Provision for Doubtful Debts	-		-	
Loss on Sale of Assets	-		-	
Bad Debts / Advances/ Stocks Written off etc.				
Provision for Gratuity / Leave Encashment				
Miscellaneous Expenditure - Amortised	1,097,896		1,164,397	
		2,620,178		3,351,577
<b>Operating Profit before Working Capital changes</b>		(192,497)		2,154,847
Adjustments for:				
Inventories	-		-	
Sundry Debtors	-		-	
Deferred Revenue Expenditure	-		-	
Loans and Advances and Other Current Assets	-		(14,000)	
Current Liabilities	101,000		(1,881,111)	
		101,000		(1,895,111)
<b>Cash generated from Operations</b>		(91,498)		259,736
<b>Income Tax Refund received/(paid)</b>				
<b>Net Cash from in Operating Activities</b>		(91,498)		259,736
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	-		-	
Proceeds from Sale of Assets	-		-	
		-		-
<b>Net Cash used in Investing Activities</b>				
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Interest on Term Loans and Others	-		-	
Interest on Refund of Share Application Money				
Repayment of Share Application Money				
Proceeds for Share Application Money				
Proceeds from Long Term Borrowings				
Repayment of Long Term Borrowings				
Proceeds from Short Term Borrowings	83,000		(273,883)	
Repayment of Short Term Borrowings				
		83,000		(273,883)
<b>Net Cash from/(used in) Financing Activities</b>				
<b>Net Decrease in Cash and Cash Equivalents</b>		(8,498)		(14,147)
<b>Cash and Cash Equivalents - Opening Balance*</b>		18,399,955		18,414,102
<b>Cash and Cash Equivalents - Closing Balance *</b>		18,391,457		18,399,955
* includes Margin Money Deposits				
The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.				

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

This is the Cash Flow statement referred to in our Report of even date.

As per our Report of Even Date

For. D. Venugopal & Co.,

For and on behalf of the Board of Directors

Sd/-  
(D. Venugopal)  
Partner

Sd/-  
(A.A. Rama Raju)  
Chairman

Sd/-  
(P.V.S.S. Raju)  
Director

Place : Hyderabad

Date: 20-12-2005



BALANCE SHEET AND A COMPANY'S GENERAL BUSINESS PROFILE			
<b>I REGISTRATION DETAILS:</b>			
REGISTRATION NO.	2 5 8 5 5	STATE CODE	"01
BALANCE SHEET DATE	3 0 .06. 2 0 0 5		
<b>II CAPITAL RAISED DURING THE YEAR (AMOUNT IS RS. THOUSANDS)</b>			
PUBLIC ISSUE	-	RIGHTS ISSUE	-
BONUS ISSUE	-	PRIVATE PLACEMENT	-
SHARE APPLICATION MONEY	-		
<b>III POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS:</b>			
AMOUNT IN 000'S			
TOTAL LIABILITIES	103,092	TOTAL ASSETS	103,092
<b>SOURCES OF FUNDS</b>			
PAID UP CAPITAL	102,000	RESERVES & SURPLUS	-
SECURED LOANS	800	UNSECURED LOANS	292
SHARE APPLICATION MONEY	-		
<b>APPLICATION OF FUNDS</b>			
NET FIXED ASSETS	4,814	ADVANCE FOR ASSETS	14,392
NET CURRENT ASSETS	21,180	MISC. EXPENDITURE	-
ACCUMULATED LOSSES	62,547		
<b>IV PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS):</b>			
TURNOVER	-	TOTAL EXPENDITURE	2,813
LOSS BEFORE TAX	2,813	LOSS AFTER TAX	2,813
EARNINGS PER SHARE	-	DIVIDEND RATE	NIL
<b>V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY</b>			
ITEM CODE	8 5 2 4 9 0 0 9 . 1 0		
PRODUCT DESCRIPTION	SOFTWARE DEVELOPMENT		

Schedules referred to above Form an Integral part of Accounts  
As per our Report of Even Date

For. D. Venugopal & Co.,

For on on behalf of the the Board of Directors

Sd/-  
(D. Venugopal)  
Partner

Sd/-  
(A.A. Rama Raju)  
Chairman

Sd/-  
(P.V.S.S. Raju)  
Director

Place : Hyderabad  
Date: 20-12-2005

**BARON INFOTECH LIMITED****FOURTH ANNUAL GENERAL MEETING (ADJOURNED)**

Registered Office: Plot # 35, Journalist Colony, Road # 3, Banjara Hills, Hyderabad 500 034

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_ being Member/ Members of Baron Infotech Limited, hereby appoint Mr./ Ms. \_\_\_\_\_ of \_\_\_\_\_ or failing him/ her, Mr./ Ms. \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us on my/our behalf at the **Eighth Annual General Meeting (adjourned)** of the Company to be held on 20<sup>th</sup> January 2006, at 2.00 p.m. at Vinay Nagar Community Hall, 95/96, Vinay Nagar Colony, Saidabad, Hyderabad 500 009 and at any adjournment thereof.

Folio # / Client id :

As witness my/our hand (s) this \_\_\_\_\_ day of \_\_\_\_\_ of 2006

Signed by the said \_\_\_\_\_

Affix Re. 0.15 Ps.  
Revenue Stamp

Note : The Proxy form duly completed must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting. A proxy need not be a member.

**BARON INFOTECH LIMITED****FOURTH ANNUAL GENERAL MEETING (ADJOURNED)**

Registered Office: Plot # 35, Journalist Colony, Road # 3, Banjara Hills, Hyderabad 500 034

**ATTENDANCE SLIP**

I hereby record my presence at the **Eighth Annual General Meeting (adjourned)** of the Company at the registered office on

**Date**20<sup>th</sup> January 2006**Venue**Vinay Nagar Community Hall  
95/96, Vinay Nagar Colony  
Saidabad, Hyderabad – 500 059**Time**

2.00 p.m.

Name of the Shareholder/ Proxy	Folio # / Client ID / DP ID	No. of shares

I certify that I am a registered Shareholder of the Company and hold \_\_\_\_\_ Shares.

**Member's/Proxy signature**

Note: Shareholder/Proxy holder wishing to attend the meeting must bring the Admission Slip and hand over at the entrance duly signed.



**PRINTED MATTER  
BOOK-POST**

*If undelivered, please return to:*

**BARON INFOTECH LTD.**

35 Journalist Colony, Road No. 3,  
Banjara Hills, Hyderabad 500 034