

## Registered Office

### India

# 80/2, Lusanne Court  
Richmond Road  
Bangalore 560 025, India  
Phone +91 80 2227 4121, +91 80 2212 4854-57  
Fax +91 80 2227 3606  
Email : info@asm ltd.com

## Board of Directors

Dr. S. Srikantan	Chairman
Prof. B.S. Sonde	Director
Mr. M.R. Vikram	Director
Mr. Rabindra Srikantan	Managing Director

## Audit Committee

Mr. M.R. Vikram  
Prof. B.S. Sonde  
Dr. S. Srikantan

## Compensation Committee

Prof. B.S. Sonde  
Mr. M.R. Vikram  
Mr. Rabindra Srikantan

## Share Transfer & Investor Grievance Committee

Prof. B.S. Sonde  
Mr. Rabindra Srikantan

## Remuneration Committee

Prof. B.S. Sonde  
Mr. M.R. Vikram  
Mr. M.R. Gopinath

## Company Secretary

Ms. P.N. Lakshmi

## Auditors

**M/s. Sudhakar Pai Associates**  
Chartered Accountants  
C-4, Unity Buildings  
J.C. Road  
Bangalore 560 002, India

**M/s. Mallesh B. Hullatti & Co.**  
# 68/155/4B, 'Shivasiri'  
Harinagar Cross, Kathanur, Anjanapura Post  
Bangalore 560 062, India

**M/s. N. Rajan Associates**  
10, Jalan Besar,  
# 10-12, Sim Lim Tower  
Singapore 208 787

**Jack Iyer CPA**  
# 39120 Argonaut Way No.684  
Fremont, CA 94538  
USA

## Company Law Advisor

**Mr. M.R. Gopinath**  
"Rukmini", # 252/B, 2nd "C" Main,  
1st Phase, Girinagar,  
Bangalore 560 085

## Branch / Subsidiary Others

### USA

Pinnacle Talent Inc.  
2020, Calamos Court  
Suite 200, Naperville  
IL 60563-2793, USA  
Phone +1 630 799 1563  
Fax +1 630 799 1562

### Singapore

The Comtech  
# 09-32, 60  
Alexandra Terrace  
Singapore 118 502  
Phone +65 6324 5343  
Fax +65 6324 5345

### UK

Nutford Place  
# 24-25  
Marble Arch  
London W1H5YN, UK  
Phone +207 569 3285  
Fax +207 569 3001

## Legal Advisors

**M/s. Michael A. Cotteleer & Associates**  
# 207, N. Washington  
Wheaton, Illinois 60187, USA

**Mr. Kiran S. Javali, Advocate**  
# 37, 11th Main, Vasanthnagar,  
Bangalore 560 052

## Bankers

**State Bank of India**  
Bangalore City Branch  
# 22, J.C. Road, Bangalore 560 027, India  
(from 12.08.2005)

**State Bank of India**  
Industrial Finance Branch  
Residency Road, Bangalore 560 025, India  
(upto 11.08.2005)

**State Bank of India**  
# 19, La Salle Street,  
Chicago, Illinois 60603, USA

**Indian Bank**  
Bharat Building, # 3, Raffles Place  
Singapore 048 617

**SBI Factors & Commercial Services Pvt. Ltd.,**  
# 370/14, 1st Floor, 14th Cross, 8th Main  
Sadashivanagar, Bangalore 560 080, India

## Stock Exchanges

(Where the shares of the Company are listed)  
**Bombay Stock Exchange Limited**  
Phiroze Jeejeebhoy Towers  
25th Floor, Dalal Street  
Mumbai 400 001, India

**Bangalore Stock Exchange Limited**  
# 51, Stock Exchange Towers  
1st Cross, J.C. Road  
Bangalore 560 027, India

## Stock Code

BgSE - ADVSYNER  
BSE - 526433

## Demat ISIN No. in NSDL & CDSL for Equity Shares

INE867C01010

## Investor Relation Cell

Secretarial Department  
# 80/2, Lusanne Court  
Richmond Road  
Bangalore 560 025, India  
Phone +91 80 2227 4121

## Registrars & Share Transfer Agents

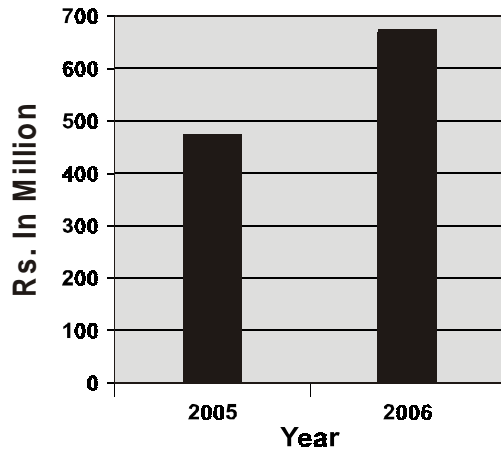
**Karvy Computershare Private Limited**  
# 51/2, TKN Complex, Vanivilas Road  
Opp. National College, Basavanagudi  
Bangalore 560 004, India  
Phone +91 80 2662 1192

## **Corporate Vision**

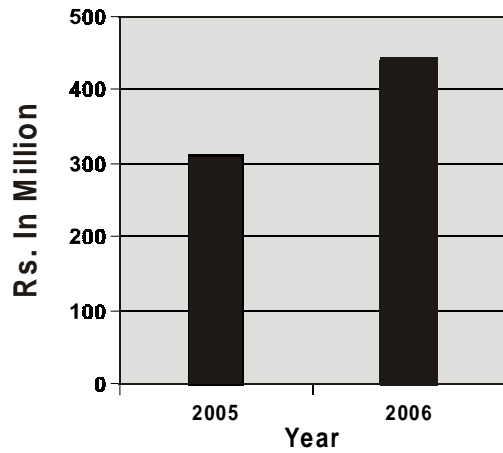
“To be a global leader, committed to the customer  
in providing technology solutions with  
the highest degree of excellence, quality and value  
by an agile team using efficient processes”

## ASM GROUP INFORMATION

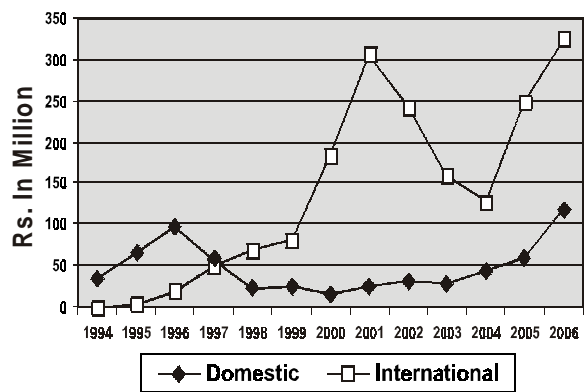
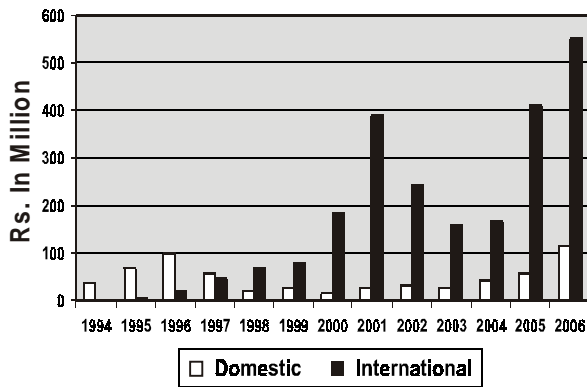
**ASM Group Revenue**



**ASM Group Revenue (Net of Inter-Company Sales)**

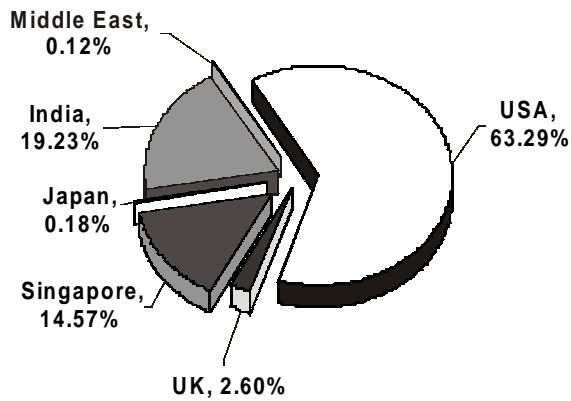


**Domestic and International Revenue Trends**

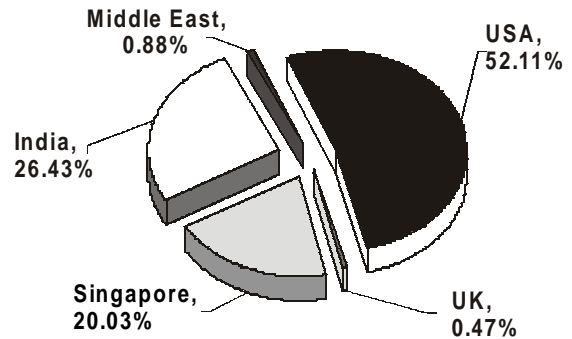


**Geographical Distribution of Revenue**

### 2004 - 2005



### 2005 - 2006



**NOTE : Group consists of :**

ASM Technologies Ltd. (India) • Pinnacle Talent Inc. (USA) • Advanced Synergic Pte. Ltd. (Singapore)

## CEO's Letter to Shareholders

Dear Shareholders,

The worldwide IT industry has shown a steady growth in 2005, on the back of healthy spending across key markets such as USA and Western Europe. The IT and information technology - enabled services or IT - ITES, sector has been experiencing rapid growth in India, estimated at 37% for FY 2005-2006, with multinational Companies building global presence through cross-border acquisitions and organic growth in other low cost locations. Companies are increasingly turning to offshore technology service providers to meet their need for high quality, cost competitive technology solutions. India's edge in the off shoring domain was based on factors such as the availability of people's skills, a conducive business environment, focus on information security and operational excellence by leading IT - ITES vendors. According to NASSCOM survey the Indian Offshore industry registered a growth of 28% during 2005-2006. The Indian IT Software and Services sector as per NASSCOM survey grew by 31.40% during 2005-2006, notching up an aggregate revenue of US \$ 29.60 billion, up from US \$ 22.50 billion in 2004-2005.

The year 2005-2006 marks yet another year of your Company keeping up to the profitability trend. Being successful in the global market of an even more globalised world is an increasingly challenging task.

The Consolidated ASM group total revenue for the year ended 31st March, 2006 was Rs. 444.88 million as against Rs. 307.43 million for the period ended 31st March, 2005 registering a growth of 44.71%. Earnings before interest depreciation and tax amounted to Rs. 34.96 million. The group registered a pre-tax profit of Rs. 23.76 million for the year under review as against Rs. 22.24 million for the year ended 31st March, 2005. ASM group includes ASM Technologies Ltd., India, Pinnacle Talent Inc., USA & Advanced Synergic Pte. Ltd., Singapore.

For ASM Technologies the total revenue of the Company for the year under review increased from Rs. 180.17 million to Rs. 261.36 million registering a growth of 45.06%. Domestic sales was Rs. 117 million, an increase by 100% to that of the previous year. Earnings before interest depreciation and tax amounted to Rs. 26.38 million. The Company registered a pre-tax profit of Rs. 18.08 million for the year ended 31st March, 2006 compared to Rs. 16.44 million for the same period the previous year.

### Future Outlook

With the Global Business Climate in general and Indian Business in particular looking good, the next couple of years will be an exciting time for established Companies like yours. This year will continue to be a "Year of Growth, Progress and Consolidation". The growth will be from new clients and more offerings to the existing clients. It is heartening to inform that 92% of current business is from the existing clients.

The Company has carved a niche in the areas of Enterprise Solutions and Technology Solutions and is riding high the global IT wave.

The Company is ISO 9000-2001 Certified and is progressing well in the initiatives for getting a SEI - CMMi Level 3 certification this year.

### Geographical Areas of Operation

The Company continues to strengthen its market initiatives in the areas of presence, viz India, Singapore, US and UK. Further, Middle-East and Japan. We have partnered with a Company in China to promote our offerings in the Chinese market and to look for cost effective delivery options. The horizon, dove - tailed with the clients plan for the corresponding time period looks very promising. The Company is also expanding the relations with existing clients in new geographies. During the year the Company intends to deploy additional sales force to service its expanded client base and its foray into newer markets.

## **Business Focus Area**

### ◆ **Current Areas :**

Enterprise Application &  
Technology Service & Product Engineering Services –

### ◆ **Future Areas include :**

Business Intelligence & Data Warehousing, Product Lifecycle Management (PLM), Convergence Technologies & Solutions for Small & Medium Enterprise (SME).

Good Corporate Governance encompasses the practices and procedures to be observed by the Management with regard to laws, regulations, procedures and disclosures that must be adhered to at all times. Your Company is committed to, and has endeavoured to adopt best governance practices and adherence to them in letter and spirit, at all times.

It is a well recognized fact that Human Resources are the most valuable assets deployed and valued by an organization. Your Company is well positioned to surge ahead and has developed the strength to withstand the vagaries of the IT business cycle. This is made possible by a highly dedicated team of motivated employees, the Company can boast of, who are raring to go the extra mile for leading the Company into a glorious future.

On behalf of the Management of the Company and on my behalf, I take this opportunity to thank

- \* Our esteemed customers, shareholders, vendors, business partners, advisors and consultants for their support
- \* Staff of the Company for their valuable contribution, efforts and spirit of dedication
- \* State Bank of India, Bangalore City Branch, State Bank of India (Industrial Finance Branch - Software Division) & SBI Factors & Commercial Services Pvt. Ltd., Bangalore, for their support and guidance.
- \* Central and State Government, Customs, Reserve Bank of India, Software Technology Parks (STPI) and NASSCOM.

Bangalore  
29th July, 2006

**RABINDRA SRIKANTAN**  
CEO & Managing Director

## Our Board of Directors

### **Dr. S. Srikantan**

Dr. S. Srikantan holds a Ph.D. in Electrical Engineering from Moore School, University of Pennsylvania, USA. He is a recipient of 'Vikram Sarabhai Research Award' for his outstanding work in the field of Electronics and telecommunications. Dr. Srikantan is one of the founders of Computer Industry in India. As Managing Director of Karnataka State Electronics Development Corporation (KEONICS), he was instrumental in initiating the Software / IT / Telecom industries in the state and also in the successful development of Software Tech Park / Industrial Park for electronic industries (Electronic City) near the city of Bangalore.

### **Prof. B.S. Sonde**

Prof. B.S. Sonde holds a Degree in Engineering from the University of Pune, M.Sc. Engg. from the University of Pune and Ph.D. from the Indian Institute of Science (IISc) Bangalore. His field of academic and research interest encompass Microelectronics, Instrumentation, Digital Technology and its applications in Electronics and Communication Engg. Prof. B.S. Sonde has been associated with IISc. Bangalore for more than three decades holding various senior positions including Dean, Faculty of Engineering, was appointed as the Vice Chancellor of Goa University between Feb. 1997 - Feb. 2002, been on the Advisory / Review Committees of several Universities and also visiting professor at Stanford University, California, USA and other foreign universities. He is a distinguished fellow of Institution of Electronics and Telecommunication Engineers and was also on the Board of Syndicate Bank for a period of 3 years until end of Feb. 2003.

### **Mr. M.R. Vikram**

Mr. M.R. Vikram is a leading Chartered Accountant and Financial Services consultant, partner in M. Anandam & Co., in Secunderabad. M. Anandam & Co. are the auditors of many private & public sector Companies and are one of the auditors appointed for conducting a study for re-designing the accounting policies and procedures of Reserve Bank of India. He is on the Board of Directors of Zenotech Laboratories Ltd., GTN Industries Ltd., Normak Fashions (P) Ltd., Glochem Industries Ltd., etc.

### **Mr. Rabindra Srikantan**

Mr. Rabindra Srikantan holds M.S. degree in Computer Engineering and Computer Science from the University of Louisiana, USA. He has professional experience in a wide range of software systems in the areas of Engineering, Enterprise Applications and System Software.

## Our Assets – Our Employees

At ASM Technologies, human resources are the most valued assets. We are proud of every one of our employees as it is their dedication and commitment which has helped us to achieve our goals of being the chosen provider of end-to-end solutions. ASM invests in its employees, supports them with training facilities and enables them to work independently, so that they can grow as individuals and shape their careers.



