

ANNUAL REPORT
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Cranes Software International Limited

Enterprise Analytics and Engineering Simulation Software & Solutions





Board of Directors

- | | |
|------------------|----------------------------------|
| Dr. Rudra Pratap | - Chairman |
| Mr. Asif Khader | - Co-founder & Managing Director |
| Mr. Mukkaram Jan | - Co-founder & Director |
| Mr. Mueed Khader | - Director |
| Mr. Richard Gall | - Director |
| Mr. Ronald Brown | - Director |
| Dr. Manju Bansal | - Director |
| Dr. Peter Ryser | - Director |

Bankers

- HSBC Bank
Bank of India
The Jammu & Kashmir Bank Ltd.
State Bank of Travancore
IDBI Bank Ltd.
Yes Bank
State Bank of India
Canara Bank
Allahabad Bank
State Bank of Mysore

Auditors

- S. Janardhan & Associates
Chartered Accountants
Apt. Nos. 104 & 203, Embassy Centre
No. 11, Crescent road, Bangalore - 560 001.

Registered Office

- Cranes Software International Ltd.
29, 7th Cross, 14th Main
Vasanth nagar, Bangalore - 560 052.

Registrars

- Integrated Enterprises India Pvt. Ltd.
39, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram, Bangalore - 560 003

Website

- www.cranessoftware.com



CRANES SOFTWARE INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

2009 - 2010



REPORT OF THE BOARD OF DIRECTORS

To the Members of
Cranes Software International Limited,

Your Directors have pleasure in presenting to you the Twenty-fifth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2010 by itself and its subsidiaries, viz.

1. Systat Software Inc., USA
2. Cranes Software UK Ltd., (WOS of Systat Software Inc., USA)
3. Cranes Software Inc., USA.
4. Engineering Technology Associates Inc., USA (WOS of Cranes Software Inc., USA) Engineering Technology Associates (Shangai) Inc.,
5. Dunn Solutions Group Inc., USA (WOS of Cranes Software Inc., USA)
6. Systat Software GmbH, Germany
7. Cubeware GmbH (WOS of Systat Software GmbH), including its WOS in Austria and Switzerland
8. Cranes Software International Pte Ltd., Singapore
9. Tilak Autotech Pvt Ltd., India
10. Proland Software Pvt Ltd., India
11. Caravel Info Systems Pvt Ltd., India
12. Esqube Communciation Solutions Pvt Ltd., India
13. Systat Software Asia Pacific Ltd., India
14. Analytix Systems Pvt Ltd., India

The Audited Accounts for the same period, of the above Subsidiary Companies have also been incorporated as per relevant regulations in the Consolidated Financial Statements, also being presented.

Financial Performance

(Rs. in Million)

Particulars	2009-10	2008-09	2009-10	2008-09
			Consolidated	
Sales and Operating Revenues	317	3,769	2,404	5,289
Profit before tax	(2,960)	1,306	(3,096)	1,333
Taxes	(1,020)	150	(1,054)	118
Profit after tax	(1,941)	1,156	(2,042)	1,215

Business

During the year, your Company, on a standalone basis, achieved a Sales and Operating Revenue of Rs. 317million, down from Rs. 3,769 million The after tax position was a loss of Rs 1,940 million, on Standalone basis

On a consolidated basis, during the year, your Company together with its above named subsidiaries, achieved a Sales and Operating Revenue of Rs. 2,404 million, again down from Rs. 5,289 million of the previous year

Operations

The last year under review had been highly demanding and challenging for your Company both business wise and operationally. Given the historic global economic turmoil experienced over the last couple of years, your Company had to face a fair amount of turmoil in its business.

During the year under review, there was considerable turmoil in the Company consequent upon severe liquidity crisis. As a result there was large scale manpower turnover as well. The liquidity crisis was further exacerbated by stances taken by Banks / Financial Institutions, other lenders, Service Providers et al. Pursuant to the stances taken by some Lenders, it was, as a matter of good order also, decided to pend disbursement of dividends declared by the shareholders in the Twenty-fourth Annual General Meeting of the Company held on September 29, 2009. The Board regrets having had to resort to such severe measures.



Appropriation

In the absence of distributable profits in the year, the Directors have not recommended dividend for the year 2009-10, in order to conserve cash.

Subsidiary Companies / Joint Ventures.

In terms of Sec 212(1) of the Companies Act, 1956, the Directors' Reports, Profit and Loss Accounts and Balance Sheets of each of the Subsidiary Companies referred to above, are attached.

In accordance with the Accounting Standard AS-21 on consolidated financial statements, your Directors also have pleasure in attaching the Consolidated Financial Statements which form a part of the Annual Report and Accounts.

There along with the Company's results, we believe, present a full view of the state of affairs of the Company.

Remarks of Auditors

In the course of audit of the Accounts, the Statutory auditors have raised comments, observations and qualifications. Their comments in respect of the company's assumption of "Going Concern" along with the responses of the Board to each are given below :

Auditors Opinion	Management Response
<p>The Company has incurred a cash loss of Rs. 220.08 Crores for the year under review.</p> <p>There has been a considerable erosion of staff strength for the year under review.</p>	<p>Such erosion was largely on account of organizational turmoil. With greater stability and working out arrangements with lenders in the recent months, it should soon be possible to attract needed talent.</p>
<p>The ability of the company to recover the book debts/trade advances representing substantial part of these assets shown in the Balance Sheet particularly in the absence of confirmation of balances and any tangible evidence for follow up of collection.</p>	<p>Any laxity in follow up of book debts is on account of staff turmoil and is under correction; needed steps to seek and obtain needed approvals under FEMA for extension of time is also being taken. The recoverable advances arose because, during the year, some lenders invoked guarantees given by the Company on behalf other entities, as Securities for the borrowings of those entities; such amounts recovered by the lenders are treated as amounts recoverable from the beneficiaries of such guarantees as at end fiscal year. Steps to arrange recovery have been initiated.</p>
<p>A Principal supplier of the company 'The Mathworks Inc.' has filed a petition for Winding up of the company u/s.434 of the Companies Act, 1956 before the High Court of Karnataka for non-payment of dues.</p>	<p>An out - of - court settlement has been executed with the Principal, involving phased payment. Payments of agreed installments as per this schedule are being done. Hence this is not a risk anymore.</p>
<p>The Company has not carried out the exercise of assessing the value of intangible assets appearing in the books with a view to provide for any impairment.</p>	<p>It is believed that there is no impairment in value and the realizable value is atleast equal to the carrying value; any diminution on account of the global economic conditions are not of permanent nature.</p>
<p>The security provided to Banks and other lending institutions is not adequate to cover the amounts outstanding as appearing in the Balance Sheet.</p>	<p>The matter is under active discussion with each such entity to reach an amicable negotiated phased settlement to meet this liability. In some cases like HSBC (amongst the largest lenders), such settlement has been reached as well.</p>

<p>The Trustees of Foreign Currency Convertible Bond holders due for redemption in March, 2011 have served a legal notice on the Company for non-payment of interest due on the Bonds from September, 2009 and stated that a Petition u/s.434 for winding up of the company would be filed in the event of non-payment of interest.</p>	<p>No notice of the petition having been filed as yet been received. Meantime, the matter is under discussion with the Bond Holders to arrive at a negotiated settlement by rephrasing the liability discharge.</p>
<p>The company has also received several legal notices from creditors and employees for non-payment of dues to them.</p>	<p>The matter is under active discussion with each person to reach an amicable negotiated phased settlement to meet this liability.</p>
<p>There are several cases filed u/s.138 of the Negotiable Instruments Act against the Company</p>	<p>The matter is under active discussion with each such entity to reach an amicable negotiated phased settlement to meet this liability. In some cases like HSBC (amongst the largest lenders), such settlement has been reached as well.</p>
<p>Some Banks and lending institutions have applied the DRT for review of dues and provisions of SARFAESI have also been invoked against the company.</p>	

The auditors have also further qualified the accounts for the following reasons:

Auditors Opinion	Management Response
<p>The Company has defaulted in discharge of undisputed statutory dues like Provident Fund, ESI, VAT, Income Tax, including Tax deducted at source and Dividend Tax and Service Tax.</p>	<p>Caused by acute liquidity crisis; the matter has been represented to the authorities and time sought to discharge these liabilities in a phased manner.</p>
<p>Non provision for the book debts to the extent of Rs.3,198 Million and Rs. 2,344 Million on account of the advances, which is doubtful.</p>	<p>This is already dealt with above. Needed steps to obtain statutory approvals and arrange recovery, etc have been initiated.</p>
<p>Recognition of Deferred Tax asset in respect of the carried forward losses to the extent of Rs.1,020 Million, in the absence of any reasonable certainty of future taxable income.</p>	<p>With the steps already taken to maintain and grow the business, there is no reason to presume that the Company will not have future taxable income to take advantage of the Deferred Tax Asset. Hence this is recognised.</p>
<p>Non payment of dividend declared in the Annual General meeting held on 29th September 2009 for the FY ending 31st March 2009.</p>	<p>Apart from being caused by the acute liquidity position, this was also postponed as a matter of good order when some of the lenders who had initiated coercive legal action included in their petition that the Company should be restrained from this payment meanwhile.</p>

Deposits

Your Company has not accepted deposits from the public during the current year.

Directorate

Ms. Manju Bansal and Mr. Ron Brown retire by rotation in the forthcoming Annual General Meeting. Both have expressed their intention not to seek re-appointment. and the Board places on record their deep appreciation for the services, rendered by them during their tenure on the Board.

Conservation of Energy

Even though the operations of your Company are not energy-intensive, adequate measures have been taken to reduce energy consumption by using efficient equipment. Since it is a software products Company, primarily



dealing with scientific and engineering software products and product related projects, energy cost forms a very small part of total cost and its impact on total cost is not material.

Research & Development Activities

The Management of your Company is committed to building a strong R&D culture from day one and has set clear R&D goals. In order to achieve these goals, the Company has focused on furthering the efficacies of R&D activities as well as building synergies among multiple-impact technologies.. The statement giving information as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is enclosed to this report.

Foreign Exchange Earnings and Outgo

Foreign exchange earned (FOB) during 2009-10 is Rs. 136 million and foreign exchange outgo is Rs. 186 million during the year .

Employees

The statement giving particulars of employees as per Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 is enclosed.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956, the Directors hereby confirm that they have:

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. Selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the loss of the Company for the year under review;
- iii. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

Corporate Governance

A detailed report on Corporate Governance is attached.

The Board members and the Senior Management Personnel have affirmed compliance with the Code of Conduct. Declaration of Confirmation by the Managing Director to this effect is annexed hereto.

Auditors

The auditors of the Company, Messrs. S.Janardhan & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment.

Acknowledgement

Your Directors wish to place on record their sincere appreciation for the assistance and co-operation received from Banks, Financial Institutions, Government, Customers, Suppliers, Business Partners and Shareholders for the year under review.

Your Directors also wish to place on record their appreciation for the Contribution made by employees at all levels of the Company and look forward to their continued support.

for and on behalf of the Board

Bangalore
September 30, 2010

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



ANNEXURE TO DIRECTORS' REPORT

Information as per Sec 217(2a) of the Companies Act, 1956 read with the Companies (Particulars of employee) Rules, 1975 and forming part of the Directors Report for the year ended March 31, 2010

Sl No.	Age in Years	Name	Designation	Total Exp. Qualifications	Date of Years	Remuneration	In Years	Joining	Particulars of the previous employment
a) Employed for the full Financial Year									
1	Asif Khader	Managing Director	B.E., PGG DIP IN Stat	43	24,00,000	20	30-April-2002	Erstwhile Cranes Software International Limited	
2	Mukkaram Jan	Whole-Time Director	BCom	43	24,00,000	20	30-April-2002	Erstwhile Cranes Software International Limited	
3	Mueed Khader	Whole-Time Director	BSc, DIP In Computer Science	37	24,00,000	13	30-April-2002	Erstwhile Cranes Software International Limited	
4	Rajeeva Laxman Karandikar	Executive VP & Head Analytic Practice	PHD. & M.Stat	54	66,00,000	31	02-May-06	Professor - ISI New Delhi	
5	Ashfaq Ibrahim	Senior Vice President	B.E.	42	25,00,000	14	01-Mar-96	-	
6	Mehraj K Laniker	Vice President	B.E.	37	25,00,000	12	01-Mar-96	-	
7	Shankar H	CEO - Analytics	B.Tech and PG Diploma in Business Administration	61	39,84,750	35	10-May-04	Managing Director - Saint Gobain Sapr Refractories India Limited	
8	Ajay Singhal	Vice President	B.E. & MBA inmarketing	40	25,00,000	18	02-Nov-04	Lead Consultant - Satyam Computer Services Ltd.	
9	Rajiv Balaram Menon	Senior Vice President Development	BS	42	26,00,000	17	02-Jul-01	Vice President - IQ Infotech Ltd.	
10	Amuthukunijayavel Manoharan	Assistant Vice President	MCA, MBA, MFT, DSADP, PGDCSM	39	28,25,550	20	20-Oct-04	Project Head - Kanrad Technologies	
b) Employees for part of the year under review and was in receipt of remuneration in the aggregate of not less than Rs. 2.00 Lakhs per month									
1	Savaji Hande	Vice President	Phd & Mstat	47	8,80,376	17	31-Jan-08	VP Analytics - Flagstone Re Bermuda / West End Capital	
2	Amitabha Chattopadhyay	Principal Consultant	MStat	43	9,64,516	18	26-July-05	Consultant - Satyam Computer Services Ltd	
3	Kalyan Swaminathan	Vice President - Finance & Accounts	BC, AICWA	51	11,00,000	25	07-Apr-08	Balmer Lawrie & Co Ltd.	
4	Pradeep Kumar M K	Senior Vice President	B.E. & PG Diploma in Marketing Management	41	20,91,935	18	19-Oct-93	Sales Engineer - Mecord Marketing Limited - Chennai	
5	Syed Aarif Hashmi	Senior vice President	B.E.	46	28,58,333	15	04-Sep-00	Senior Vice President - Systat Software Asia Pacific Ltd.	
6	Zakir Hussain	Vice President	B.E.	39	16,00,000	12	01-Oct-97	-	
7	Amlan Kusum Nayak	Associate Vice President	M.Tech & PhD	47	28,36,559	20	20-Sep-02	Project Manager - Eval Technologies	

Note : The above employees are not related to any Director of the company

for and on behalf of the Board

Bangalore
September 30,2010

Asif Khader
Director

Mukkaram Jan
Director

Mueed Khader
Director

**Form - B**

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2010.

Research & Development Activities and Technology Absorption:

Cranes' business model 'Acquire-Enhance-Expand' is based on acquisition of technologically superior IPs, re-engineering them to add new features and functionalities, and expansion to the global market. While this in itself involves a significant amount of R&D, Cranes has also taken some dedicated in-house initiatives in selected technology areas such as Wireless Communication Systems and LAN test solutions.

Your Company, in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science (IISc), Bangalore, has helped set up a MEMS (Micro-Electro-Mechanical systems) design and characterization laboratory at the IISc campus. Here Cranes works alongside cutting edge researchers to create an IP portfolio in MEMS and Nanotechnology, evaluate the commercial potential of research and chart out development paths for future products. This is in line with our vision and commitment to support and nurture the ecosystem of research and innovation that drives technology based economies. The Indian Institute of Science and the Company will jointly own the Intellectual Property rights and patents for technologies and products developed by this lab.

During the year, your company put significant effort in initiating to major research efforts in addition to the regular research activities in its well established business units such as SYSTAT, Sigma Plot, NISA etc. A small nanotechnology team was established with complete focus on research and development in the area of nanotech instrumentation. This area was chosen based on our experience with Micro Electro Mechanical System (MEMS) technology over the last six years and our proven strength in software development for scientific visualization. The nanotech team was established to focus on Scanning Probe Microscopy and an appropriate lab was established in the Cranes Innovation Center located at the Indian Institute of Science campus

Another major R&D initiative was taken by the NISA group in engineering to tie up with the IISc on a joint software product development in the area of Microsystems Analysis and design. This is a major rational effort funded by a national program, NPMASS, to create a microsystem module that can plug into the existing robust engine of NISA to give users a reliable design platform. This initiative involves a large team a researchers from IISc and a team of professional software developers from NISA. This project is scheduled to be completed in four years.

The goal of Cranes' R&D initiatives is not about conjuring up pictures of the future, though that is part of what is done, but is more about systematic and continuous surveillance of future markets, identification of the discontinuities that are bound to crop up and the resultant technological requirements, and creation of technological models that we must come up with to cater to requirements across the globe. In turn, we are creating new business avenues to explore opportunities for products, systems and services for as diverse an industry spectrum as possible for your company.

for and on behalf of the Board

Bangalore
September 30, 2010

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT WITH THE COMPANY'S CODE OF CONDUCT.

This is to confirm that the Company has adopted a Code of Conduct for its employees and all Board Members and Senior Management.

I confirm that the Company has in respect of the financial year ended March 31, 2010, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Personnel means the employees in Executive Vice President Cadre as on March 31, 2010.

For Cranes Software International Ltd.,

Bangalore
September 30, 2010

Asif Khader
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

Annexure to Directors' Report

Note: This discussion covers the consolidated financial performance of Cranes Software International Limited and its subsidiaries)

Overview

Cranes Software International Limited (NSE: CRANESSOFT; BSE 512093), develops and globally markets engineering simulation and enterprise data analytics software and services. The Company has successfully accumulated a portfolio of proprietary products with deep domain knowledge in the areas of engineering simulation and statistical analytics. In doing so, Cranes has effectively established itself as a global IP driven products and solutions provider.

Global Business Environment

According to NASSCOM, despite the unprecedented economic downturn the industry will witness sustainable growth. There will be greater focus on cost and operational efficiencies and the recessionary environment is expected to enhance global sourcing. This will encourage the industry to continue to diversify in terms of geographies, verticals and service lines. The engineering, R&D, and software products exports segment is expected to grow by 14.4 per cent in the current fiscal, to touch USD 7.3 billion, which highlights the strong impetus and renewed focus on improving IP driven service capabilities in India. Indian software product company revenues are expected to account for 21 per cent of total software product revenues. The market is expected to grow exponentially driven by an increasing number of start-up software product businesses as well as a rapid growth of existing businesses. Though Cranes Software witnessed an unprecedented loss in its businesses, the Company has its plans laid out to capitalize on this growing business demand and emerge as a leading global software product Company in the lucrative space of engineering simulation and enterprise data analytics.

The year under review

In the above background, the Company operated and developed on its unique business model - "Acquire-Enhance - Expand" - scout for Companies with IP's which have immense commercial potential acquire them along with the inventors who make them commercially viable post acquisitions - roll out a new product every 24 months - build synergies across products suite & expand our offerings globally.

