



Transworld

TRANSWORLD INFOTECH LIMITED

**21ST ANNUAL REPORT
2004-2005**



BOARD OF DIRECTORS

Nitin J. Sandesara
Chairman

Chetan J. Sandesara
Director

Rajbhushan Dixit
Director

Narendrabhai B. Patel
Director

Ramani Iyer
Director

BANKERS :
Andhra Bank

AUDITORS :
H. S. Hathi & Co.
Chartered Accountants

REGD. OFFICE :
43, Atlanta,
Nariman Point,
Mumbai – 400 021.

Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.



DIRECTOR'S REPORT

To the Members,
Transworld Infotech Limited

Your Directors have present the Twenty First Annual Report together with the Audited Statement of Accounts of the Company for the year ended 30th June, 2005.

FINANCIAL RESULTS

	Year Ended 30-06-2005	(Rupees in Lacs) Year Ended 30-06-2004
Operating Income	968.44	1051.87
Gross Profit	542.28	606.48
Less : Depreciation	340.56	340.56
Profit Before Tax	201.72	265.92
Extraordinary Item	1206.48	-
Provision for Taxation	-	17.50
Provision for Deferred Tax	-	34.00
Net Profit / (Loss) for the Year	(1004.76)	214.42
APPROPRIATIONS		
Transfer to General Reserve	-	50.00
Surplus Balance carried forward to Balance Sheet	(1004.76)	164.42

DIVIDEND

In view of loss for the year, your Directors do not recommend any dividend for the current year.

OPERATIONS & FUTURE OUTLOOK

The Company had yet another bad year on the operational front and could achieve a total income of Rs. 968.44 lacs against Rs. 1051.87 lacs in the previous year. The topline was adversely affected due to the softened US and other market resulting slowdown even in Indian Market. Profit before tax also marginally decreased to Rs. 201.72 lacs from Rs. 265.92 lacs in the previous year. As a result of Extra Ordinary Expenditure of Rs. 1206.48 lacs during the current year, Net Loss for the year is Rs. 1004.76 lacs as compared to Profit After Tax of Rs. 214.42 lacs in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Management Discussion and Analysis relating to business and economic environment surrounding your company is enclosed as a part of the Annual Report.

CORPORATE GOVERNANCE

In pursuance of the system of Corporate Governance instituted by SEBI, forming part of the Listing Agreement with the Stock Exchange, a report thereon is separately attached to this report.



DIRECTORS

Shri Nitin J. Sandesara and Shri R. B. Dixit, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors confirm :

- i) That in the preparation of the Annual Accounts for the year ended 30th June, 2005, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the Directors have prepared the Annual Accounts for the year ended 30th June, 2005 on a 'going concern' basis.

SUB DIVISION OF EQUITY SHARES

Pursuant to the ordinary Resolution passed by the shareholders at their Extra Ordinary General Meeting held on 17th October, 2005, the equity shares of the company with face value of Rs. 10/- each were sub-divided into face value of Re. 1/- each. The record date for sub-division was 7th November, 2005 and new ISIN No. for Equity Shares of FV of Re. 1/- each allotted is INE696C01021.

FIXED DEPOSITS

The Company has not accepted any fixed deposit and as such, no principal or interest amount is outstanding as on the Balance Sheet date.

AUDITORS AND THEIR REPORT

M/s. H. S. Hathi & Co., Chartered Accountants, Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and having furnished the required certificate pursuant to Section 224(1B) of the Companies Act, 1956 are eligible for re-appointment. The Board recommends their re-appointment.

In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

**PARTICULARS OF EMPLOYEES**

The company had no employees of the category indicated under Section 217(2A) of the Companies Act, 1956, read with the Company's (Particulars of Employees) Rules 1975 as amended.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in Software activities and had no manufacturing activities during the year under review. No particulars are therefore required to be furnished in this report relating to the conservation of energy and technology absorption as required under Section 217(1)(e) of the Companies Act, 1956.

During the year under review, the company has exported system software and earned income of US \$ 574500 equivalent to FOB value of Indian Rs. 25249275. The Company incurred expenditure of US \$ 15,73,600 equivalent to Indian Rs. 69051638 in foreign exchange during the year.

ACKNOWLEDGEMENT

Your Directors appreciate the valuable co-operation extended by the Central and State Government authorities and are extremely grateful to the Financial Institutions and the Company's Bankers for their continued assistance, guidance and support. Your Directors are also grateful to the Employees, Shareholders, Customers and the General Public for their support and confidence reposed in the Management.

