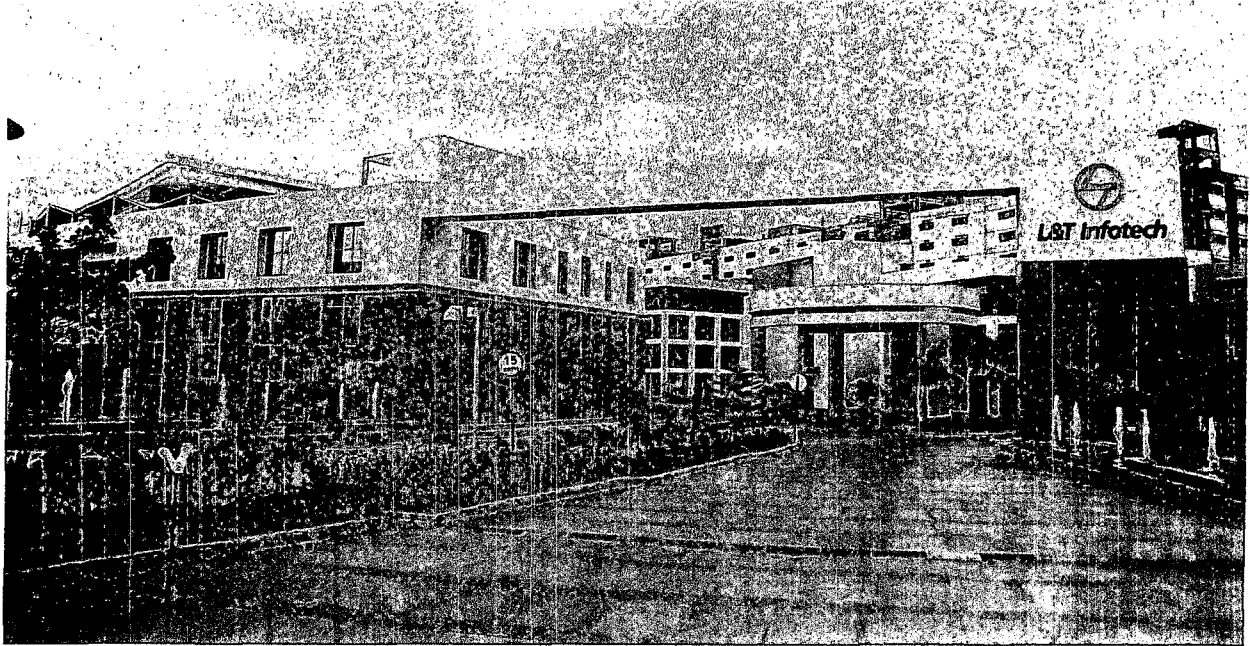
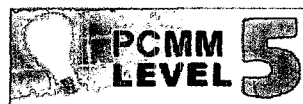
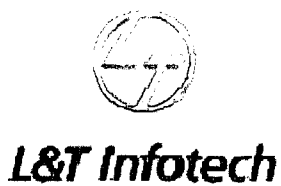


Larsen & Toubro Infotech Limited



Development Centre Whitefield, Bangalore



Annual Accounts for the year

ended 31st March, 2007

www.Lntinfotech.com

LARSEN & TOUBRO INFOTECH LIMITED

LARSEN & TOUBRO INFOTECH LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting the Tenth Annual Report and Accounts of Larsen & Toubro Infotech Limited for the year ended March 31, 2007.

FINANCIAL RESULTS

| | Rs. Million | |
|--|-------------|---------|
| | 2006-07 | 2005-06 |
| Total Income | 12806.29 | 7980.77 |
| Operating Profit (PBIDT) | 2054.44 | 1126.07 |
| Less : Interest | 20.95 | 53.02 |
| Less : Depreciation and amortization | 328.35 | 274.37 |
| Profit Before Tax (PBT) | 1705.14 | 798.69 |
| Less: Provision for Tax | 193.82 | 96.87 |
| (including Rs.375 lakhs for Fringe Benefit Tax) | | |
| Profit After Tax (PAT) | 1511.32 | 701.82 |
| Add : Balance brought forward from previous year | 547.53 | 316.75 |
| Balance available for disposal which Directors appropriate | 2058.85 | 1018.57 |
| as follows : | | |
| Dividend | 150.05 | 150.00 |
| Tax on Dividend | 21.05 | 21.04 |
| Transfer to General Reserve | 600.00 | 300.00 |
| Balance to be carried forward | 1287.75 | 547.53 |

DIVIDEND

| | | |
|---|--------|--------|
| The Directors have paid Interim dividend of Rs. 5 per share on 32,250,000 Equity Shares of face value Rs. 5/- each on pro-rata basis. (Previous year Rs.5 per share on 30,000,000 Equity Shares of Rs. 5/- each). | 150.05 | 150.00 |
|---|--------|--------|

The Directors do not recommend any final dividend.