The approximate spending so far on this business model has been as follows :

ACQUIRE	ENHANCE	EXPAND	TOTAL
Rs. 4 Bn	Rs. 5.6 Bn	Rs. 1 Bn	Rs. 10.6 Bn

The above spending coupled with other active business strategies adopted aided the Company to report Consolidated financials historically as Approximated below :

(Rs. In Bn)

	2006-07	2007-08	2008-09	2009 / 10
Domestic	0.58	0.72	0.62	0.20
Exports	1.88	2.06	3.22	0.03
Subsidiaries	0.37	1.17	1.41	2.17
TOTAL:	2.83	3.95	5.25	2.40

Corresponding realizations from customers :

(Rs. In Bn)

	2006-07	2007-08	2008-09	2009 / 10
Domestic	0.55	0.66	0.65	0.30
Exports	2.19	2.05	0.76	0.10
Subsidiaries	0.41	0.73	1.52	2.20
TOTAL:	3.15	3.44	2.93	2.60



It is obvious from the above that the last year under review has been highly demanding and challenging for the Company both business wise and operationally. Given the historic global economic turmoil experienced over the last year under review and the year before, the Company had to face a fair amount of turmoil in its business which largely includes the following;

- Loss of MATLAB business with a yearly turnover of about Rs. 450 Million with a gross margin of 40 - 50%.
- Global turmoil leading to cancellation of certain orders by end users
- Substantial acquisitions were made during the period 2006-08 as these are under enhance stage and yet to yield returns to the Company
- During 2008-09 and 2009-10, though Cranes could make export sales to its distributors and customers but the realization of the same could not happen - receivable cycle increased to 470 days by the end of FY 2009 as realizations was delayed substantially
- Lenders compelled to accelerate the repayment of loans resulting into further strain on cash flows of the Company.

In order to tide over the problems, the Company took various steps to improve the operational position of the company which includes reduction in number of employees, cutting overheads etc. During the last quarter of the year under review, the Company had to take serious considerations and took stern action against certain distributors and had to call back the unpaid stock held by them, amounting to Rs.1170 million. This has resulted in the annual revenues to drop to Rs. 2,404 million on a Consolidated basis, a large drop in turnover and consequentially, a loss of approximately Rs. 2,042 million.

Sudden slow down of Indian businesses also impacted operational cash flows. The international subsidiaries and few performing domestic businesses had still helped to pay up a fair amount of operational dues.

Despite which, substantial difficulties in meeting :

- ▼ Commitments to employees / service providers / statutory authorities, etc
- ▼ Commitments to Lenders
- ▼ Commitments to other stakeholders including Share Holders and others in Investor Community.

Pursuant to this :

- ◆ High employee turnover and efflux, including very senior staff
- ◆ High instability in operations, including shifting offices, etc to effect maximum economies
- ◆ Low employee morale
- ◆ Constant 'crisis' management of senior staff and inability to supervise routine work

All this clubbed with other such unprecedented events had lead to considerable squeeze in cash flows and affected business expenses, lenders and statutory authorities. The Company is under active discussion with each such entity to reach an amicable negotiated phased settlement to meet such liabilities.



Product launches

Cranes Software through its 100% subsidiary ETA Inc. announced the release of finite element modeling software eta/VPG Version 3.4. The release with 63 new or improved functions, as well as the availability of the NISA solver makes eta/VPG the most robust, versatile and accurate system-simulation solution available. During the year ETA also released its powerful die analysis solution eta/DYNAFORM Version 5.7. With this launch, the Company further addressed some of the long standing requirements of the Manufacturing and Automobile sectors. DYNAFORM's expanded Die Structural Analysis (DSA) module now helps to increase manufacturing efficiency and productivity. Within DSA, a scrap shedding and removal function can help prevent line shutdown caused by the failure of scrap to exit the workstation.

Cranes Software launched SYSTAT 13 the latest version of its flagship statistical software package. This latest release features new statistical methods, faster data computation and a new optional module. The Company partnered with Cytel - a 20-year leader in the design and analysis of clinical trials - to bring SYSTAT 13 with Exact Tests, a new SYSTAT product that contains Cytel's famous exact-inference testing procedures. Speaking on the occasion, Dr. Leland Wilkinson, Executive Vice President of Systat Software and creator of the original SYSTAT product, had said, "SYSTAT 13 is a giant step forward in speed. Users can now compute large data sets in a fraction of the time. Also, SYSTAT's graphics look as impressive as ever, suitable for any publication or presentation."

During the year the Company also launched the latest version of its FEA software suite - NISA version 17.0, which came with an enhanced DISPLAY IV & better CAD Interoperability. The new release offers over 25 major new features; most notably the advanced Test meshing, advanced surface meshing and automatic contact element creation features. With these new capabilities NISA now ranks amongst the most advanced FEA packages commercially available.

Alliances

Engineering Technology Associates, Inc. (ETA) announced a distribution agreement with Denton ATD to sell Denton Virtual Dummy products and support them through its VPG finite element modelling product. The agreement linking Denton ATD, a global leader in the development and manufacture of advanced crash dummies and safety measurement devices, and ETA, a leader in the field of virtual product development and engineering software continues to bring ETA customers new opportunities to use state of the art dummy models in their simulations, and will also deliver enhanced support, training and an opportunity to access Denton's vast hardware and application knowledge.

Systat Software, Inc., a 100% subsidiary of Cranes, entered into an agreement with Rescentris, Inc. of Columbus, Oh, to globally offer their joint product, SigmaCERF™ - an Electronic Lab Notebook (ELN) and knowledge management platform for life science research organizations. Lab notebooks are used by scientists and technicians to document research, protocols, experimental data and outcomes. The move from paper-based notebooks to electronic formats is very real with one-third of all biopharmaceutical organizations having at least one system installed today. With this SigmaPlot, SigmaStat and SYSTAT customers can now source tools that cater to different aspects of their research process from one single reliable source.

Cranes Software Subsidiary, Proland Software, an IT security company that owns the Protector Plus range of Anti-virus software products entered into a strategic partnership with VirusBuster, a Hungary-based security solutions provider. Through this partnership, the Company will be able to provide a wider selection of security solutions to its customers, and expand its presence from a predominantly home /single user base to the enterprise/ office segments.

Awards and recognition

In the year under review, ETA was selected for the Innovation Award from amongst five finalists as the winner of the 2nd Annual SAE (Society of Automotive Engineers) Detroit Section/MITEF Vehicle Innovation Competition. ETA's winning entry was a seamlessly integrated design development process, entitled the Accelerated Concept to Product (ACP) Process. After two selection rounds, the five finalists were invited to present their innovations at the San Marino Club in Troy, Michigan. Representatives from industry leading automotive manufacturers and suppliers served as judges for the competition and ultimately selected the ACP Process as the winner of the award in the established company category. The award marked ACP as the innovation likely to have the biggest positive impact on the automotive industry and its products going forward.



In another hallmark achievement, Cranes Software exceeded CNN IBN expectations on psephology projections where the Company partnered with CNN-IBN in analyzing exit and opinion poll data for the May, 2009 held Lok Sabha elections in India. The exercise is an example of the Company's strong capabilities in the field of predictive analysis. It has also leveraged its deep domain expertise in statistics and graphics, and used the analytically intelligent tools - SYSTAT and SigmaPlot, in providing back end data analysis for the on screen graphics. Presenting live on CNN-IBN, on May 16th, Rajdeep Sardesai, Editor-in-Chief, IBN Network said: "Someone who must claim victory today is our resident psephologist or really a statistician, Dr. Rajeeva Karandikar, EVP of Cranes Software, (who) kept saying the UPA would be on the higher side, final figures on CNN-IBN were 210 to 225, they are likely to end up in that range, maybe a little above that Rajeev... and I was the one who was being conservative telling you keep it lower let us not go over the board". Speaking live post declaration of counting results on the same day, Sagarika Ghosh, Sr. Editor, IBN Network said: "Rajeeva Karandikar (EVP Cranes Software), Yogendra Yadav (CSDS) they really are the men of the match and they have got the projections spot on honestly..."

SWOT Analysis Overview

Strengths

Cranes Software's principal strengths are its expertise, experience and deep domain knowledge in the niche field of engineering simulations and enterprise data analytics. Over the years, Cranes has accumulated a vast resource of intellectual property and acquired the skills to innovate on IPs and render them commercially viable. By anticipating and addressing the needs of scientists and engineers, the Company has built a dominant position in sectors of automotive, life sciences, pharma, telecom, and consumer research. Cranes' clientele are an elite list of top-notch Companies like GE, Delphi System, Texas Instruments, Apple Computers, Hewitt Packard, Honeywell, AT&T, Massachusetts University of Technology, Carnegie Mellon University, U.S. Department of Agriculture, and Larsen & Toubro among others.

Cranes has a wide distribution network with a global sales and support infrastructure across 39 countries in the world. The Company has direct presence in USA, UK, UAE, China, Malaysia, Germany, Australia, Singapore and India.

Threats

The catastrophic financial tsunami that has befallen the entire global community has left the Company vulnerable to the economic uncertainties that accompany it. Since a majority of our revenues comes from exports, in the current scenario, Cranes' cash flows have been most affected due to the economic recession. While the continued robust demand for our products is promising, the collection period from debtors particularly from Distributors of the Software products owned by the Company has risen considerably. The Company has taken strict measures to counter this challenge by calling back surplus supplies and is working on various methodologies to circumvent problems such as these to occur in the future. Initiatives of consolidation and rationalization in operations are being taken to enhance efficiencies across geographies which includes reduction in number of employees, cutting overheads etc. Similarly Cranes has vacated out of high cost office premises in Bangalore, India and move the operations to fewer and more economical locations in Bangalore. Rationalization of office premises was also undertaken in other Indian and Global locations in Delhi / Pune / Kolkata / Mumbai / Troy (Michigan) / Raleigh (NC) and other places.

Given the high exposure to revenues from overseas, the Company is also exposed / susceptible to currency exchange risks. The policy on hedging is that it is not a profit center but a risk management tool and the management has created a robust mechanism to counter volatility from currency fluctuations.

Opportunities

Opportunities lie in abundance as the software industry is witnessing a fundamental shift from IT enabled business automation to IT enabled real time decision support systems. A new paradigm is emerging where instead of merely routing data and information to users, the analytics platform will provide intelligent decision criteria based on real-time, quick analysis of reams of stored data residing in data warehouses, disparate data bases. Cranes is well positioned and equipped with deep domain knowledge to exploit the wave of opportunities in this space.

The Company will continue to engage with leading technology players across the world and will leverage its recognized brand value and extensive sales network to form strategic alliances in niche areas of engineering simulation and scientific analytics.



The Road Ahead

Having streamlined its product offerings into revenue centric groups of Engineering, Analytics and Technology, Cranes will continue to monetize the product asset base of software components while expanding solutions segment of the business through a larger network of partnerships and third party alliances.

On a more positive note, the Company has already taken necessary steps to improve the operational position of the organization and to grow the business. Additionally, we are also actively pursuing various means to infuse funds into the business including induction of Strategic Alliance Partners. The Company is seriously considering and is in advance stage of finalizing a buyer for the sale of certain businesses. This we feel would facilitate fresh investments into our business and accelerate the process of business turn around and profitability.

Also, in order to revive the operations of the Company, strengthen the Balance Sheet position as well as bringing the debt levels to sustainable levels, the Company is in active discussions with a financial investor to infuse funds into the Company without which the operational and financial turnaround is not possible to achieve.

Financial Perspective

Analysis of movements in significant heads are given below :

Source of Funds:

Share Capital

The Company's authorized share capital is Rs. 350 million constituting of 165 million equity shares of Rs. 2/- each and 200,000 preference shares of Rs. 100/- each. There were no capital structure changes during the period under review.

Reserves and Surplus

The Company's total reserves and surplus for fiscal 2009-10 stood at Rs. 4,408 million, decreasing by Rs. 2,017 million from Rs. 6,425 million in the previous fiscal year. The major contributor to such a decrease was the losses suffered in the year

Loan Funds

Total loan funds outstanding at the end of fiscal 2009-10 amounted to Rs. 8,821 million from Rs. 8,238 million at the end of FY2009. Total loan funds comprise of Rs. 4,157 million of secured loans and Rs. 4,665 million of unsecured loans.

Out of total increase of Rs. 583 million in loan funds at the close of the year, significant part was really contributed by irregularities in the bank borrowings resultant from earlier invoices purchased by Bank with recourse, not being retired by customers. Additional drawals in the year amounted only to about Rs 110 million.

Application of Funds:

Fixed Assets

There was only marginal movement in Fixed Assets and Capital WIP, there being not too much of product launches, etc as compared to previous years, in the context of the business condition. Significant part of the change is only on account of depreciation charged on the higher asset base.

Investments

The Company's investments were approximately at the same level.

Inventories

The Company's inventory position was marginally lower at Rs. 21 million compared to Rs. 37 million at the close of last year. This represents only stock of goods traded by the Company and not own IP products

Sundry Debtors

Sundry Debtors at the close of FY2010 at Rs. 3,704 Million compared to Rs. 3,795 million a year ago. Debtors outstanding days and issues in collection, particularly from Distributors of own Products continues to be of major concern.

**Cash and Bank Balances**

Cash and Bank balances were at Rs. 135 million compared to Rs. 2,501 million last year. The reduction was largely on account of the Fixed Deposit held on lien with a bank being invoked by the bank, as the result of the party not fulfilling the objectives. As at the end of previous fiscal, the Company had disclosed Contingent liability to this extent.

Loans and Advances

Loans and advances were up from Rs. 1,359 million to Rs. 2,817 million. The major contributor to this significant rise was on account of the above Fixed Deposit which was invoked and consequential amount being indicated as recoverable from the party.

Current Liabilities

Sundry creditors increased to Rs. 1,965 million from Rs. 1,445 million, reflective of the liquidity position and hence the need / ability of the Company to conserve all means of finances available.

Operating Results**Income**

The Company on a consolidated basis, reported a total revenue of Rs 2,404 million. Overseas revenues were constitute 90% of total revenues.

Expenditure

Cost of goods sold at Rs 971mn largely represents the cost of shrink-wrapped software products sold in India for third parties through the Company's multiple distribution alliances together with direct costs involved in the manufacture and logistics of distribution of proprietary products.

Personnel costs were at Rs. 1,031 million and represented 43% of total revenues. Administrative expenses increased to Rs. 1,964 million and were 82% of total revenues.

Depreciation charged during FY 2010 amounted to Rs. 886.5 million.

Profit Analysis

During the last quarter in the fiscal, the Company had to take serious consideration and initiated stern action against certain distributors and had to call back the unpaid stock held by them. This has resulted in the annual revenues to drop to Rs. 2,404 million. The loss of approximately Rs. 2,040 million was contributed largely by conservative provisioning and foreign exchange fluctuations.

Internal Control Systems

Having grown to a sizeable operation, the management has focused on augmenting its internal control systems and processes to support further growth opportunities. To this effect, the Company got certified under ISO 9001 standards in FY2002 and later the company was assessed at SEICMM Level 5 during FY 2005. The Company has also obtained certification under ISO 27001 Information Security Management System in FY 2006 and was also awarded SEI-CMMi Level 5 assessment for its processes.

Safe Harbor

Certain statements in this release concerning our growth prospects are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties, including government actions; local political or economic developments; technological risks; risks inherent in the Company's growth strategy; dependence on certain clients; dependence on availability of technical consultants and other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. The Company undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



CORPORATE GOVERNANCE REPORT 2009-10.

Annexure to Directors' Report

The Corporate Philosophy, as enshrined in its mission statement of "Exploring for a Better Tomorrow" is to optimize and increase the value to all stakeholders, creditors, employees and the society at large through adherence to corporate values, codes of conduct and other standards of behaviour. The Company seeks to ensure professionalism and proper transparency and disclosures in all its dealings. The Board believes in conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.

Board of Directors:

The composition of the Board is as follows:

Promoter Group :

Asif Khader
Mukkaram Jan
Mueed Khader

Non- Executive Directors :

Dr. Rudra Pratap
Richard Gall
Ronald Brown
Dr. Manju Bansal
Dr. Peter Ryser

Details of Board Meetings held during the year:

The Board met 4 times during the year, as follows :

During the quarter ended June 30, 2009	June 30, 2009
During the quarter ended September 30, 2009	July 30, 2009
During the quarter ended December 31, 2009	October 29, 2009
During the quarter ended March 31, 2010	January 30, 2010

Details of attendance at Board Meetings last AGM and details of memberships in other Boards and Board Committees:

The Board being represented by members from various parts of the world, it may not be possible for all to be physically present at all Board Meetings; such Directors who are unable to be present invariably participate in the proceedings through telephonic conference calls.

Name of the Director	Date of Appointment	No. of Board Meetings attended ¹	Whether attended last AGM	Membership in other Boards ²	Committees ³	
					Membership	Chairmanship
Dr. Rudra Pratap	June 21, 2002	3	Y	-	3	1
Asif Khader	April 30, 2002	4	Y	6	1	-
Mukkaram Jan	April 30, 2002	3	Y	7	1	-
Mueed Khader	April 30, 2002	3	Y	6	-	-
Richard Gall	May 16, 2002	4	Y	-	-	-
Ronald Brown	November 21, 2002	1	N	-	-	-
Ajay Singh	February 18, 2003	0	N	1	2	2
Mirza Yawar Baig	March 31, 2003	3	N	-	2	-
Dr. Manju Bansal	March 31, 2004	3	Y	-	2	-
Dr. Peter Ryser	March 29, 2005	3	Y	-	-	-

¹Attendance via webex presentation and telephonic conference calls has been considered having attended the Board Meeting.

²Excludes Companies Exempted under Sec 278 of the Companies Act, 1956 and Foreign Companies.

³Membership in Audit Committee, Remuneration Committee and Investor grievance Committee only considered.

Audit Committee :

The scope of reference of the committee, inter alia, includes:

- Review of audit with Statutory Auditors & Internal Auditors.
- Limited Review of quarterly accounts with Statutory Auditors.
- Review of annual financial statements with auditors and management before submission to the Board.
- Review of adequacy of internal control systems and internal audit function.
- Other matters as set out in the Listing Agreement and Section 292A of the Companies Act, 1956.

The Committee consists of the following Directors :

Ajay Singh	-	Chairman
Mirza Yawar Baig	-	Member
Dr. Rudra Pratap	-	Member
Dr. Manju Bansal	-	Member

The Committee met four times during the year. The dates of the meetings with details of attendance of the directors thereat is given below:

Name of the Director	June 30, 2009	July 30, 2009	October 29, 2009	January 30, 2010
Ajay Singh	No	No	-	-
Dr. Rudra Pratap	Yes	Yes	Yes	No
Mirza Yawar Baig	Yes	Yes	Yes	No
Dr. Manju Bansal	No	Yes	Yes	Yes

The Company Secretary is the Secretary of the Committee.