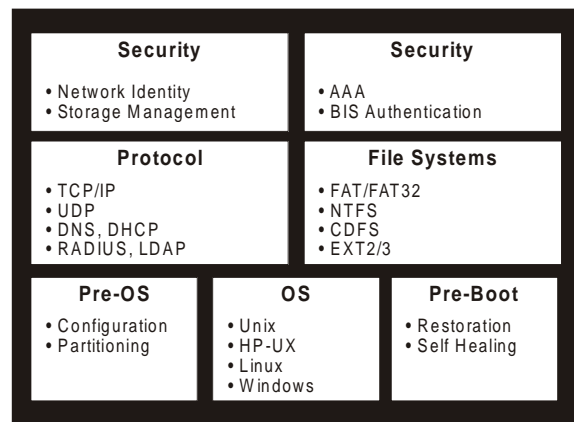
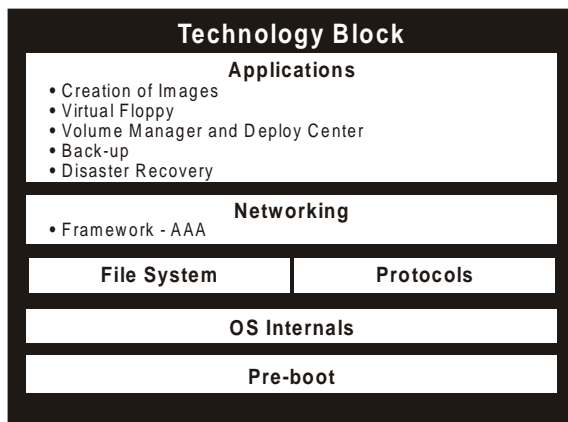
## 2. TECHNOLOGY SOLUTIONS AREA ARE

### 2.1 SYSTEM SOFTWARE

#### 2.1.1 TECHNOLOGY CAPABILITIES

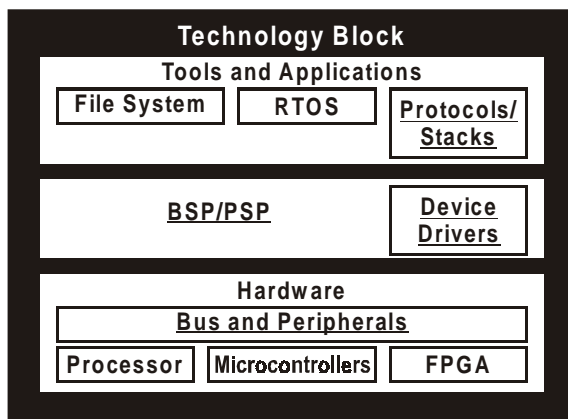
- ◆ Product Engineering
- ◆ Testing & QA Services
- ◆ Test Automation Services
- ◆ Product Support Services
- ◆ Extensive Experience and Expertise in the areas of
  - ◆ Storage Management
  - ◆ PC Disaster Recovery
  - ◆ Network Identity Appliances
  - ◆ Application Deployment

#### 2.1.2 TECHNICAL EXPERTISE



### 2.2 EMBEDDED SYSTEMS

- ◆ Integrated Real time Solutions and Turnkey development.
- ◆ Embedded Software - RTOS, Protocols, Firmware, BSP, Device driver Development and Porting services.
- ◆ Board Level Hardware and FPGA design and development services.
- ◆ Porting & Testing Security Protocols, Encryption & Decryption Algorithms.
- ◆ Extensive work on Embedded File Systems.



**Partial Client List**

ASMTL has delivered several successful projects all over the world.

A representative list of satisfied customers is provided below.



Accenture



Bharat Petroleum Corporation Limited



CINCOM



Citi Power



DACG



Danone



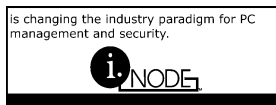
Deloitte



FUJITSU



Hewlett Packard



iNODE



IBM



Linde Aga Mholox



ONGC



Owens Corning



Pacific Coast



PowerQuest



SAP



Sogeti



Sony



Therma Tru

## Notice

Notice is hereby given that the 14th Annual General Meeting of the Company will be held on Friday the 22nd of September, 2006 at 10.00 a.m. at Pai Vijay Hall, No. 530/58, 33rd Cross, 11th Main, 4th Block, Jayanagar, Bangalore 560 011 to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Balance Sheet as at 31.03.2006, the Profit and Loss Account for the year ended 31.03.2006 and the Cash Flow Statement for the year ended 31.03.2006 together with the report of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. M.R. Vikram, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors and fix their remuneration. M/s. Sudhakar Pai Associates the retiring auditors are eligible for re-appointment.

### SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolution as an **Ordinary Resolution**.

“**RESOLVED THAT** pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors be and is hereby authorised to appoint, such person or persons qualified for appointment as Auditor or Auditors of the Company’s Branch Office in Chicago, USA, to examine and audit the accounts for the financial year 2006-2007 on such remuneration, terms and conditions as the Board may deem fit.”

5. To consider and if thought fit to pass with or without modification the following resolution as an **Ordinary Resolution**.

“**RESOLVED THAT** pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors be and is hereby authorised to appoint, such person or persons qualified for appointment as Auditor or Auditors of the Company’s Branch Office in U.K., to examine and audit the accounts for the financial year 2006-2007 on such remuneration, terms and conditions as the Board may deem fit.”

### REGD. OFFICE

# 80/2, Lusanne Court  
Richmond Road  
Bangalore 560 025

Date : 29th July, 2006

By Order of the Board

Sd/-  
**RABINDRA SRIKANTAN**  
Managing Director

## Notes

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956 in respect of the business under items 4 & 5 set out above are annexed here to and forms part of the Notice.
2. A member entitled to attend and vote at a meeting is entitled to appoint a proxy and such proxy need not be a member of the Company. Proxies to be valid should be deposited forty eight hours before the commencement of the Meeting at the Registered Office of the Company.
3. Members holding shares in physical form are requested to notify immediately any change in their address to the Company / Karvy Computershare Private Limited, Share Transfer agents at T.K.N. Complex, No. 51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore 560 004. Members holding shares in electronic form are requested to notify change in their address to their Depository Participant.
4. The Register of Members of the Company will remain closed from 19.09.2006 to 22.09.2006 (both days inclusive).
5. For the convenience of the members, attendance slip is annexed to the proxy form. Members are requested to fill - in and affix their signature at the space provided and hand over the attendance slip at the entrance place of the meeting. Proxy representative of a member should mark on the attendance slip as "PROXY" or "REPRESENTATIVE" as the case may be.
6. Members desiring any information on the accounts at the AGM are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.
7. As a measure of economy copies of the Annual Reports will not be distributed at the AGM. Members are requested to kindly bring copies of the Annual Report to the Meeting.
8. As per the provisions of the amended Companies Act, 1956 facility for making nominations is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Registrars and Transfer Agents.
9. The Company has filed an application to the Ministry of Law & Company Affairs, New Delhi, under Section 212(8) of the Companies Act, 1956 for attaching the Annual Accounts of its subsidiaries in the format other than that prescribed under the Companies Act and is awaiting its approval.

### **ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING ELECTION AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49(VI)(A) OF THE LISTING AGREEMENT.**

The relevant information relating to the Directors proposed to be re-appointed vide Ordinary Business No. 2 in the Notice of the AGM is given below :

#### **Mr. M.R. Vikram**

Mr. M.R. Vikram, a leading Chartered Accountant and Financial Services consultant, is a partner in M/s. M. Anandam & Co., in Secunderabad. M/s. M. Anandam & Co., are the auditors of many private and public sector Companies and also one of the auditors appointed for conducting a study for re-designing the accounting policies and procedures of Reserve Bank of India. He is the trustee and treasurer of M. Venkatarangaiya Foundation a leading voluntary organization doing pioneering work in literacy and in eradicating child labour in Ranga Reddy District of Andhra Pradesh. He also serves on the Board of many Companies like Zenotech Laboratories Ltd., GTN Industries Ltd., Normak Fashions (P) Ltd. and Glochem Industries Ltd., etc. A Paper Writer and also a prolific speaker in many conferences / seminars conducted by various Management institutes in topics of Finance & Management. Mr. M.R. Vikram does not hold any shares in the Company.

#### **Item No. 4**

During the year 1999-2000 the Company had opened a branch office in Chicago, USA. It is necessary to appoint in consultation with the Company's Auditors, branch auditors of the Company under the provisions of Section 228 of the Companies Act, 1956 for auditing the accounts of the Branch for the year ending 31st March, 2007. Their remuneration and terms and conditions of appointment will be as determined by the Board of Directors.

#### **Item No. 5**

During the year 2001-2002 the Company had opened a branch office in UK. It is necessary to appoint in consultation with the Company's Auditors, branch auditors of the Company under the provisions of Section 228 of the Companies Act, 1956 for auditing the accounts of the Branch for the year ending 31st March, 2007. Their remuneration and terms and conditions of appointment will be as determined by the Board of Directors.

**REGD. OFFICE**  
# 80/2, Lusanne Court  
Richmond Road  
Bangalore 560 025

Date : 29th July, 2006

**By Order of the Board**

Sd/-  
**RABINDRA SRIKANTAN**  
Managing Director

## Directors' Report

Your Directors are pleased to present their 14th Annual Report together with the Audited Accounts for the year ended 31st March, 2006.

### Financial Results

(Rs. in millions)

	2005 - 2006	2004 - 2005
Gross Revenue	261.36	180.17
Profit before Interest Depreciation & Tax (EBIDT)	26.38	25.90
Interest	3.70	2.46
Depreciation	4.60	7.00
Profit / -Loss before Tax (EBT)	18.08	16.44
Provision for Tax	1.00	—
Deferred Tax Income / -Expense	1.00	10.90
Net Profit / -Loss (PAT)	16.08	5.54

In the year under review the total revenue of the Company increased from Rs. 180.17 million to Rs. 261.36 million registering a growth of 45.06%. Domestic sales was Rs. 117 million, an increase by 100% to that of the previous year. Similarly the Company registered a pre-tax profit of Rs. 18.08 million for the year ended 31st March, 2006, thus maintaining the profitability trend.

The group revenue for the year ended 31st March, 2006 was Rs. 444.88 million as against Rs. 307.43 million for the period ended 31st March, 2005 registering a growth of 44.71%. Earning before interest depreciation and tax amounted to Rs. 34.96 million. The group registered a pre-tax profit of Rs. 23.76 million for the year under review, as against Rs. 22.24 million for the year ended 31st March, 2005.

### Dividend

Although the operations of the Company during 2005-2006 was encouraging your Directors do not recommend dividend for the year 2005-2006 considering the need to strengthen its internal accruals.

### Subsidiaries

**Advanced Synergic Pte. Ltd. - Singapore**, achieved a gross revenue of Rs. 178.02 million for the year under review as against Rs. 129.00 million for the same period last year. The Company registered a pre-tax profit of Rs. 1.36 million for the year 2005-2006 as against Rs. 0.90 million for the same period last year.

**Pinnacle Talent Inc., USA**, achieved a gross revenue of Rs. 231.12 million for the year under review as against Rs. 160.00 million for the same period last year, registering a growth of 44%. The pre-tax profit amounted to Rs. 4.59 million for the year under review.

The statement of Accounts of the Subsidiary Companies viz., M/s Pinnacle Talent Inc., USA and Advanced Synergic Pte. Ltd., Singapore for the year ended 31st March, 2006 along with the Report of the Board of Directors thereon are attached as per the provisions of the Section 212 of the Companies Act, 1956. The Company is awaiting the approval from the Ministry of Law & Company Affairs, Government of India, New Delhi for the application filed under Section 212(8) of the Companies Act, 1956 in respect of publishing the audited accounts of the subsidiary Companies in the format other than that prescribed in the Companies Act, 1956.

### Future Outlook

With the Global Business Climate in general and Indian Business in particular looking good, the next couple of years will be an exciting time for established Companies like yours. This year will continue to be a "Year of Growth, Progress and Consolidation". The growth will be from new clients and more offerings to the existing clients. It is heartening to inform that 92% of current business is from the existing clients.

The Company has carved a niche in the areas of Enterprise Solutions and Technology Solutions and is riding high the global IT wave.

The Company is ISO 9000-2001 Certified and is progressing well in the initiatives for getting a SEI-CMMi Level 3 certification this year.

### Geographical Areas of Operation

The Company continues to strengthen its market initiatives in the areas of presence, viz India, Singapore, US and UK. Further, Middle-East and Japan. We have partnered with a Company in China to promote our offerings in the Chinese market and to look for cost effective delivery options. The horizon, dove-tailed with the clients plan for the corresponding time period looks very promising. The Company is also expanding the relations with existing clients in new geographies. During the year the Company intends to deploy additional sales force to service its expanded client base and its foray into newer markets.

## Business Focus Area

### ❑ Current Areas

This year the Company has strengthened its core areas of

1. Enterprise Application - Packaged ERP implementation, Support and Maintenance, Add-ons and Application development Integration.
2. Technology Service & Product Engineering Services - System Software, Embedded Software and Firmware continues to be the growth area.

### ❑ Future Expansion Areas

#### Additional offerings to Enterprise Applications

1. *Business Intelligence and Data Warehousing* : With large amount of data getting generated across enterprises, the need for providing meaning to the data is imperative. Hence a separate practice is built around market leading tools on the Business Intelligence and Data Warehousing.
2. *Product Lifecycle Management (PLM)* : With new product development activities / initiatives across the world gaining high momentum, there is a need to provide scientific ways of managing the Product Lifecycle and the Company is moving towards building expertise and practice in providing PLM solutions tightly integrated with the Enterprise Applications.
3. *Convergence Technologies* : With good experience in both the Enterprise Applications and the Technology solutions, there is a great client need to converge on the two. In this regard, initiatives and expertise is being built for providing RFID (Radio Frequency Identification) mobility solutions for the Enterprise Applications for large Corporations.
4. *Solutions for Small and Medium Enterprise (SME)* : With the growing and compulsive need of all SME world-over to be IT enabled for automating their business processes, a whole new market has opened up for providing Enterprise Solutions. The solution has to be specific for the verticals they specialize in and initiatives are taken to provide quick, “out of the box” world-class solutions to meet their business needs and budgets. The focus will be to partner with Global Leaders in the Enterprise Applications. Further, there will be a thrust to offer Enterprise Application and Infrastructure support to the SMEs through remote support thereby making it a viable proposition.

## Engagement Models

Various Client Engagement Models to meet the requirement of the sound delivery system with a distinct cost advantage has been effected. Blended Onsite – Offshore model, Offsite support and Development Center and Offshore Development Center (ODC) are the current trends which will continue with more volumes in the coming years.

## Technology

The Company will continue to focus on Enterprise Applications and Technology Solutions. The future will be to further strengthen these areas of focus and build competency around them apart from building competent technical teams for the Enterprise Infrastructure Management and R & D Services Testing / Validation.

## Human Resources

It is proposed to double the headcount of the Technical Resources (comprising of Project Mangers, Business Analysts, Functional Experts, Team Leaders and Software Engineers). Further, as a continuous process all the Technical Staff will be upgraded and trained with suitable technologies as required by the business needs. The Business Development Team is also being increased to bring in more clients and account manage the existing clients. Business Managers will also be posted to overseas locations for generating new client base.

## SEBI Regulation & Listing Fees

Since SEBI has stipulated electronic filing of Annual Report, Corporate Governance Report, Shareholding Pattern, etc. on website [www.sebidifar.nic.in](http://www.sebidifar.nic.in), statements of your Company can also be accessed at this website.

The Annual Listing fees for the year under review has been paid to Bombay Stock Exchange Limited and Bangalore Stock Exchange Ltd., where your Company’s shares are listed.

## **Management Discussion and Analysis Report**

The Report on Management's Discussion and Analysis covering matters listed inter alia in Clause 49 of the Listing Agreement for the year under review is attached to this Report.

## **Directors Responsibility Statement**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors based on all representations received from the operating Management confirm that :

1. In the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures;
2. The Company had selected the accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. The Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The annual accounts of the Company are prepared on a going concern basis.

## **Corporate Governance Report**

As required vide Clause 49 of the Listing Agreement, a Report on Corporate Governance is provided elsewhere in this Annual Report along with Auditor's Certificate on compliance thereof.

## **Statutory compliances**

Your Company has continued to comply with the procedures of Software Technology Parks of India, NASSCOM and other statutory bodies. The licenses, approvals and clearances are current.

## **Directors**

Mr. M.R.Vikram, Director, retires by rotation and is eligible for reappointment. Brief profile of the Director proposed for re-appointment is given after the Notes of the Notice to the ensuing AGM.

## **Particulars of employees**

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forming part of this report – Expenditure on employees employed for the year / part of the year who were in receipt of remuneration which in the aggregate is not less than Rs. 2,00,000 is NIL.

## **Conservation of energy, technology absorption.**

The Company's operations involve low energy consumption. However the efforts to conserve and optimize the use of energy through improved operational method and other means will continue.