FINANCIAL PERFORMANCE

Total income from all sources was Rs. 12806.29 million (increase of 61% over previous year). Software exports amounted to Rs. 12393.49 million (increase of 63% over previous year).

Operating profit (PBIDT) was Rs. 2054.44 million (increase of 82% over previous year). Profit before tax was Rs. 1705.14 million (increase of 113% over previous year) and Profit after tax was Rs. 1511.32 million (increase of 115% over previous year). Earnings per share were Rs. 50.36 per equity share of Rs.5 each.

INCREASE IN SHARE CAPITAL

During the year, the authorised share capital of the Company was increased from Rs. 152,500,000/- to Rs. 163,750,000/-.

In March 2007, the Company allotted 2,250,000 partly paid-up Equity shares on rights basis to its holding Company, Larsen & Toubro Limited. Consequent to this allotment, the number of issued and subscribed equity shares of the Company has increased from 30,000,000 Equity shares to 32,250,000 Equity shares.

CAPITAL EXPENDITURE

As at March 31, 2007 the gross Fixed Assets stood at Rs. 2825.86 million out of which assets amounting to Rs. 558.62 million were added during the year.

YEAR IN RETROSPECT

The year 2006-07 continued to witness strong growth in offshore IT services space with India securing a leadership position as a preferred destination for offshore IT and BPO industries. The growth momentum is expected to continue and IT exports alone are expected to reach US\$ 35 billion by FY 2010. Application development and maintenance is expected to continue being the largest service line accounting for an estimated US\$ 14 billion in 2010. There is a significant room for growth for global offshore IT industry as only 10% of the US\$ 300 billion addressable market has been currently penetrated.

NASSCOM Strategy Review 2006 suggests that a large and growing pool of skilled professionals has been a key driver of the rapid growth in the Indian IT-ITES Sector.

ORGANISATION

The Company has registered significant growth during the year with total revenues growing by 61%. The Company continues to focus on the chosen verticals viz Banking, Financial Services and Insurance, Energy and Petrochemicals, Product Engineering Services (comprising of Communications and Embedded Software) and Manufacturing.

The Company's service offerings are in the areas of Application Maintenance and Development, Enterprise Resource Planning and specialised services like Data Warehousing and Business Intelligence, High-end KPO/BPO, Testing Services and Infrastructure Management Services.

ACQUISITION

During the year the Company acquired GDA Technologies Inc., USA (GDA) for USD 27 million. GDA is an electronic design services firm based in California with design centers in US and India. It offers end-to-end design solutions in semiconductor product development from IP licensing, logic design and physical implementation for advanced process technologies. As per the terms of the agreement, the Company has paid USD 12 million towards the acquisition of GDA alongwith its employees and the balance amount of USD 15 million is payable over a period of 3 years. GDA became wholly owned subsidiary of the Company w.e.f. March 15, 2007. This acquisition of GDA Technologies will help the Company deliver a broad set of chip design and product realization services to global customers, thereby complementing the Company's capabilities in the IT services space.

HUMAN RESOURCES

One of the key initiatives during the year was launching of common talent pool of resources aimed at optimizing the resource utilization while at the same time providing flexibility to the operating units to scale up quickly to meet the clients' requirements. The resourcing function has also been reorganized under operating units to ensure hiring of right skills, particularly for laterals.

The Company increased its employee strength to 7220 at the end of FY07 from 6371 at the end of FY06.

INFRASTRUCTURE

The new centres at Bangalore, Chennai and Mumbai which became operational in the first quarter of the year have enabled the Company to consolidate its presence at these locations and benefit from the economies of scale. The expansion of the campus at Mahape is at advanced stage of completion and will provide additional seats in the same campus to allow the Company to consolidate its presence at that location. The Company has thus adequate infrastructure to meet the requirements of the projected growth. The Company is now planning to build a state-of-the-art training facility. The Company has taken several initiatives to build the visibility of L&T Infotech brand and has been an active participant in industry seminars and conferences. It has also hired the services of a professional firm to help in the brand building initiative.