For and on behalf of the Board of Directors

Place : Mumbai

NITIN J. SANDESARA
CHAIRMAN

Date : 1st December, 2005



REPORT ON CORPORATE GOVERNANCE

i) Corporate Governance Philosophy

The Company views sound corporate governance as an integral part of its efforts to enhance shareholders' value. The Company endeavors to safeguard the interests of investors, customers, suppliers and lenders and build the confidence of the society in general. The company believes in adopting the philosophy of professionalism, transparency and accountability in all areas.

ii) Board of Directors (Board) :

Presently, the Board, comprises of 5 Directors, all being Non-executive Directors. All the Directors are eminent industrialists and/or professionals with experience in overall management, finance and law, who bring a wide range of skills and experience to the Board.

a. Composition of the Board

Name	Category	No. of other Directorships and Committees Memberships / Chairmanships		
		Other Directorships	Committee Memberships	Committee Chairmanships
Nitin J. Sandesara	Chairman / Non-executive	8	-	-
Chetan J. Sandesara	Non-executive	3	-	-
N. B. Patel	Independent / Non-executive	1	2	-
R. B. Dixit	Independent / Non-executive	5	2	3
Ramni Iyer	Independent/Non-executive	5	-	-

b. Number of Board Meetings :

During the year under report the Board of Directors met 4 times on the following dates: 30/09/2004, 29/10/2004, 28/01/2005 & 28/04/2005.

c. Attendance of Directors:

Name	Meetings Attended	Attended last AGM on 31-12-2004
Nitin J. Sandesara	4	YES
Chetan J. Sandesara	3	YES
N. B. Patel	3	NO
R. B. Dixit	4	YES
Ramni Iyer	3	YES



iii) Committee of Directors

As mentioned in the last report, the board constituted following committees.

Audit Committee Constituted on 27th March, 2002 to reviews the company's financial reporting process, disclosure norms, internal control systems, accounting policies and practices, reports of the Company's internal Auditors, quarterly/half yearly financial statements as well as its financial risk policies. It also recommends appointment of statutory auditors, fixes audit fees and reviews internal control systems, scope for observations of the auditors and adequacy of the internal audit function.

During the year under review, the committee met three times on 30-09-04 (Adoption of Annual Accounts) 29-10-04 and 28-04-05. The meeting was attended by all the directors of the Audit Committee namely Shri R. B. Dixit, Shri Ramani Iyer and Shri N. B. Patel.

Investors/Shareholders Grievance Committee constituted on 27th March, 2002 comprises of Shri R. B. Dixit, Shri Ramani Iyer and Shri N. B. Patel. The Committee redresses shareholder and investors complaints like a delay in transfer of shares, non-receipt of dividend, non-receipt of balance sheet etc. During the year the committee met one time.

Remuneration Committee of the Board

The company does not have Remuneration Committee.

iv) General Body Meetings :

Year	Venue	Date	Time	Any Special Resolution
2004	Sheetal – I Hall, Land Mark, Link Road, Mith Chowkey, Malad (W), Mumbai – 400 064.	31 st December, 2004	11.30 a.m	No
2003	Ashish Hall, Land Mark, Link Road, Mith Chowkey, Malad (W), Mumbai – 400 064.	27 th December, 2003.	11.00 a.m.	No
2002	PMT Complex, Pimpri Chinchwad Road, Pune 411 018	28 th December, 2002.	10.00 a.m.	No

Special Resolution if any passed by postal ballot.

NIL

v) Disclosures :

- As required under the Companies Act, the Directors disclose the name of the Companies / Parties in which they are interested. During the year under review, there was no transaction with related party, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. which may have potential conflict with the interests of Company at large.
- There was no non-compliance during the last three years by the Company on any matter related to Capital Market.



vi) Means of Communications :

- a. Quarterly/Half Yearly Financial Results of the Company are forwarded to the Stock Exchange where the shares of the company are listed and published in National & Regional Newspapers.
- b. The company has not made any presentations to any Institutional Investors / Analyst during the year.
- c. Management Discussion & Analysis Report is covered in Directors' Report to the Shareholders.

vii) General Shareholder Information :

a. Annual General Meeting

Date : 26th day of December, 2005
 Time : 11.30 A.M.
 Venue : Sheetal-I Hall, Land Mark, Link Road, Mith Chowkey,
 Malad (W), Mumbai - 400 064.