The Statutory Auditors attended all the meetings.

With effect from September 30, 2010, the Audit Committee is reconstituted.

Share Holder Grievance Committee:

The Company has a Shareholder Grievance Committee consisting of Dr. Rudra Pratap, Mukkaram Jan and Asif Khader to look into the grievances of investors. There were 15 unresolved grievances from the investors / shareholders as on March 31, 2010.

The Company has designated an email id exclusively for redressal of Investor Grievances, viz., investor.grievances@cranessoftware.com in compliance with clause 47(f) of the listing agreement for speedy redressal of investor grievances.

Annual General Meetings:

Details of last three Annual General Meetings and the Special Resolutions passed there at are as under:

Date of AGM	Time	Venue	Special Resolutions passed
September 13, 2007			Increase in the limit to accept investment from FII's from 49% to 60%.
September 29, 2008	3.00 p.m.	Hotel Le Meridian 28, Sankey Road, Bangalore - 560 052	Issue of shares on Preferential basis for consideration other than Cash as part consideration for the acquisition of Cubeware GmbH.
September 29, 2009		Hotel Capitol, Raj Bhavan Road, Bangalore - 560 001	NIL

For AGM 2010, the Company does not have any proposal for postal ballot.

**Disclosures :**

During the year the Company did not enter into any transactions of material nature with any of the Promoters, Directors, Management or relative etc., which may have potential conflict with the interest of the Company.

Insider Trading :

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a code of conduct for prevention of insider trading and the required disclosure practices.

Means of Communication:

The quarterly results are published generally in 'Business Standard' & "Samyukta Karnataka" (Kannada). The results are also updated on the corporate website (www.cranessoftware.com). The quarterly results and the shareholding pattern are uploaded in the website of SEBI under EDIFAR Menu.

GENERAL SHAREHOLDER INFORMATION

A	Financial Calendar	
	Audited Annual Results - 2009-10	September 30, 2010
	Unaudited results for the quarter ending June 30, 2010	November 8, 2010
	Unaudited results for the quarter ending September 30, 2010	Second week of November, 2010
	Unaudited results for the quarter ending December 31, 2010	Second week of February, 2011
	Audited Annual Results - 2009-10	Last week of May, 2011
B	Dividend payment date	No Dividend declared
C	Listing of Equity shares	
	Name and Address of Stock Exchange	Stock Code
	Bombay Stock Exchange Ltd. (BSE)	512093
	P J Towers, Dalal Street, Mumbai - 400001	
	National Stock Exchange Ltd. (NSE)	CRANESSOFT - EQ
	Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400051	
	The Listing Fee has been paid to all the Stock Exchanges Trading has been suspended pending compliance to certain stated conditions w.e.f. September 3, 2010. these conditions are being implemented.	
D	Website of the Company	www.cranessoftware.com
E	Registrar and Transfer Agents	M/s Integrated Enterprises (India) Ltd (formerly known as Alpha Systems Pvt Ltd - since merged), No.30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003
F	Demat ISIN Number allotted to the Company	INE234B01023



The Company came out with a Euro 42 million, 2.50 Foreign Currency Convertible Bond (FCCBs) issue during 2005-06, the FCCBs are listed at the Singapore Stock Exchange. The FCCBs are convertible into shares or GDRs and the GDRs would be listed at the Luxembourg Stock Exchange and the shares with BSE & NSE in India. As of date no FCCB conversions have taken place.

Share Price Data:

The Share price data on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) during the year 2009-10 is given below :

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr-09	58.51	42.22	54.29	42.19
May-09	60.90	40.50	60.75	40.31
Jun-09	62.91	46.83	62.98	46.74
Jul-09	46.05	34.84	46.06	34.88
Aug-09	46.88	34.64	46.86	34.73
Sep-09	46.35	40.12	46.15	40.26
Oct-09	43.01	37.59	43.01	37.59
Nov-09	36.54	32.26	36.47	32.24
Dec-09	35.47	28.05	35.51	28.03
Jan-10	31.48	22.35	31.48	22.32
Feb-10	23.76	18.53	23.75	18.54
Mar-10	19.71	15.52	19.70	15.50

Registrar & Transfer Agents :

Share Transfer work is being done by M/s Integrated Enterprises (India) Ltd. (formerly known as Alpha Systems Pvt Ltd - since merged), No.30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 who are SEBI registered Registrars & Transfer Agents for both physical and demat shares.

Share Transfer System :

The power to approve transfer of shares has been delegated by the Board to the Share Transfer Committee. Share transfers are processed within 15 days from their receipt.

Secretarial Audit :

As required by SEBI Circular No. D&CC/FITTC/CIR-16/2002 dt. 31.12.2002, Secretarial Audit was carried out by a Practicing Company Secretary on quarterly basis to reconcile the total admitted capital with both the depositories and the total issued and listed capital. The total number of shares in physical form and the total number of dematerialized shares held with the depositories were in agreement with the total issued / paid-up capital.

Compliance with Corporate Governance Norms :

The Board periodically reviews the compliance of all applicable laws and gives appropriate directions wherever necessary.

A Certificate from the Managing Director on the Financial Statements was placed before the Board.

The Company has complied with all mandatory requirements of Corporate Governance norms as enumerated in Clause 49 of the listing agreements with stock exchanges. The Company has obtained a certificate from the statutory auditors of the Company regarding compliance with the provisions of the above clause and the same is attached hereto.



Distribution of Shareholdings as on March 31, 2010:

No. of shares held	Folios		Shares	
	Number	% to Total		% to Total
(1)	(2)	(3)	(4)	(5)
upto 500	30,673	68.02	66,88,215	5.68
501 - 1000	6,732	14.93	57,76,258	4.90
1001 -2000	3,633	8.06	58,42,185	4.96
2001 -3000	1,302	2.89	34,36,163	2.92
3001 -4000	626	1.39	22,99,789	1.95
4001 -5000	601	1.33	28,71,513	2.44
5001 -10000	795	1.76	59,63,027	5.06
10001 & above	732	1.62	8,48,89,700	72.08
	45,094	100.00	11,77,66,850	100.00

Pattern of Share Holding as on March 31, 2010

Holders	% of Holding
Promoters	16.15%
FII's	13.48%
Financial Institutions / Banks	6.18%
Insurance	0.76%
Bodies Corporate	18.06%
Individual / Others	45.37%

Dematerialisation of Shares : The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors. As of March 31, 2010 about 97% of the Company's shares are held in dematerialised form.

Office Locations : The Company has its product development center at Bangalore and branches in New Delhi, Hyderabad and Pune.

Address for Communication :

- To the Company:**
 Mr. Asif Khader
 Compliance Officer,
 Cranes Software International Ltd.
 # 29, 7th Cross, 14th Main, Vasanth Nagar
 Bangalore – 560052.
- To the Registrar & Transfer Agent – for Share Transfers / Transmissions..etc**
 Mr. Vijay Gopal
 Vice President
 Integrated Enterprises (India) Ltd
 (formerly known as Alpha Systems Pvt Ltd - since merged)
 No. 30, Ramana Residency
 4th Cross, Sampige Road
 Malleswaram,
 Bangalore – 560 003.



AUDITOR'S CERTIFICATE

(Under Clause 49 of the Listing Agreement)

To the Members of Cranes Software International Limited, Bangalore.

We have examined the compliance of conditions of Corporate Governance by **Cranes Software International Limited**, for the year ended 31.3.2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to 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:

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement subject to the Audit Committee of 30th January, 2010 being held without full quorum.

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 S. JANARDHAN & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN : 005310S

Bangalore
September 30, 2010

(BALAKRISHNA S. BHAT)
PARTNER
Membership No. 202976



AUDITORS' REPORT

To

The members of

CRANES SOFTWARE INTERNATIONAL LIMITED

1. We have audited the attached Balance Sheet of Cranes Software International Limited as at 31st March 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. ***The attached Balance Sheet as at 31st March, 2010 is drawn on the basis of the Principle of 'Going Concern'. We opine as follows in this connection :***
 - i) ***A Principal supplier of the company 'The Mathworks Inc.' has filed a petition for Winding up of the company u/s.434 of the Companies Act, 1956 before the High Court of Karnataka for non-payment of dues.***
 - ii) ***The Trustees of Foreign Currency Convertible Bond holders due for redemption in March, 2011 have served a legal notice on the Company for non-payment of interest due on the Bonds from September, 2009 and stated that a Petition u/s.434 for winding up of the company would be filed in the event of non-payment of interest.***
 - iii) ***The company has also received several legal notices from creditors and employees for non-payment of dues to them.***
 - iv) ***The security provided to Banks and other lending institutions is not adequate to cover the amounts outstanding as appearing in the Balance Sheet.***
 - v) ***The Company has incurred a cash loss of Rs. 220.08 Crore for the year under review***
 - vi) ***There has been a considerable erosion of staff strength for the year under review***
 - vii) ***The ability of the company to recover the book debts/trade advances representing substantial part of these assets shown in the Balance Sheet particularly in the absence of confirmation of balances and any tangible evidence for follow up of collection***
 - viii) ***The company has not carried out the exercise of assessing the value of intangible assets appearing in the books with a view to provide for any impairment***
 - vix) ***There are several cases filed u/s.138 of the Negotiable Instruments Act against the company***
 - x) ***Some Banks and lending institutions have applied the DRT for review of dues and provisions of SARFAESI have also been invoked against the company***

In the light of the above, we are unable to give an opinion on the reasonableness and applicability of the principle of 'Going Concern'. Nevertheless, in the absence of any conclusive evidence to indicate the contrary, the statements are prepared based on the principles of 'Going Concern' and our opinion is based on the same as well.
4. Further to the above, we additionally opine as follows :



- i) *The company has defaulted in discharge of undisputed statutory dues like Provident Fund, ESI, VAT, Income Tax, including Tax deducted at source and Dividend Tax and Service Tax.*
- ii) *Non provision for the book debts to the extent of Rs.319.84 Crore and Rs. 234.44 Crore on account of the advances, which in the auditors' opinion is doubtful.*
- iii) *Recognition of Deferred Tax asset in respect of the carried forward losses to the extent of Rs.102 Crore, in the absence of any reasonable certainty of future taxable income*
- iv) *Non payment of dividend declared in the Annual General meeting held on 29th September 2009 for the FY ending 31st March 2009.*
- v) *As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) order, 2004 issued by 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.*

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) on the basis of written representations, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 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, subject to Para nos (3) and (4) above the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for S.JANARDHAN & ASSOCIATES

Chartered Accountants
FRN : 005310S

Balakrishna S. Bhat

Partner

Membership No.202976

Bangalore
September 30, 2010



ANNEXURE

(Referred to in paragraph 3 of our report of even date)

- (i) ***(a) The Company has generally maintained records showing particulars including quantitative details and situation of fixed assets. During the year, there have been a large number of movements of such Fixed Assets amongst locations; these movements and the consequential impact are yet to be comprehensively reflected in the above records.***
 - (b) The Fixed Assets have generally been physically verified by the management during the year.
 - (c) The Company has not disposed off substantial part of fixed assets during the year and therefore do not affect the going concern assumption on this account.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the above, clause 4 (iii) (b), (c), (d), (f) and (g) of the said order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts and arrangements referred to in section 301 of the Companies Act 1956 have been entered in the register required to be maintained under that section.
 - (b) In our opinion and according to the information and explanations given to us, the contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposit from the public and as such the provisions of clause 4(vi) of the said Order are not applicable.
- (vii) In our opinion, the company has an in house internal audit system which needs to be further streamlined to render it commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records as required under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- (ix) ***(a) According to the information and explanations given to us, the Company was yet to deposit undisputed statutory dues including, Provident Fund, Employees' state Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Customs duty, and Cess with the appropriate authorities. As of 31st March, 2010, the following amounts were still to be deposited out of the total liabilities:***

(Rs. in Lakhs)

Name of the Statute	Nature of dues	Amount to be Deposited
Employee`s Provident Fund & Miscellaneous Provisions Act	Provident Fund	265.30
Commercial Taxes Act	Professional Tax	5.70
Employee State Insurance Act	ESI	0.20
Income Tax Act	TDS	453.00
Service Tax Act	Service Tax	274.2
Sales Tax	Value Added Tax	16.50
Income Tax Act	SelfAssessment Tax	607.90
Wealth Tax Act	Wealth Tax	0.80

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Sales Tax and Cess were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable except in the below case which is still due for payment:

(Rs. in Lakhs)

Name of the Statute	Nature of dues	Amount Due	For the Period
Income Tax Act	Corporate Dividend Tax	233.85	F Year 2007-08
		40.03	F Year 2008-09

(c) According to the information and explanations given to us, there are no dues of Sales tax, Service tax, Income tax, Customs duty, Wealth Tax, and Cess, which have not been deposited on account of any dispute except in the below said cases:

(Rs. in Lakhs)

Name of the Statute	Nature of dues	Disputed Amount	Assessment Year	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	3849.18	2003-2004 to 2007-08	Commissioner of Income Tax, Appeals -VI
Sales Tax Act, 1956	Sales Tax	104.1	2005-06 to 2007-08	Commissioner of Commercial Taxes, Appeals
Service Tax Act, 1994	Service Tax	523.34	2004-05 to 2007-08	Customs, Excise and Service Tax Appellate Tribunal

(x) The Company does not have any accumulated losses, as at March 31, 2010. The Company has incurred cash losses of Rs.220crores in the financial year ended on that date and there are no cash losses in the immediate preceding financial year.



- (xi) There are defaults in repayment of dues to some financial institution and banks although there are no dues to debenture holders as at the balance sheet date.
- (xii) According to information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanation given to us, the Company is not a chit fund or a Nidhi /mutual benefit fund/ society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to information and explanations given to us, and as per our examination of relevant records, the terms and conditions on which guarantees are given are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, a categorical examination of the application of financing received by the Company compared to the purposes as stipulated in the terms of the sanction has not been possible.
- (xvii) According to the information and explanations given to us during this audit, we have not come across situations of funds raised on short-term basis being used for long-term investment.
- (xviii) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the period, the Company has not raised any funds by issue of debentures.
- (xx) The end use of money raised by preferential issue and Foreign Currency Convertible bonds is disclosed in the Notes on Accounts to the financial statement. We have verified the same, based on the information and explanation given to us.
- (xxi) During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no fraud on or by the Company, has been noticed or reported during the course of our audit.

for S.JANARDHAN & ASSOCIATES

Chartered Accountants

FRN : 005310S

Balakrishna S. Bhat

Partner

Membership No.202976

Bangalore
September 30, 2010

**BALANCE SHEET**

AS AT MARCH 31, 2010

(In Rupees)

PARTICULARS	SCH.No.	Current Year	Previous Year
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	235,533,700	235,533,700
Reserves and Surplus	2	4,147,851,260	6,088,641,390
		4,383,384,960	6,324,175,090
Loan Funds			
Secured Loans	3	4,078,686,024	3,269,222,842
Unsecured Loans	4	4,560,213,565	4,163,257,578
		8,638,899,589	7,432,480,420
	TOTAL	13,022,284,549	13,756,655,510
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	4,930,272,413	4,927,529,005
Less : Accumulated Depreciation		2,975,363,075	2,216,328,341
Net Block		1,954,909,338	2,711,200,664
Capital Work in Progress		2,753,366,066	2,696,489,636
		4,708,275,403	5,407,690,300
Good Will		387,360,000	387,360,000
Investments	6	800,917,790	801,271,307
Deferred Tax Assets (Net)		510,486,843	(509,513,157)
Current Assets, Loans & Advances			
Inventories	7	2,563,840	13,816,078
Sundry Debtors	8	3,729,549,589	3,913,892,752
Cash and Bank Balances	9	17,746,853	2,410,413,464
Loans and Advances	10	4,256,132,088	2,005,720,647
		8,005,992,370	8,343,842,941
Less : Current Liabilities & Provisions	11		
Current Liabilities		1,268,256,276	508,629,044
Provisions		122,491,581	165,793,257
		1,390,747,858	674,422,301
Net Current Assets		6,615,244,513	7,669,420,640
Miscellaneous Expenditure	12	-	426,420
(To the extent not written off or adjusted)			
Significant Accounting Policies	20		
Notes to Accounts	21		
	TOTAL	13,022,284,549	13,756,655,510

Schedules Nos. 1 to 12 and 20 & 21 form an integral part of Balance Sheet

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

(In Rupees)

PARTICULARS	SCH. No	Current Year	Previous Year
INCOME			
Sales	13	286,792,713	3,581,345,441
Other Income	14	30,188,372	187,210,613
		316,981,085	3,768,556,054
EXPENDITURE			
Cost of Goods Sold	15	71,227,910	428,888,869
Personnel Expenses	16	278,433,804	425,110,665
Administrative Expenses	17	1,543,773,879	611,989,780
Interest and Financial Charges (Net)	18	624,358,108	282,089,085
Depreciation		759,034,734	714,036,429
		3,276,828,435	2,462,114,828
PROFIT BEFORE TAX		(2,959,847,350)	1,306,441,226
Provision for Taxation	19	(1,019,957,000)	150,000,000
PROFIT AFTER TAX		(1,939,890,350)	1,156,441,226
Add /(Less) : Adjustments relating to earlier years		899,780	(1,904,983)
NET PROFIT		(1,940,790,130)	1,154,536,243
Add : Balance brought forward from previous year		2,215,815,016	1,388,835,038
Profit available for appropriation		275,024,886	2,543,371,281
Appropriations			
Proposed Equity Dividend		-	23,553,370
Tax on Dividend		-	4,002,895
General Reserve - Transfer		-	300,000,000
Balance carried to Balance Sheet		275,024,886	2,215,815,016
		275,024,886	2,543,371,281
Earnings Per Share (Rs.)			
- Basic		(16.48)	9.80
- Diluted		(13.80)	8.93
Significant Accounting Policies	20		
Notes to Accounts	21		