QUALITY INITIATIVES

During the year, the Company was assessed at SEI CMMI Level 5 certification. The Company has also been accredited with the PCMM Level 5 certification, which are the highest standards of process and quality leadership. The Company continues to adopt the select programmes of six-sigma implementation.

EMPLOYEE STOCK OPTION SCHEMES

(I) Employee Stock Ownership Scheme ('ESOS Plan')

The Company has instituted the Employee Stock Ownership Scheme (ESOS) in April 2001. The total options outstanding under various series of the scheme as on March 31, 2006 amount to 2,192,211.

During the year, 258,830 options were granted.

None of the options were exercised during the year.

(II) Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan')

Pursuant to the approval of shareholders of the Company received at their Meeting held on December 7, 2006, the Company has adopted a U.S. Stock Option Sub-Plan during the year.

In terms of the approval received, the Company can issue stock options, not exceeding 457,249 equity shares of the Company. The Compensation committee has approved a grant of 160,000 options at an exercise price of USD 12 (equivalent to Rs. 530/-) per share.

DEPOSITS

During the period under review, the Company has not accepted any deposits from the public.

SUBSIDIARY COMPANIES

Consequent upon their acquisition, GDA Technologies Inc, USA alongwith its Indian subsidiaries, viz... GDA Technologies Limited and GDA Systems Private Limited became the wholly-owned subsidiaries of the Company.

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts, the Reports of the Board of Directors and Auditors of the subsidiary are annexed.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure A forming part of this report.

PERSONNEL

The Board of Directors wishes to express its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year.

The information required under Section 217 (2A) of the Companies Act, 1956 & the rules made, thereunder, are given in a separate annexure to this Report and forms part of the Report. The Report and the Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) which was introduced by the Companies (Amendment) Act, 2000, your Directors confirm that:-

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- (ii) 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 as on March 31, 2007 and of the profit or loss of the Company for the year ended March 31, 2007.
- (iii) 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.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

The Board of Directors, at its meeting held on January 27, 2007, appointed Mr. Samir T. Desai as an Independent Additional Director of the Company. As per the provisions of the Companies Act, 1956, he holds office till the date of the ensuing Annual General Meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956, and accordingly the resolution proposing the appointment of Mr. Samir T. Desai shall be placed before the shareholders for their approval at the ensuing Annual General Meeting of the Company.

Mr. A. M. Naik retires by rotation from the Board of Directors and is eligible re-appointment.

AUDIT COMMITTEE

The Board of Directors has, at its meeting held on May 25, 2007, reconstituted the Audit Committee of the Company. The Audit Committee now comprises of Mr. Y. M. Deosthalee, Mr. R. N. Mukhija and Mr. V. K. Magapu, all non-whole-time directors of the Company with Mr. Y. M. Deosthalee as its Chairman. The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

AUDITORS

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the Bankers, Vendors and Customers.

For and on behalf of the Board

Y M DEOSTHALEE

V K MAGAPU

Director

Director/Manager

Place : Mumbai

Date : May 25, 2007

ANNEXURE - A

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2007.

A. Conservation of energy

- (a) Since the Company is engaged in software development, it is not a major consumer of energy.

B. Technology absorption

- (b) Efforts made in technology absorption as per Form B of the Annexure Details furnished in Form B.

C. Foreign exchange earnings and outgo

- (c) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services; and export plans The Company exports customised software and professional services mainly to North America, Western Europe, Japan, Korea and Singapore. The Company plans to conduct road shows in USA to promote offshore execution of software services from India. It also maintains constant contact with prospective customers for its offerings by way of participation in International Trade Fairs.