Date of Book Closure : 19th December 2005 to 26th December, 2005
 (both days inclusive)

b. Financial Calendar 2005 - 2006 : Annual General Meeting December 2006 (next year)

Board Meeting	Board Meeting
Unaudited Results - Qtrly. September 05	October 2005
Unaudited Results - Qtrly. December 05	January 2006
Unaudited Results - Qtrly. March 06	April 2006
Unaudited Results - Qtrly. June 06	July 2006
Audited Accounts June 06	September/October 2006

c. Stock Exchanges where securities are listed

Listed on Mumbai Stock Exchange (BSE)

Name of Stock Exchange	Code
The Stock Exchange, Mumbai (BSE)	508998

d. Stock Price Data

Month	High (BSE) RS.	Low (BSE) Rs.
July 2004	211.00	185.00
August 2004	-	-
September 2004	200.00	200.00
October 2004	-	-
November 2004	240.00	132.00
December 2004	137.00	92.25
January 2005	87.80	75.40
February 2005	71.90	62.80
March 2005	105.50	68.25
April 2005	90.00	76.20
May 2005	80.15	76.10
June 2005	76.00	70.00



e. Share Transfer System

Share transfers in physical form are registered and returned within the stipulated time, if documents are clear in all respects. Officers / Directors of the Company have been authorized to approve transfers.

The total number of shares transferred in the non-dematerialised segment during year 2004-2005 was Nil Shares.

Trading in Equity Shares of the Company is permitted only in dematerialized form w.e.f. 03.03.2001. All requests for dematerialisation of shares are processed and the confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within the stipulated time. Upto 30-06-2005, 72.74 % equity shares of the company have been dematerialized.

f. Shareholding Pattern - as on 30th June 2005

Sl. No	Category	No. of Shareholder	% age	No. of Equity Shares	% age
1.	Resident Individuals	517	89.60	7806961	41.80
2.	Indian Companies	33	5.72	1045764	5.60
3.	FIs / MFs / Banks	0	0.00	-	-
4.	Indian Promoters	26	4.51	9822175	52.60
5.	NRIs/OCBs/FIIs/FCs	1	0.17	100	0.00
TOTAL		577	100.00	18675000	100.00

Distribution of Shareholding - as on 30th June 2005

Sl.No.	No. of Shares Held	No. of Shareholder	% of Holders	Holding	% of Holding
1	1 - 5000	488	84.58	7493461	40.13
2	5001 - 10000	27	4.68	227017	1.22
3	10001 - 20000	23	3.99	301758	1.62
4	20001 - 30000	6	1.04	154889	0.83
5	30001 - 40000	4	0.69	141625	0.76
6	40001 - 50000	5	0.87	225000	1.20
7	50001 - 100000	10	1.73	761250	4.08
8	100001 & Above	14	2.43	9270000	50.17
TOTAL		577	100.00	18675000	100.00



g. Dematerialisation of Shares :

ISIN Number for Equity Shares of the Company in NSDL & CDSL	:	INE696C01013 (old number for equity shares of Rs. 10/- each)
		INE696C01021 (new number for equity shares of Re. 1/- each)
Total No. of Shares dematerialized upto 30-06-2005	:	13583673
- With NSDL	:	13471108
- With CDSL	:	112565

h. Location

1. Software Unit at PMT Complex, Pimpri Chinchwad Road, Pune-411 018.

i. Address for Correspondence :

Shareholders can correspond at the Registered Office of the Company at Mumbai.

j. Complaints by Shareholders & their redressal during 1-7-2004 to 30-06-2005

Nature of Complaints	Received	Solved
Non-receipt of Annual Report	0	0
Delay in Transfer of Shares	0	0
Change of Address	0	0
Pending Demat cases (Since Processed)	0	0
Other-Remat of Share (Since Processed)	0	0



MANAGEMENT DISCUSSION AND ANALYSIS

a. Industry structure and developments :

The impact of worldwide development in recent past has been felt by the Indian software industry to the core. Though the long-term perspective definitely remains positive, given the current situation, Indian corporate over a broad spectrum have involved a min-n-match methodology of prudent cost management and creating superior efficiency in operations. The 'Survival of the Fittest' norm is into effect and most of the Indian corporate including Transworld Infotech continue to bell the weather despite of continuous pressure due to drop in new orders, longer sales cycles and pressures in billing rates. But all said and done Nevertheless, Indian software industry remains a strong force to reckon within the global IT market, which is expected to increase manifold as per the latest studies conducted world over.