The Company has not imported any technology during the year.

## **Foreign exchange earnings and outgo**

During the year, the Foreign Exchange earned was Rs. 151.61 million and Foreign Exchange used was Rs. 139.46 million.

## **Fixed Deposits**

The Company has not accepted deposits from the public during the year.

### Qualifications to Auditor's Report

As per Clause (d) of Auditor's Report.

In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 except in case of AS-9 relating to revenue recognition on unbilled income. The basis for calculating the unbilled income is not complying with the above accounting standard.

#### REPLY

The unbilled revenues represent the work performed. This will be realized during the year at a value not less than the value considered in the revenue.

### Auditors

M/s. Sudhakar Pai Associates, Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to accept office if re-appointed and the Company received certificate from them confirming that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment, within the meaning of Sub-Sections (3) and (4) of Section 226 of the Companies Act, 1956.

### Acknowledgements

The Directors take this opportunity to express their gratitude to

- \* Our esteemed customers, employees, shareholders, vendors, business partners, advisors and consultants for their unstinted support.
- \* State Bank of India, Bangalore City Branch, State Bank of India (Industrial Finance Branch - Software Division), SBI Factors & Commercial Services Pvt. Ltd., Bangalore, Indian Bank, Singapore and State Bank of India, Chicago for their support and guidance.
- \* Central & State Governments, Software Technology Park (STPI) and NASSCOM and look forward to their continued support.

For and on behalf of the Board

Bangalore  
29th July, 2006

**M.R. Vikram**  
Director

**Rabindra Srikantan**  
Managing Director

## REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)

### I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company believes that sound Corporate Governance is critical to enhance and retain investor trust. Companies stand to gain by adopting systems that bolster stake holder's trust through transparency, accountability and fairness. With free trade among Countries and citizens across the globe, good Corporate Governance is vital for Companies seeking to distinguish themselves in the global footprint. The Company has taken proactive measures to periodically review and revise the Corporate Governance practices incorporating appropriate checks and balances at various levels of Management. For your Company, Corporate Governance is a continuous journey, seeking to provide an enabling environment to harmonize the goals of maximizing stakeholder value and maintaining a customer centric focus.

At the core of its Corporate Governance practice is the board, which oversees Management policies towards protection of long-term interests of all the stakeholders of the Company.

The Board of Directors fully support and endorse Corporate Governance practices and attempt to go beyond the statutory requirements.

### II. BOARD OF DIRECTORS

The Board is primarily responsible for the overall Management of the Company's business.

During the financial year 2005-2006 9 meetings of the Board were held on 30.04.2005, 24.06.2005, 28.07.2005, 04.08.2005, 28.09.2005, 28.10.2005, 04.11.2005, 28.01.2006 & 13.03.2006.

The Composition of the Directors and their attendance at the Board meetings during the year and at the last AGM is as follows.

Name & Designation	Category	No. of Board Meetings held	No. of Board Meetings attended	Attendance at the last AGM	No. of Directorships of other Companies	Membership in Committees of Boards of other Companies
Dr. S. Srikantan Chairman	Non Executive Director	9	NIL	No	NIL	NIL
Prof. B.S. Sonde Director	Independent - Non Executive Director	9	9	Yes	NIL	NIL
Mr. M.R. Vikram Director	Independent - Non Executive Director	9	8	Yes	12	1
Mr. Rabindra Srikantan Managing Director	Executive Director	9	9	Yes	NIL	NIL

Shareholding in the Company of Non-Executive Directors as on 31.03.2006

Name	No. of Equity shares held
Dr. S. Srikantan	6410
Prof. B.S. Sonde	NIL
Mr. M.R. Vikram	NIL

### III. BOARD COMMITTEES

For effective and efficient functioning of the Company, the Board has formed the following Committees.

#### 1. Audit Committee

##### Terms of Reference :

The Board has constituted the Audit Committee with the following mandate :

- Oversee the Company's financial reporting process and the disclosure of its financial information.
- Recommend appointment and removal of statutory auditors, fixation of audit fee and also approve payment for other services.
- Review the adequacy of internal audit functions and adequacy of internal control systems with the Management, Statutory and Internal Auditors.
- Review the Company's financial and risk Management policies.
- Review statement of significant related party transactions, and ensure compliance with accounting standards.
- Review with the Management the Quarterly / Annual financial results before submission to the Board for approval.

**Composition :**

Sr. No.	Name of Director	Position	Status
1.	Mr. M.R. Vikram*	Chairman	Independent, Non-Executive Director
2.	Dr. S. Srikantan	Member	Non-Executive Director
3.	Prof. B.S. Sonde	Member	Independent, Non-Executive Director
4.	Mr. Rabindra Srikantan (Special Invitee)		Executive Director

\* member having financial and accounting knowledge.

**Secretary :**

Ms. P.N. Lakshmi - Company Secretary

Meeting and attendance during the year

Members	No. of Meetings held	No. of Meetings attended
Mr. M.R. Vikram	5	5
Prof. B.S. Sonde	5	5
Dr. S. Srikantan	NIL	NIL

## 2. Compensation Committee

**Role of the Committee :**

Administer Employees Stock Option Scheme in accordance with the SEBI guidelines and shareholders resolution.

**Composition :**

Sr. No.	Name of Director	Position	Status
1.	Prof. B.S. Sonde	Chairman	Independent, Non-Executive Director
2.	Mr. M.R. Vikram	Member	Independent, Non-Executive Director
3.	Mr. Rabindra Srikantan	Member	Executive Director

**Secretary :**

Ms. P.N. Lakshmi - Company Secretary

Meeting and attendance during the year

Members	No. of Meetings held	Attendance
Prof. B.S. Sonde	1	1
Mr. M.R. Vikram	1	1
Mr. Rabindra Srikantan	1	1

## 3. Share Transfer & Investor Grievance Committee

**Role of the Committee :**

The Committee reviews and administers transfer of shares, transmission of shares, rematerialisation, transposition issuance of duplicate share certificates as and when required, redressal of investor complaints pertaining to transfer of shares, non-receipt of annual reports, non-receipt of dividend, etc. & reports the same to the Board periodically.

**Share Transfers in Physical Mode :**

In order to expedite the process of share transfers, the Board of Directors of the Company have delegated the power to the Registrar & Share Transfer Agents, Karvy Computershare Pvt. Ltd., (The R&STA). The R&STA transfer the shares received in physical mode on a fortnightly basis. Summary of the shares transferred are sent to the Company to be approved by the share transfer committee and noted by the Board.

In compliance with the listing agreement and SEBI, every quarter, the system is audited by a Practicing Company Secretary and Compliance Certificate to that effect is issued and filed with the Stock Exchanges where the Company's shares are listed.

**Composition :**

Sr. No.	Name of Director	Position	Status
1.	Prof. B.S. Sonde	Chairman	Independent, Non-Executive Director
2.	Mr. Rabindra Srikantan	Member	Executive Director

**Name and designation of Compliance Officer :**

Ms. P.N. Lakshmi - Company Secretary

Transfer & Investor Grievance Committee Meeting and attendance during the year

Members	No. of Meetings held	Attendance
Prof. B.S. Sonde	6	6
Mr. Rabindra Srikantan	6	6

Details of shareholder complaints received during the year, number solved and pending are provided in the section "General Information for Shareholders" found elsewhere in this Annual Report.

#### 4. Remuneration Committee

The Managing Director, being the only Executive Director is paid remuneration within the limits envisaged under Schedule XIII of the Companies Act, 1956. The remuneration is approved by the Board, Remuneration Committee as well as the Shareholders of the Company. The Non-Executive Directors are paid remuneration only by way of sitting Fees.

**Terms of reference :**

Brief Terms of Reference is as follows -

- to determine salaries and benefits to Senior Management Employees and Directors of the Company.
- develop and recommend to the Board Corporate Governance Guidelines applicable to the Company
- lay down policies and procedures to assess the requirements for induction of new members on the Board.

**Composition :**

Sr. No.	Name of Director	Position	Status
1.	Prof. B.S. Sonde	Chairman	Independent, Non-Executive Director
2.	Mr. M.R. Vikram	Member	Independent, Non-Executive Director
3.	Mr. M.R. Gopinath	Member	Company Secretary in Practice

**Name and designation of Compliance Officer :**

Ms. P.N. Lakshmi - Company Secretary

Remuneration Committee Meeting and attendance during the year

Members	No. of Meetings held	Attendance
Prof. B.S. Sonde	1	1
Mr. M.R. Vikram	1	1
Mr. M.R. Gopinath	1	1

Details of Remuneration paid to Directors for the year FY2005-06

Name of Director	Salary & perquisites	Sitting Fees
Dr. S. Srikantan	—	—
Prof. B.S. Sonde	—	Rs. 22,500
Mr. M.R. Vikram	—	Rs. 20,000
Mr. Rabindra Srikantan	Rs. 15,00,000	—

#### IV. SHAREHOLDERS' MEETINGS

Date, time and venue of the last three AGM's

Year	Date	Venue	Time
2002 - 2003	26th Sept. 2003	Pai Vijay Hall, 33rd Cross, 11th Main, 4th Block Jayanagar, Bangalore 560 011	10. 00 a.m.
2003 - 2004	29th Sept. 2004	Pai Vijay Hall, 33rd Cross, 11th Main, 4th Block Jayanagar, Bangalore 560 011	10. 00 a.m.
2004 - 2005	28th Sept. 2005	Pai Vijay Hall, 33rd Cross, 11th Main, 4th Block Jayanagar, Bangalore 560 011	10. 00 a.m.

Whether special resolutions were put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise, proposed to be conducted through postal ballot and procedures for postal ballot.

None

#### V. DISCLOSURES

Disclosures on materially significant related party transactions, transactions of the Company of material nature with its founders, the directors or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.

Details are provided in Note 13 under Schedule 15 to the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18.

Details of Non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

None

#### VI. MEANS OF COMMUNICATION

Quarterly Unaudited financial results and half yearly financial results subjected to a limited review by the statutory auditors of the Company are published in a widely circulated newspaper, Financial Express / Business Standard and also in a vernacular Newspaper. The results are also posted on the official website of the Company.

#### VII. MANDATORY / NON-MANDATORY REQUIREMENTS

During the financial year 2005-06, the Company

- duly complied with all the mandatory requirements of Clause 49 of the Listing Agreement.
- with the exception of formation of Remuneration Committee did not adopt any of the non-mandatory requirements of Clause 49 of the Listing Agreement.

#### VIII. CODE OF ETHICS

Annual declaration pertaining to compliance of Code of Ethics of the Company vide Clause 49(1)(d)(ii) of the Stock Exchange Listing Agreement.

This is to confirm that all the Board members and senior Management personnel of the Company have affirmed compliance of the Code of Ethics of the Company for the Financial Year 2005-06.

Sd/-

Bangalore  
3rd June, 2006

**Rabindra Srikantan**  
Managing Director

## IX. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. Industry Structure and Development

The worldwide IT industry has shown a steady growth in 2005, on the back of healthy spending across key markets such as USA and Western Europe. Companies have been increasingly using external professional services as an effective tool to meet their IT requirements. Outsourcing continued to be the primary growth engine with global delivery forming an integral part of the strategies adopted by customers as well as service providers. According to NASSCOM survey the Indian IT Software and Services sector grew by 31.40 percent during 2005-06 notching up as aggregate revenue of US \$ 29.60 billion, and is confident of achieving the US \$ 60 billion milestone in exports by 2010. India is a premier destination for off shoring IT services and as per NASSCOM survey Indian off shore industry grew by 28% in 2005-06. Ever deepening customer relationships, cross-border mergers and acquisitions, the move of the industry towards a stable pricing model and a gradual positive shift in the outsourcing debate, were some of the performance drivers for the industry.

### 2. Opportunities and Threats

With the global economy registering a strong recovery and with strong expectations that the same will be sustained worldwide it is forecasted that IT / ITES spending will exhibit 7% CAGR, with off shore exhibiting a CAGR of over 15% till 2009. Further opportunities lie in our increasing emphasis on improving business process efficiencies and a growing trend towards use of technology for automation and streamlining of business. In the ensuing FY 2007 nearly US \$ 100 billion worth of contracts are due for renewal which can provide the Indian Industry with a great opportunity to garner a worldwide market share and grow business volume. Customers look at Companies with good track record, financial domain knowledge and strong technology skills for outsourcing their IT need. Companies with a clear niche in their service offerings will continue to differentiate.

Competition from global MNC's could adversely affect the cost advantages and as a result decrease the revenues. Further volatility of the Indian Rupee against major currencies of the world could also impact and operating results.

### 3. Outlook

This has been discussed in detail in the Director's Report under Future Outlook elsewhere in the Annual Report.

### 4. Risks and concerns

#### a. Client Concentration

Approximately 60% of the overall revenues are contributed by the top 10 customers, of whom the largest customer contributed 19%. In respect of the group, 75% of the overall revenues are contributed by the top 10 customers of which the share of the largest customer is 31%. Nonetheless the top 5 customers also have significant bearing on the financial performance of the enterprise. However, there is no dependence on the top customer of the previous year the same having been replaced by the overall revenues from another client.

#### b. Foreign Exchange Fluctuation

The exchange rate between the rupee and major currencies of the world has fluctuated significantly in recent years and may continue to fluctuate in future. Appreciation of the rupee against the major currencies of the world can adversely affect our profits, competitive positioning and impact our gross margins.

#### c. Employee Risk

In the background of increasing opportunities in the Software outsourcing boom Companies are susceptible to attrition from its key technical and support personnel. The Company has ensured compensation policies that are competitive with market conditions and also provides high standards of work environment.

#### d. Competition risk

The market for IT services is highly competitive. Companies face competition from IT Companies operating both within and outside India. However, the ability to compete also depends in part on factors outside the control, such as availability of skilled resources, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to their clients' needs.

#### e. Risk due to Natural Calamities

A Major earthquake, flood or other natural disasters in the markets in which we operate could have a material adverse effect on our business, financial condition, results of operations and cash flows.

#### f. Impact of external economic environment

Independent research agencies have concluded that outsourcing benefits the US economy and several US Companies have also supported outsourcing as a competitive advantage. However, changes in the economic policies of the Countries in which we operate would have a bearing on the profits of the Company.

The Board of Directors is responsible for monitoring risk levels on various parameters and implementations of mitigation measures, if need be while the Audit Committee provides the overall direction on the risk Management policies.

### 5. Internal control systems and their adequacy

The Company's internal control systems are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. The adequacy and effectiveness of internal control are monitored regularly by the Internal Auditors and the Audit Committee of the Board. The Committee also reviews the risk Management and internal control system apart from periodically monitoring the position of outstandings.

## 6. Financial Condition and Operational performance

### a. Share Capital

The Company has at present only one class of shares. The authorized share capital is 70,00,000 Equity shares of Rs. 10/- each, constituting to Rs. 7,00,00,000. There was no increase in the paid up capital of Rs. 5,00,00,000 during the year under review.

### b. Secured Loan

The secured loan increased from Rs. 13.19 million to Rs. 20.52 million. This was the result of the Company taking recourse to additional borrowings during the year for its expansion activities.

### c. Fixed Assets

During the year 2005-2006 the Company has added Rs. 9 million to the gross block of assets. The additions were mainly incurred for the office renovation at Bangalore.

### d. Investments

The Company has not made any investments during the year 2005-2006.

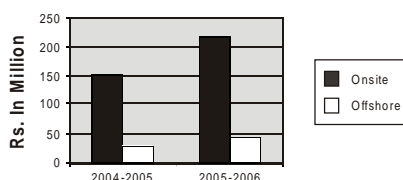
### e. Net Worth

The Net Worth for the year ended 31st March, 2006 was Rs. 25.64 million compared to Rs. 8.56 million for the same period last year.

### f. Revenues

In the year under review the total revenue of the Company was Rs. 261.37 million compared to Rs. 180.17 million the same period the previous year registering an increase of 45%. Export sales registered an increase of 17% to that of the previous year.

Off Shore / On site Revenue Mix



### g. Operating Profit (EBIDT)

We earned as operating profit Rs. 26.38 million representing 10% of Gross revenue as compared to Rs. 25.90, representing 14.37% of Gross revenue during the previous year.

### h. Capital Employed

The Return on Capital Employed (ROCE) for the year ended 31st March, 2006 was 18.51% as compared to 27.73% for the same period last year.

### i. Developments in Human Resources / Industrial Relations

The employee strength of the Company as on 31st March, 2006 was 251 as against 180 on 31st March, 2005. In respect of the group, the total strength including contractual employees was 353. Anticipating the growth in business focus both the existing and new customers, the manpower strength is likely to increase further.