2006-07 (Rs. Million)

- | | | |
|--|--------|-----------|
| (d) Total foreign exchange used and earned | Used | 6,278.89 |
| | Earned | 12,400.64 |

FORM B

(Disclosure of particulars with respect to Technology Absorption)
Research and Development (R & D)

- | | |
|---|----------------|
| 1. Specific areas in which R & D carried out by the Company : | Not Applicable |
| 2. Benefits derived as a result of the above R & D | Not Applicable |
| 3. Future plan of action | Not Applicable |
| 4. Expenditure on R & D | Not Applicable |
| a) Capital | |
| b) Recurring | |
| c) Total | |
| d) Total R&D expenditure as a percentage of total Turnover | |

Technology absorption, adaptation and innovation

- | | |
|---|--|
| 1. Efforts in brief made towards technology absorption, adaptation and innovation : | The Company operates Centres of Excellence in respect of emerging and existing technologies which collate, disseminate and spread knowledge to all employees in the Company. Employees are trained using state of the art methodologies, which results in better productivity. The Company has created a software component library to ensure reusability of software and consistency in implementation. These find particular use in B2B marketplace implementations where adherence to standards and compatibility with different platforms is very important. |
| 2. Benefits derived as a result of the above efforts : | Repeat business, expansion into various new technology domains and productivity improvements through use of latest software tools. |

AUDITORS' REPORT TO THE MEMBERS OF LARSEN & TOUBRO INFOTECH LIMITED

We have audited the attached balance sheet of Larsen & Toubro Infotech Limited as at March 31, 2007 and the annexed profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with the provisions of section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) 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 said 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, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956; and
 - e) on the basis of written representations received from directors as on March 31, 2007, and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2007, from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule M and the notes appearing 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 the case of the balance sheet, of the state of the affairs of the Company as at March 31, 2007;
- ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Sharp & Tannan
Chartered Accountants
By the hand of

R.D.Kare
Partner
(Membership no. 8820)

Place : Mumbai
Date : May 25, 2007

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 1 of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) The assets were physically verified by management during the year. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year are not substantial in relation to the Company and do not affect the going concern status of the Company.
- 2 The Company has no inventories and hence reporting under clause 4(ii) (a), (b) and (c) is not applicable.
- 3 We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (b) (c) and (d) of the Order are not applicable.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(v) (e), (f) and (g) of the Order are not applicable.
- 6 The Company has not accepted any deposits in terms of provisions of section 58A and 58AA of the Companies Act, 1956.
- 7 We are of the opinion that the Company has an internal audit system commensurate with the size and the nature of its business.
- 8 We are informed by management that the Company is not required to maintain cost accounts and records under section 209(1)(d) of the Companies Act, 1956.

- 9 (a) According to the information and explanations given to us and as per the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, custom duty, excise duty and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, income tax, sales tax, wealth tax, custom duty, excise duty and other statutory dues outstanding as at March 31, 2007 for a period of more than six months from the date they became payable. We were informed by management that there are no dues payable under the Employees State Insurance Act.
- (b) According to the information and explanations given to us and according to the records of the Company, there are no dues of sales tax, income tax, custom duty, wealth tax, and excise duty that have not been deposited with the appropriate authorities on account of any dispute except as follows:

| Name of the Statute | Nature of the disputed dues | Amount (Rs.)* | Period to which the amount relates | Forum where disputes are pending |
|---|--|---------------|------------------------------------|----------------------------------|
| Central Sales Local Sales Tax Act | Sales tax on export sales, business rights, interest and penalty | 7,83,50,271 | 2002-03 | Assistant Commissioner (Appeals) |

*Net of pre-deposit paid in getting the stay/appeal admitted

- 10 The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- 11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holder as at the balance sheet date.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.

- 14 The Company is not dealing in shares, securities, debentures and other investments.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has applied term loans for the purpose for which the loans were obtained.
- 17 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.
- 18 The Company has not made any preferential allotment of shares during the year.
- 19 The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- 20 The Company has not raised any money by public issue during the year.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

Sharp & Tannan
Chartered Accountants
By the hand of

Place: Mumbai
Date: May 25, 2007

R.D.Kare
Partner
(Membership no. 8820)