Transworld Infotech believes that its business fundamentals and the value proposition to its customers remain intact despite current performance and initiatives are being taken to consolidate the existing business and prospect new business given the inherent strengths and legacy of the Company. The efforts as such have borne fruit to a considerable extent with sizeable order book available for execution.

b. Opportunity and Threats ;

Opportunity

The company commands good brand image in the IT segment it deals in with. The company's ability to effectively deliver competitively priced and quality niche software solutions and products in the market would hold it in good stead in the years to come. The company has an ability to seamlessly provide offshore and onsite services for customers world over. It is this capability to offer blended services that provides a significant opportunity in this competitive market. The company's revenue are generated primarily from the software and application development and consultancy services. Revenue recognition is done on the basis of the nature of work as may be specified in the Agreement or the Statement of work. This could be on time and material basis or on fixed basis or on attainment of certain milestones.

There is an ongoing effort on the part of the company to streamline and rationalize its operations in order to achieve significant cost savings, streamline delivery capabilities and selective manpower recruitments.

Threats

Outsourcing has become selective, competition is very high and price cutting is rampant. Some MNCs are setting up their own back end development centers in India. Transworld Infotech is trying to meet the above situation interalia by aggressive marketing, relentless focus on improvement of work timelines and technology, in-house R & D upgradation, cost control measures, cutting off dead flab and strict quality control.

c. Outlook :

The Indian software industry has experienced explosive growth in recent years. It remains one of the fastest growing sectors of the Indian economy, employing nearly a million



professionals. The World Bank rates India as the world's leading offshore development center for software. Many of the world's leading IT and telecommunications companies have established their own development centers in India, taking advantage of a highly-skilled, English speaking workforce at a comparatively low cost. The emergence of India as a location for IT-enabled services, including business process outsourcing, has helped keep industry revenues up at a time when IT markets globally have been stagnating.

The Company expects to tide over its poor performance and hopes that the year 2005-06 would post better performance packed results. Transworld Infotech has currently several orders in the pipeline and is looking forward to converting many of them into revenue during the fiscal 2006. The company is revamping its sales force and expects to add new clients and grow the revenues at rates higher than what has been achieved in the recent past.

d. Risks and Concerns :

The revenue growth and profitability of the business of Transworld Infotech depends is subject to the following factors:

- Changes in the domestic and international economic and business conditions
- Competition on the product and price front
- Foreign exchange fluctuation
- Length of the sales cycle
- Success in expanding the global operations through direct sales force and indirect distribution channels
- Products or Service mix
- Activities of the competitors
- Allocation of resources
- Allocation of resources
- Technical manpower ability

e. Internal control systems and their adequacy :

The internal control systems are being fine tuned in line with the changing requirements in the industry. The management regularly reviews the internal control systems in the areas of finance, Order procurement, sales and marketing. Thus emphasis on internal control system is spread over across all major functions and processes.

Now with regular review of the systems by the Audit Committee of the Board, the internal control within the organization would be further strengthened.

f. Financial performance :

Financial performance of the Company has been indicated in the Directors' Report.

g. Human Resources/Industrial relations :

Your Directors believe that employees are the most valued assets of the organization. Thus, all the human resources practices are directed towards enhancing the value of these assets. The focus of the management is on the organizational development and to imbibe new organization values –



entrepreneurship, teamwork achievement and commitment. Several work shops and/or communication meetings, were organized and would be continued to be so organized, by the Company with a view to achieve these organizational values.

The relations between the management and workmen have remained cordial.

h. Cautionary Statement

Management Discussion and Analysis detailing the Company's objectives and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied depending upon global and Indian demand-supply conditions, changes in Government regulations, tax regimes, economic developments within India and overseas.

**AUDITORS' CERTIFICATE**

To the Members of
Transworld Infotech Limited
Mumbai

We have examined the compliance of conditions of corporate governance by Transworld Infotech Limited, for the year ended 30th June, 2005, as stipulated in clause 49 of the Listing Agreement with Stock Exchanges.