It is a well recognized fact that Human Resources are the most valuable assets, deployed and valued by an organization. Your Company believes that people are the primary drivers in the success of an organization and hence people and HRD remain at the forefront of its mission. In this pursuit, the Company is providing timely and cost effective recruitment system for attracting the cream of talented professionals, ensuring a clear compensation and benefit policy in tune with the latest IT market trends.

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

(under clause 49 of the listing agreement)

To The Members of  
**M/s. ASM Technologies Limited**  
Bangalore 560 025.

We have examined the compliance of conditions of Corporate Governance by **M/s. ASM Technologies Limited** (the Company) for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreements of the Company with the Stock Exchange in India.

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 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 explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above referred Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for **Sudhakar Pai Associates**,  
Chartered Accountants,

**(B. SUDHAKAR PAI)**  
Proprietor

Place : Bangalore.  
Date : 26th June, 2006

## AUDITORS' REPORT

To the board of Directors of  
**M/s. ASM Technologies Limited**  
Bangalore 560 025

We have audited the attached Balance Sheet of **M/s. ASM Technologies Limited**, as at 31st March, 2006 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraph 4 and 5 of the said order.

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, the Company has kept proper books of accounts as required by law so far as appears from our examination of those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- d) *In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 except in case of AS-9 relating to revenue recognition on unbilled income. The basis for calculating the unbilled income is not complying with the above accounting standard.*
- e) On the basis of written representation received from the Directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and Profit & Loss Account, read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2006.
  - ii) in the case of the Profit & Loss Account of the Profit of the Company for the year ended on that date.
  - iii) in the case of the Cash Flow Statement of the cash flows for the year ended on that date.

for **Sudhakar Pai Associates**,  
Chartered Accountants,

**(B. SUDHAKAR PAI)**  
Proprietor

Place : Bangalore.  
Date : 3rd June, 2006

## THE ANNEXURE REFERRED TO THE AUDITORS' REPORT

### M/s. ASM Technologies Limited

for the year ended 31st March, 2006. We report that :

1.
  - a) The Company is showing proper records showing full particulars, including quantitative details and situation of Fixed Assets.
  - b) The Company has a phased programme of physical verification of its Fixed Assets, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. In accordance with such programme, the Management has physically verified fixed assets during the year and no material discrepancies were noticed on such verification.
  - c) Fixed Assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.
2. The Companies nature of operation does not require it to hold Inventories. Accordingly Clause 4(ii) of the Companies (Auditors' Report) Order 2003, is not applicable.
3.
  - a) The Company has taken loan from its Managing Directors covered in the register maintained under Section 301 of the Companies Act, 1956. The Maximum amount involved during the year was Rs. 17.36 lacs and the year ended balance of loans taken from such parties was nil.  

The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in register maintained under Section 301 of the Companies Act, 1956.
  - b) The rate of Interest on the loan taken by the Company is not prima facie prejudicial to the Interest of the Company.
  - c) The repayment of the loan amount is not having any time schedule.
  - d) There is no overdue amount of loan taken or granted to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to information and explanations given to us, there is adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods, except in the case of serially numbering of invoices was issued for more than one time. We have not noted any continuing failure to correct any major weakness in the internal controls during the course of the audit.
5.
  - a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered.
  - b) In our opinion and according to the explanation given to us, there are transactions of pursuance of goods and materials and sale of goods and materials in pursuance of contract or arrangement required to be entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 5.00 lacs or more in respect of each party.
    - i) The Company has charged the prices at reasonable rates wherever the value of contract exceeds Rs. 5.00 lacs.
    - ii) In our opinion and according to the explanation and information given to us the rates charged on such contracts are at market prices prevailing at the relevant time and the factors surrounding the transactions.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder are not applicable.
7. In our opinion, the Company has an Internal audit system commensurate with its size and the nature of its Business.
8. According to the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under Clause (d) of Sub-Section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company.
9.
  - (a) According to the information and explanation given to us, and on the basis of our examination of the books of accounts, the Company has except to Provident Fund, Income-Tax and ESI been regular in depositing with appropriate authorities undisputed statutory dues and any other material statutory dues applicable to it.
  - (b) According to the information and explanations given to us, undisputed amounts payable in respect of Provident Fund, Income-Tax, Sales Tax, Wealth Tax, Service Tax and other material statutory dues were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.
  - (c) According to the information and explanation given to us, there are no dues in Sales Tax, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute.

10. The Company does have accumulated losses at the end of the financial year and has not incurred any Cash losses during the financial year but has incurred cash losses in the financial year proceeding such financial year.
11. Based on our audit procedures and in the information and explanations given by the Management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank. The Company has not issued any debentures. Accordingly Clause 4(xi) of the order relating to the same is not applicable.
12. The Company has not granted loans and advances on the basis of security, pledge of shares, debentures and other securities. Accordingly, Clause 4(xii) of the order is not applicable.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, Clause 4(xiii) is not applicable.
14. According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, Clause 4(xiv) is not applicable.
15. According to the explanation and information given to us, the Company has given their own building as security to Lord Krishna Bank for loan taken by IDS Systems Private Limited to the extent of Rs. 285.00 lacs. In our opinion the terms and conditions are not prima facie prejudicial to the interest of the Company.
16. The Company has not taken any fresh term loans during the year.
17. On the basis of our examination and according to the information and explanation given to us, the Company has not raised funds on short-term basis.
18. According to the information and explanation given to us and overall opinion explanation of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment and vice versa.
19. The Company has not issued any debentures. Accordingly, Clause 4(xix) of the order is not applicable.
20. The Company has not raised any money by public issue during the year. Accordingly, Clause 4(xx) of the order is not applicable.
21. According to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

for **Sudhakar Pai Associates,**  
Chartered Accountants,

**(B. SUDHAKAR PAI)**  
Proprietor

Place : Bangalore.  
Date : 3rd June, 2006

**FINANCIALS****ASM Technologies Limited****Balance Sheet as at 31st March, 2006**

(Amount in Rupees)

Particulars	Sch No.	As At 31.03.2006	As At 31.03.2005
<b>SOURCE OF FUNDS</b>			
<b>1. SHAREHOLDERS FUND</b>			
a. Share Capital	1	50,000,000	50,000,000
b. Reserves & Surplus	2	33,331,200	33,331,200
<b>2. LOAN FUNDS</b>			
a. Secured loan	3	20,516,696	13,190,829
b. Unsecured loan	4	46,075,404	37,531,651
<b>TOTAL</b>		<b>149,923,300</b>	<b>134,053,680</b>
<b>APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS (NET BLOCK)</b>	5	<b>39,069,923</b>	34,647,922
<b>2. INVESTMENTS</b>	6	<b>7,189,016</b>	7,189,016
<b>3. CURRENT ASSETS, LOANS, ADVANCE &amp; DEPOSITS</b>			
a) Sundry Debtors	7	58,460,431	37,974,568
b) Cash & Bank balances	8	11,561,769	6,662,542
c) Loans & Advances	9	4,985,934	3,790,828
d) Deposits		996,932	395,370
		<b>76,005,066</b>	48,823,308
Less : Current Liabilities & Provisions Liabilities & Provisions	10	<b>30,028,434</b>	31,376,602
Net current assets		<b>45,976,632</b>	17,446,706
<b>4. DEFERRED TAX ASSET</b>		<b>18,936,512</b>	19,933,457
<b>5. MISCELLANEOUS EXPENDITURE</b>			
Profit & Loss a/c debit balance		<b>38,751,217</b>	54,836,579
Significant accounting policies and notes on accounts	15		
<b>TOTAL</b>		<b>149,923,300</b>	<b>134,053,680</b>

As per our report of even date  
for **SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

**B. Sudhakar Pai**  
Proprietor

Place : Bangalore  
Date : 3rd June, 2006

## ASM Technologies Limited

### Profit & Loss Account for the Period ended 31st March, 2006

(Amount in Rupees)

Particulars	Sch No.	Year ended 31.03.2006	Year ended 31.03.2005
<b>INCOME</b>			
Domestic Sales		117,006,719	58,433,497
Export Sales		141,735,485	121,039,312
Other Income		2,624,292	693,716
<b>TOTAL - A</b>		<b>261,366,496</b>	<b>180,166,525</b>
<b>EXPENDITURE</b>			
Software development expenses	12	212,236,281	135,743,372
Administrative expenses	13	22,739,041	18,517,358
Financial Charges	14	3,700,565	2,461,238
Depreciation		4,608,302	7,001,304
<b>TOTAL - B</b>		<b>243,284,189</b>	<b>163,723,272</b>
<b>Profit / (Loss) before Tax</b>		<b>18,082,307</b>	<b>16,443,253</b>
Less : Provision for tax		1,000,000	—
<b>Profit / (Loss) after Tax</b>		<b>17,082,307</b>	<b>16,443,253</b>
Add : Deferred Tax Asset / Liability Adjustment		(996,945)	(10,903,333)
<b>Profit / (Loss) after current &amp; deferred Tax adjustment</b>		<b>16,085,362</b>	<b>5,539,920</b>
Add previous year Surplus / Loss		(54,836,579)	(60,376,499)
<b>Profit / (Loss) transferred to Balance sheet</b>		<b>(38,751,217)</b>	<b>(54,836,579)</b>
<b>Earnings per share</b>			
(Equity shares, par value Rs. 10 each)			
Basic		3.22	1.11
Diluted		3.22	1.11
Significant accounting policies and notes on accounts	15		
		<b>(38,751,217)</b>	<b>(54,836,579)</b>

As per our report of even date  
for **SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

**B. Sudhakar Pai**  
Proprietor

Place : Bangalore  
Date : 3rd June, 2006

## ASM Technologies Limited

### Schedules to the Balance Sheet

(Amount in Rupees)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
7,000,000 Equity shares of Rs. 10 each	<b>70,000,000</b>	70,000,000
<b>Issued, Subscribed &amp; Paid up</b>		
5,000,000 equity shares of Rs. 10 each	<b>50,000,000</b>	50,000,000
<b>TOTAL</b>	<b>50,000,000</b>	<b>50,000,000</b>
<b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>		
Capital reserve		
Profit on reissue of forfeited shares	<b>331,200</b>	331,200
Share premium account	<b>33,000,000</b>	33,000,000
<b>TOTAL</b>	<b>33,331,200</b>	<b>33,331,200</b>
<b>SCHEDULE - 3 : SECURED LOAN</b>		
Cash Credit Account : SBI (Secured by hypothecation of inventory, receivables, personal guarantee by Managing Director, First charge on fixed assets except Land & Building & Second Charge on Land & Building of the Company)	<b>15,819,285</b>	13,190,829
Factoring - SBI Factors (Secured by hypothecation of inventory, receivables, personal guarantee by Managing Director & third charge on Land & Building of the Company)	<b>4,697,411</b>	—
<b>TOTAL</b>	<b>20,516,696</b>	<b>13,190,829</b>
<b>SCHEDULE - 4 : UNSECURED LOANS</b>		
Intercompany Deposit	<b>46,075,404</b>	37,531,651
<b>TOTAL</b>	<b>46,075,404</b>	<b>37,531,651</b>

**ASM Technologies Limited**

**Schedules to Balance Sheet**

**SCHEDULE - 5 : FIXED ASSETS**

(Amount in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on 31.03.05	Additions	Deletion	As on 31.03.06	As on 31.03.05	For the Year	Deletion	As on 31.03.06	As on 31.03.05
Land-free-hold	20,513,786	—	—	20,513,786	—	—	—	20,513,786	20,513,786
Building	3,029,687	4,708,363	—	7,738,050	1,250,947	142,223	—	6,344,880	1,778,740
Machinery & Systems	87,988,683	1,618,101	61,922,772	27,684,012	79,100,430	4,031,451	61,922,772	6,474,903	8,888,253
Electrical Fittings	932,069	4,750	—	936,819	428,482	42,712	—	465,625	503,587
Furniture & Fixtures	4,119,784	776,507	—	4,896,291	2,529,551	268,561	—	2,098,179	1,590,233
Office Equipment	1,395,107	1,925,416	8,200	3,312,323	476,666	78,080	3,316	2,760,893	918,441
Vehicles	460,576	2,050	—	462,626	5,694	45,275	—	411,657	454,882
<b>TOTAL</b>	<b>118,439,692</b>	<b>9,035,187</b>	<b>61,930,972</b>	<b>65,543,907</b>	<b>83,791,770</b>	<b>4,608,302</b>	<b>61,926,088</b>	<b>39,069,923</b>	<b>34,647,922</b>
<b>Previous Year</b>	<b>116,461,824</b>	<b>1,977,868</b>	<b>—</b>	<b>118,439,692</b>	<b>76,790,466</b>	<b>7,001,304</b>	<b>—</b>	<b>83,791,770</b>	<b>39,671,358</b>

## ASM Technologies Limited

### Schedules to the Balance Sheet

(Amount in Rupees)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>SCHEDULE - 6 : INVESTMENTS - at cost</b>		
Non Trade (Unquoted)		
1. Advanced Synergic Pte. Ltd., Singapore 1,00,000 equity shares of SGD 1 each in wholly owned Subsidiary.	2,481,090	2,481,090
2. Pinnacle Talent Inc. USA 1,00,00,000 equity shares of USD 0.01 each in wholly owned Subsidiary.	4,707,926	4,707,926
<b>TOTAL</b>	<b>7,189,016</b>	<b>7,189,016</b>
<b>SCHEDULE - 7 : SUNDRY DEBTORS</b>		
(Unsecured considered good)		
Over Six months	1,778,412	166,934
Others debts	38,254,019	28,854,634
Unbilled Revenues	18,428,000	8,953,000
<b>TOTAL</b>	<b>58,460,431</b>	<b>37,974,568</b>
<b>SCHEDULE - 8 : CASH AND BANK BALANCE</b>		
Cash on hand	13,252	18,331
Balance with Schedule banks :		
1. In current account	3,529,894	944,211
2. In deposit account	8,018,623	5,700,000
<b>TOTAL</b>	<b>11,561,769</b>	<b>6,662,542</b>
<b>SCHEDULE - 9 : LOANS &amp; ADVANCES</b>		
(Unsecured, Considered good-advances recoverable in cash or in kind or for the value to be received)		
Advance to Employees	1,223,472	920,282
Interest accrued but not due	—	49,150
Tax deducted at source	3,512,462	2,821,396
Others	250,000	—
<b>TOTAL</b>	<b>4,985,934</b>	<b>3,790,828</b>
<b>SCHEDULE - 10 : LIABILITIES &amp; PROVISION</b>		
<b>Current Liabilities</b>		
Sundry Creditors	14,275,907	20,728,376
Other Liabilities & provisions	14,752,527	10,648,226
<b>TOTAL - A</b>	<b>29,028,434</b>	<b>31,376,602</b>
<b>Provisions</b>		
Provision for Taxation	1,000,000	—
<b>TOTAL - B</b>	<b>1,000,000</b>	<b>—</b>
<b>TOTAL A+B</b>	<b>30,028,434</b>	<b>31,376,602</b>

## ASM Technologies Limited

### Schedules to the Balance Sheet

(Amount in Rupees)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>SCHEDULE - 12 : SOFTWARE DEVELOPMENT EXPENSES</b>		
Consultancy charges and overseas expenses	149,427,794	83,033,274
Salaries and bonus	62,808,487	52,710,098
<b>TOTAL</b>	<b>212,236,281</b>	<b>135,743,372</b>
<b>SCHEDULE - 13 : ADMINISTRATIVE OVERHEAD</b>		
Advertisement	126,122	484,191
Audit fee	123,464	110,200
Books & Periodicals	19,013	16,308
Business promotions	213,547	285,964
Clearing & forwarding charges	13,782	145,260
Courier charges	99,918	72,945
Directors remuneration	1,572,000	1,572,000
Exchange difference	1,614,890	188,790
Electricity & water charges	954,882	753,754
Insurance charges	51,788	56,332
Lease rental & hire charges	631,168	197,353
Membership & subscription	948,630	445,192
Miscellaneous Expense	793,874	984,672
Office Maintenance	827,452	99,331
Postage, telephone, telex & fax charges	2,166,424	1,558,745
Printing & stationary	682,755	270,232
Professional Charges	2,699,842	1,750,481
Rates & Taxes	389,743	345,258
Rent	260,494	1,352,657
Repairs & maintenance	648,452	833,892
Security charges	186,921	176,542
Staff incentive & Welfare	457,770	111,402
Training & recruitment expenditure	482,370	6,000
Travelling & Conveyance	6,314,959	5,729,600
Vehicle Maintenance	193,040	114,127
Loss on sale of Assets	2,384	—
Visa Processing charges	263,356	856,130
<b>TOTAL</b>	<b>22,739,041</b>	<b>18,517,358</b>
<b>SCHEDULE - 14 : FINANCIAL CHARGES</b>		
Bank charges	489,965	234,603
Interest	3,210,600	2,226,635
<b>TOTAL</b>	<b>3,700,565</b>	<b>2,461,239</b>

**SCHEDULES TO THE BALANCE SHEET**

**SCHEDULE - 15 :**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**A. Significant Accounting Policies**

1. The accounts of the Company have been prepared using the accrual method based on the historical cost convention.
2. **Income :** Sales include sale of software and service charges. Revenue from sale of software is recognized wherever the sale has been completed with the passing of the title and billed to the clients as per the specific contracts. Revenue from sale of software services is recognized on the basis of percentage of completion method. Other income mainly consisting of reimbursement of expenses and the same is accounted on accrual basis.
3. **Expenditure :** Expenses are accounted on accrual basis and provision for known liabilities or loss made in the same year.
4. **Fixed Assets :** Fixed Assets are stated at cost of acquisition less accumulated depreciation. The Company has destroyed some of the assets which were not in use and which have been fully depreciated. The total original cost of the assets destroyed is about Rs. 6,12,33,408.
5. **Depreciation :** Depreciation is provided on straight-line method at the rates specified in schedule XIV of the Companies Act, 1956. Depreciation for the assets purchased / sold during the year is proportionately charged. Individual assets acquired for less than Rs. 5,000/- are entirely depreciated in the year of acquisition.
6. The Company's contribution to the Gratuity has been provided based on the calculation as per Payment of Gratuity Act, 1972.
7. **Foreign currency transactions :** In case of sales made to clients outside India, income is accounted on the basis of the exchange rate prevailing on the date of sale. Adjustments are made for any change in sales proceeds on conversion into Indian currency upon actual receipt. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. Debtors and Creditors are stated at exchange rate prevailing on the date of Balance Sheet.