| LARSEN & TOUBRO INFOTECH LIMITED | | | |
|---|-------------------|------------------------|------------------------|
| BALANCE SHEET AS AT MARCH 31, 2007 | | | |
| | | As at 31-3-2007 | As at 31-3-2006 |
| | Schedules | Rupees | Rupees |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | A | 154,950,000 | 150,000,000 |
| Reserves and surplus | B | 3,103,575,303 | 1,547,529,047 |
| Employee Stock Options Outstanding | | 153,163,671 | - |
| Less : Deferred employee compensation expense | | (83,559,096) | - |
| | | 3,328,129,878 | 1,697,529,047 |
| LOAN FUNDS | | | |
| Secured loans | C | 876,392,305 | 1,276,286,452 |
| Unsecured loans | D | 4,530,995 | 64,815,297 |
| | | 880,923,300 | 1,341,101,749 |
| Deferred purchase consideration payable (see schedule O, note 5) | | 652,050,000 | - |
| Deferred tax liability (net) (see schedule O, note 14) | | - | 1,488,235 |
| TOTAL | | 4,861,103,178 | 3,040,119,031 |
| APPLICATION OF FUNDS | | | |
| Tangible Assets | | | |
| E1 | | | |
| Gross Block | | 2,205,809,757 | 1,711,299,808 |
| Less : Depreciation | | 1,017,799,684 | 771,577,394 |
| Net Block | | 1,188,010,073 | 939,722,414 |
| Capital work-in-progress | | 58,268,994 | 98,728,015 |
| | | 1,246,279,067 | 1,038,450,429 |
| Intangible Assets | | | |
| E2 | | | |
| Gross Block | | 620,051,242 | 555,939,262 |
| Less : Amortisation | | 496,424,179 | 414,378,398 |
| Net Block | | 123,627,063 | 141,560,864 |
| Capital work-in-progress | | 5,013,349 | 19,125,266 |
| | | 128,640,412 | 160,686,130 |
| Investments | F | 1,227,263,544 | 7,747,114 |
| Current assets, loans and advances | | | |
| Sundry debtors | G | 2,793,397,872 | 1,961,497,072 |
| Cash and bank balances | H | 304,981,221 | 192,109,662 |
| Loans and advances | I | 1,257,021,664 | 883,235,747 |
| | | 4,355,400,757 | 3,036,842,481 |
| Less : Current liabilities and provisions | J | | |
| Current liabilities | | 1,666,923,993 | 1,037,153,774 |
| Provisions | | 435,342,760 | 166,453,349 |
| | | 2,102,266,753 | 1,203,607,123 |
| Net current assets | | 2,253,134,004 | 1,833,235,358 |
| Deferred tax asset (net) (see schedule O, note 14) | | 5,786,151 | - |
| TOTAL | | 4,861,103,178 | 3,040,119,031 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS | | | |
| As per our report attached | | | |
| SHARP & TANNAN | | | V K MAGAPU |
| Chartered Accountants | | | Director/ Manager |
| by the hand of | | | |
| | | | |
| R D KARE | S S PRABHUDESAI | Y M DEOSTHALEE | |
| Partner | Company Secretary | Director | |
| (Membership No. 8820) | | Mumbai | |
| Mumbai | | Date : May 25, 2007 | |
| Date: May 25, 2007 | | | |

| LARSEN & TOUBRO INFOTECH LIMITED | | | |
|--|-------------------|-----------------------|----------------------|
| PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007 | | | |
| | | 2006-07 | 2005-06 |
| | Schedules | Rupees | Rupees |
| INCOME | | | |
| Software development services and products | | | |
| Overseas | | 12,393,493,689 | 7,617,155,025 |
| Domestic | | 387,338,653 | 316,602,372 |
| Other income | K | 25,459,484 | 47,009,233 |
| | | 12,806,291,826 | 7,980,766,629 |
| EXPENDITURE | | | |
| Software development expenses | L | 8,125,155,167 | 5,032,229,700 |
| Sales, administration and other expenses | M | 2,626,694,009 | 1,822,463,846 |
| | | 10,751,849,176 | 6,854,693,546 |
| Operating profit (PBIDT) | | 2,054,442,651 | 1,126,073,083 |
| Interest (net) | N | 20,949,170 | 53,017,576 |
| Depreciation on tangible assets | | 246,310,061 | 179,689,490 |
| Amortisation of intangible assets | | 82,045,782 | 94,680,546 |
| Profit before tax (PBT) | | 1,705,137,638 | 798,685,471 |
| Provision for taxes | | 161,974,730 | 60,075,174 |
| (including Rs 8500 for wealth tax; previous year Rs. 10,000) | | | |
| Short provision for taxes in previous years | | - | 4,067,103 |
| Deferred tax | | (6,114,297) | (272,421) |
| Fringe Benefit Tax | | 37,500,000 | 33,000,000 |
| Short provision for Fringe Benefit Tax for previous year | | 456,310 | - |
| Profit after tax (PAT) | | 1,511,320,895 | 701,815,615 |
| Add : Balance brought forward from previous year | | 547,529,047 | 316,750,933 |
| Profit available for appropriation | | 2,058,849,943 | 1,018,566,547 |
| Less: Transfer to general reserve | | 600,000,000 | 300,000,000 |
| Profit available for distribution | | 1,458,849,943 | 718,566,547 |
| Interim dividend | | 150,054,795 | 150,000,000 |
| Tax on dividend | | 21,045,185 | 21,037,500 |
| Balance to be carried forward | | 1,287,749,963 | 547,529,047 |
| Basic earnings per share (see Schedule O, note 17) | | 50.36 | 23.39 |
| Diluted earnings per share | | 50.03 | 23.36 |
| Face value per equity share | | 5.00 | 5.00 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | | | |
| As per our report attached | | | |
| SHARP & TANNAN | | | V K MAGAPU |
| Chartered Accountants | | | Director/ Manager |
| by the hand of | | | |
| | | | |
| R D KARE | S S PRABHUDESAI | Y M DEOSTHALEE | |
| Partner | Company Secretary | Director | |
| (Membership No. 8820) | | Mumbai | |
| Mumbai | | Date : May 25, 2007 | |
| Date : May 25, 2007 | | | |