Schedule Nos 13 to 21 form an integral part of the Profit and Loss Account

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director
29

Mukkaram Jan
Director

Mueed Khader
Director

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE NO.1: SHARE CAPITAL:		
AUTHORISED:	330,000,000	330,000,000
[Previous year 165,000,000 Equity shares of Rs.2/- each]		
200,000 Preference shares of Rs.100/- each	20,000,000	20,000,000
[Previous year 200,000 Preference shares of Rs.100/- each]		
TOTAL	350,000,000	350,000,000
ISSUED, SUBSCRIBED & PAID-UP		
117,766,850 (Previous year 114,667,970) Equity shares of Rs.2/- each fully paidup.	235,533,700	235,533,700
[Of the above -		
i) 40,912,200 (Previous year 40,912,200) Equity shares of Rs.2/- each fully paid up were issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited with the company.		
ii) 56,833,985 (Previous year 56,833,985) were issued & allotted as fully paidup Bonus shares by capitalisation of Reserves.		
iii) 30,98,880 (previous year NIL) equity shares of Rs. 2/- each fully paid-up were issued for consideration other than Cash as part consideration for the acquisition of Cubeware GmbH, by its wholly owned subsidiary Systat Software GmbH.]		
TOTAL	235,533,700	235,533,700
SCHEDULE NO.2: RESERVES AND SURPLUS:		
(a) Securities Premium Account		
Opening Balance	1,849,826,374	1,528,664,134
Add : Receipts on issue of preferential allotment		381,162,240
	1,849,826,374	1,909,826,374
Less: Transfer to FCCB Premium Redemption Reserve	60,000,000	60,000,000
	1,789,826,374	1,849,826,374
(b) FCCB Premium Redemption Reserve		
Opening Balance	180,000,000	120,000,000
Add: Transfer from Share Premium account	60,000,000	60,000,000
	240,000,000	180,000,000
(c) General Reserve		
Opening Balance	1,843,000,000	1,543,000,000
Add : Transfer from Profit and Loss Account		300,000,000
	1,843,000,000	1,843,000,000
(d) Balance in profit and loss account		
	275,024,886	2,215,815,016
TOTAL	4,147,851,260	6,088,641,390



(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE NO.3: SECURED LOANS		
From Banks		
Working Capital Loans	860,173,978	1,801,101,388
Term Loans	3,216,367,993	1,464,797,448
Vehicle Loans	2,144,053	3,324,006
(For Security, refer Note No.21.1.6)		
TOTAL	4,078,686,024	3,269,222,842
SCHEDULE NO.4: UNSECURED LOANS		
Short Term Loans		
From Banks	2,248,496,873	1,844,283,519
From Others	2,311,716,692	2,318,974,059
TOTAL	4,560,213,565	4,163,257,578
SCHEDULE NO.6: INVESTMENTS		
Long-Term - Investment (Unquoted - at cost)		
Traded		
Subsidiaries:		
Systat Software, Inc. USA	185,117,768	185,117,768
974,166 Equity shares of face value USD 1/- each fully paid up (Previous year 974,166 Equity shares of face value USD 1/- each fully paid up]		
Systat Software Asia Pacific Limited	3,800,000	3,800,000
380,000 Equity Shares of Rs.10/- each fully paidup (Previous year 380,000 Equity shares of Rs.10/- each fully paidup)		
Systat Software Gmbh-Germany	1,447,500	1,447,500
1 Equity Share of 25,000 Euros fully paidup (Previous year 1 Equity share of 25,000 Euros fully paidup)		
Cranes Software International Pte Limited - Singapore	4,430,582	4,430,582
165,692 Equity shares of Singapore Dollars 1/- each fully paidup. (Previous year 165,692 Equity shares of Singapore Dollars 1/- each fully paid up)		
Cranes Software Inc (erstwhile NISA Software Inc)	450,072,825	450,072,825
26,91,855 Equity shares of USD 1 each fully paid up (Previous year 26,91,885 Equity shares of USD 1 each fully paid up)		
Tilak Auto Tech Private Limited	5,162,487	5,162,487
1,000 Equity Shares of Rs. 100/- each fully paid up (Previous Year - 1,000 Equity shares of Rs.100/- each fully paid up)		
Analytix Systems Private Limited	63,000,000	63,000,000
20,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year - 20,000 Equity shares of Rs.10/- each fully paid up)		
Caravel Info Systems Pvt Ltd	36,233,187	36,233,187
1,20,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year - 1,20,000 Equity shares of Rs.10/- each fully paid up)		
Proland Software Pvt Ltd	31,889,280	31,889,280
4,840 Equity Shares of Rs. 100/- each fully paid up (Previous Year - 4,840 Equity shares of Rs.100/- each fully paid up)		
Esqube Communication Solutions Private Limited	17,977,989	17,977,989
8,942 Equity shares of Rs.10/- each fully paid up (Previous Year -8,942 Equity shares of Rs.10/- each fully paid up)		

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET
AS AT MARCH 31, 2010

SCHEDULE NO 5 : FIXED ASSETS

(In Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	COST AS ON April 1 2009	ADDITIONS	DELETIONS	TOTAL AS ON March 31 2010	UPTO April 1 2009	FOR THE WITHDRAWN	TOTAL UPTO March 31 2010	AS ON March 31 2010	AS ON March 31 2009
LAND & BUILDING	111,086,383	-	-	111,086,383	801,583	801,583	1,603,166	109,483,217	110,284,800
FURNITURE & FIXTURES	66,784,269	-	-	66,784,269	17,508,940	4,153,054	21,661,994	45,122,275	49,275,329
COMPUTERS	134,133,546	387,133	-	134,520,679	85,121,742	12,109,579	97,231,321	37,289,358	49,011,804
COMPUTER SOFTWARE	4,532,489,250	2,313,589	-	4,534,802,839	2,098,258,061	737,236,147	2,835,494,208	1,699,308,631	2,434,231,189
PLANT & MACHINERY	63,786,329	42,686	-	63,829,015	8,247,705	3,038,065	11,285,770	52,543,245	55,538,624
VEHICLE	19,148,149	-	-	19,148,149	6,365,301	1,691,505	8,056,806	11,091,343	12,782,848
TECHNICAL BOOKS	101,079	-	-	101,079	25,009	4,801	29,810	71,269	76,070
TOTAL	4,927,529,005	2,743,408	-	4,930,272,413	2,216,328,341	759,034,734	2,975,363,075	1,954,909,338	2,711,200,664
PREVIOUS YEAR	4,278,020,136	651,377,666	1,868,797	4,927,529,005	1,502,980,994	714,036,429	2,216,328,341	2,711,200,664	2,775,039,142



(In Rupees)

PARTICULARS	Current Year	Previous Year
Others		
Cranes Software Middle East LLC - UAE	1,786,172	1,786,172
147 Equity shares of UAE Dirham 1,000/- each fully paid up (Previous Year 147 Equity shares of UAE Dirham 1,000/- each fully paid up)		
Current Investment (Unquoted) (Valued at lower of cost or fair value)		
Mutual Funds	-	353,518
(Refer Note No 21.1.8)		
TOTAL	800,917,790	801,271,307
SCHEDULE NO.7: INVENTORIES		
(Valued at lower of cost or net realisable value)		
Stock - in - trade	2,563,840	13,816,078
TOTAL	2,563,840	13,816,078
SCHEDULE NO.8:SUNDRY DEBTORS		
(Unsecured - Considered Good)		
(a) Debts outstanding for a period exceeding six months	3,643,321,021	2,092,637,189
(b) Others debts	86,228,568	1,821,255,563
TOTAL	3,729,549,589	3,913,892,752
SCHEDULE NO.9: CASH AND BANK BALANCES		
(a) Balances with Scheduled Banks in Indian Rupees		
(i) Current Accounts	1,886,744	26,137,270
(ii) Deposit Accounts	13,343,898	2,383,226,643
iii) Dividend Accounts	974,878	975,227
(b) Balances with Scheduled Banks in Foreign Currency		
(ii) Current Accounts	1,541,333	74,148
(ii) Deposit Account	-	-
(c) Cash on Hand	-	176
TOTAL	17,746,853	2,410,413,464
SCHEDULE NO.10: LOANS AND ADVANCES		
(unsecured, considered good)		
(a) Loans and Advances to subsidiaries	1,701,760,084	960,106,671
(b) Advances recoverable in cash or kind or for value to be received	2,372,360,153	835,645,638
(c) Deposits	18,511,851	46,378,338
(d) Advance payment of tax (net)	-	-
(e) MAT Credit Entitlement	163,500,000	163,500,000
TOTAL	4,256,132,088	2,005,720,647
SCHEDULE NO.11: CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
(i) Sundry Creditors		
Dues of Micro, Small and Medium enterprises (Refer Note No.21.1.9)	-	-
Dues of Others	1,252,233,807	492,606,575
Current Account with Directors	15,000,000	15,000,000
(ii) Unclaimed Dividend	1,022,469	1,022,469
TOTAL	1,268,256,276	508,629,044



(In Rupees)

PARTICULARS	Current Year	Previous Year
PROVISIONS		
(a) Proposed Equity Dividend (including tax)	50,941,651	50,941,651
(b) Income Tax (net)	1,224,930	44,569,606
(c) Wealth Tax	43,000	-
(d) Fringe Benefit Tax (net)	282,000	282,000
(e) Provision for Warranty Claims	70,000,000	70,000,000
TOTAL	122,491,581	165,793,257
SCHEDULE NO.12 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	426,420	147,622,420
Less : Written off during the year	426,420	147,196,000
TOTAL	-	426,420



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE - 13: SALES:		
Software Sales & Services:		
Gross Sales:		
Exports	135,591,604	3,028,625,219
Domestic	126,262,172	504,723,891
	Total	3,533,349,110
Software Training	24,938,938	47,996,331
	TOTAL	3,581,345,441
SCHEDULE - 14: OTHER INCOME :		
Dividend received	-	22,660
Commission Received	-	4,795,291
Rent Received	-	1,407,756
Gain on forex Transactions	-	180,984,906
Writeoff of Bank Loan	29,952,816	-
Misc Income	235,556	-
	TOTAL	187,210,613
SCHEDULE -15: COST OF GOODS SOLD:		
Opening Stock	13,816,078	11,676,206
ADD: Purchases	52,072,933	403,353,000
ADD: Direct Expenses	7,902,739	27,675,742
	TOTAL	442,704,947
LESS: Closing Stock	2,563,840	13,816,078
	TOTAL	428,888,869
SCHEDULE -16: PERSONNEL EXPENSES:		
Salaries and Other Allowances	263,361,612	386,124,855
Contribution to Provident and other funds	5,883,861	23,361,434
Staff Welfare	9,188,331	15,624,376
	TOTAL	425,110,665
SCHEDULE -17: ADMINISTRATIVE EXPENSES:		
Auditor's Remuneration	485,484	1,305,937
Bad debts	814,663,005	-
Commission to Non-Executive Directors	-	4,200,000
General Expenses	79,619,377	293,522,251
Exchange Fluctuation	547,738,218	-
Sales Commission	50,000	1,444,219
Insurance	1,010,754	565,700
Office Rent	23,360,083	90,472,536
Electricity and Water Charges	8,578,034	11,755,450
Rates and Taxes	12,334,551	1,295,379
Travelling and Conveyance	45,834,639	44,130,562
Repairs and Maintenance	2,473,314	3,108,771
Director's remuneration	7,200,000	12,432,012
Deferred Revenue and Amalgamation Expenditure written off	426,420	147,196,000
Loss on Sale of Asset	-	560,963
	TOTAL	611,989,780

(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE -18: INTEREST & FINANCIAL CHARGES (Net)		
Fixed Loans	342,735,169	308,584,199
Others	413,900,800	175,894,464
TOTAL	756,635,969	484,478,663
Less : Interest received on Fixed Deposit		
[TDS :Rs. 25,195,705]	132,277,861	202,389,578
[Previous Year TDS : Rs.45,716,827]		
TOTAL	624,358,108	282,089,085
SCHEDULE -19: Provision for Taxation		
Income Tax	-	155,373,000
MAT Credit Entitlement	-	(64,000,000)
Deferred Tax	(1,020,000,000)	55,785,243
Fringe Benefit Tax	-	2,582,000
Taxation Adjustment of Previous year	-	214,757
Wealth Tax	43,000	45,000
TOTAL	(1,019,957,000)	150,000,000

**SCHEDULE NO. 20****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.****20.1. SIGNIFICANT ACCOUNTING POLICIES****20.1.1. Basis of Preparation of financial statements**

The financial statements are prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India.

20.1.2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities on the date of the financial statements and reported amounts of revenue and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current & future periods.

20.1.3. Revenue Recognition

- i. Revenue from sale of products is recognized, in accordance with the sales contract, on delivery of goods to the Customer. Revenue from product sales are shown net of taxes.
- ii. Revenue on Software Development services comprises revenue priced on a time and material and fixed-price contracts. Revenue priced on a time and material contracts are recognized as related services are performed. Revenue from fixed-price, fixed time-frame contracts is recognized in accordance with the percentage of completion method.
- iii. Revenue from Technical Service, Training, support and other services is recognized as the related services are performed over the duration of the contract/course.
- iv. Dividend is recognized when the right to receive the dividend is established at the balance sheet date.

20.1.4. Cash flow statement

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and the changes during the period in inventories and operating receivables and payables. The cash flows from regular revenue generating, investing and financing activities of the Company are shown separately.

20.1.5. Fixed Assets and Capital Work-in-progress

- i. Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its present location and condition. During the year exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are recognized in Profit and Loss a/c.
- ii. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date the fixed asset is ready for its intended use, is capitalized.
- iii. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date and the cost of fixed assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

20.1.6. Intangible Assets –

- i. All intangible assets are stated at cost less accumulated amortization.
- ii. The cost of acquired intangible assets is the consideration paid for acquisition and other incidental costs incurred to bring the intangible asset for its intended use.

- iii. Internally generated intangible assets are valued at cost which were incurred during the development phase of intangibles which comprises of expenditure on materials and services used or consumed, salaries and other employment related cost of personnel engaged in development of intangible asset, other direct expenditures and overheads that are necessary for the generation of the intangible asset and that can be allocated on a reasonable basis.
- iv. Interest on borrowed money allocated to and utilized for intangible assets, pertaining to the period up to the date the intangible asset is ready for its intended use, is capitalized in accordance with Accounting Standard-16.
- v. Amount paid towards the acquisition of intangible assets, which is not put to use as at reporting date and the cost of intangible assets not ready for its intended use before such date is disclosed under Capital Work-in-progress.

20.1.7. Research and Development

- i. The Company in association with the Centre for Sponsored Schemes and Projects of Indian Institute of Science, Bangalore has set up a designing and testing laboratory. The Indian Institute of Science and the Company will jointly own the Intellectual Property rights and patents for technologies and products developed by the laboratory.
- ii. The Company, also in association with Indian Institute of Science, and Society for Innovation and Development has entered into Collaborative Research Programme called "Cranes – I I Sc" Research Programme. The Parties shall be joint owners of any Intellectual Property Rights and Inventions that may be realized through this programme.
- iii. Research cost relating to the above are charged to Profit and Loss account and the expenditure incurred relating to the Development phase are treated as advances in Capital Work in progress and will be capitalized when the intangible asset is ready for use as per the criteria laid down by the AS-26.

20.1.8. Depreciation and Amortization

- i. Depreciation has been provided on Straight Line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of assets purchased / sold during the year, depreciation is charged on a pro-rata basis.
- ii. The Management estimates the useful life of Customized software/commercial rights procured for specific application as 3 years and accordingly amortizes over their estimated useful life on a straight line basis.
- iii. Depreciation on individual low cost assets (costing less than Rs.5,000) is provided for in full in the year of purchase irrespective of date of installation.
- iv. Other Intangible assets are amortized over their respective individual estimated useful life on a straight-line basis, commencing from the date the asset is available to the Company for its use.
- v. After recognition of impairment loss, the depreciation charge for the asset is on the revalued amount prospectively over the remaining useful life of the asset.

20.1.9. Impairment of Assets

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



In the current year, in view of various reasons already covered elsewhere in this Report, it has not been possible to conduct this detailed review

20.1.10. Inventories

Inventories of the Company comprises of Third Party software products. Such software products are valued at cost or net realizable value, whichever is lower. The cost formula used is weighted average basis. Net realizable value is the estimated selling price in ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale. The cost of inventories is net of VAT credit.

20.1.11. Investments

Investments are either classified as current or long-term based on the management's intention at the time of purchase.

- i. Long term investments are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.
- ii. Current investments are carried at the lower of cost or fair value. Any reduction in carrying amount and any reversals of such reduction are charged or credited to the profit & loss account.
- iii. Investments in Foreign Subsidiaries have been reflected at the exchange rates prevailing at the date of transactions.

20.1.12. Effect of Exchange Fluctuation on foreign currency transactions

- i. Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.
- ii. Exchange differences are recorded when the amount actually received on sales or actually paid when the expenditure is incurred, is converted into Indian Rupees.
- iii. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.
- iv. Period-end balances of monetary foreign currency assets and liabilities are translated at the closing rate. The resulting exchange difference is recognized in the profit and loss account.
- v. Non – Monetary assets & liabilities are translated at the rate prevailing on the date of transaction.
- vi. Foreign currency translation differences relating to liabilities incurred for acquiring fixed assets are recognized in Profit and Loss a/c.

20.1.13. Employees' Retirement Benefits

- i) Post-employment benefit plans

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

20.1.14. Income Tax/ Deferred Tax

- i. Current tax is calculated in accordance with the relevant tax regulations.
- ii. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognized in the year in which the timing difference originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of charge. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet dates.
- iii. Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.
- iv. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction.
- v. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

20.1.16. Provisions and Contingent Liabilities

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

20.1.17. Earnings per Share

- i. Basic Earnings per share is calculated by dividing the net earning available to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year.
- ii. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares (FCCB). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.



20.1.18. Leases

- i. Lease arrangements where substantial risk and rewards incidental to ownership vests with the lessor, such leases are recognized as operating leases.
- ii. Lease payments under operating lease are recognized as an expense in the profit and loss account.

20.1.19. Derivative Instruments and Hedge Accounting

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30).

The use of hedging instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

21.1 NOTES ON ACCOUNTS

21.1.1 Contingent liabilities not provided for and Capital commitments -

(Rupees in Million)

Particulars	Current Year	Previous Year
a. Contingent liabilities not provided for		
I. Outstanding guarantees and counter guarantees	105.73	2,449.91
II. Bill discounting	-	535.71
b. Claims against the Company not acknowledged as debts on Tax matters in dispute under appeal	447.66	490.82
c. Estimated amount of contracts remaining to be executed on capital account not provided for.	-	13.29

Counter Guarantee to the extent of Rs 2,344.43 mn given on behalf of a party for their borrowings from a Scheduled Bank to meet requirements of business that were in exploratory stage to be ultimately integrated with the Company were encashed by the lender during the year. Concomittant amount is regarded as Recoverable from the Party and included under the Head 'Advances Recoverable in Cash or Kind or for Value to be Received'. Action to recover the sums from the Party have been initiated.