## ASM Technologies Limited

### B. NOTES ON ACCOUNTS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
<b>1. Contingent liability</b>		
a) Claim against the Co., not acknowledged as debt	Nil	25,00,000.00
<b>2.</b> The Company has given a security of the building and a corporate guarantee to Lord Krishna Bank. The outstanding as on 31st March 2006 is about Rs. 230 Lacs.		
<b>3. Managing Directors remuneration</b>		
a) Salary	15,00,000	15,00,000
b) Contribution to Provident Fund	72,000	72,000
c) Value of perquisites (as per IT Act)	—	—
<b>4. Payment to auditors</b>		
a) Audit fee	1,12,240	98,980
b) Tax audit fee (Inclusive of Service tax)	11,224	11,220
<b>5. CIF value of imports</b>		
a) Software	—	—
b) Capital goods	—	—
<b>6. Expenditure in foreign currency</b>		
a) Overseas travel expenses	—	5,45,822
b) Technical Consultancy & Living Expenses	13,62,97,393	9,20,71,555
c) Others	31,67,399	47,26,755
<b>7. Earnings in foreign currency</b>	<b>15,16,07,556</b>	12,10,39,312
<b>8.</b> Paisas are rounded off to the nearest rupee.		
<b>9.</b> Previous year figures have been regrouped / rearranged wherever necessary.		
<b>10.</b> Closing balance of sundry debtors and creditors are subject to confirmation.		
<b>11.</b> The operations of the Company are to develop software and the allied activities, which cannot be expressed in terms of units / quantity. Hence it is not possible to give the quantitative information as required by the Schedule VI of the Companies Act, 1956.		
<b>12. Deferred Taxes</b>		
In accordance with the Accounting Standard – 22 (AS-22) “Accounting for Taxes on Income” which became mandatory for reporting from 1st April, 2001, the tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted regulations.		
<b>13. Related Party Transactions – (AS-18)</b>		
The Company had transactions with the following related parties.		
Wholly Owned Subsidiaries: Pinnacle Talent Inc., USA & Advanced Synergic Pte. Ltd., Singapore.		
IDS Systems Private Limited		
Directors : Dr. S. Srikantan, Prof. B.S. Sonde, Mr. Rabindra Srikantan, Mr. M.R. Vikram,		
Key Management Personnel Mr. N. Krishnan, Mr. Harisimha, Mr. T.S. Shanbhogue and Ms. P.N. Lakshmi.		
Summary of the Transactions with the above related parties for the financial year ending 31st March, 2006 is as follows.		

## ASM Technologies Limited

	Rs. in Lacs
<b>Wholly owned Subsidiaries</b>	
Sales	935.07
Outsourcing	1,306.43
<b>IDS Systems Private Limited</b>	
Sales	538.04
<b>Directors and Key managerial persons</b>	
Remuneration Payables to Directors	15.72
Remuneration Payable to Key Management Personnel	45.85

### 14. Earnings per share

In accordance with the Accounting Standard 20 (AS-20) "Earning per share" issued by the Institute of Chartered Accountants of India, basic earnings per share is computed using the weighted average number of shares outstanding during the period.

### 15. Segment Reporting – (AS-17)

In accordance with the Accounting Standard – 17 (AS-17) "Segment Reporting" which became mandatory for reporting from 1st April 2001, the Company states that it is in the business of software development and I T related services. The Company's primary reporting segment is geographical as the revenues in non-software related areas are not more than 10% of the gross revenues.

	<b>31.03.2006</b>
	<b>Rs. In Lacs</b>
<b>Geographic Segment</b>	
Export Sales	1,417.35
Domestic Sales	1,170.06
	<b>2,587.41</b>
Other Income	
Interest	5.29
Others	20.96
	<b>26.25</b>
<b>Particulars of Segment Asset and Liability</b>	
<b>Segment Assets</b>	
Outside India	163.65
India	987.10
Investments	
Outside India	71.89
India	—
<b>Segment Liabilities</b>	
Outside India	375.78
India	590.43

As per our report of even date  
for **SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

**B. Sudhakar Pai**  
Proprietor

Place : Bangalore  
Date : 3rd June, 2006

## ASM Technologies Limited

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Amount in lacs)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (Loss) before tax & extraordinary items	180.82	164.43
<b>Adjustments for :</b>		
Depreciation	46.08	70.01
(Profit) Loss on Sale of Asset	(0.82)	—
Deferred Taxation (Net)	(9.97)	(109.03)
Finance charges	37.01	24.61
Effect of exchange differences on translation of foreign currency	16.15	1.89
Cash & cash equivalent	—	—
Operating profit before working capital changes	269.27	151.91
<b>Adjustment for :</b>		
Inventories	—	—
Trade payables	(23.48)	(90.18)
Trade & other receivables	(222.83)	19.23
Deferred Tax Asset	9.97	109.03
Working capital finance	73.26	(12.53)
Cash generated from operations	106.19	177.47
Finance charges	(37.01)	(24.61)
<b>Net cash from operating activities - A</b>	<b>69.19</b>	<b>152.84</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(90.35)	(19.77)
Proceeds on Disposal of Fixed Asset	0.87	—
<b>Net cash from Investing activities - B</b>	<b>(89.48)</b>	<b>(19.77)</b>
<b>C. CASH FLOW FROM FINANCE ACTIVITIES</b>		
Long term borrowings	85.44	(84.44)
Short term borrowings	—	(9.87)
<b>Net cash from Finance activities - C</b>	<b>85.44</b>	<b>(94.31)</b>
Effect of exchange differences on translation of foreign currency cash & cash equivalent	(16.15)	(1.89)
Net increase in cash and cash equivalents (A + B + C)	48.99	36.89
Cash & cash equivalents as at 1st April 2005	66.63	29.74
<b>Cash &amp; Cash equivalents as at 31st March 2006</b>	<b>115.62</b>	<b>66.63</b>

Place : Bangalore  
Date : 3rd June, 2006

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

#### AUDITOR'S CERTIFICATE

We have examined the above cash flow statement of ASM Technologies Limited, for the year ended 31st March, 2006. The statement has been prepared by the Company in accordance with the requirement under Clause 32 of the listing agreement with stock exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the Company for the year ended 31st March, 2006.

for **SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

Place : Bangalore  
Date : 3rd June, 2006

**B. SUDHAKAR PAI**  
Proprietor

## ASM Technologies Limited

### ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

#### REGISTRATION DETAILS

State code	8
Registration No.	13421
Balance sheet date	31.03.2006

#### CAPITAL RAISED DURING THE YEAR (Rs. In thousand)

Public issue	Nil
Right issue	Nil
Bonus issue	Nil
Private placement	Nil

#### POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Rs. In Thousand)

Total liabilities	179,951
Total assets	179,951

#### SOURCE OF FUNDS

Paid up capital	50,000
Reserves and surplus	33,331
Secured loan	20,516
Unsecured loan	46,075

#### APPLICATION OF FUNDS

Net fixed assets	39,069
Investments	7,189
Net current assets	45,976
Deferred Tax Asset	18,936
Miscellaneous expenditure	38,751

#### PERFORMANCE OF THE COMPANY (Rs. In Thousand)

Turnover	261,366
Total expenditure	243,284
Profit / (Loss) before tax	18,082
Prof / (Loss) after tax	16,085
Earning per share (in Rs.)	3.22
Dividend rate %	Nil

#### GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE CO.,

Item code No. (ITC Code)	85249009.10
Product description	Computer Software

## AUDITORS' REPORT

To The Board of Directors of  
**M/s. ASM Technologies Limited**  
(on the Consolidated Financials of M/s. ASM Technologies Limited)

We have examined the attached Consolidated Balance Sheet of M/s. ASM TECHNOLOGIES LIMITED and its subsidiary M/s. PINNACLE TALENT INC. and M/s. ADVANCED SYNERGIC PTE. LTD., as at 31st March, 2006, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statements for the year then ended.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India, and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that :

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of audit.
2. We did not audit the financial statements of the subsidiary, which is having a net worth of Rs. 16.33 lacs as on 31st March, 2006 and a profit of Rs. 41.15 lacs for the year then ended, which has been audited by other auditor whose report has been furnished to us.
3. The Consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, in respect of Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of M/s. ASM TECHNOLOGIES and its subsidiaries.
4. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiary, we are of the opinion that :
  - a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its subsidiary as at 31st March, 2006.
  - b) The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended.
  - c) The Consolidated Cash Flow Statements gives a true and fair view of the consolidated cash flow of the Company and its subsidiary for the year then ended.

for **Sudhakar Pai Associates,**  
Chartered Accountants,

**(B. SUDHAKAR PAI)**  
Proprietor

Place : Bangalore.  
Date : 26th June, 2006

**ASM Technologies Limited**  
Consolidated Financial Statements

**Balance Sheet as at 31st March, 2006**

(Amount in Rupees)

Particulars	Sch No.	As At 31.03.2006	As At 31.03.2005
<b>SOURCE OF FUNDS</b>			
<b>1. SHAREHOLDERS FUND</b>			
a. Share Capital	1	50,000,000	50,000,000
b. Reserves & Surplus	2	33,331,200	33,331,200
<b>2. LOAN FUNDS</b>			
a. Secured loan	3	43,275,115	36,568,002
b. Unsecured loan	4	26,243,754	17,473,176
<b>TOTAL</b>		<b>152,850,069</b>	<b>137,372,378</b>
<b>APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS ( NET BLOCK)</b>	5	<b>41,106,532</b>	36,622,424
<b>2. CURRENT ASSETS, LOANS, ADVANCE &amp; DEPOSITS</b>			
a. Sundry Debtors	6	94,494,694	52,578,702
b. Cash & Bank balances	7	14,693,835	9,667,043
c. Loans & Advances	8	5,596,971	3,954,350
d. Deposits		1,422,569	1,345,202
		<b>116,208,069</b>	<b>67,545,297</b>
Less : Current Liabilities & Provisions Liabilities & Provisions	9	<b>59,670,739</b>	44,628,493
Net current assets		<b>56,537,330</b>	22,916,804
<b>3. DEFERRED TAX ASSET</b>		<b>18,936,512</b>	19,933,457
<b>4. MISCELLANEOUS EXPENDITURE</b>			
Profit & Loss a/c debit balance		<b>36,269,695</b>	57,899,693
Significant accounting policies and notes on accounts	13		
<b>TOTAL</b>		<b>152,850,069</b>	<b>137,372,378</b>

As per our report of even date  
for **SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

**B. Sudhakar Pai**  
Proprietor

Place : Bangalore  
Date : 26th June, 2006

**ASM Technologies Limited**  
Consolidated Financial Statements

**Profit & Loss Account for the Period ended 31st March, 2006**

(Amount in Rupees)

Particulars	Sch No.	Year ended 31.03.2006	Year ended 31.03.2005
<b>INCOME</b>			
Domestic Sales		117,006,719	58,433,497
Export Sales		324,737,367	247,355,409
Other Income		3,132,087	1,640,654
<b>TOTAL - A</b>		<b>444,876,173</b>	<b>307,429,560</b>
<b>EXPENDITURE</b>			
Software development expenses	10	374,811,411	237,847,686
Administrative expenses	11	35,107,322	35,027,362
Bad Debts		—	656,680
Financial Charges	12	6,434,432	4,369,117
Depreciation		4,759,347	7,284,196
<b>TOTAL - B</b>		<b>421,112,512</b>	<b>285,185,041</b>
<b>Profit / (Loss) before Tax</b>		<b>23,763,661</b>	<b>22,244,519</b>
Less : Provision for tax		1,136,718	—
<b>Profit / (Loss) after Tax</b>		<b>22,626,943</b>	<b>22,244,519</b>
Add : Deferred Tax Asset / Liability Adjustment		(996,945)	(10,903,333)
<b>Profit / (Loss) after current &amp; deferred Tax adjustment</b>		<b>21,629,998</b>	<b>11,341,186</b>
Add : previous year Surplus / Loss		(57,899,693)	(69,240,879)
<b>Profit / ( Loss) transferred to Balance sheet</b>		<b>(36,269,695)</b>	<b>(57,899,693)</b>
<b>Earnings per share</b>			
(Equity shares, par value Rs. 10 each)			
Basic		4.33	2.27
Diluted		4.33	2.27
Significant accounting policies and notes on accounts	13		
		<b>(36,269,695)</b>	<b>(57,899,693)</b>

As per our report of even date  
for **SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

**B. Sudhakar Pai**  
Proprietor

Place : Bangalore  
Date : 26th June, 2006

**ASM Technologies Limited**  
**Consolidated Financial Statements**

**Schedules to the Balance Sheet**

(Amount in Rupees)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
7,000,000 Equity shares of Rs. 10 each	70,000,000	70,000,000
<b>Issued, Subscribed &amp; Paid up</b>		
5,000,000 equity shares of Rs. 10 each	50,000,000	50,000,000
<b>TOTAL</b>	<b>50,000,000</b>	<b>50,000,000</b>
<b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>		
Capital reserve		
Profit on reissue of forfeited shares	331,200	331,200
Share premium account	33,000,000	33,000,000
<b>TOTAL</b>	<b>33,331,200</b>	<b>33,331,200</b>
<b>SCHEDULE - 3 : SECURED LOAN</b>		
Cash Credit Account : SBI (Secured by hypothecation of inventory, receivables, personal guarantee by Managing Director, First charge on fixed assets except Land & Building & Second Charge on Land & Building of the Company)	15,819,285	13,190,829
Factoring : SBI Factors (Secured by hypothecation of inventory, receivables, personal guarantee by Managing Director & third charge on Land & Building of the Company)	4,697,411	—
Line of Credit : SBI Chicago (Secured by hypothecation of receivables and personal guarantee by President of the subsidiary)	15,297,926	15,489,046
Overdraft Account : Indian Bank Singapore (Secured by hypothecation of receivables)	7,373,844	7,461,991
Others (Secured by hypothecation of assets of the Company)	86,649	426,136
<b>TOTAL</b>	<b>43,275,115</b>	<b>36,568,002</b>
<b>SCHEDULE - 4 : UNSECURED LOANS</b>		
Intercompany Deposit	26,243,754	17,473,176
<b>TOTAL</b>	<b>26,243,754</b>	<b>17,473,176</b>