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

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

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

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

For and on behalf of
H. S. Hathi & Co.
Chartered Accountants

Place : Mumbai

Date : 1st December, 2005

Hemant S. Hathi
Partner

**AUDITOR'S REPORT**

To the Members of
TRANSWORLD INFOTECH LIMITED

1. We have audited the attached Balance Sheet of TRASWORLD INFOTECH LIMITED as at 30th June, 2005 and the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. This Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statement based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we state that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - b) In our opinion, Proper books of account, as required by law, have been kept by the company, so far as appears from our examination of those Books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors as on 30th June, 2005, and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 30th June, 2005 from being appointed as a Director in terms of Clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give, the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 30th June, 2005;
 - ii) In so far as it relates to the Profit and Loss Account, of the Loss of the Company for the year ended on that date;
 - iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For and on behalf of
H. S. Hathi & Co.
Chartered Accountants

Place : Mumbai

Date : 1st December, 2005

Hemant S. Hathi
Partner



Annexure referred to in paragraph 3 of our report of even date to the members of Transworld Infotech Limited on the Accounts for the year ended 30th June, 2005

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management based on a phased program of verification of all the assets during the year, which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such physical verification.
- (c) As per the information and explanations given to us, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) (a) As per the information and explanations given to us, There are no trading or manufacturing activities in the company during the year, as result there are no inventories in the company during the year. Therefore the clause is not applicable.
- (b) The clause is not applicable to the company as explained above.
- (c) The clause is not applicable to the company as explained above.
- (iii) The Company has not granted any unsecured loan to a company covered in the registered maintained under section 301 of the Companies Act, 1956. The Companies has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) According to information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and nature of its business. We have not observed any continuing failure to correct major weakness in internal control.
- (v) (a) According to the information and explanations given to us, we are opinion that transactions that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of Goods and materials and sales of Goods, material & services made in pursuance of contract or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs. 5,00,000/- or more in respect of each party.
- (vi) The Company has not accepted any deposits from the public and hence directives issued by the Reserve Bank of India and provisions of section 58A and 58AA of the companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) The maintenance of cost records has not been prescribed by the Central Government of India under section 209 (1) (d) of the companies Act, 1956 for the products manufactured by the company.
- (ix) (a) According to the records of the company, the company has been regular in depositing with appropriate authorities, Undisputed statutory dues including Provident Fund, Income tax, Sales tax, Wealth tax, Custom duty, Cess and other statutory dues.
- (b) According to the information and explanations given to us, no undisputed amounts payable



in respect of such statutory dues were outstanding as at the 30th June 2005 for a period of more than six months from the date they became payable.

- (c) According to the information and explanations given to us, there are no such statutory dues which have not been deposited on account of any dispute.
- (x) The Company neither has Accumulated losses nor it has incurred any cash losses during the year and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are opinion that the company has not defaulted in the repayment of the dues to financial institutions or banks.
- (xii) According to the information and explanations given by the management, the company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other other securities. .
- (xiii) In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit society. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us by the management, the company has not given any Guarantee for loan taken by other from banks or financial institutions.
- (xvi) According to the information and explanations given to us by the management, the company has not taken any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures and hence clause 4(XIX) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xx) During the year covered by our report the company has not raised any money by way of public issue.
- (xxi) According to the information and explanations given to us no frauds on or by the company has been noticed or reported during the year.

For and on behalf of
H. S. Hathi & Co.
Chartered Accountants

Place : Mumbai

Date : 1st December, 2005

Hemant S. Hathi
Partner



BALANCE SHEET AS AT 30TH JUNE 2005

	Schedule	As at 30th June 2005 Rs.	As at 30th June 2004 Rs.
SOURCES OF FUNDS			
1. Shareholder's Funds :			
a) Share Capital	1	186,750,000	186,750,000
b) Reserves & Surplus	2	60,032,516	160,508,706
		<u>246,782,516</u>	<u>347,258,706</u>
2. Loan Funds :			
a) Unsecured Loans		-	-
b) Secured Loans		-	-
		<u>11,700,000</u>	<u>11,700,000</u>
3. Provision for Deferred Taxation		11,700,000	11,700,000
TOTAL FUNDS EMPLOYED		<u>258,482,516</u>	<u>358,958,706</u>
APPLICATION OF FUNDS			
1. Fixed Assets :	3		
a) Gross Block		334,714,711	334,714,711
b) Less : Depreciation		194,411,385	160,355,453
c) Net Block		140,303,326	174,359,258
d) Capital Work-in-progress		-	-
2. Investments	4	895,256	895,256
3. Current Assets, Loans and Advances			
a. Current Assets	5	40,661,815	51,820,821
b. Loans & Advances	6	79,287,738	136,990,102
		<u>119,949,553</u>	<u>188,810,923</u>
Less : Current Liabilities & Provisions			
a. Current Liabilities	7	1,753,117	2,172,340
b. Provisions	8	912,502	2,934,391
		<u>2,665,619</u>	<u>5,106,731</u>
Net Current Assets		117,283,934	183,704,192
4. Miscellaneous Expenditure		0	0
TOTAL ASSETS		<u>258,482,516</u>	<u>358,958,706</u>
NOTES TO THE ACCOUNTS	11		