21.1.2 Undisputed Statutory Dues

(Rupees in Million)

Name of the Statute	Nature of dues	Total Liability as at 31st March, 2010
Employee's Provident Fund & Miscellaneous Provisions Act	Provident Fund	26.53
Commercial Taxes Act	Professional Tax	0.57
Employee State Insurance Act	ESI	0.02
Income Tax Act	TDS	45.30
Service Tax Act	Service Tax	27.42
Commercial Taxes Act	Sales Tax / Value Added Tax	1.65
Income Tax Act	SelfAssessment Tax	60.79
Income Tax Act	Dividend Distribution Tax	27.39
Wealth Tax Act	Wealth Tax	0.08

21.1.3 Claims against the Company provided for and Sub Judice

(Rupees in Million)

Sl. No.	Name of Institution	Liability as on 31st March, 2010	Amount of Claim	In which Forum	Current Status
A UNDER SECTION 434 OF COMPANIES ACT					
1	The Math Works Inc.,	149.48	138.66	High Court, Karnataka	Negotiated Settlement reached; case closed.
2	Canara Bank	286.06	261.71	High Court, Karnataka	Case dismissed.
Total		435.54	400.37		
B UNDER SECTION 138 OF NEGOTIABLE INSTRUMENTS ACT					
1	Canara Bank	286.06	160.00	Metropolitan Court, Bangalore	Out of court
2	State Bank of Mysore	248.43	250.00	Metropolitan Court, Bangalore	settlement being worked on.
Total		534.49	410.00		



21.1.4 Managerial Remuneration

The aggregate managerial remuneration under Section 198 of the Companies Act, 1959 to the Directors including Managing Director is :

(Rupees in Million)

Particulars		Current Year	Previous Year
Managing Director			
- Basic Salary		1.20	1.20
- House Rent Allowance		0.48	0.48
- Special Allowance		0.56	1.22
- Contribution to Provident Fund		0.14	0.14
- Commission		-	1.10
Total Remuneration	(a)	2.38	4.14
Whole-time Directors			
- Basic Salary		2.40	2.40
- House Rent Allowance		0.96	0.96
- Special Allowance		1.17	0.29
- Contribution to Provident Fund		0.29	0.29
- Commission		-	2.20
Total Remuneration	(b)	4.82	8.29
Total Managerial Remuneration	(a + b)	7.20	12.43

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and Calculation of Commission payable to Non - whole time Directors as per Section 309(4) of the Companies Act, 1956.

(Rupees. in Million)

Particulars	Current Year
Profit before taxation	(2,959.85)
Add:	
Directors remuneration	7.20
Provision for commission payable to Directors	-
Loss on sale of fixed assets (net) as per Sec. 350 of the Companies Act 1956	-
Add: Depreciation as per profit and loss account	759.03
Less:	
Profit on sale of Mutual Fund	-
Profit on sale of interest in subsidiary	-
Depreciation as per Sec. 350 of the Companies Act 1956	759.03
Net profit as per Sec 349 of the Companies Act, 1956	(2,952,65)
Maximum Commission allowed to non-whole-time directors as per Sec 309 of the Companies Act, 1956: @ 1% of Net profit u/s 359 of the Companies Act 1956.	-
Commission to Non Whole time Directors provided for (Previous year 4.20)	-
Commission to Whole time Directors provided for (Previous year 3.30)	-

21.1.5. Activities in foreign currency

(Rupees in Million)

Particulars	Current Year	Previous Year
Earnings in Foreign Currency - FOB value of exports	135.59	3,028.63
Expenditure incurred in Foreign Currency	186.11	1,052.64
Capital Goods (valued on CIF basis)	50.69	553.57
Trading Goods (valued on CIF basis)	34.56	241.25
Travelling, Boarding & Lodging Expenses	17.18	10.45
Marketing Expenses	0.34	117.65
Legal/Professional/Consultancy Expenses	5.95	3.22
Dividend	-	0.96
Interest	76.45	80.83
Others	0.94	44.71

21.1.6. Security for borrowings

- i) **Working Capital and Term Loans:** Bank finances are secured by hypothecation of stocks of software, book debts, document of title to goods and collaterally secured by properties; personally guaranteed by Whole time Directors and also have additional collateral security by way of pledge of promoters share for part amount.
- ii) **Vehicle Loans:** Finance for purchase of vehicles are secured by hypothecation of respective vehicles.
- iii) There are other borrowings, some of which are personally guaranteed by whole time Directors.

21.1.7. Debtors and Creditors; Loans and Advances

Periodically, the Company evaluates all Debtors and Creditors balances. However, some of these are subject to confirmation. All Current Assets, Loans and advances, have at least the value as stated in the Balance Sheet if realized in the ordinary course of the Business.

21.1.7.1. Debtors include, dues from Subsidiary Companies as under:

(Rupees in Million)

Particulars	Current Year	Previous Year
Caravel Info Systems Pvt. Ltd.,	1.01	1.01
Cranes Software International Pte. Ltd.,	1.47	0.94
Cranes Software UK Ltd (earlier known as Systat software UK Ltd)	-	15.24
Dunn Solutions Group Inc.,	13.71	12.34
Esqube Communication Solutions Pvt Ltd	0.03	0.03
Engineering Technology Associates Inc., USA	6.13	6.13
Proland Software Pvt Ltd	0.31	0.31
Systat SoftwareGmbH, Germany	23.57	14.39
Systat Software Inc, USA	391.62	352.25
TOTAL	437.85	402.64



21.1.7.2. Loans & advance includes, dues from Companies under the same Management, as under (Disclosure required by Clause 32 of the Listing Agreement):

(Rupees in Million)

Particulars	Current Year	Maximum amount outstanding during the current year	Previous Year	Maximum amount outstanding during the previous year
Cranes Software International Pte Ltd-Singapore	26.12	26.12	51.12	51.12
Cranes Software Inc (Earlier known as NISA Software Inc)	277.27	277.27	39.36	179.58
Tilak Auto Tech Pvt. Ltd	22.13	22.13	19.82	19.82
Systat Software GmbH	702.30	709.40	0.58	0.58
Systat Software Inc USA	579.31	579.31	682.90	682.90
Proland Software Pvt Ltd	13.66	13.66	3.94	15.22
Esquebe Communication Solution	23.90	23.90	24.69	24.69
Caravel Info System Pvt Ltd	8.45	8.45	8.68	16.84
Systat Software Asia Pacific Limited	8.99	8.99	9.38	9.38
Total	1,662.13	1,669.23	840.47	1,000.13

21.1.8. Current Investments (quoted) - In Money Market Mutual funds

(Rupees in million)

Particulars	No. of Units	Face value (Rs.)	Current year	Previous year
ING Vysya Liquid Fund Institutional - Daily Dividend Reinvestment	-	-	-	0.35
ING Vysya Floating Rate Fund - Daily Dividend	-	-	-	0.00
Aggregate Fair value of unquoted investments	-	-	-	0.33
Aggregate cost of unquoted investment	-	-	-	0.33

21.1.9. Dues to Small-scale industrial undertakings

- i. As at March 31, 2009 and March 31, 2010, the Company has no outstanding dues exceeding Rs. 1 Lakh for more than 30 days to Small Scale Industrial undertaking as ascertained and certified by the Management.
- ii. There are no micro and small enterprises, to whom the Company owes dues, for more than 45 days as at 31st march, 2010. This information as required to be disclosed under the Micro Small & Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

21.1.10. Quantitative Details

The Quantitative details of sales and certain information as required under paragraphs 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are as follows:

Current year

(In Numbers)

Item Description	Opening Stock April 1, 2009	Receipts	Issues	Balance as on March 31,2010
Matlab Media CD Kits	2	-	2	-
Dongles	11	-	11	-
Matlab	62	-	62	-
Simulink	43	-	43	-
Toolboxes	338	-	338	-
DSP Starter kits	234	573	710	97
Calculators - TI	158	1,172	1,240	90
BWD	6,987	-	601	6,386
Dspace	-	-	-	-
Maple Soft	20	-	20	-

Previous Year

(In Numbers)

Item Description	Opening Stock April 1, 2008	Receipts	Issues	Balance as on March 31,2009
Matlab Media CD Kits	-	526	524	2
Dongles	17	50	56	11
Matlab	89	451	478	62
Simulink	42	247	246	43
Toolboxes	505	711	878	338
DSP Starter kits	15	1,224	1,005	234
Calculators - TI	77	2,506	2,425	158
BWD	5,399	3,017	1,429	6,987
Dspace	-	27	27	-
Maple Soft	-	32	12	20

The Company is in the business of software development and trading hence information on Licensed and installed capacity is not applicable

21.1.11. Repairs and Maintenance includes

(Rupees in Million)

Particulars	Current Year	Previous Year
(i) Building	1.82	1.19
(ii) Machinery	0.04	0.30
(iii) Others	0.62	1.62
Total	2.47	3.11

21.1.12. Details of Auditors remuneration

(Rupees in Million)

Particulars	Current Year	Previous Year
Statutory Audit	0.48	0.45
Out of Pocket Expenses	0.04	0.05
Other services	-	0.81
Total	0.52	1.31

**21.1.13. Dividends remitted in foreign currencies**

(Rupees in Million)

Particulars	Number of Non-Resident Equity Shareholders	No of Equity Shares Held	Gross Amount of Dividend (Rs in Million)	
			2009-10	2008-09
Dividend for 2008-09 Paid in 2009-10	- (Previous Year – 1)	- (Previous Year – 8,00,200)	-	0.96

21.1.14. Reconciliation of basic and diluted shares used in computing earnings per share

(Rupees in Million)

Particulars	Current Year	Previous Year
Net Profit for the period attributable to equity shareholders (A)	(1,940.79)	1,154.54
Adjustment for interest on Foreign Currency convertible Bonds(FCCB) net of Taxes (B)	50.00	69.02
Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B)	(1,890.79)	1,223.56
Number of shares considered as basic weighted average shares outstanding (C)	117.77	117.77
Add: Effect of dilutive issues of shares (D)	19.24	19.24
Number of shares considered as weighted average shares and potential shares outstanding (C+D)	137.01	137.01
Basic Earnings per share (A/C) (Rs)	(16.48)	9.80
Diluted Earnings per share (A+B)/(C+D) (Rs)	(13.80)	8.93
Nominal Value per share (Rs)	2.00	2.00

21.1.15. Deferred Tax Liability

Deferred taxes at the year end are attributable to the following:

(Rupees in Million)

	Current Year	Previous Year
Deferred Tax Asset		
Provision for Retirement Benefits	(0.42)	2.07
Deferred Revenue Expenditure	-	4.58
Carried forward Business Loss	(675.18)	-
Carried forward Depreciation Loss	(163.55)	-
Others	(55.31)	-
(A) Total	(894.46)	6.65
Deferred Tax Liabilities		
Difference between Book and Tax Depreciation	386.73	516.16
Deferred Revenue Expenditure	-	-
(B) Total	386.73	516.16
Deferred Tax Liability (Net) (A-B)	(507.73)	509.51

21.1.16. Gratuity

	Current Year
(i) Change in Benefit Obligations:	
Projected Benefit Obligation, beginning of the year (April 1, 2009)	15.40
Service Cost	3.88
Interest Cost	1.23
Actuarial (gain) / loss on obligations	(6.60)
Benefit paid	(6.97)
Projected Benefit Obligation, at the end of the year	6.94
(ii) Change in Plan Assets:	
Fair value of Plan Assets, beginning of the year (April 1,2009)	18.44
Expected return on Plan Assets	1.48
Employer's contributions	
Benefit paid	(6.97)
Actuarial (gain) / loss on Plan Assets	2.65
Fair value of Plan Assets, at the end of the year	15.60
Excess of (obligation over plan assets) / plan assets over obligation	9.25
(Accrued Liability) / Prepaid Benefit	9.25
(iii) Net Gratuity and other cost for the year ended March 31, 2010	
Service Cost	3.88
Interest on Defined Benefit Obligation	1.23
Expected return on Plan Assets	(1.48)
Net Actuarial (gain) / loss recognized in the year	(9.25)
Net Gratuity and other cost	(5.62)
Actual Return on Plan Assets	4.13
(iv) Category of Assets as at March 31, 2010	
Insurer Managed Funds	15.60
Total	15.60
v) Assumptions used in accounting for the Gratuity Plan	
Discount Rate	8%
Salary escalation rate	4%
Expected rate of return on Plan Assets	8%

21.1.17. Obligations towards long term, non-cancellable operating leases

The Company has taken various offices, vehicles, computers, furniture and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry.

The Company has also taken on non-cancellable operating leases certain offices, the future minimum lease payments in respect of which, as at the close of the year are as follows -

	(Rupees In Million)	
Lease obligation	Current Year	Previous Year
Due not later than one year	-	13.45
Due later than one year but not later than five years	-	-
Due after five years	-	-
Total	-	13.45



These lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period.

The rental expenses in respect of operating leases recognized in the profit and loss account are Rs.23.36 Million for the year ended March 31, 2010. (Previous year Rs.90.47 Million)

21.1.18 Foreign currency convertible Bonds

The Company issued and allotted on March 17, 2006 Foreign Currency Convertible Bonds (Considered as non-Monetary liability) for Euro 42 Million (Equivalent for Rs. 2,270.10 Million) bearing an interest at 2.5% per annum payable half yearly. The bonds are convertible at any time on and after April 27, 2006 and till close of business on March 11, 2011 and were convertible into shares or GDRs at an initial conversion price of Rs. 143.293 per share with a fixed rate of exchange on conversion of Euro 1.00 = Rs. 52.6828. The outstanding bonds are redeemable at a premium of 12.833% on 18th March 2011. Further, based on the relevant clause of the issue document, conversion price has now been refixed at Rs.115. During the year ended 31 March 2009 there has been no conversion of the Bonds into Shares. If the outstanding bonds as on March 31, 2009 are converted into equity shares or GDRs, then the share capital of the Company will increase by 19,240,675 shares.

Proportionate Premium payable on redemption of FCCB Rs. 60 Million (Previous Year Rs.60 Million) has been transferred to FCCB Redemption Reserve during the year out of share premium account. In the event that the conversion option is exercised by the holders of FCCB in the future, the amount of premium charged to the share premium account will be suitably adjusted in the respective years.

Owing to liquidity related challenges, it was not possible to make payment of interest on these FCCBs due in September, 2009 and March, 2010, amounting to a total of Rs. 50 mn. Provision for these amounts are made in the Balance Sheet as on 31st March, 2010.

21.1.19. Research & Development

Research & Development expenditure recognized as expenses during the year amounted to Rs. Nil. (Previous year Rs.3.71 Million)

21.1.20. Related Party Disclosures as ascertained by the Management

Current Year	(Rupees in Million)		
Particulars	Subsidiaries	Key Management Personnel	Total Related Parties
Purchases of Goods/software	15.08	-	15.08
Sales of Goods/Software	19.23	-	19.23
Purchase of Fixed Assets	-	-	-
Sale of Fixed Assets	-	-	-
Investment in Subsidiary	-	-	-
Rendering of Services	9.86	-	9.86
Receiving of Services	50.69	-	50.69
Loans/advances/equity contributions given	81.06	-	81.06
Loans/advances/equity contributions taken	776.96	-	776.96
Directors Remuneration	-	7.20	7.20
Commission to Directors	-	-	-
Balance as on 31.03.10 receivable	2,073.86	-	2,073.86
Balance as on 31.03.10 payable	33.44	3.30	36.74



Previous Year

(Rupees in Million)

Particulars	Subsidiaries	Key Management Personnel	Total Related Parties
Purchases of Goods/software	27.45	-	27.45
Sales of Goods/Software	87.30	-	87.30
Purchase of Fixed Assets	-	-	-
Sale if Fixed Assets	0.03	-	0.03
Investment in Subsidiary	-	-	-
Rendering of Services	147.68	-	147.68
Receiving of Services	115.86	-	115.86
Loans/advances/equity contributions given	188.94	-	188.94
Loans/advances/equity contributions taken	60.45	-	60.45
Directors Remuneration	-	9.13	9.13
Commission to Directors	-	3.30	3.30
Balance as on 31.03.09 receivable	1,225.64	-	1,225.64
Balance as on 31.03.09 payable	80.09	4.75	84.84

Note:

Names of related parties and description of relationship

Holding Company

Nil

Subsidiaries:

1. Systat Software Inc., USA
2. Systat Software Asia Pacific Limited
3. Cranes Software International Pte. Ltd, Singapore
4. Systat Software GmbH, Germany
5. Cranes Software Inc (Earlier known as NISA Software Inc., USA)
6. Analytix Systems Private Ltd
7. Tilak Autotech Private Ltd
8. Caravel Info Systems Pvt. Ltd.,
9. Proland Software Pvt. Ltd.,
10. Esqube Communication Solutions Pvt. Ltd.,

Step Down Subsidiaries:

1. Cranes Software UK Ltd.(Earleir known as Systat Software UK Ltd)
2. Dunn Solutions Group Inc.
3. Engineering Technology Associates Inc with its Subsidiary, Engineering Technology Associates (Shanghai) Inc., China
4. Cubeware GmbH and its Subsidiaries in Austria and Switzerland

Key Management Personnel

Mr.Asif Khader
Mr.Mukkaram Jan
Mr.Mueed Khader

Relatives of Key Management Personnel

Nil

Other Related Parties

Orca Infotech Private Limited
K&J Holdings Private Limited
K & J Telecom Private Limited



Jansons Land & Property Development Pvt Ltd
 SPSS South Asia Private Limited
 Keysoft Solutions Private Limited
 Spice Capital Fund Private Limited
 Sea Equity Private Limited

In respect of the above parties, there is no provision for doubtful debts as at the financial year and no amount has been written off/written back during the year in respect of debts due from/to them.

21.1.21. Segment Reporting

The Company has identified geographic segments as its primary segment and Business segments as its secondary segment.

Primary Segments- a) Exports and b) Domestic
 Secondary Segments- a) Proprietary Products and Services and b) Product Alliances

Primary Segment Information - Geographical Segment

(Rupees. in Million)

Sl. No.	Particulars	Current Year			Previous Year		
		Export	Domestic	Total	Export	Domestic	Total
1	Segment Revenue:	135.59	151.20	286.79	3,028.63	552.72	3,581.35
2	Segment Results	(1,118.46)	(1,247.22)	(2,365.68)	1,303.23	98.09	1,401.32
	Other Income			301.88			185.31
	Operating Profit			(2,335.49)			1,586.63
	Interest Expenses			624.36			282.09
	Profit before Tax			(2,959.85)			1,304.54
	Tax expenses			(1,019.96)			150.00
	Profit after tax			(1,939.89)			1,156.49
	Adjustments relating to earlier years			0.90			(1.90)
	Net Profit			(1,940.79)			1,154.54
3	Segment Assets	6,814.48	7,598.55	14,413.03	11,429.55	2,016.98	13,446.53
	Total Assets			14,413.03			14,940.59
	Segment Liabilities	657.55	733.20	1,390.75	64.88	11.45	76.33
	Total Liabilities			1,390.75			553.48
	Capital Employed (Segment Assets - Segment Liabilities)	6,156.75	6,865.53	13,022.28	11,364.67	2,005.53	1,3370.20
4	Capital Expenditure	1.30	1.45	2.74	552.08	97.43	649.51
5	Depreciation	358.87	400.16	759.03	606.35	107.00	714.04

Secondary Segment Information - **Business Segment**

(Rupees in Million)

Sl.No.	Particulars	Current Year		Previous Year	
		Proprietary products and services	Product Alliances	Proprietary products and services	Product Alliances
1.	Segment Revenue	232.32	54.47	3063.17	518.18
2.	Segment Result	(1,916.44)	(449.24)	1331.26	70.06
3.	Segment Assets	11,676.00	2,737.03	12,505.28	941.25
4.	Capital Expenditure	2.22	0.52	506.62	142.89

21.1.22 Payment of Dividend declared in Members' meeting held on 29th September, 2009

At the meeting of the Members of the Company held on 29th September, 2009, it was resolved that Dividend on Ordinary Shares at the rate of Rs 0.20 per share will be distributed to Members in the rolls as on the Record Date, 23rd September, 2009. Owing to the liquidity position of the Company, it has not been possible to make this payment. Liability of this amount continues to exist as on 31st March, 2010.