**ASM Technologies Limited**  
Consolidated Financial Statements

**Schedules to Balance Sheet**

**SCHEDULE - 5 : FIXED ASSETS**

(Amount in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 31.03.05	Additions	Deletion	As on 31.03.06	As on 31.03.05	For the Year	Deletion	As on 31.03.06	As on 31.03.06	As on 31.03.05
Land-free-hold	20,513,786	—	—	20,513,786	—	—	—	—	20,513,786	20,513,786
Building	3,029,687	4,708,363	—	7,738,050	1,250,948	142,223	—	1,393,171	6,344,879	1,778,739
Machinery & Systems	101,784,751	1,831,252	61,922,772	41,693,231	90,925,658	4,178,693	61,922,772	33,181,579	8,511,652	10,859,093
Electrical Fittings	932,069	4,750	—	936,819	428,482	42,712	—	471,194	465,625	503,587
Furniture & Fixtures	4,119,784	776,507	—	4,896,291	2,529,551	268,561	—	2,798,112	2,098,179	1,590,233
Office Equipment	1,407,987	1,925,416	8,200	3,325,203	485,882	81,883	3,316	564,449	2,760,754	922,104
Vehicles	460,576	2,050	—	462,626	5,694	45,275	—	50,969	411,657	454,882
<b>TOTAL</b>	<b>132,248,640</b>	<b>9,248,338</b>	<b>61,930,972</b>	<b>79,566,006</b>	<b>95,626,215</b>	<b>4,759,347</b>	<b>61,926,088</b>	<b>38,459,474</b>	<b>41,106,532</b>	<b>36,622,424</b>
<b>Previous Year</b>	<b>129,862,252</b>	<b>2,386,389</b>	<b>—</b>	<b>132,248,640</b>	<b>88,342,021</b>	<b>7,284,196</b>	<b>—</b>	<b>95,626,216</b>	<b>36,622,424</b>	<b>41,520,230</b>

**ASM Technologies Limited**  
**Consolidated Financial Statements**

**Schedules to the Balance Sheet**

(Amount in Rupees)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>SCHEDULE - 6 : SUNDRY DEBTORS</b>		
(Unsecured considered good)		
Over Six months	1,778,412	166,934
Others debts	74,288,282	43,458,768
Unbilled Revenues	18,428,000	8,953,000
<b>TOTAL</b>	<b>94,494,694</b>	<b>52,578,702</b>
<b>SCHEDULE - 7 : CASH AND BANK BALANCE</b>		
Cash on hand	13,252	18,331
Balance with Schedule banks :		
1. In current account	3,529,895	944,211
2. In deposit account	11,150,688	8,704,501
<b>TOTAL</b>	<b>14,693,835</b>	<b>9,667,043</b>
<b>SCHEDULE - 8 : LOANS &amp; ADVANCES</b>		
(Unsecured, Considered good-advances recoverable in cash or in kind or for the value to be received)		
Advance to Employees	1,834,509	951,525
Interest accrued but not due	—	115,366
Tax deducted at source	3,512,462	2,821,396
Others	250,000	66,063
<b>TOTAL</b>	<b>5,596,971</b>	<b>3,954,350</b>
<b>SCHEDULE - 9 : LIABILITIES &amp; PROVISION</b>		
<b>Current Liabilities</b>		
Sundry Creditors	43,823,000	33,696,402
Other Liabilities & provisions	14,752,527	10,932,091
<b>TOTAL - A</b>	<b>58,575,527</b>	<b>44,628,493</b>
<b>Provisions</b>		
Provision for Taxation	1,095,213	—
<b>TOTAL - B</b>	<b>1,095,213</b>	<b>—</b>
<b>TOTAL A+B</b>	<b>59,670,739</b>	<b>44,628,493</b>
<b>SCHEDULE - 10 : SOFTWARE DEVELOPMENT EXPENSES</b>		
Consultancy charges and overseas expenses	145,870,150	67,901,616
Salaries and bonus	228,941,261	169,946,070
<b>TOTAL</b>	<b>374,811,411</b>	<b>237,847,686</b>

**ASM Technologies Limited**  
**Consolidated Financial Statements**

**Schedules to the Balance Sheet**

(Amount in Rupees)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>SCHEDULE - 11 : ADMINISTRATIVE OVERHEAD</b>		
Advertisement	200,417	602,828
Audit fee	192,164	273,639
Books & Periodicals	21,079	16,308
Business promotions	531,881	529,289
Clearing & forwarding charges	13,782	145,260
Courier charges	211,323	197,310
Directors remuneration	1,572,000	1,572,000
Exchange difference	1,245,376	(255,474)
Electricity & water charges	1,087,072	925,961
Insurance charges	859,303	293,542
Income Tax	518,703	509,130
Lease rental & hire charges	650,752	283,654
Membership & subscription	1,815,072	1,145,298
Miscellaneous Expense	817,837	999,303
Office Maintenance	953,738	168,240
Postage, telephone, telex & fax charges	4,473,665	3,073,999
Printing & stationary	801,478	349,201
Professional Charges	4,062,230	2,333,338
Rates & Taxes	401,661	355,667
Rent	3,115,067	8,270,310
Repairs & maintenance	1,036,251	1,241,345
Security charges	186,921	176,542
Staff incentive & Welfare	598,789	174,543
Training & recruitment expenditure	503,874	63,703
Travelling & Conveyance	6,930,519	8,373,965
Vehicle Maintenance	193,040	114,127
Loss on sale of Assets	2,384	—
Visa Processing charges	2,110,944	3,094,334
<b>TOTAL</b>	<b>35,107,322</b>	<b>35,027,362</b>

**SCHEDULE - 12 : FINANCIAL CHARGES**

Bank charges	581,358	279,893
Interest	5,853,074	4,089,224
<b>TOTAL</b>	<b>6,434,432</b>	<b>4,369,117</b>

**Schedules to Balance Sheet**

**SCHEDULE - 13 :**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

The accompanying consolidated financial statements include the accounts of ASM Technologies Limited and its following wholly owned Subsidiaries:-

1. Pinnacle Talent Inc., USA
2. Advanced Synergic Pte. Ltd., Singapore

**A. SIGNIFICANT ACCOUNTING POLICIES**

- 1. Basis of Preparation of financial statements :** The consolidated financial statements have been prepared using the accrual method based on the historical cost convention.

The consolidated financial statements are prepared in accordance with the principles and procedures laid out by the accounting standard on Consolidated Financial Statements issued by the ICAI.

- 2. Income :** Sales include sale of software and service charges. Revenue from sale of software is recognized wherever the sale has been completed with the passing of the title and billed to the clients as per the specific contracts. Revenue from sale of software services is recognized on the basis of percentage of completion method. Other income mainly consisting of reimbursement of expenses and the same is accounted on accrual basis.
- 3. Expenditure :** Expenses are accounted on accrual basis and provision for known liabilities or loss made in the same year.
- 4. Fixed Assets :** Fixed Assets are stated at cost of acquisition less accumulated depreciation. The Company has destroyed some of the Assets which were not in use and which have been fully depreciated. The total original cost of the assets destroyed is about Rs. 6,12,33,408.
- 5. Depreciation :** Depreciation is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation for the assets purchased / sold during the year is proportionately charged. Individual assets acquired for less than Rs. 5,000/- are entirely depreciated in the year of acquisition. In Pinnacle Talent Inc, depreciation on Computer and Software is provided on straight-line method at 20%. In Advanced Synergic Pte. Ltd., depreciation is provided at 100% for Computers and 33.33% for the Office Equipments.
- 6.** The Company contribution to the Gratuity has been provided based on the calculation as per Payment of Gratuity Act 1972.
- 7. Foreign currency transactions :** In case of sales made to clients outside India, income is accounted on the basis of exchange rate prevailing on the date of transaction. Adjustments are made for any change in sales proceeds on conversion into Indian currency upon actual receipt. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. Debtors and Creditors are stated at exchange rate prevailing on the date of Balance Sheet.

**ASM Technologies Limited**  
**Consolidated Financial Statements**

**B. NOTES ON ACCOUNTS**

	<b>As at 31.03.2006</b>	<b>As at 31.03.2005</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>1. Contingent liability</b>		
a) Claim against the Co., not acknowledged as debt	—	25,00,000.00

2. The Company has given a security of the building and a corporate guarantee to Lord Krishna Bank the outstanding as on 31st March, 2006 is about Rs. 230 Lacs.

3. The operations of the Company are to develop software and the allied activities, which cannot be expressed in terms of units / quantity. Hence it is not possible to give the quantitative information as required by the Schedule VI of the Companies Act, 1956.

**4. Related Party Transactions – (AS-18)**

The Company had transactions with the following related parties.

Subsidiaries : Pinnacle Talent Inc., USA & Advanced Synergic Pte. Ltd., Singapore.  
 IDS Systems Pvt. Ltd.

Directors : ASM Technologies Limited  
 Dr. S. Srikantan, Prof. B.S. Sonde, Mr. Rabindra Srikantan and Mr. M.R. Vikram

Directors : Advanced Synergic Pte. Ltd.  
 Mr. Venkataramaiyer Sivaramakrishnan and Mr. Rabindra Srikantan

Key Management Personnel : Mr. Sundar Ramanathan, Mr. N. Krishnan, Mr. Shalabh Singh, Mr. Harisimha, Mr. Sunil Andrews, Mr. T.S. Shanbhogue, Ms. P.N. Lakshmi.

Summary of the Transactions with the above related parties for the financial year ending 31st March, 2006 are as follows.

	<b>Rs. in Lacs</b>
Remuneration to Directors	15.72
Remuneration to Key Management Personnel	171.91
IDS Systems Private Limited	
Sales	538.04

**5. Earnings per share**

In accordance with the Accounting Standard 20 (AS-20) "Earning per share" issued by the Institute of Chartered Accountants of India, basic earnings per share is computed using the weighted average number of shares outstanding during the period.

**ASM Technologies Limited**  
**Consolidated Financial Statements**

**6. Segment Reporting – (AS-17)**

In accordance with the Accounting Standard – 17 (AS-17) “Segment Reporting” which became mandatory for reporting from 1st April, 2001, the Company states that it is in the business of software development and I T related services. The Company’s primary reporting segment is geographical as the revenues in non-software related areas are not more than 10% of the gross revenues.

	<b>31.03.2006</b>
	<b>Rs. In Lacs</b>
<b>Geographic Segment</b>	
Export Sales	3247.37
Domestic Sales	1170.07
	<b>4417.44</b>
<b>Other Income</b>	
Interest	6.27
Others	25.05
	<b>31.32</b>
<b>Particulars of Segment Asset and Liability</b>	
<b>Segment Assets</b>	
Outside India	504.41
India	1068.74
<b>Segment Liabilities</b>	
Outside India	619.89
India	672.01

As per our report of even date  
**for SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

**B. Sudhakar Pai**  
Proprietor

Place : Bangalore  
Date : 26th June, 2006

**ASM Technologies Limited**  
**Consolidated Financial Statements**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

(Amount in lacs)

Particulars	As At 31.03.2006	As At 31.03.2005
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (Loss) before tax & extraordinary items	237.64	222.45
Adjustments for :		
Depreciation	47.59	72.84
(Profit) Loss on Sale of Asset	(0.82)	—
Deferred Taxation (Net)	(9.97)	(109.03)
Finance charges	64.34	43.69
Effect of exchange differences on translation of foreign currency cash & cash equivalent	12.45	(2.55)
operating profit before working capital changes	—	—
Adjustment for	351.24	227.39
Trade payables	140.42	20.20
Trade & other receivables	(436.36)	(212.49)
Deferred Tax Asset	9.97	109.03
Working capital finance	73.26	68.64
Cash generated from operations	138.53	212.77
Finance charges	(64.34)	(43.69)
<b>Net cash from operating activities - A</b>	<b>74.19</b>	<b>169.07</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(93.26)	(23.86)
Proceeds on Disposal of Fixed Asset	0.87	—
<b>Net cash from Investing activities - B</b>	<b>(92.39)</b>	<b>(23.86)</b>
<b>C. CASH FLOW FROM FINANCE ACTIVITIES</b>		
Long term borrowings	81.52	(88.40)
Short term borrowings	—	(9.87)
<b>Net cash from Finance activities - C</b>	<b>81.52</b>	<b>(98.27)</b>
Effect of exchange differences on translation of foreign currency cash & cash equivalent	(12.45)	2.55
Net increase in cash and cash equivalents (A+B+C)	50.86	49.50
Cash & cash equivalents as at 1st April, 2005	96.67	47.17
<b>Cash &amp; Cash equivalents as at 31st March, 2006</b>	<b>147.53</b>	<b>96.67</b>

Place : Bangalore  
Date : 26th June, 2006

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

**AUDITOR'S CERTIFICATE**

We have examined the above Consolidated cash flow statement of ASM Technologies Group, for the year ended 31st March, 2006. The statement has been prepared by the Company in accordance with the requirement under Clause 32 of the listing agreement with stock exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the Company for the year ended 31st March, 2006.

**for SUDHAKAR PAI ASSOCIATES**  
Chartered Accountants

Place : Bangalore  
Date : 26th June, 2006

**B. SUDHAKAR PAI**  
Proprietor

## Pinnacle Talent Inc.

### Statement Regarding Subsidiary Company

(Pursuant to Section 212 of the Companies Act, 1956)

- |   |  |
|---|--|
| 1. Name of the Subsidiary Company   | Pinnacle Talent Inc.                                   |
| 2. Financial year ended   | 31st March, 2006                                       |
| 3. Holding Company's Interest   | 10000000 equity share of US \$ 0.01 each fully paid up |
| 4. Extent of holding  | 100%   |
| 5. Net aggregate amounts of profit / (Loss) in the Subsidiary Company to the extent these concern the Members of the Holding Company and not dealt with in the attached accounts of the Holding Company is as follows |  |
| For the year ended 31st March, 2006   | US \$ 92,524   |
| Previous year ended 31st March, 2005  | US \$ 101,110  |
| 6. As the financial year of the subsidiary Company coincides with the Financial year of the Holding Company, Section 212(5) of the act is not applicable.   |  |

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For and on behalf of the Board

Place : Bangalore  
Date : 26th June, 2006

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

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**PINNACLE TALENT INC.**  
2020, Calamos Court, Suite 200, Naperville  
IL 60563-2793, USA

#### Directors' Report

To the Members,

Your Directors have pleasure in submitting their Eighth Annual Report and Accounts for the year ended 31st March, 2006. Pinnacle Talent Inc. is a wholly owned subsidiary of ASM Technologies Limited. The Company's operation during the year ended 31st March, 2006 resulted in a profit of US \$ 92,524 (approx. Rs. 4.11 Million).

Your Directors do not recommend any dividend due to loss.

For and on behalf of the Board

Place : Bangalore  
Date : 26th June, 2006

**Rabindra Srikantan**  
President

## Pinnacle Talent Inc.

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

##### Nature of Activities

Pinnacle Talent Inc. was incorporated in California to provide software development talent to business. It is a wholly owned subsidiary of ASM Technologies Limited, whose headquarters is in Bangalore, India. The accompanying financial statements are for Pinnacle Talent Inc. only and do not include assets, liabilities, income or expense for ASM Technologies Limited, other than amounts owing to or from ASM Technologies Limited.

##### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

##### Accounts Receivable

The Company does not maintain an allowance for estimated uncollectable accounts. When an account is determined uncollectable it will be deducted from the accounts receivable and will be charged to sales and service account.

##### Equipment

Equipment is recorded at cost. Depreciation, for tax purposes, is provided using the prevailing income tax statutes. For year ended 31st March, 2006, the depreciation expense is US \$ 1,239 for book purposes.

#### 2. Accounts Receivable

Accounts receivable are shown at gross value and include an amount of US \$ 39,806 due from ASM Technologies Limited the parent Company, US \$ 564,533 due from the ASML Rep. Office, US \$ 107,118 from Advanced Synergic Pte. Ltd., Singapore and US \$ 11,918 from other related entities.

#### 3. Fixed Assets

A summary of fixed assets as on 31st March, 2006 is as follows :

Machinery and Equipment	\$ 27,097
Software	\$ 197,934
Less : Accumulated depreciation	\$ (220,657)
Net Fixed Assets	\$ 4,374

#### 4. Accounts Payable

Accounts payable includes the following amounts due to related parties :

ASM Limited the parent Company	\$ —
Payable to President	\$ 3,673
Total due to related parties	\$ 3,673

Some of the vendors invoice ASM Limited. ASM Limited then invoices the Company. ASM Limited draws monies from the Company and directly pays the vendors.

#### 5. Bank Overdraft

The Company enjoys a line of credit facility provided by the State Bank of India. The total line of credit facility is US \$ 400,000 collateralized by the accounts receivable and other assets of the Company. Additionally, the credit facility is guaranteed by the Director of the Company. As of 31st March, 2006 the Company owed US \$ 343,928 on the line of credit.