As per our report of even date
For **H. S. Hathi & Co**
Chartered Accountants

Hemant S. Hathi
Partner

Place : Mumbai
Dated : 1st December, 2005

For and on behalf of the Board
Nitin J. Sandesara
Chairman

C. J. Sandesara
R. B. Dixit
N. B. Patel
Directors



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2005

	Schedule	As at 30th June 2005 Rs.	As at 30th June 2004 Rs.
INCOME			
Income from operations		96,844,451	105,186,734
Miscellaneous Income		665,983	714,892
Total		97,510,434	105,901,626
EXPENDITURE			
Software Development	9	35,744,340	35,858,196
Administrative & Other Expenses	10	7,538,061	9,395,481
Depreciation		34,055,930	34,055,930
TOTAL		77,338,331	79,309,607
PROFIT/(LOSS) BEFORE TAXATION		20,172,103	26,592,019
Extra Ordinary Expenditure		120,648,292	0
Provision for tax		0	1,750,000
Provision for Deferred Tax		0	3,400,000
PROFIT/(LOSS) FOR THE YEAR		(100,476,189)	21,442,019
PROFIT AVAILABLE FOR APPROPRIATION		(100,476,189)	21,442,019
APPROPRIATIONS:			
-Proposed Dividend		-	-
-Dividend Tax		-	-
-Amount transferred to General Reserve		-	5,000,000
-Surplus (Deficit) carried to Balance Sheet		(100,476,189)	16,442,019
NOTES TO THE ACCOUNTS	11		

As per our report of even date
For **H. S. Hathi & Co**
Chartered Accountants

Hemant S. Hathi
Partner

Place : Mumbai
Dated : 1st December, 2005

For and on behalf of the Board
Nitin J. Sandesara
Chairman

C. J. Sandesara
R. B. Dixit
N. B. Patel
Directors



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2005

	As at 30th June 2005 Rs.	As at 30th June 2004 Rs.
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
200,00,000 Equity Shares of RS. 10/- each (Previous Year : 200,00,000 Equity Shares of RS. 10/- each)	200,000,000 =====	200,000,000 =====
ISSUED & SUBSCRIBED :		
18,675,000 Equity Shares of RS. 10/- each Fully Paid up (Previous Year 18,675,000 Equity Shares) (Includes 15562500 equity shares allotted as fully paid up bonus shares by capitalisation of General Reserve)	186,750,000 =====	186,750,000 =====
SCHEDULE 2 - RESERVES & SURPLUS		
a) General Reserve		
As per Last Balance Sheet	50,000,000	45,000,000
Add : Transferred from Profit & Loss Account	-	5,000,000
	<hr/> 50,000,000	<hr/> 50,000,000
b) Profit & Loss A/c.		
As per last Balance Sheet	110,508,706	94,066,687
Add : (less) Transferred from Profit & Loss Account	(100,476,189)	16,442,019
	<hr/> 10,032,516	<hr/> 110,508,706
	<hr/> 60,032,516 =====	<hr/> 160,508,706 =====

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2005

SCHEDULE 3 - FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 1/7/2004	Additions	As on 30/6/2005	As on 1/7/2004	For the Year	As on 30/6/2005	As on 30/6/2004	As on 30/6/2005
Land	14,687,963	-	14,687,963	-	-	-	14,687,963	14,687,963
Building	106,862,947	-	106,862,947	6,397,369	1,741,866	8,139,235	100,465,578	98,723,712
Computer Systems, Peripherals & other Hardware	189,177,611	-	189,177,611	144,874,050	30,665,691	175,539,740	44,303,561	13,637,871
Office Equipments, Furniture & Fixtures	19,883,740	-	19,883,740	6,319,895	1,258,641	7,578,535	13,563,845	12,305,205
Vehicles	4,102,450	-	4,102,450	2,764,141	389,733	3,153,874	1,338,309	948,577
Grand Total	334,714,711	-	334,714,711	160,355,454	34,055,930	194,411,385	174,359,257	140,303,326
Previous Year	334,714,711	-	334,714,711	126,299,524	34,055,930	160,355,454	208,415,187	174,359,257

(20)





SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2005

	As at 30th June 2005 Rs.	As at 30th June 2004 Rs.
SCHEDULE 4 - INVESTMENTS		
Quoted & Fully Paid Up	530,817	530,817
Unquoted & Fully Paid up	364,439	364,439
	<hr/>	<hr/>
	895,256	895,256
	=====	=====
SCHEDULE 5 - CURRENT ASSETS		
Sundry Debtors (Unsecured & Considered Good)		
Debts Outstanding for a period exceeding 6 months	1,756,798	1,860,138
Other Debts	31,964,986	29,968,157
	<hr/>	<hr/>
	33,721,784	31,828,295
Cash & Bank Balances		
Cash on hand	672,129	526,894
Bank Balance with Schedule Banks in Current A/c.	6,267,902	19,465,632
	<hr/>	<hr/>
	6,940,031	19,992,526
	<hr/>	<hr/>
TOTAL	40,661,815	51,820,821
SCHEDULE 6 - LOANS & ADVANCES		
Advance Recoverable in cash or kind for value to be received	79,287,738	136,990,102
	<hr/>	<hr/>
	79,287,738	136,990,102
SCHEDULE 7 - CURRENT LIABILITIES		
Sundry Creditors & Other Liabilities	1,753,117	2,172,340
	<hr/>	<hr/>
	1,753,117	2,172,340
SCHEDULE 8 - PROVISIONS		
Provision for expenses	912,502	1,184,391
Provision for taxation	-	1,750,000
Provision for Dividend	-	-
	<hr/>	<hr/>
	912,502	2,934,391
	<hr/>	<hr/>



**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2005**

	As at 30th June 2005 Rs.	As at 30th June 2004 Rs.
SCHEDULE 9 - SOFTWARE DEVELOPMENT EXPENSES		
Salaries, Bonus, Incentive and other employee benefits	23,767,908	20,964,855
Staff Welfare	2,723,451	2,361,084
Communication Expenses	1,613,213	2,681,062
Cost of Software Packages/Products	5,892,343	
Post-sale Customer Support	425,615	673,249
Computer Maintenance	456,129	760,550
Professional Charges	865,681	1,062,587
	<hr/>	<hr/>
	35,744,340	35,858,196
	=====	=====
SCHEDULE 10 - ADMINISTRATIVE & OTHER EXPENSES		
Travelling & Conveyance	1,287,690	1,820,475
Training & Development	1,067,234	1,415,637
R & D Expenditure	321,254	496,371
Legal & Professional Expenses	323,056	365,894
Auditor's Remuneration	35,000	35,000
Office Expenses	2,872,691	3,297,654
Sales Promotion Expenses	480,256	761,558
Financial & Other Expenses	157,428	167,025
Rent, Rates & Taxes	993,452	1,035,867
	<hr/>	<hr/>
	7,538,061	9,395,481
	=====	=====

**SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT****SCHEDULE 11 - SCHEDULE AND NOTES TO ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

The financial statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP), and materially comply with the mandatory accounting standards issued by the institute of Chartered Accountants of India and the Provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

2. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported accounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts, and the useful life of fixed assets. Actual results could differ from these estimates.

3. Revenue recognition

Revenue from fixed-price contracts is recognized principally on the basis of completed milestones as specified in the contracts, on a percentage of completion basis. Where milestones are not representative of the percentage of completion method, estimates of work completed to the Balance Sheet date are used to recognize revenue on fixed-price contracts. Revenue from software developed on a time-and-materials basis is recognized as per the terms of specific contracts.

4. Fixed assets and capital work in progress

Fixed assets are stated at the cost of acquisition or construction, less accumulated depreciation. Direct costs are capitalized until the assets are ready to be put to use.

5. Depreciation at the rates specified in schedule XIV of the Companies Act, 1956

Depreciation on fixed assets is provided using the straight-line method at the rates specified in the schedule xiv of the Companies Act, 1956. It is charged on a pro-rata basis for assets purchased/sold during the year. Individual assets costing RS. 5,000/- or less are depreciated in full in the year of purchase.

6. Investments

Long Term investments are stated at cost. Other investments are stated at the lower of cost or market value. Any decline, other than temporary in the value of long term investments (including investments in subsidiaries) is charged to the Profit & Loss Account.

7. Retirement Benefits

Retirement benefits payable to the employees are accounted for on cash basis as and when paid.