21.1.23. Previous year's figures have been regrouped and reclassified wherever necessary

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration #	31621	State Code	08
Balance sheet date	31032010		

II Capital raised during the year (Amount in Rs. Thousands)

Public issue	NIL	Rights issue	NIL
Bonus issue	NIL	Private placement/Preferential issue	NIL

III Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total liabilities	13022285	Total assets	13022285
-------------------	----------	--------------	----------

Sources of funds

Paid up capital	235534	Reserves & Surplus	4147851
Secured Loans	4078686	Unsecured loans	4560214
Deferred Tax Liability (Net)	NIL		

Application of funds

Net fixed assets	5095635	Investments	800918
Net current assets	6615245	Miscellaneous expenditure	NIL
Deferred Tax Assets (Net)	510487	*Including capital work in progress	

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

Turnover	316981	Total expenditure	3276828
Profit / Loss before tax	-2959847	Profit / Loss after tax	-1939890
Earnings per share in Rs.		Dividend rate %	NIL
Basic	-16.48	Diluted	-13.80

V Generic names of three principal products / services of the Company (As per monetary terms)

Item code # (ITC Code)	85249009
Product description	SOFTWARE

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



STATEMENT OF CASH FLOWS AS AT MARCH 31, 2010

(In Rupees)

PARTICULARS	Current Year	Previous Year
Cash flows from operating activities		
Net profit before taxation	(2,959,847,350)	1,306,441,226
Adjustments for:		
Prior period adjustment	(899,780)	-
Wealth Tax Provision	(43,000)	-
Profit / Loss on sale of Investments / assets	-	560,963
Foreign Exchange Loss (Net)	-	7,071,751
Depreciation and amortization	759,034,734	714,036,429
Preliminary expenses	426,420	147,196,000
Dividend / interest income (Net)	(235,556)	(202,412,238)
Interest expense on borrowings	624,358,108	484,478,663
Operating profit before working capital changes	(1,577,206,423)	2,457,372,974
Adjustments for working capital		
Inventory	11,252,238	(2,139,872)
Debtors	184,343,162	(2,722,493,945)
Loans and advances	(2,250,411,441)	(708,718,878)
Current liabilities	716,325,556	110,322,112
Cash generated from operations	(2,915,696,907)	(865,657,790)
Adjustments for		
Direct Taxes paid	-	(17,531,865)
Net cash from Operating Activities	(2,915,696,907)	(848,125,924)
Cash flows from investing activities		
Purchase of Fixed Assets / Increase in Work In Progress	(59,619,838)	-
Proceeds from sale of Investments	353,523	77,340
Dividend / Interest received	235,556	202,412,238
Proceeds from sale of Fixed assets	-	618,752
Acquisition of property, fixed assets (including advances)	-	(738,068,824)
Net cash from Investing Activities	(59,030,760)	(534,960,494)
Cash flows from financing activities		
Dividend and Dividend Tax	-	(137,602,044)
Interest on borrowed funds	(624,358,108)	(484,478,663)
Secured Loans / Borrowings	809,463,182	1,010,784,048
Unsecured Loans	396,955,987	693,084,963
Net cash from Financing Activities	582,061,060	1,081,788,304
Net increase/(decrease) in Cash and Cash Equivalents	(2,392,666,607)	(301,298,115)
Opening cash and cash equivalents	2,410,413,464	2,718,783,330
Less: Exchange fluctuation	-	(7,071,751)
Closing cash and cash equivalents	17,746,853	2,410,413,464

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANYS' INTEREST IN SUBSIDIARY COMPANIES:

Name of the Subsidiary Company	Systat software GmbH (Consolidated with Cubeware GmbH)	Systat Software Inc (Consolidated with Cranes Software UK Ltd)	Systat Software Asia Pacific Ltd.	Cranes Software International Pte. Ltd.	Caracel Info Systems Pvt. Ltd.	Cranes Software Inc (Consolidated with Dunn Solutions Group Inc, Engg. Technology Associates Inc & China)	Tilak Autotech Pvt. Ltd.	Analytix Systems Pvt. Ltd.	Proland Software Pvt. Ltd.	Esquire Communication Solutions Pvt. Ltd.
Financial period ended	31.3.2010	31.3.2010	31.3.2010	31.3.2010	31.3.2010	31.3.2010	31.3.2010	31.3.2010	31.3.2010	31.3.2010
a) No. of share held	1	974,166	380,000	165,692	120,000	2,691,855	1,000	20,000	4,840	8,942
b) Face value of per share	EURO 25,000	USD 1	INR 10	SGD 1	INR 10	USD 1	INR 100	INR 10	INR 100	INR 10
c) Extent of interest as at year end	100%	100%	100%	100%	100%	100%	100%	100%	100%	76%
The Net aggregate amount of Profits / (losses) of the subsidiary for the current period so far as it concerns the members of the holding company	EURO (677,329)	USD (838,895)	INR (42,127)	SGD (725,619)	INR (7,437,900)	USD (2,807)	INR (1,686,699)	INR (275,010)	INR (2,221,795)	INR (3,733,387)
a) Dealt with or provided for in the accounts of the holding Company										
b) Not dealt with or provided for in the accounts of the holding company	EURO (98,978)	USD (3,467,760)	INR 1,791,619	SGD 459,735	INR 8,207,874	USD (944,175)	INR (14,507,817)	INR (76,599)	INR (4,670,070)	INR (4,972,397)
Net aggregate Profits / (losses) For the previous financial years of the Subsidiary so far as it concerns the members of the Holding company										
a) Dealt with or provided for in the accounts of the holding company										
b) Not dealt with or provided for in the accounts of the holding company										

For and on behalf of the Board

Bangalore
September 30, 2010Asif Khader
Managing DirectorMukkaram Jan
DirectorMueed Khater
Director



CRANES SOFTWARE INTERNATIONAL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

2009-2010



AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached Consolidated Balance Sheet of M/s.Cranes Software International Limited, Bangalore and its subsidiaries as at 31st March 2010, and Consolidated Profit and Loss account and Consolidated Cash Flow statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We report that consolidated financial statements have been prepared by the Company's management in accordance with requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of M/s. Cranes Software International Limited and its subsidiaries included in the Consolidated Financial Statements (Refer Note No. 21.1 in Notes forming part of Account for the year ended March 31, 2010).

In preparing this report on the Consolidated Financial Statements, we have relied on audits undertaken by other firms and their reports, as detailed below :

Name of Company	Country	Name of Auditor
Systat Software Inc	USA	Continental Accounting Solutions Inc.
Cranes Software Inc #	USA	Premier Accounting Solutions
Systat Software GmbH	Germany	Price Water House Coopers
Cubeware GmbH@	Germany	Stenuerberater Sozietat
Cranes Software Pte Limited	Singapore	NG, Vun & Company
Tilak Autotech Pvt. Ltd.	India	Marathe Padhye & Athalye

: Includes its Wholly Owned Subsidiaries Dunn Solutions Group Inc and ETA Inc and also ETA Inc's Wholly Owned Subsidiary in China

@: Includes its Wholly Owned Subsidiaries in Austria and Switzerland

We would additionally like to opine as follows :

- 1. We have made a number of observations in our Report of even date on the Accounts of the Parent Company, Cranes Software International Limited. These observations and qualifications need to be referred to, while perusing through the Consolidated Financial Statements as well.***
- 2. Additionally, during the year, a Step Down subsidiary of the Company, Cranes Software (UK) Ltd.. UK (Subsidiary of Systat Software Inc), was presented for Voluntary Liquidation in UK. The Management has represented that the Accounts of this Company included for the Consolidation is as per the Accounts prepared and submitted to the Official Liquidator in this connection. No audited statement is available in this connection.***
- 3. In line with the size and nature of operations of Systat Software GmbH, Germany and in keeping with German legal requirement, the auditor of that Subsidiary Company is not required to express an opinion regarding the financial statements through an audit process. After compiling and review of the statements, they opined that, " nothing has come to our notice that causes to believe that the accompanying statement of financial results prepared in accordance with the accounting standards and other recognized accounting practices and policies contains any material misstatement"***

Based on our audit and on consideration of reports of other auditors on separate financial statements and to the best of our information and according to the explanations given to us, we are of the opinion that, **subject to note**



nos. [1], [2] and [3] above, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a. In the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2010;
- b. In the case of Consolidated Profit and Loss Account, of the consolidated loss of the Company and its subsidiaries for the year ended on that date; and
- c. In the case of Consolidated Cash Flow Statements, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For S. JANARDHAN & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN005310S

Balakrishna S Bhat

Partner

Membership No.202976

Bangalore
September 30, 2010



CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2010

(In Rupees)

PARTICULARS	SCH No.	Current Year	Previous Year
SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	1	235,533,700	235,533,700
Reserves and Surplus	2	4,407,786,703	6,425,445,332
		4,643,320,403	6,660,979,032
Loan Funds			
Secured Loans	3	4,156,531,954	3,957,329,705
Unsecured Loans	4	4,664,916,628	4,281,125,144
		8,821,448,582	8,238,454,849
	TOTAL	13,464,768,985	14,899,433,881
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	6,547,811,092	6,364,891,988
Less : Accumulated Depreciation		3,496,078,264	2,515,170,822
Less : Impairment Loss		-	-
Net Block		3,051,732,828	3,849,721,166
Add : Capital Work in Progress		3,242,605,176	3,389,878,465
		6,294,338,004	7,239,599,631
Goodwill on consolidation		2,155,438,237	2,158,210,755
Investments	6	4,759,024	3,893,566
Deferred Tax Asset (Net)		445,846,868	(578,607,481)
Current Assets, Loans & Advances:			
Inventories	7	21,275,816	37,015,765
Sundry Debtors	8	3,676,806,607	3,794,969,538
Cash and Bank Balances	9	135,049,552	2,500,985,179
Loans and Advances	10	2,816,629,803	1,358,873,642
		6,649,761,778	7,691,844,124
Less : Current Liabilities & Provisions			
Current Liabilities	11	1,936,751,368	1,445,341,150
Provisions		173,742,542	178,874,110
		2,110,493,910	1,624,215,260
Net Current Assets		4,539,267,868	6,067,628,864
Miscellaneous Expenditure			
(To the extent not written off or adjusted)	12	25,118,984	8,708,546
Profit and Loss account		-	-
Significant Accounting Policies	20		
Notes to Consolidated Accounts	21		
	TOTAL	13,464,768,985	14,899,433,881

Schedules Nos. 1 to 12 and 20 & 21 form an integral part of Balance Sheet

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2010

(In Rupees)

PARTICULARS	SCH No.	Current Year	Previous Year
INCOME			
Sales	13	2,353,081,100	5,087,925,452
Other Income	14	50,456,675	200,632,482
		2,403,537,775	5,288,557,934
EXPENDITURE			
Cost of Goods Sold	15	971,463,961	1,122,213,514
Personnel Expenses	16	1,030,591,955	804,366,475
Administrative Expenses	17	1,963,857,464	959,994,358
Interest and Financial Charges	18	647,603,344	300,181,589
Depreciation		886,504,777	768,990,701
		5,500,021,501	3,955,746,637
PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		(3,096,483,726)	1,332,811,297
Less\ (Add) : Extraordinary Items			
Add : Profit on Sale of interest in Subsidiary		-	-
PROFIT BEFORE TAX		(3,096,483,726)	1,332,811,297
Less : Tax Expenses	19	(1,054,190,430)	117,810,226
PROFIT AFTER TAX		(2,042,293,296)	1,215,001,071
Less\ (Add) : Prior period adjustments		(3,878,336)	(1,878,895)
PROFIT AFTER TAX AND PRIOR PERIOD ITEMS		(2,038,414,960)	1,213,122,176
Add : Share of Minority interests			1,054,247
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(2,038,414,960)	1,214,176,423
Add : Balance brought forward from previous year		2,422,216,302	1,535,596,144
PROFIT AVAILABLE FOR APPROPRIATION		383,801,342	2,749,772,567
Appropriations			
Proposed Equity Dividend		-	23,553,370
Tax on Dividend		-	4,002,895
Transfer to General Reserve		-	300,000,000
Balance carried to Balance Sheet		383,801,342	2,422,216,302
		383,801,342	2,749,772,567
Earnings Per Share (Face Value of Rs. 2 /- each)			
- Basic		(17.31)	10.30
- Diluted		(14.51)	9.36
Significant Accounting Policies	20		
Notes on Consolidated Accounts	21		

Schedule Nos 13 to 21 form an integral part of the Profit and Loss Account

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Balakrishna S. Bhat
Bangalore
September 30, 2010
Partner
Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2010

(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE NO.1 SHARE CAPITAL:		
AUTHORISED:		
165,000,000 Equity Shares of Rs.2/- each [Previous year 165,000,000 Equity Shares of Rs.2/- each]	330,000,000	330,000,000
200,000 Preference Shares of Rs.100/- each [Previous year 200,000 Preference Shares of Rs.100/- each]	20,000,000	20,000,000
TOTAL	350,000,000	350,000,000
ISSUED, SUBSCRIBED & PAID-UP		
117,766,850 (Previous year 114,667,970) Equity shares of Rs.2/- each fully paid up [Of the above 40,912,200 (Previous year 40,912,200) Equity shares of Rs.2/- each fully paid up issued pursuant to the scheme of amalgamation of the erstwhile Cranes Software International Limited] (Of the above 56,833,985 were issued & allotted as fully paidup Bonus share by Capitalisation of Reserves)	235,533,700	235,533,700
TOTAL	235,533,700	235,533,700
SCHEDULE NO.2: RESERVES AND SURPLUS		
Capital Reserve	576,353	576,353
Share Premium Account		
Opening Balance	1,849,826,374	1,528,664,134
Add : Receipts on issue of preferential allotment	-	381,162,240
	1,849,826,374	1,909,826,374
Less: Transfer to FCCB Premium Redemption Reserve	60,000,000	60,000,000
	1,789,826,374	1,849,826,374
FCCB Premium Redemption Reserve		
Opening Balance	180,000,000	120,000,000
Add: Transfer from Share Premium account	60,000,000	60,000,000
	240,000,000	180,000,000
General Reserve		
Opening Balance	1,843,000,000	1,543,000,000
Add : Transfer from Profit and Loss Account	-	300,000,000
	1,843,000,000	1,843,000,000
Foreign Currency Translation reserve	150,582,634	129,826,303
Balance in profit and loss account	383,801,342	2,422,216,302
TOTAL	4,407,786,703	6,425,445,332
SCHEDULE NO.3: SECURED LOANS:		
From Banks		
Working Capital Loans	860,173,978	2,214,909,084
Term Loans	3,293,974,469	1,738,773,955
Vehicle Loans	2,383,507	3,646,666
TOTAL	4,156,531,954	3,957,329,705
SCHEDULE NO.4: UNSECURED LOANS:		
From Banks		
Short Term Loans	2,248,496,873	1,844,283,520
From Others	2,416,419,755	2,436,841,624
TOTAL	4,664,916,628	4,281,125,144

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT MARCH 31, 2010

SCHEDULE NO.5 FIXED ASSETS

PARTICULARS	(In Rupees)											
	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	COST AS ON April 1 2009	ADDITIONS	TRANSFER	DELETIONS	TOTAL AS ON MAR. 31 2010	Upto April 1 2009	FOR THE YEAR	TRANSFER	WITHDRAWN	TOTAL Upto MAR. 31 2010	AS ON MAR. 31 2010	AS ON MAR. 31 2009
LAND & BUILDINGS	111,086,383	-	-	-	111,086,383	801,583	801,583	-	-	1,603,166	109,483,217	110,284,800
FURNITURE & FIXTURES	85,895,532	3,675	-	2,126,276	83,772,929	29,797,934	5,205,735	874,933	522,228	35,356,373	48,416,556	56,097,598
COMPUTERS	182,420,980	4,088,144	-	4,892,273	181,616,851	121,234,902	18,044,040	(4,066,550)	-	135,212,393	46,404,459	61,186,078
COMPUTER SOFTWARE	5,875,277,113	207,223,037	-	20,693,141	6,061,807,009	2,338,550,784	854,796,979	117,663,699	20,693,141	3,290,318,321	2,771,488,688	3,536,726,329
PLANT & MACHINERY	88,709,881	42,686	-	726,745	88,025,821	17,452,174	5,741,310	1,268,430	122,478	24,339,436	63,686,385	71,257,707
VEHICLES	21,502,099	-	-	-	21,502,099	7,333,445	1,915,130	-	-	9,248,575	12,253,524	14,168,654
TOTAL	6,364,891,988	211,357,542	-	28,438,436	6,547,811,092	2,515,170,822	886,504,777	115,740,512	21,337,847	3,496,078,264	3,051,732,828	3,849,721,166
PREVIOUS YEAR	5,228,956,392	843,893,841	295,452,552	3,410,797	6,364,891,988	1,746,581,632	768,990,701	912,763	1,314,274	2,515,170,822	3,849,721,166	3,482,374,760