**Pinnacle Talent Inc.**

**BALANCE SHEET AS AT 31st MARCH, 2006**

Particulars	As on 31.03.2006 US \$	As on 31.03.2006 Rs.	As on 31.03.2005 US \$	As on 31.03.2005 Rs.
<b>CURRENT ASSETS</b>				
Accounts Receivable	1,046,743	46,580,064	768,234	34,186,413
Prepaid Expenses	2,118	94,251	1,510	67,195
<b>TOTAL CURRENT ASSETS</b>	<b>1,048,861</b>	<b>46,674,315</b>	<b>769,744</b>	<b>34,253,608</b>
<b>FIXED ASSETS</b>				
Machinery & Equipment	27,097	1,205,817	24,277	1,080,327
Software	197,934	8,808,063	197,934	8,808,063
Accumulated Depreciation	(220,657)	(9,819,237)	(219,418)	(9,764,101)
<b>TOTAL FIXED ASSETS</b>	<b>4,374</b>	<b>194,643</b>	<b>2,793</b>	<b>124,289</b>
<b>OTHER ASSETS</b>				
Advances & deposits	13,122	583,929	12,622	561,679
<b>TOTAL OTHER ASSETS</b>	<b>13,122</b>	<b>583,929</b>	<b>12,622</b>	<b>561,679</b>
<b>TOTAL ASSETS</b>	<b>1,066,357</b>	<b>47,452,887</b>	<b>785,159</b>	<b>34,939,576</b>
<b>LIABILITIES &amp; OTHERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	683,746	30,426,697	477,172	21,234,154
Bank Overdraft	343,928	15,304,796	354,035	15,754,558
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,027,674</b>	<b>45,731,493</b>	<b>831,207</b>	<b>36,988,712</b>
<b>LONG TERM LIABILITIES</b>	<b>1,948</b>	<b>86,686</b>	<b>9,740</b>	<b>433,430</b>
<b>TOTAL LIABILITIES</b>	<b>1,029,622</b>	<b>45,818,179</b>	<b>840,947</b>	<b>37,422,142</b>
<b>OWNERS EQUITY</b>				
Common Stock	100,000	4,450,000	100,000	4,450,000
Retained earnings	(63,265)	(2,815,293)	(155,788)	(6,932,566)
<b>TOTAL EQUITY</b>	<b>36,735</b>	<b>1,634,708</b>	<b>(55,788)</b>	<b>(2,482,566)</b>
<b>TOTAL LIABILITIES &amp; OWNERS EQUITY</b>	<b>1,066,357</b>	<b>47,452,887</b>	<b>785,159</b>	<b>34,939,576</b>

**Pinnacle Talent Inc.**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31st MARCH, 2006**

Particulars	As on 31.03.2006 US \$	As on 31.03.2006 Rs.	As on 31.03.2005 US \$	As on 31.03.2005 Rs.
<b>INCOME</b>				
Sales & Service	5,048,318	224,650,151	3,521,589	156,710,711
Other income	145,417	6,471,057	139,670	6,215,315
Net Sales	5,193,735	231,121,208	3,661,259	162,926,026
<b>COST OF SALES</b>				
Subcontractors	2,377,953	105,818,909	1,511,182	67,247,580
TOTAL COST OF SALES	2,377,953	105,818,909	1,511,182	67,247,580
<b>Gross Profit</b>	<b>2,815,782</b>	<b>125,302,299</b>	<b>2,150,077</b>	<b>95,678,446</b>
<b>EXPENSES</b>				
Officers Salaries	60,000	2,670,000	60,000	2,670,000
Salaries	1,552,196	69,072,722	1,329,360	59,156,520
Payroll Taxes	122,556	5,453,742	115,838	5,154,807
Advertising	1,650	73,425	2,603	115,811
Audit and accounting fees	—	—	2,100	93,450
Bank Charges	1,792	79,744	312	13,904
Bonus	806	35,867	11,620	517,090
Business Development	5,217	232,157	2,128	94,684
INS Fees	39,669	1,765,271	30,918	1,375,869
Dues & Subscriptions	16,696	742,972	12,044	535,958
Depreciation	1,239	55,136	579	25,766
Reimbursement of Expenses to Employees	726,921	32,347,985	351,915	15,660,230
Equipment Lease	8,367	372,332	1,919	85,383
Interest Expense	41,539	1,848,486	30,963	1,377,864
Legal & Professional	29,003	1,290,634	8,982	399,711
Licenses	270	12,015	81	3,600
Miscellaneous	90	4,005	53	2,350
Office Expense	3,034	135,013	766	34,098
Outside Services	2,177	96,877	1,486	66,116
Postage	2,705	120,373	2,960	131,702
Rent	19,370	861,965	7,571	336,910
Repairs	1,434	63,813	1,521	67,670
Telephone	31,631	1,407,580	22,565	1,004,134
Travel	43,962	1,956,309	45,732	2,035,087
Utilities	312	13,884	812	36,126
<b>Total Expenses</b>	<b>2,712,636</b>	<b>120,712,302</b>	<b>2,044,828</b>	<b>90,994,838</b>
Net operating income	103,146	4,589,997	105,250	4,683,607
<b>OTHER INCOME AND EXPENSES</b>				
Interest income	2	89	265	11,814
INCOME BEFORE TAXES	103,148	4,590,086	105,515	4,695,421
INCOME TAX	10,624	472,768	4,405	196,023
<b>NET INCOME</b>	<b>92,524</b>	<b>4,117,318</b>	<b>101,110</b>	<b>4,499,399</b>

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**Statement Regarding Subsidiary Company**  
(Pursuant to Section 212 of the Companies Act, 1956)

- |   |  |
|---|--|
| 1. Name of the Subsidiary Company   | Advanced Synergic Pte. Ltd.                      |
| 2. Financial year ended   | 31st March, 2006                                 |
| 3. Holding Company's Interest   | 100000 equity share of S \$ 1 each fully paid up |
| 4. Extent of holding  | 100%   |
| 5. Net aggregate amounts of profit / (Loss)<br>in the Subsidiary Company to the extent these<br>concern the Members of the Holding Company<br>and not dealt with in the attached accounts of<br>the Holding Company is as follows |  |
| For the year ended 31st March, 2006   | S \$ 47,319                                      |
| Previous year ended 31st March, 2005  | S \$ 33,539                                      |
| 6. As the financial year of the subsidiary Company coincides with the Financial year of the Holding Company, Section 212(5) of the act is not applicable.   |  |

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For and on behalf of the Board

Place : Singapore  
Date : 26th June, 2006

**Rabindra Srikantan**  
Managing Director

**M.R. Vikram**  
Director

**P.N. Lakshmi**  
Company Secretary

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**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**REPORT OF THE DIRECTORS**

The Directors present their report to the members together with the audited financial statements of the Company for the year ended 31st March, 2006.

**Directors:**

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

**RABINDRA SRIKANTAN**  
**VENKATARAMAIYER SIVARAMAKRISHNAN**

**Arrangements to enable directors to acquire shares or debentures:**

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

**Directors' Interest in Shares or Debentures:**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, Cap.50 are as follows :

<b>Shares in Ultimate Holding Company</b>	<b>Share of Rupees 10/- each</b>	
<b>Names of the Director</b>	<b>At the beginning of the year</b>	<b>At the end of the year</b>
RABINDRA SRIKANTAN	1,977,176	1,993,273

No director who held office at the end of the financial year had interests in share options, warrants or debentures of the Company, or related corporations, either at the beginning of the financial year or at the end of the financial year.

**Directors' Contractual Benefits:**

During the year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or by a related corporation with the director or with a firm of which he is a member or with a Company in which he has a substantial financial interest other than those disclosed in the financial statements.

**Options Granted:**

During the year, there were no options to take up unissued shares of the Company.

**Options Exercised:**

During the year, no shares have been issued by virtue of the exercise of options granted.

**Options Outstanding:**

There were no share options outstanding, as at 31st March, 2006.

**Auditors:**

The Auditors, M/s. MGI N. Rajan Associates, have expressed their willingness to accept re-appointment.

On behalf of the directors,

**RABINDRA SRIKANTAN**

**VENKATARAMAIYER**  
**SIVARAMAKRISHNAN**

Place : Singapore  
Date : 26th June, 2006

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**STATEMENT BY DIRECTORS**

In the opinion of the directors, the accompanying balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes thereon, are drawn up in accordance with and comply with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the results of the business, changes in equity and cash flows of the Company for the financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of the Directors authorised these financial statements for the issue on 26th June, 2006.

On behalf of the directors,

**RABINDRA SRIKANTAN**

**VENKATARAMAIYER  
SIVARAMAKRISHNAN**

Place : Singapore / India

Date : 26th June, 2006

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**REPORT OF THE AUDITORS' TO THE MEMBERS**

We have audited the accompanying financial statements of ADVANCED SYNERGIC PTE. LTD., as set out on pages 6 to 18 for the year ended 31st March, 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Cap.50 (the "Act") and Singapore Financial Reporting Standards and so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the results, changes in equity and cash flows of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**MGI N. RAJAN ASSOCIATES**  
**Certified Public Accountants**

Place : Singapore

Date : 26th June, 2006

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**BALANCE SHEET AS AT 31st MARCH, 2006**

Particulars	NOTES	2006	2006	2005	2005
		S \$	Rs.	S \$	Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & equipment, net	5	2	52	141	3,666
Due from Holding Company	6	346,183	9,000,758	346,183	9,000,758
		<b>346,185</b>	<b>9,000,810</b>	346,324	9,004,424
<b>Current Assets</b>					
Cash and cash equivalents	7	114,476	2,976,376	114,406	2,974,556
Trade and other receivables	8	809,639	21,050,614	631,506	16,419,156
		<b>924,115</b>	<b>24,026,990</b>	745,912	19,393,712
<b>TOTAL ASSETS</b>		<b>1,270,300</b>	<b>33,027,800</b>	1,092,236	28,398,136
<b>EQUITY AND LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other Payables	10	526,281	13,683,306	190,430	4,951,180
Bank Overdraft	11	269,512	7,007,312	278,012	7,228,312
Due to Holding Company (Trade)	12	288,070	7,489,820	488,156	12,692,056
Provision for Taxation	13	3,480	90,480	—	—
		<b>1,087,343</b>	<b>28,270,918</b>	956,598	24,871,548
<b>Capital and Reserves</b>					
Issued Capital	14	100,000	2,600,000	100,000	2,600,000
Accumulated Profits		82,957	2,156,882	35,638	926,588
		<b>182,957</b>	<b>4,756,882</b>	135,638	3,526,588
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,270,300</b>	<b>33,027,800</b>	<b>1,092,236</b>	<b>28,398,136</b>

*(The annexed notes form an integral part of and should be read in conjunction with these financial statements).*

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006**

Particulars	NOTES	2006 S \$	2006 Rs.	2005 S \$	2005 Rs.
<b>REVENUE</b>					
Sale of services		6,846,830	178,017,580	4,873,636	126,714,536
Less : Cost of Sales		6,565,212	170,695,512	4,607,645	119,798,770
Gross Profit		281,618	7,322,068	265,991	6,915,766
Interest		3,601	93,626	2,106	54,756
<b>TOTAL</b>		<b>285,219</b>	<b>7,415,694</b>	268,097	6,970,522
<b>Less : Operating Expenses</b>					
Administration and other operating expenses		202,466	5,264,116	217,208	5,647,408
		202,466	5,264,116	217,208	5,647,408
<b>Profit from operations</b>		<b>82,753</b>	<b>2,151,578</b>	50,889	1,323,114
Less : Finance cost - Interest on Overdraft		30,437	791,362	17,350	451,100
<b>Profit before tax</b>	4	<b>52,316</b>	<b>1,360,216</b>	33,539	872,014
<b>Less : Tax expense</b>					
Current year provision	13	3,480	90,480	—	—
Under provision in prior year		1,517	39,442	—	—
<b>Net profit for the year</b>		<b>47,319</b>	<b>1,230,294</b>	<b>33,539</b>	<b>872,014</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31st MARCH, 2006**

Particulars	Issued Capital S \$	Accumulated Profit S \$	Total S \$
<b>Balance as at 31st March, 2004</b>	<b>100,000</b>	<b>2,099</b>	<b>102,099</b>
Issuance of ordinary shares	—	—	—
Profit for the year	—	33,539	33,539
<b>Balance as at 31st March, 2005</b>	<b>100,000</b>	<b>35,638</b>	<b>135,638</b>
Issuance of ordinary shares	—	—	—
Profit for the year	—	47,319	47,319
<b>Balance as at 31st March, 2006</b>	<b>100,000</b>	<b>82,957</b>	<b>182,957</b>

(The annexed notes form an integral part of and should be read in conjunction with these financial statements.)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2006**

Particulars	NOTES	2006 S \$	2006 Rs.	2005 S \$	2005 Rs.
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit for the year before tax		52,316	1,360,216	33,540	872,040
<b>Adjustment for :</b>					
Interest		(3,601)	(93,626)	(2,106)	(54,756)
Depreciation on fixed assets	5	3,515	91,390	9,614	249,964
Cost of software written off		—	—	33,334	866,684
Interest on overdraft		30,437	791,362	17,350	451,100
<b>Operating profit / (loss) before reinvestment of capital</b>		<b>82,667</b>	<b>2,149,342</b>	91,732	2,385,032
(Increase) / Decrease in Trade & other receivables		(178,132)	(4,631,432)	(303,175)	(7,882,550)
Increase / (Decrease) in trade & other payables		135,765	3,529,890	510,215	13,265,590
Cash generated from / (used in) operations		40,300	1,047,800	298,772	7,768,072
Tax (paid)		(1,517)	(39,442)	—	—
Tax refund		—	—	—	—
<b>Net cash flows from operating activities</b>		<b>38,783</b>	<b>1,008,358</b>	298,772	7,768,072
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income		3,601	93,626	2,106	54,756
Acquisition of non current assets		(3,377)	(87,802)	(9,476)	(246,376)
(Increase) / Decrease in deposits		(70)	(1,820)	(82,795)	(2,152,670)
<b>Net cash flows from / (used in) investing activities</b>		<b>154</b>	<b>4,004</b>	(90,165)	(2,344,290)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interest (paid)		(30,437)	(791,362)	(17,350)	(451,100)
Intercompany Deposit		—	—	(346,183)	(9,000,758)
<b>Net cash flows from / (used in) financing activities</b>		<b>(30,437)</b>	<b>(791,362)</b>	(363,533)	(9,451,858)
Net Increase / (decrease) in cash & cash equivalents		8,500	221,000	(154,926)	(4,028,076)
Cash & cash equivalents at the beginning of the year		(278,012)	(7,228,312)	(123,086)	(3,200,236)
<b>Cash &amp; Cash equivalents at end of the year</b>		<b>(269,512)</b>	<b>(7,007,312)</b>	(278,012)	(7,228,312)
(Cash and Cash equivalents comprises of bank overdraft only)					

(The annexed notes form an integral part of and should be read in conjunction with these financial statements).

## **NOTES TO THE FINANCIAL STATEMENTS - 31st MARCH, 2006**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### **1. GENERAL INFORMATION**

The financial statements of the Company for the year ended 31st March, 2006 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The Company is incorporated as a limited liability Company and domiciled in the Republic of Singapore.

The principal activities of the Company are to carry on the business of developing software and provide services according to the requirements of the clients.

There have been no changes in these activities of the business during the year.

The immediate and ultimate holding Company is ASM TECHNOLOGIES LTD., incorporated in India.

The Company's registered office & principal place of business is located at  
The Comtech, # 09-32, 60 Alexandra Terrace, Singapore 118 502.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of preparation**

These financial statements have been prepared under the historical cost conventions. The preparation of the financial statements in conformity with Singapore Financial Reporting Standards requires to use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the financial year. Although these estimates are based on Management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

The financial statements of the Company are expressed in Singapore dollars, and have been prepared under the historical cost convention.

#### **b) Property, plant & equipment & depreciation**

All items of property, plant and equipment are initially recorded at cost. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis to write off or revealed amount of other property, plant and equipment over their useful lives. The estimated useful lives are as follows:-

Computers & Accessories	1 year
Telephone Equipment	3 years

Repairs and maintenance are taken to the profit and loss account during the financial period in which they are incurred. Interest on borrowings to finance the property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use. All other borrowing costs are expensed. Full depreciation is provided in the year of the purchase and no depreciation is provided in the year of disposal.

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**c) Revenue recognition**

Revenue from interest on fixed deposit is recognised on accrual basis.

Revenue from services rendered is recognised upon completion of services.

**d) Income taxes**

The liability method of tax effect accounting is adopted by the Company. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset relating to the deductible temporary differences arises from goodwill or the initial recognition of an asset or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.)

The statutory tax rates enacted the balance sheet date are used to determine deferred income tax.