**B. NOTES TO ACCOUNTS :****1. Earnings in Foreign Currency (FOB value)**

	Year Ended 30 th June, 2005 (Rs.)	Year Ended 30 th June, 2004 (Rs.)
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Income from Software Service and products	25249275	24991442
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2. Expenditure in Foreign Currency

Travel Expenses	Nil	Nil
Other Expenditure incurred Overseas for software development	69051638	Nil

	69051638	Nil
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3. Value of Imports on CIF basis

	—	—
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4. One of the Ex-Directors of the company has raised legal issues with the company and the company had made out of settlement with the said Ex-Director and made payment of Rs. 1206.48 lacs towards one time settlement with the said ex-Director, and the same has been accounted in the Books of accounts of the company as extraordinary expenditure.

5. Quantitative Details:

The Company is engaged in the development of Computer Software. The production and sale of such software can not be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under paragraph 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956.

6. Auditors' Remuneration

	Year Ended 30 th June, 2005 (Rs.)	Year Ended 30 th June, 2004 (Rs.)
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Statutory Audit Fees	25,000	25,000
For Other Services	10,000	10,000
Out of Pocket Expenses	7,800	6,750

	42,800	41,750
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7. Contingent Liabilities

Estimated amount of contracts remaining to be provided on Capital Account	NIL	NIL
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Guarantees Given by the Company

	NIL	NIL
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8. Figures of previous year have been regrouped to confirm to current year's presentation.

As per our report of even date

For H. S. Hathi & Co.

Chartered Accountants

Hemant S. Hathi

Partner

Place : Mumbai

Dated : 1st December, 2005

For and on behalf of the Board

Nitin J. Sandesara

Chairman

C. J. Sandesara

R. B. Dixit

N. B. Patel

Directors

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2005

	For the Year Ended 30 th June, 2005	(Rs. in Lacs.) For the Year Ended 30 th June, 2004
(A) Cash Flow from Operating Activities		
Net Profit before tax & Extraordinary Items	201.72	265.92
Adjustment for :		
Depreciation & Amortisation	340.56	340.56
Financial Charges	-	-
Dividend Charges	-	-
Profit on Sale of Fixed Assets	-	-
Prior Year Adjustments	-	-
Share Issue Expenses	-	-
Operating Profit before Working	542.28	606.48
Adjustment for :		
Trade Receivables	-18.93	-18.63
Other Receivables	577.02	-422.44
Inventories		
Trade Payables	-6.91	1.41
Cash Generated from operations	1093.46	166.82
Interest Paid		
Direct Tax Paid	-17.50	-13.35
Cash Flow before Extraordinary Items	1075.95	153.47
Extra Ordinary Items : OTS with Ex-Director	1206.48	-
Net Cash from operating Activities	-130.53	153.47
(B) Cash Flow from Investing Activities		
Purchase of Fixed Assets	-	-
Sale of Fixed Assets	-	-
Dividend Received	-	-
Purchase Investments	-	-
Net Cash Used in investing activities	-	-
(C) Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	-	-
Proceeds from Long Term Borrowing	-	-
Repayment of long Term Borrowing	-	-
Share Issue Expenses	-	-
Net Cash Used in Financing Activities	-	-
Net increase/(Decrease) in Cash & cash Equivalents (A+B+C)	-130.53	153.47
Cash & Cash Equivalents as at July (Opening)	199.93	46.46
Cash & Cash Equivalents as at June (Closing)	69.40	199.93



We have examined the attached Cash Flow Statement of Transworld Infotech Limited for the year ended 30th June 2005 and 30th June, 2004. The statement has been prepared by the company in accordance with the listing agreements of the Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of the even date to the members of the Company.

For and on behalf of
H. S. Hathi & Co.
Chartered Accountants

Place : Mumbai
Date : 1st December, 2005

Hemant S. Hathi
Partner



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	142575	State Code	11
Balance Sheet Date	30/06/2005		

II. CAPITAL RAISED DURING THE YEAR (Amount in RS. Thousand)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amount in RS. Thousand)

Total Liabilities	258483	Total Assets	258483
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Source of Funds

Paid Up Capital	186750	Reserves & Surplus	60033
Secured Loans	-	Unsecured Loans	-
Deferred Tax Liability	11700		

Application of Funds

Net Fixed Assets	140304	Investments	895
Net Current Assets	117284	Miscellaneous Expenditure	-

IV. PERFORMANCE OF COMPANY (Amount in RS. Thousand)

Total Turnover	96844	Total Expenditure	77338
Profit before Tax	20172	Profit (Loss) after Tax	(100476)
Earning per Share in Rs.	-	Dividend Rate % (Annualised)	-

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As per monetary terms)

ITC Code	Not Applicable
Product Description	Computer Software