(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE NO.6: INVESTMENTS:		
Long-Term Investment (unquoted) (valued a cost)		
(i) in Government Securities		
National Savings Certificate	5,500	5,500
(ii) in trade		
Cranes Software Middle East LLC UAE	1,786,172	1,786,172
147 Equity Shares of UAE Dirham 1,000/- each fully paid up [Previous year 147 Equity shares of UAE Dirhams 1000 each fully paid]		-
Current Investment (Quoted) (Valued at lower of cost or fair value)		
Investments - Germany	2,967,352	1,748,376
Mutual Funds	-	353,518
TOTAL	4,759,024	3,893,566
SCHEDULE NO.7: INVENTORIES: (Valued at lower of cost or net realisable value)		
Stock - in - trade	21,275,816	37,015,765
TOTAL	21,275,816	37,015,765
SCHEDULE NO.8:SUNDRY DEBTORS: (Unsecured - Considered Good)		
Outstanding for period exceeding six months	3,188,179,654	2,099,274,532
Other debts	488,626,953	1,695,695,006
TOTAL	3,676,806,607	3,794,969,538
SCHEDULE NO.9: CASH AND BANK BALANCES:		
(i) Balances with Scheduled Banks in Indian Rupees:		
Current Accounts	4,655,819	29,414,273
Deposit Accounts	17,628,694	2,386,609,362
Dividend Accounts	974,878	975,227
(ii) Balances with Scheduled Banks in Foreign Currency		
Current Accounts	111,734,492	83,869,677
Deposit Accounts	-	457
	134,993,883	2,500,868,996
(iii) Cash on Hand	55,669	116,183
TOTAL	135,049,552	2,500,985,179
SCHEDULE NO.10: LOANS AND ADVANCES: (unsecured, considered good)		
(i) Advances recoverable in cash or kind or for value to be received	2,630,990,933	1,139,411,908
(ii) Deposits	22,138,870	52,328,579
(iii) Advance Tax (Net of Provisions)	-	3,633,155
(iii) MAT Credit Entitlement	163,500,000	163,500,000
TOTAL	2,816,629,804	1,358,873,642

(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE NO.11: CURRENT LIABILITIES & PROVISIONS:		
CURRENT LIABILITIES:		
(i) Sundry Creditors		
Dues of Other Creditors	1,920,728,899	1,429,318,681
(ii) Current Account with to Directors	15,000,000	15,000,000
(iii) Unclaimed Dividend	1,022,469	1,022,469
TOTAL	1,936,751,369	1,445,341,150
PROVISIONS:		
(i) Proposed Equity Dividend(including tax)	50,941,651	50,941,651
(ii) Income Tax (net of advances)	50,752,532	54,027,533
(iii) Provision for Warranty Claims	70,000,000	70,000,000
(iv) Gratuity and other employee related provision	1,723,359	3,295,530
(v) Fringe Benefit Tax	282,000	609,396
(vi) Wealth Tax		
TOTAL	173,699,542	178,874,110
SCHEDULE NO.12 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Amalgamation Expenses	-	-
Deferred Revenue Expenditure	25,545,404	164,687,132
Add : Additions during the year	-	-
	25,545,404	164,687,132
Less : Written off during the year	426,420	155,978,586
TOTAL	25,118,984	8,708,546



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR

THE YEAR ENDED MARCH 31, 2010

(In Rupees)

PARTICULARS	Current Year	Previous Year
SCHEDULE - 13: SALES:		
Software Sales & Services:		
Exports	2,166,181,353	4,508,582,741
Domestic	161,960,809	531,346,380
	2,328,142,162	5,039,929,121
Software Training	24,938,938	47,996,331
TOTAL	2,353,081,100	5,087,925,452
SCHEDULE - 14: OTHER INCOME :		
Dividend received	-	22,660
Commission Received	-	4,795,291
Writeoff of Bank Loan	29,952,816	-
Gain on Forex Transactions	(33,332)	182,781,648
Miscellaneous Income	20,537,191	13,032,883
TOTAL	50,456,675	200,632,482
SCHEDULE -15: COST OF GOODS SOLD:		
Opening Stock	37,015,765	16,364,372
ADD: Purchases	947,180,721	387,997,823
ADD: Direct Expenses	8,543,291	754,867,084
	992,739,777	1,159,229,279
LESS: Closing Stock	21,275,816	37,015,765
TOTAL	971,463,961	1,122,213,514
SCHEDULE -16: PERSONNEL EXPENSES:		
Salaries	1,007,714,330	726,649,090
Contribution to Provident and other Funds	5,676,802	29,137,090
Staff Welfare	17,200,823	48,580,295
TOTAL	1,030,591,955	804,366,475
SCHEDULE -17: ADMINISTRATIVE EXPENSES:		
General Expenses	260,429,293	406,063,785
Auditors Remuneration	1,431,683	11,768,103
Sales Commission	69,598,937	12,995,441
Exchange Fluctuation	547,811,847	-
Insurance	14,282,805	19,717,316
Office Rent	77,918,195	151,993,311
Advertisement	33,339,671	58,597,617
Electricity & Water Charges	8,747,671	15,379,942
Rates and Taxes	13,490,661	6,990,382
Directors Remuneration	7,333,800	12,432,012
Travelling and Conveyance	68,155,535	79,976,002

(In Rupees)

PARTICULARS	Current Year	Previous Year
Repairs & Maintenance	21,134,343	4,136,112
Deferred Revenue and Amalgamation Expenses Written Off	426,420	155,978,586
Loss on sale of Asset	1,531,697	1,029,527
Legal, Professional & Consultancy Charges	15,237,497	16,808,413
Bad debts	822,987,409	1,927,809
Commission to non - Fulltime directors	-	4,200,000
TOTAL	1,963,857,464	9,59,994,358
SCHEDULE -18: INTEREST & FINANCIAL CHARGES (Net)		
Fixed Loans	342,735,169	297,284,199
Others	437,584,193	206,262,677
	780,319,362	503,546,876
Less : Interest received on Fixed Deposit [TDS : Rs 25195705] [Previous Year TDS : Rs.45,716,827]	132,716,018	203,365,287
TOTAL	647,603,344	300,181,589
SCHEDULE -19: TAX EXPENSES		
Income Tax	(1,618,673)	122,845,413
Deferred Tax	(1,052,614,757)	55,958,330
Fringe Benefit Tax	-	2,746,726
Wealth Tax	43,000	45,000
MAT Credit Entitlement	-	(64,000,000)
Taxation Adjustment of Previous year	-	214,757
TOTAL	(1,054,190,430)	117,810,226

**SCHEDULE NO. 20****SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS****20.1 Basis of Preparation**

The Consolidated Financial statements of the Company and its Subsidiaries are prepared under historical cost convention in accordance with the generally accepted accounting principles (GAAP) applicable in India and in accordance with the mandatory Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India.

20.2 Principles of consolidation

The Financial Statements of the Subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

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

- i. The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements.
- ii. The Consolidation of the financial statements of the holding company and its Subsidiaries is done to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses; inter group transactions, balances and un realized inter company profits have eliminated in the process of consolidation.
- iii. The excess of cost to the Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognized as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statement.
- iv. The accounts of foreign Subsidiaries are classified as non-integral foreign operations and are translated into Indian Rupees (Reporting Currency) for Balance Sheet items using the currency exchange rates in effect at the Balance Sheet date. For revenues, cost and expenses using the simple average of the average monthly rates prevailing during the reporting period has been used.
- v. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net asset and net income.

20.3 Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as on the date of the financial statements and the reported amounts of revenue and expenses of the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

20.4. Revenue Recognition

- i. Revenue from sale of products is recognized, in accordance with the sales contract, on delivery of goods to the Customer. Revenue from product sales are shown net of taxes.
- ii. Revenue on Software Development services comprises revenue priced on a time and material and fixed-price contracts. Revenue priced on a time and material contracts are recognized as related services are performed. Revenue from fixed-price, fixed time-frame contracts is recognized in accordance with the percentage of completion method.
- iii. Revenue from Technical Service, Training, support and other services is recognized as the related services are performed over the duration of the contract/course.

- iv. Dividend is recognized when the right to receive the dividend is established at the balance sheet date.

20.5. Cash flow statement

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and the changes during the period in inventories and operating receivables and payables. The cash flows from regular revenue generating, investing and financing activities of the Company are shown separately.

20.6. Fixed Assets

(a) Tangible Assets

- i. Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its present location and condition. During the year, exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are recognized in Profit and Loss a/c.
- ii. Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date the fixed asset is ready for its intended use, is capitalized.
- iii. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date and the cost of fixed assets not ready for its intended use before such date are disclosed under Capital Work-in-progress.

(b) Intangible Assets

- i. All intangible assets are stated at cost less accumulated amortization.
- ii. The cost of acquired intangible assets is the consideration paid for acquisition and other incidental costs incurred in bringing the intangible assets for its intended use.
- iii. Internally generated intangible assets are valued at cost which were incurred during the development phase of intangibles which comprises of expenditure on materials and services used or consumed, salaries and other employment related cost of personnel engaged in development of intangible asset, other direct expenditures and overheads that are necessary for the generation of the intangible asset and that can be allocated on a reasonable basis.
- iv. Interest on borrowed money allocated to and utilized for intangible assets, pertaining to the period up to the date the intangible assets is ready for its intended use is capitalized in accordance with Accounting Standard 16.
- v. Amount paid towards the acquisition of intangible assets, which is not put to use as at reporting date and the cost of intangible assets not ready for its intended use before such date is disclosed under Capital Work-in-Progress.

(c) Impairment of Assets

The Company assesses at each balance sheet date using internal and external sources, whether there is any indication that an asset (both tangible and intangible) may be impaired more than of a temporary nature. If any such indications exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to its less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

**20.7. Research and Development**

Research cost are charged to Profit and Loss account and the expenditure incurred relating to the development phase are treated as advances in Capital Work in progress and will be capitalized when the intangible assets is ready for use.

20.8. Depreciation and Amortization

- i) Depreciation on tangible assets has been provided on Straight Line method at the rates prescribed under the respective applicable laws in case of each subsidiaries.
- ii) Other Intangible assets (other than goodwill) are amortized over their respective individual estimated useful lives on straight-line basis, commencing from the date the assets is available to the Company for its use as estimated by the management.
- iii) After recognition of impairment loss, the depreciation charge for the assets is on the revalued amount prospectively over the remaining useful life of the assets.

20.9. Inventories

Inventories of the Company comprises of Third Party software products. Such software products are valued at cost or net realizable value, whichever is lower. The cost formula used is on weighted average basis. Net realizable value is the estimated selling price in ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale. The cost of inventories is net of VAT Credit.

20.10. Investments

Investments are either classified as current or long term based on the management's intention at the time of purchase.

- i. Long term investments are stated at cost less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.
- ii. Current investments are valued at lower of cost or fair value. Any reduction in carrying amount and any reversals of such reduction are charged or credited to the profit and loss account.

20.11. Effect of Exchange Fluctuation on foreign currency transactions

- i. Foreign currency translations are recorded at exchange rate prevailing on the date of the transaction.

Exchange differences are recorded when the amount actually received on sales or actually paid when the expenditure is incurred, is converted into Indian Rupees. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

- ii. Non-Monetary assets and liabilities are translated at the rate prevailing on the date of transaction.
- iii. Period-end balances of monetary foreign currency assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. The resulting exchange difference is recorded in the profit and loss account.
- iv. For the purpose of the translation of financial statement of foreign subsidiaries, the same are classified as non-integral foreign operations. In case of non-integral foreign operation accounts, all assets and liabilities both monetary and non-monetary are translated at the closing rate. Items of income and expenses are translated at the average exchange rate for the period. Resulting exchange rate difference is accumulated in 'Foreign currency translation reserve' as a separate component of shareholders' funds, until the disposal of "Net investment in non-integral foreign operation"

20.12. Employees' Benefits

Retirement benefit plans, pension schemes and defined contribution plans, or funds are governed by the statutes of the countries in which the holding and subsidiaries are located and also as per the rules of the respective companies. Such contribution to the funds or future liability on actuarial valuation is charged to Profit and Loss account. In case of leave encashment, the Accrued liability is provided based on the unvested leave to the credit of employees in accordance with the rules of respective subsidiary companies wherever applicable. Whereas the holding company provides on the basis of actuarial valuations.

i) Post-employment benefit plans

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

20.13. Income Tax

- i. Current income tax expenses comprised of taxes income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expenses relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.
- ii. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognized in the year in which the timing difference originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of charge. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.
- iii. Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if



there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

- iv. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction.
- v. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

20.14. Earnings per Share

- i. Basic Earnings per share is calculated by dividing the net earning available to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year.
- ii. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares (FCCB). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

20.15. Leases

- I. Lease arrangements where substantial risk and rewards incidental to ownership of an asset vests with the lessor, such leases are recognized as operating leases.
- II. Lease payments under operating lease are recognized as an expense in the profit and loss account.

20.16. Derivative Instruments and Hedge Accounting

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30).

The use of hedging instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in shareholders' funds and the ineffective portion is recognized immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholders' funds is transferred to the profit and loss account for the period.



21 NOTES ON ACCOUNTS

21.1 Particulars of the Subsidiary Companies considered in the consolidated financial statements and their reporting dates

Sl. No.	Name of Company	Country of incorporation	% of voting power held	Reporting date as at
i.	Systat Software Inc., USA	USA	100%	March 31, 2010
ii.	Cranes Software UK Limited (Earlier known as Systat Software UK Limited)	UK	Wholly Owned Subsidiary of Systat Software Inc	Dec 23, 2009
iii.	Systat Software Asia Pacific Limited	India	100%	March 31, 2010
iv.	Systat Software GmbH	Germany	100%	March 31, 2010
v.	Cranes Software international Pte. Ltd.	Singapore	100%	March 31, 2010
vi.	Cranes Software Inc., (Earlier known as NISA Software Inc)	USA	100%	March 31, 2010
vii.	Analytix Systems Private Limited	India	100%	March 31, 2010
viii.	Tilak Autotech Pvt Ltd	India	100%	March 31, 2010
ix.	Dunn Solutions Group Inc.,	USA	Wholly Owned subsidiary of Cranes Software Inc	March 31, 2010
x.	Caravel Info Systems Pvt Ltd	India	100%	March 31, 2010
xi.	Proland Software Pvt Ltd	India	100%	March 31, 2010
xii.	Engineering Technology Associates Inc. USA	USA	Wholly Owned subsidiary of Cranes Software Inc	March 31, 2010
xiii.	Engineering Technology Associates Inc. (Shanghai) Inc	China	Wholly Owned subsidiary of Engineering Technology Associates Inc, USA	March 31, 2010
xiv.	Esqube Communicaton Solutions Pvt Ltd	India	76%	March 31, 2010
xv.	Cubeware GmbH, with its Wholly owned subsidiaries in Austria and Switzerland	Germany	Wholly owned subsidiary of Systat Software GmbH	March 31, 2010

Of the above, Cranes Software UK Limited (earlier known as Systat Software UK Limited), was presented for Voluntary Liquidation on December 23, 2009 as part of business restructuring.



21.2 Contingent liabilities not provided for and Capital commitments -

(Rs in Million)

Particulars	Current Year	Previous Year
a. Contingent liabilities not provided for		
I. Outstanding guarantees and counter guarantees	105.73	2,449.91
II. Bill discounting	-	535.71
b. Claims against the Company not acknowledged as debts on Tax matters in dispute under appeal	447.66	490.82
c. Estimated amount of contracts remaining to be executed on capital account not provided for. (Including Corporate Guarantee)	-	13.29

21.3 Security for borrowings.

- i) **Working Capital and Term Loans:** Bank finances are secured by hypothecation of stocks of software, book debts, document of title of goods and collaterally secured by properties; personally guaranteed by whole time Directors and also have additional collateral security by way of pledge of promoters share for part amount.
- ii) **Vehicle Loans:** Finance for purchase of vehicles is secured by hypothecation of respective vehicles.
- iii) There are other borrowings, some of which are personally guaranteed by whole time Directors.

21.4. Reconciliation of basic and diluted shares used in computing earnings per share

(Rs in Million)

Particulars	Current Year	Previous Year
Net Profit for the period attributable to equity shareholders (A)	(2,038.41)	1,214.17
Adjustment for interest on Foreign Currency convertible Bonds(FCCB) net of Taxes (B)	50.00	69.02
Net Profit for the period attributable to equity shareholders (after adjustment for diluted earnings) (A+B)	(1,988.41)	1,283.19
Number of shares considered as basic weighted average shares outstanding (C)	117.77	117.77
Add: Effect of dilutive issues of shares (D)	19.24	19.24
Number of shares considered as weighted average shares and potential shares outstanding (C+D)	137.01	137.01
Basic Earnings per share (A/C) (Rs)	(17.31)	10.30
Diluted Earnings per share (A+B)/(C+D) (Rs)	(14.51)	9.36
Nominal Value per share (Rs.)	2.00	2.00

21.5 Current Investments (Quoted)- In Money Market Mutual Funds

(Rs.In Million)

PARTICULARS	No. of Units	Face value	Current year	Previous Year
ING Vysya Liquid Fund Institutional - Daily Dividend Reinvestment	-	-	-	0.35
ING Vysya Floating Rate Fund - Daily Dividend	-	-	-	0.00
Aggregate Fair value of unquoted investments		-	-	0.33
Aggregate cost of unquoted investment			-	0.33

21.7. Foreign currency convertible Bonds

The Company issued and allotted on March 17, 2006 Foreign Currency Convertible Bonds (Considered as non-Monetary liability) for Euro 42 Million (Equivalent for Rs. 2,270.10 Million) bearing an interest at 2.5% per annum payable half yearly. The bonds are convertible at any time on and after April 27, 2006 and till close of business on March 11, 2011 and were convertible into shares or GDRs at an initial conversion price of Rs. 143.293 per share with a fixed rate of exchange on conversion of Euro 1.00 = Rs. 52.6828. Further, based on the relevant clause of the issue document, conversion price has been refixed at Rs.115. During the year ended 31 March 2010 there has been no conversion of the Bonds into Shares. If the outstanding bonds as on March 31, 2010 are converted into equity shares or GDRs, then the share capital of the Company will increase by 19,240,675 shares.

Proportionate Premium payable on redemption of FCCB Rs 60 Million has been transferred to FCCB Redemption reserve during the year out of Share Premium account. In the event that the conversion option is exercised by the holders of FCCB in the future, the amount of premium charged to the share premium account will be suitable adjusted in the respective years.

22.8. Related Party Disclosures as ascertained by the Management

Current Year

(Rupees in Million)

Particulars	Key Management Personnel	Total Related Parties
Directors Remuneration	7.20	7.20
Commission to Directors	0	0
Balance as on 31.03.10 payable	3.30	3.30

Previous Year

(Rupees in Million)

Particulars	Key Management Personnel	Total Related Parties
Directors Remuneration	9.13	9.13
Commission to Directors	3.30	3.30
Balance as on 31.03.09 payable	4.75	4.75

Note:

Names of related parties and description of relationship

Key Management Personnel	Mr.Asif Khader Mr.Mukkaram Jan Mr.Mueed Khader
Relatives of Key Management Personnel	Nil
Other Related Parties	Orca Infotech Private Limited K&J Holdings Private Limited K&J Telecom Private Limited Jansons Land & Property Development Pvt Ltd SPSS South Asia Private Limited Keysoft Solutions Private Limited Spice Capital Fund Private Limited Sea Equity Private Limited

In respect of the above parties, there is no provision for doubtful debts as at the financial year and no amount has been written off/written back during the year in respect of debts due from/to them.