**e) Impairment of assets**

The carrying amounts of the assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit recoverable amount. All impairment losses are recognised in the profit and loss account. Recoverable amount is defined as the higher of value in use and net selling price.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

**f) Foreign currency transactions**

*1) Functional currency*

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company ("the functional currency"). The financial statements are prepared in Singapore Dollars, which is the functional currency of the Company.

*2) Transactions and balances*

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit and loss account in the period in which they arise. However, where a foreign currency transaction is to be settled at a contracted rate or is covered by a related or matching forward exchange contract, the rate of exchange specified in the contract will be used and any corresponding monetary assets or liabilities will not be retranslated.

**g) Related party**

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or significant influence. Related parties may be individuals or other entities.

**h) Receivables**

Receivables are recognised and carried at cost, which is the original invoiced amount less provision for doubtful debts. The carrying value approximates the fair value of receivables. All known bad debts are written off and specific provision is made for those debts, which are considered to be doubtful.

**i) Payables**

Payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

**j) Cash and cash equivalents**

Cash and cash equivalents are stated in the balance sheet at cost. For the purpose of Cash flow, Cash and cash equivalents comprise the Company's overdraft facility.

**k) Employee benefits**

The Company contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Company's contributions to CPF are charged to the profit and loss account in the period to which the contributions relate.

**l) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**m) Financial instruments**

Financial instruments carried on the balance sheet include cash and cash equivalents, trade receivables and payables, other payables and receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures on financial risk Management are provided in Note 15.

**n) Share capital**

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**3. STAFF COSTS**

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
Staff salaries, bonus & allowances	2,687,568	1,362,224
Central provident fund	102,579	44,474
Others	36,194	27,053
	<b>2,826,341</b>	<b>1,433,751</b>

This amount forms part of the cost of services rendered by the Company. The Company had employed 65 employees as of 31st March, 2006 (33 : 2005)

**4. PROFIT BEFORE TAX**

This is arrived after charging

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
Exchange loss	3,537	671
Bad debts writtin off - trade	—	24,466
Cost of software written off	—	33,334
Interest on overdraft	30,437	17,350
And crediting Interest on deposits	3,601	2,106

**5. PROPERTY, PLANT & EQUIPMENT**

	<b>Computers &amp; Accessories</b>	<b>Office Equipment</b>	<b>Total</b>
	<b>S \$</b>	<b>S \$</b>	<b>S \$</b>
<b>At Cost</b>			
At beginning of the year	23,821	1,194	25,015
Additions	3,376	—	3,376
<b>At end of year</b>	<b>27,197</b>	<b>1,194</b>	<b>28,391</b>
<b>Accumulated Depreciation</b>			
At beginning of year	23,820	1,054	24,874
Charge for the year	3,376	139	3,515
<b>At end of year</b>	<b>27,196</b>	<b>1,193</b>	<b>28,389</b>
<b>Charge for 2005</b>	9,476	138	9,614
<b>Net Book Value</b>			
At 31st March, 2006	1	1	2
<b>At 31st March, 2005</b>	<b>1</b>	<b>140</b>	<b>141</b>

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**6. INTER CORPORATE DEPOSIT**

This represents interest free corporate deposit given to holding Company.

**7. CASH & CASH EQUIVALENTS**

This represents fixed deposits with a bank. This is under lien for the facility availed. Interest income is recognised at 3.25% on a compounded basis. Deposits include an amount of US \$ 39,574/- deposits.

**8. TRADE AND OTHER RECEIVABLES**

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
Trade Receivables	793,082	615,530
Other debtor	—	—
Staff Advances	1,000	1,163
Deposits	15,557	14,813
	<b>809,639</b>	<b>631,506</b>

**9. COST OF SOFTWARE WRITTEN OFF**

The Company purchased “ERP” Enterprise software for an amount of S \$ 100,000/- to be used for the various projects undertaken by the Company. The directors have decided to write-off the cost of software over three years in the financial statements from the year ended 31st March, 2003.

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
Balance at the beginning of the year	—	33,334
Less : written off during the year	—	(33,334)
Balance at the end of the year	—	—

**10. TRADE AND OTHER PAYABLES**

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
<b>Trade payables</b>		
Related party	176,744	—
Others	460	15,000
	<b>177,204</b>	<b>15,000</b>
Due to a related party (non-trade)	1,242	1,242
Other Creditors	311,292	156,212
Accrued liabilities	36,543	17,976
	<b>526,281</b>	<b>190,430</b>

During the year the Company had transacted with a related party for technical consultancy amounting to S \$ 176,744/-.

Amount due to a related party are interest free and no fixed repayment terms.

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**11. BANK OVERDRAFT**

This is secured by the fixed deposit. This carries interest at 8.25% per annum, which is 2.25% above the prime lending rate.

**12. HOLDING AND ULTIMATE HOLDING COMPANY**

The Company's holding and ultimate holding Company is ASM TECHNOLOGIES LTD., a Company incorporated in India.

The Company has entered into the following transactions :

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
Professional fee	3,492,780	3,142,385

**13. TAXATION**

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
Profit before taxation	52,316	33,539
Tax @ statutory rate of 20%	10,463	6,708
Utilisation of unrecognized deferred tax asset on	(2,531)	—
Losses	—	(6,708)
Others	28	—
Exemption	(4,480)	—
	<b>3,480</b>	<b>—</b>

**14. SHARE CAPITAL**

	<b>2006</b>	<b>2005</b>
	<b>S \$</b>	<b>S \$</b>
<b>Issued &amp; fully paid up</b>		
100,000 Ordinary shares	100,000	100,000

**15. FINANCIAL RISK MANAGEMENT**

The Company does not have any written financial risk Management policies and guidelines. The Company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange. The Company's exposure to financial risks associated with financial instruments held in the ordinary course of business include:

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

**a) Price risk**

*i) Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates and sells its products / services in several Countries other than Singapore and transacted in foreign currencies including United States Dollars. Trade receivables and payables include US \$ 145,374/- and US \$ 303,776/- respectively. As a result, the Company is exposed to movements in foreign currencies exchange rates.

However, the Company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

*(ii) Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company has interest - bearing financial instruments; hence, it is exposed to any movements in market interest rates. The interest rates are disclosed in the respective notes.

*(iii) Market risk*

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company does not hold any quoted or marketable financial instrument, hence, is not exposed to any movements in market prices.

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company has no significant concentrations of credit risk.

Cash is held with financial institutions of good standing / established financial institutions / reputable financial institutions.

**(c) Liquidity risk**

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company ensures that there are adequate funds to meet all its obligations in a timely and cost - effective manner.

The Company has credit facilities with a bank and any short fall in the working capital funds will be funded by Holding Company.

**(d) Cash flow risk**

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Company is not exposed to any cash flows risk as it does not have any monetary financial instruments with variable interest rates.

## 16. FINANCIAL INSTRUMENTS

### Fair value

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximate to their fair value. Information on the fair values of borrowing, interest rate and foreign currency exchange is included in Note 15.

**Advanced Synergic Pte. Ltd.**  
(Incorporated in the Republic of Singapore)

*This does not form part of the audited financial statements.*

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006**

Particulars	2006 S \$	2006 Rs.	2005 S \$	2005 Rs.
<b>TURNOVER</b>	<b>6,846,830</b>	<b>178,017,580</b>	4,873,636	126,714,536
<b>Less : Cost of sales</b>				
Staff salaries, CPF, living allowances and others	2,826,341	73,484,866	1,433,751	37,277,526
Professional fees	3,738,871	97,210,646	3,173,894	82,521,244
	<b>6,565,212</b>	<b>170,695,512</b>	4,607,645	119,798,770
<b>GROSS PROFIT</b>	<b>281,618</b>	<b>7,322,068</b>	265,991	6,915,766
Add : Other Income				
Interest on Fixed deposits	3,601	93,626	2,106	54,756
	<b>285,219</b>	<b>7,415,694</b>	268,096	6,970,496
<b>Less : Expenses</b>				
Advertisements	—	—	—	—
Audit fee	2,500	65,000	2,500	65,000
Bank Charges	465	12,090	1,160	30,160
Interest Paid	30,437	791,362	17,350	451,100
Bad debts	—	—	24,466	636,116
Business Dev. Expenses	3,148	81,848	5,514	143,364
Courier charges	639	16,614	317	8,242
EP Processing charges	3,879	100,854	1,733	45,058
Electricity charges	4,449	115,674	5,074	131,924
Insurance paid	16,832	437,632	8,851	230,126
Local Conveyance	11,281	293,306	5,597	145,522
Medical Reimbursement	4,588	119,288	3,474	90,324
Miscellaneous expenses	166	4,316	—	—
Office maintenance	2,016	52,416	2,351	61,126
Printing & stationery	2,143	55,718	1,861	48,386
Postage	285	7,410	278	7,228
Professional charges	2,679	69,654	5,112	132,912
Rates & taxes	—	—	250	6,500
Rent	57,885	1,505,010	50,947	1,324,622
Repairs & Maintenance	12,195	317,070	12,680	329,680
Secretarial fee	—	—	1,200	31,200
Staff Welfare expenses	999	25,974	566	14,716
Subscription & Membership	4,862	126,412	5,655	147,030
Telephone charges	32,695	850,070	17,792	462,592
Tender fees	—	—	460	11,960
Travelling expenses	31,708	824,408	15,750	409,500
Foreign exchange loss	3,537	91,962	671	17,446
Cost of Software written off	—	—	33,334	866,684
Depreciation	3,515	91,390	9,614	249,964
	<b>232,903</b>	<b>6,055,478</b>	234,557	6,098,482
<b>Net Profit for the year</b>	<b>52,316</b>	<b>1,360,216</b>	33,539	872,014

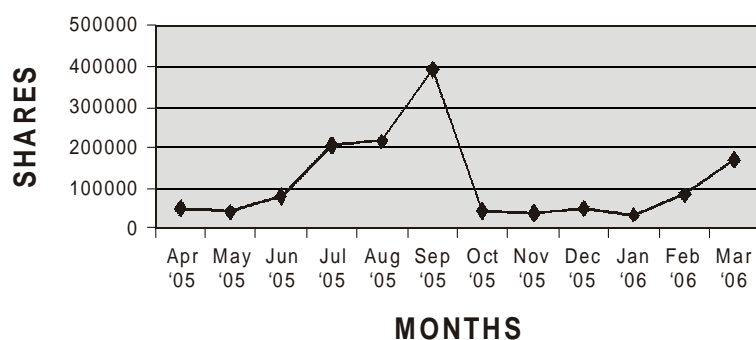
## GENERAL INFORMATION FOR SHAREHOLDERS

### 14th Annual General Meeting

1. Date & Time : 22nd September, 2006 at 10.00 a.m.
2. Venue : # 530/58, Pai Vijay Hall, 33rd Cross  
11th Main, 4th Block Jayanagar  
Bangalore 560 011
3. Financial year of Company : April to March
4. Corporate & Registered Office : # 80/2, Lusanne Court, Richmond Road  
Bangalore 560 025
5. Exchanges Listed at : Bangalore Stock Exchange Limited (BgSE)  
Stock Exchange Towers, # 51, 1st Cross, J.C. Road  
BANGALORE 560 027  
  
Bombay Stock Exchange, Mumbai (BSE)  
P.J. Towers, # 25, Dalal Street  
MUMBAI 400 001  
  
The Listing fees for the financial year 2005 - 2006 has been paid
6. Stock Code : BgSE - ADVSYNER  
BSE - 526433
7. D'mat ISIN No. in NSDL & CDSL  
for Equity Shares : INE867C01010
8. Date of Book Closure : 19.09.2006 to 22.09.2006 (both days inclusive)
9. Market Price Data : The month wise high and low prices and volume of shares  
of the Company traded on the Mumbai Stock Exchange (BSE)  
for the period April 2005 - March 2006 is given below :

Months	High (Rs.)	Low (Rs.)	Volume
April, 2005	32.45	25.75	48491
May	36.99	25.00	41263
June	35.80	28.65	78582
July	41.70	30.00	208879
August	43.90	35.40	216819
September	67.75	41.00	394131
October	49.25	28.15	43999
November	41.70	31.35	39348
December	41.40	35.50	49526
January, 2006	42.50	36.30	34063
February	37.95	28.55	83810
March	35.35	24.75	170324

## ASML Volume of shares traded at BSE



10. Dematerialisation of Shares : 72.98% of the capital has been dematerialised as on 31.03.2006
11. Market Capitalisation as on 31.03.2006 : Rs. 1685 Lakhs (as per closing price in BSE)
12. No. of Employees as on 31.03.2006 : 251
13. No. of Shareholders as on 31.03.2006 : 4783
14. Investor Services : Queries / Requests received during the year ended 31.03.2006

Nature of queries	Received	Cleared
Non receipt of share certificate	2	2
Non receipt of dividend	2	2
D'mat related	18	18
Loss of share certificate	5	5
Share transfer related	3	3
Non receipt of fresh securities	9	9
Others *	13	13
<b>TOTAL</b>	<b>52</b>	<b>52</b>

\* Non receipt of Annual Report, procedure for transmission, letters received from Stock exchanges & revalidation of D/W.

BSE & BgSE have confirmed that as on 31.03.2006 there are no investor Complaints / queries pending to be solved by the Company / Registrars & Share Transfer Agents.

15. Share Transfers : Physical shares sent for transfers or dematerialisation are generally registered and returned within a period of 15 days from the date of receipt of completed and validly executed documents. During the year there were 113000 physical transfer of shares.
16. Distribution of Shareholding as on 31.03.2006 :

No. of shares	No. of shareholders	% of holders	No. of shares	% to Total shares
1 - 5000	4405	92.10	731974	14.64
5001 - 10000	176	3.68	147938	2.96
10001 - 20000	79	1.65	120145	2.40
20001 - 30000	45	0.94	114791	2.30
30001 - 40000	15	0.31	53521	1.07
40001 - 50000	9	0.19	42670	0.85
50001 - 100000	30	0.63	228773	4.60
100001 & above	24	0.50	3559188	71.18
<b>TOTAL</b>	<b>4783</b>	<b>100.00</b>	<b>5000000</b>	<b>100.00</b>

17. Share holding in Physical & Electronic form as on 31.03.2006 :

Particulars	No. of shares	% of holding
Physical	1351151	27.02
Electronic	3648849	72.98
<b>Total</b>	<b>5000000</b>	<b>100.00</b>

18. Shareholding pattern as on 31.03.2006 :

Category	No. of shares	%age
Indian Promoters (including Persons acting in concert)	2609934	52.20
Mutual Funds & UTI	1100	0.02
Institutions / Banks	1100	0.02
Private Corporate Bodies	179543	3.59
Indian Public	2031626	40.64
NRI's / OCB's	176697	3.53
<b>TOTAL</b>	<b>5000000</b>	<b>100.00</b>

19. Investor Correspondence : All enquiries clarifications and Correspondences should be addressed to Registrars & Share Transfer Agents or to the Compliance Officer at the following address :

Registrars & Share Transfer Agents	Compliance Officer
Karvy Consultants Limited # 51/2, TKN Complex, Vanivilas Road Opp. National College, Basavanagudi Bangalore 560 004  Tel : 26613400 / 26621192 - 93 Fax : 26621169	Ms. P.N. Lakshmi Company Secretary # 80/2, Lusanne Court, Richmond Road Bangalore 560 025  Tel : 22274121 / 22124854

**ASM Technologies Limited**

Registered Office : # 80/2, Lusanne Court, Richmond Road, Bangalore 560 025

**PROXY FORM**

Regd. Folio No. / Client ID :

DP ID :

No. of Shares held :

I / We .....  
..... being a member / members  
of ASM Technologies Limited hereby appoint .....  
..... of ..... or failing him / her .....  
of ..... as my / our proxy to vote for me / us on my behalf at the  
14th Annual General Meeting of the Company to be held on Friday, 22nd September, 2006 at 10.00 a.m. and  
at any adjournment thereof.

Signed this ..... day of ..... 2006



**Signature**

**Note :** This form in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the Meeting.



**ASM Technologies Limited**

Registered Office : # 80/2, Lusanne Court, Richmond Road, Bangalore 560 025

**ATTENDANCE SLIP**

Regd. Folio No. / Client ID :

DP ID :

No. of Shares held :

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the 14th Annual General Meeting of the Company held at Pai Vijay Hall, 33rd Cross, 11th Main, 4th Block Jayanagar, Bangalore 560 011 on Friday, 22nd September, 2006 at 10.00 a.m.

**Member's / Proxy Name**

**Signature of Member / Proxy**

**Note :** Please fill in this attendance slip and hand it over at the ENTRANCE OF THE MEETING HALL. Members are requested to bring their copies of the Annual Report to the meeting.