21.9. Segment Reporting

The Company has identified geographic segments as its primary segment and Business segments as its secondary segment.

Primary Segments- a) Exports and b) Domestic

Secondary Segments- a) Proprietary Products and Services and b) Product Alliances

Primary Segment Information-Geographical Segment

(Rs.in Million)

SL. No.	Particulars	Current Year			Previous Year		
		Export	Domestic	Total	Export	Domestic	Total
1	Segment Revenue:	2,166.18	186.90	2,353.08	4,508.58	579.34	5,087.92
2	Segment Results	(2,300.82)	(198.52)	(2,499.34)	1,330.31	102.05	1,432.36
	Other Income			504.57			200.63
	Operating Profit			(2,448.88)			1,632.99
	Interest Expenses			647.60			300.18
	Profit before Tax			(3,096.48)			1,332.81
	Tax expenses			(1,054.19)			117.81
	Extraordinary items			-			-
	Profit after Tax			(2,042.29)			1,215.00
	Adjustments relating to earlier year			(3.88)			1.88
	Net Profit			(2,038.42)			1,213.12
3	Segment Assets	14,364.19	1,238.88	15,603.07	13,970.92	1,726.74	15,697.66
	Unallocated Corporate Assets			-			1,404.60
	Total Assets			15,603.07			17,102.26
	Segment Liabilities	1,968.52	169.78	2,138.30			180.61
	Unallocated Corporate Liabilities			-			1,446.61
	Total Liabilities			2,138.30			1,624.22
	Capital Employed (Segment Assets - Segment Liabilities)	12,395.29	1,069.48	13,464.77	13,826.43	1,690.62	15,517.05
4	Capital Expenditure	168.40	14.92	182.92	826.25	109.68	935.93
5	Depreciation	903.03	77.88	980.91	615.64	153.35	768.99



Secondary Segment Information - Business Segment

(Rs.in Million)

Sl.No.	Particulars	Current Year		Previous Year	
		Proprietary Products and Services	Product Alliances	Proprietary Products and Services	Product Alliances
1.	Segment Revenue	2,298.61	54.47	4,613.42	474.50
2.	Segment Result	(2,441.61)	(57.73)	1,375.42	56.94
3.	Segment Assets	15,241.88	361.19	14,755.80	941.86
4.	Capital Expenditure	178.69	4.23	798.82	137.11

21.10. Previous year's figures have been regrouped and reclassified wherever necessary

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner
Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director



STATEMENT OF CASH FLOWS

(In Rupees)

PARTICULARS	Current Year	Previous Year
Cash flows from operating activities		
Net profit before taxation, minority interest and exceptional items	(3,096,483,726)	1,332,811,297
Adjustments for:		
Prior period adjustment		(1,878,895)
Share of minority loss	-	1,054,247
Loss on sale of assets	1,531,697	1,029,527
Profit on sale of Investments	-	-
Exchange difference on translation of foreign currency cash & cash equivalents.	-	8,803,455
Depreciation and amortization	886,504,777	768,990,701
Preliminary expenses	426,420	155,978,586
Dividend / interest income (Net)	(50,456,675)	(203,387,947)
Interest expense on borrowings	647,603,344	503,546,876
Operating profit before working capital changes	(1,610,874,162)	2,566,947,847
Adjustments for working capital		
Inventory	15,739,949	(20,651,393)
Debtors	118,162,931	(2,244,799,909)
Loans and advances	(1,457,756,161)	(911,878,374)
Current liabilities	491,410,219	518,050,225
Cash generated from operations	(2,443,317,225)	(92,331,608)
Adjustments		
Direct Taxes paid	48,524,659	12,007,695
Net cash flow from Operating Activities	(2,394,792,567)	(80,323,909)
Cash flows from investing activities		
Purchase of Investments	(865,458)	-
Proceeds from sale of Investments		(1,671,036)
Dividend / Interest received	50,456,675	203,387,947
(Increase)/Decrease in deferred revenue expenditure	(15,984,018)	17,064,712
Proceeds from sale of Fixed assets	64,432,533	-
Acquisition of property, fixed assets (including advances)	(32,873,297)	(2,183,357,229)
Net cash flow from Investing Activities	65,166,435	(1,964,575,606)
Cash flows from financing activities		
Dividend and Dividend Tax	-	(137,602,044)
Interest on borrowed funds	(647,603,344)	(503,546,876)
Secured Loans / Borrowings	199,202,249	1,698,890,912
Unsecured Loans	383,791,484	691,874,466
Net cash flow from Financing Activities	(64,609,612)	1,749,616,458
Net increase/(decrease) in Cash and Cash Equivalents	(2,394,235,744)	(295,283,057)
Opening cash and cash equivalents	2,500,985,180	2,808,739,168
Exchange difference on translation of Foreign Currency cash & Cash equivalents.	28,300,116	(12,470,931)
Closing cash and cash equivalents	135,049,552	2,500,985,180

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants
FRN : 005310S

For and on behalf of the Board

Bangalore
September 30, 2010

Balakrishna S. Bhat
Partner

Membership No. 202976

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khader
Director

STATEMENT REGARDING SUBSIDIARY COMPANIES UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

FOR THE YEAR ENDED MARCH 31, 2010

(Pursuant to approval received from the ministry of Company Affairs under Section 212 (8) of the Companies Act, 1956)

Wholly Owned Subsidiaries	(Rupees in Million except exchange rate and reporting Currency)									
	Systat Software GmbH (Consolidate with Cube ware GmbH)	Systat Software Inc (Consolidate with Cranes software UK. Ltd)	Systat software Asia Pacific Ltd	Cranes Software International Pte Ltd	Caravel Info Systems Pvt. Ltd.	Cranes Software Inc (Consolidated with Dunn Solutions Group Inc, Engineering Technology Associate Inc & China)	Tilak Autotech Pvt. Ltd.	Analytix Systems Pvt. Ltd.	Proland Software Pvt. Ltd.	Esquire Communication Solutions Pvt. Ltd.
Reporting Currency	EURO	USD	INR	SGD	INR	USD	INR	INR	INR	INR
Exchange Rate in rupees as on March 31, 2010	60.56	45.14	1	32.20	1	45.14	1	1	1	1
Issued & Subscribed capital	1.45	185.61	3.80	4.43	1.20	477.39	0.10	0.20	0.48	0.12
Reserves	(33.05)	(181.23)	1.75	(94.59)	(7.20)	(41.71)	(15.91)	1.07	(1.52)	(13.99)
Total Assets	1,373.45	1,045.33	13.35	185.68	4.12	1,237.47	22.26	1.27	15.53	34.63
Total Liabilities	1,373.45	1,045.33	13.35	185.68	4.12	1,237.47	22.26	1.27	15.53	34.63
Investments	-	-	-	-	-	-	-	-	-	-
Turnover	693.13	282.52	-	26.82	17.90	1,168.81	15.78	-	4.22	2.55
Profit/(loss) before taxation	(20.65)	(72.52)	(0.04)	(24.27)	(7.30)	(3.61)	(1.71)	(0.28)	(2.38)	(3.86)
Provision for taxation	2.60	32.74	-	-	(0.14)	1.23	(0.02)	-	0.15	0.12
Profit / (loss) after taxation	(18.05)	(39.78)	(0.04)	(24.27)	(7.43)	(0.13)	(1.69)	(0.28)	(2.22)	(3.73)
Proposed dividend	-	-	-	-	-	-	-	-	-	-
Country	Germany	USA	India	Singapore	India	USA	India	India	India	India

For and on behalf of the Board

Asif Khader
Managing Director

Mukkaram Jan
Director

Mueed Khater
Director

Bangalore
September 30, 2010



NOTICE OF ANNUAL GENERAL MEETING

It is hereby notified that the 25th Annual General Meeting of the shareholders of **Cranes Software International Limited**, will be held at 9:30 AM on Thursday, 30th December, 2010, at Dr. B.R. Ambedkar Bhavana, Millers Road, Vasanthanagar, Bangalore - 560052 to transact the following business :

Ordinary Business :

1. To consider and adopt the Balance Sheet as at 31st March 2010, the Profit and Loss account for the financial year ended on 31st March 2010 along with relevant annexures, notes on accounts, policies and the reports of the Auditors and Directors' thereon.
2. To resolve not to fill the vacancy, for the time being caused by the retirement of Dr. (Mrs.) Manju Bansal, who retires by rotation and does not offer herself for reappointment
3. To resolve not to fill the vacancy, for the time being caused by the retirement of Mr. Ronald Eugene Brown, who retires by rotation and does not offer himself for reappointment
4. To re-appoint statutory auditors of the Company M/s. S Janardhan & Associates., to hold office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting and fix their remuneration, as may be determined by the Board.

Special Business :

5. Raising of additional long-term funds through further issuance of securities in the Company

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

"Resolved that pursuant to section 81 (1A) and all other applicable provisions of the Companies Act, 1956 (including any modifications or re-enactments thereof, for the time being in force), subject to all applicable laws and in accordance with all relevant provisions of the Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the stock exchanges where the Company's shares are listed and subject to any necessary approval, consent, permission and / or sanction of the Central Government, Reserve Bank of India and / or any other appropriate regulatory authorities, and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, or sanction, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee constituted by the Board or any person(s) authorized by the Board in this regard), consent of the Company be and is hereby accorded to the Board of Directors, to issue, offer and allot (including with provisions for reservation on firm or preferential and / or competitive basis, of such part of issue and for such categories of persons including promoters or promoter groups, as may be permitted), in the course of one or more domestic or international offering(s) with or without Green Shoe option, including by way of a qualified institutional placement under the SEBI Guidelines, to eligible investors (whether or not such investors are members of the Company, or whether or not such investors are Indian or Foreign, including qualified institutional buyers such as public financial institutions, scheduled commercial banks, mutual funds, foreign institutional investors, multilateral and bilateral development financial institutions, venture capital funds, foreign venture capital investors, state industrial development corporations, insurance Companies, pension funds and provident funds, domestic individual investors, domestic Companies or firms), whether by way of a public offering or by way of a private placement and whether by way of circulation of an offering circular or placement document or otherwise, securities including equity shares / warrants and / or instruments or securities convertible into equity shares of the Company such as Global Depository Receipts and / or American Depository Receipts and / or convertible preference shares and / or convertible debentures or bonds (compulsorily and / or optionally, fully and / or partly), and / or non-convertible debentures with warrants and / or securities with or without detachable / non-detachable warrants and / or warrants with a right exercisable by the warrant holder to subscribe for equity shares, or by any one or more or a combination of the above model / methods or otherwise, resulting in the issue of upto Rs. 300,00,00,000/- (Rupees three hundred crores only) equity shares having face value of Rs. 2/- each (hereinafter referred to as

("Securities"), amounting to an increase in the paid-up equity share capital of the Company, by such an amount which corresponds to the final decision, to be determined by the Board, to be denominated in Indian rupees or foreign currency, as the case may be, which, at the option of the Company or the holders of the Securities, may be surrendered for the purpose of cancellation against receipt of corresponding number of underlying equity shares of the Company, as the case may be, and such issue and allotment to be made in one or more tranches, on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment."

"Resolved further that without prejudice to the generality of the above and subject to all applicable laws, the aforesaid issue of Securities may have all or any terms or combination of terms as are provided in issue of securities of such nature domestically or internationally including terms relating to surrender of the Securities for the purposes of cancellation against receipt of the corresponding number of underlying equity shares and the Company be and is hereby authorized to enter into and execute all such arrangements / agreements as the case may be with any lead managers, managers, underwriters, advisors, guarantors, depositories, custodians and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or the like, and also to seek the listing of such Securities in one or more stock exchanges in India or abroad."

"Resolved further that the Board be and is hereby authorized to finalise and approve the offering circular / placement document for the proposed issue of the Securities and to authorize any director or directors of the Company or any other officer or officers of the Company to sign the above documents for and on behalf of the Company together with the authority to amend, vary or modify the same as such authorized persons may consider necessary, desirable or expedient and for the purpose aforesaid to give such declarations, affidavit certificates, consents and / or authorities as may, in the opinion of such authorized person, be required from time to time, and to arrange for the submission of the offering circular / placement document, and any amendments and supplements thereto, with any applicable stock exchanges (whether in India or abroad), government and regulatory authorities, institutions or bodies, as may be required."

"Resolved further that the Securities issued in foreign markets shall be treated to have been issued abroad and / or in the international market and / or at the place of issue of the Securities in the international market and may be governed by applicable foreign laws."

"Resolved further that the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted for the issue of the Securities referred above or as may be necessary in accordance with the terms of the offering, all such equity shares being pari passu with the existing equity shares of the Company in all respects."

"Resolved further that the Board be and is hereby authorized to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with the issue of the Securities and to give effect to these resolutions, including, without limitation, the following:

- i. sign, execute and issue all documents necessary in connection with the issue of Securities, including listing applications to stock exchanges (whether in India or abroad) and various agreements, undertakings, deeds, declarations;
- ii. giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time; and
- iii. settling any questions, difficulties or doubts that may arise in regard to any such issue or allotment of Securities as it may in its absolute discretion deem fit."

"Resolved further that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or Director(s) or any other officer or officers of the Company and to correct any errors or omissions, in the proposed resolution and to give effect to the foregoing resolutions."



6. Borrowing Powers :

To consider and if thought fit, to pass the following with or without modification, as an ordinary resolution.

"Resolved that the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose), be and is hereby authorized, in accordance with Section 293(1) (a) and (d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money (including non fund based facilities) from time to time at their discretion, for the purpose of the business of the Company from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, exceed the aggregate of the paid up share capital of the Company and its free reserves that is to say reserves not set apart for any specific purposes) provided that the total borrowings shall not at any time exceed in the aggregate an amount of Rs. 10,00,00,00,000/- (Rupees one thousand crore) and that the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit."

"Resolved further that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and further authorized to mortgage or create charge on the assets of the Company and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds, and things and to execute all documents and writings as may be necessary, proper, desirable or expedient in this regard and to correct any errors or omissions, in the proposed resolution and to give effect to the foregoing resolutions."

**Place : Bangalore
Date : 18-11-10**

**By Order of the Board
For Cranes Software International Ltd**

Managing Director

NOTES :

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies in order to be valid, should be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
2. The Register of Members of the company will remain closed from 25.12.2010 to 30.12.2010 (both days inclusive).
3. Members are requested to notify immediately any change in their address to the Company's Share-Transfer Agents.
4. Members / bodies corporate / proxies should bring the attendance slip duly filled in for attending the meeting.
5. Members are requested to bring their copies of Annual Report to the meeting.
6. To avail the facility of nomination, members are requested to submit to the company the nomination form, which may be supplied on request.



7. Members who have not encashed their dividend warrants for any of the financial years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 or 2007-08 may write to the Company or Share Transfer Agents for issuance of duplicate / revalidated dividend warrant (s).
8. In terms of provisions of Section 205(A) of the Companies Act, 1956, dividends not encashed or claimed within 7 years from the date of its transfer to the Unpaid Dividend Account is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government and on such transfer no claim shall lie against the Company.

**Place : Bangalore
Date : 18-11-10**

**By Order of the Board
For Cranes Software International Ltd**

Managing Director

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956:

For Item # 5 : Raising of additional long-term funds through further issuance of securities in the Company:

Your Company is a globally recognized player in the engineering simulation and enterprise data analytics software and services industry and has established itself, as a global intellectual property driven products and solutions provider. However, due to the global recession and economic instability, the business of the Company has suffered and the Company faces a liquidity crunch. In order to overcome the financial crisis, your Company proposes to restructure its overall business and reposition its commercial interests strategically, by proposing to raise long term funds, aggregating to a total value, not exceeding Rs. 300 crore, by issuance of securities to strategic investors, who may or may not include, existing shareholders. As of the present date, no strategic alliance or firm understanding, with any investor or partner, has been negotiated or finalized and this resolution purports, to be a general permission, in favour of the Board of Directors, of the Company, to explore aforesaid opportunities. Resolution for issuance of further capital needs to be approved by the shareholders, in terms of the provisions of section 81 (1A), of the Companies Act, 1956. The Board recommends passing of this resolution as a special resolution.

None of the Directors of the Company may be deemed to be concerned or interested, in the resolution.

For Item # 6 : Borrowing Powers :

The Company has obtained long term bank loans and other unsecured loans from banks / financial institutions. This resolution is being proposed in terms of the provisions of section 293 (1) (a) & (1) (d), in order to authorize the Board of Directors, to exercise borrowing powers, in the future and to create charge or mortgage on the assets of the Company, in the event of business exigencies. It is proposed to authorize the Board to borrow upto a limit, not exceeding Rs. 1,000 crore.

None of the directors may be deemed to be concerned or interested, directly or indirectly, in this resolution.

**Place : Bangalore
Date : 18-11-10**

**By Order of the Board
For Cranes Software International Ltd**

Managing Director



CRANES SOFTWARE INTERNATIONAL LIMITED

Registered Office : #29, 7th Cross, 14th Main, Vasanthnagar, Bangalore - 560 052

Annual General Meeting at 9.30 a.m. on Thursday, 30th December, 2010 at
Dr. B.R. Ambedkar Bhavana, Millers Road, Vasanthnagar, Bangalore - 560052

ATTENDANCE SLIP

To be handed over at the entrance of the meeting hall.

Name of First named Shareholder	No. of Shares	Folio No.	If held in dematerialised form	
			D P ID No.	Client ID No.

I certify that I am a registered Shareholder of the Company.

I hereby record my presence at the above **Annual General Meeting** of the Company.

A member/proxy wishing to attend the meeting must complete this attendance slip and hand it over at the entrance of the meeting hall.

Name of Proxy (if any) in BLOCK LETTERS

Signature of Member/Proxy



CRANES SOFTWARE INTERNATIONAL LIMITED

Registered Office : #29, 7th Cross, 14th Main, Vasanthnagar, Bangalore - 560 052

PROXY FORM

I/We of being a member / members
of **Cranes Software International Limited**, hereby appoint of
..... or failing him
of as my / our proxy to attend and vote for me /us on my/our behalf at the 25th
Annual General Meeting of the Company to be held at 9:30 a.m. on Thursday, 30th December, 2010 or at any
adjournment thereof.

No. of shares	Folio No.	If held in dematerialised form	
		D P ID No.	Client ID No.

Signature
affixing Re. 1.00
Revenue Stamp

NOTE: Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. The form duly completed should be deposited at the Registered Office of the Company at Bangalore not less than 48 hours before the commencement of the meeting.

If undelivered please return to :

Cranes Software International Limited

29, 7th Cross, 14th Main, Vasanthnagar, Bangalore - 560 052, Karnataka, INDIA
Phone: +91 80 4151 6400 Fax: +91 80 4151 6500 Email: info@cranessoftware.com
www.cranessoftware.com