| LARSEN & TOUBRO INFOTECH LIMITED | | | |
|---|--|--------------------------|----------------------------|
| CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007 | | | |
| | | 2006-07 | 2005-06 |
| | | Rs. | Rs. |
| A | Cash flow from operating activities | | |
| | Net profit before tax | 1,705,137,638 | 798,685,471 |
| | Adjustments for: | | |
| | Depreciation and amortisation | 328,355,842 | 274,370,036 |
| | Employee benefits adjusted to reserves | (310,384,749) | |
| | Employee Stock Option Compensation debited to Profit & Loss account | 69,604,575 | |
| | Interest (net) | 20,949,170 | 53,017,576 |
| | Unrealised foreign exchange gain | 27,897,485 | (1,088,314) |
| | Income from investments | (3,219,078) | (620,998) |
| | Cost of long term projects amortised | 2,703,145 | 17,874,871 |
| | Profit on sale of fixed assets | 84,011 | (2,654,861) |
| | Operating profit before working capital changes | 1,841,128,039 | 1,139,583,781 |
| | Changes in working capital | | |
| | (Increase) / Decrease in trade receivables | (879,117,432) | (623,269,413) |
| | (Increase) / Decrease in other receivables | (350,900,394) | (473,734,972) |
| | Increase / (Decrease) in trade payables | 805,278,892 | 473,715,946 |
| | (Increase) / Decrease in working capital | (424,738,934) | (623,288,439) |
| | Cash generated from operations | 1,416,389,104 | 516,295,342 |
| | Direct taxes paid | (142,948,200) | (33,466,312) |
| | FBT paid short provision earlier year | (456,310) | - |
| | Net cash from operating activities | 1,272,984,595 | 482,829,030 |
| B | Cash flow from investing activities | | |
| | Purchase of fixed assets | (504,280,114) | (661,776,292) |
| | Sale of fixed assets | 57,341 | 14,092,480 |
| | Investments | (567,466,430) | (6,606,465) |
| | Interest received | 8,293,085 | 1,570,235 |
| | Income from investments | 3,219,078 | 620,998 |
| | Net cash used in investing activities | (1,060,177,041) | (652,099,044) |
| C | Cash flow from financing activities | | |
| | Proceeds from borrowings | (429,127,887) | 527,042,205 |
| | Proceeds from Issue of Share Capital | 530,000,000 | - |
| | Interest paid | (29,715,813) | (47,269,078) |
| | Dividend paid | (150,054,795) | (150,000,000) |
| | Dividend tax paid | (21,037,500) | (9,801,563) |
| | Net cash from financing activities | (99,935,995) | 319,971,564 |
| | Net increase in cash and cash equivalents | 112,871,559 | 150,701,550 |
| | Cash and cash equivalents - 31 March 2006 | 192,109,662 | 41,408,112 |
| | Cash and cash equivalents - 31 March 2007 | 304,981,221 | 192,109,662 |
| Notes : | | | |
| 1 | Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued by the Institute of Chartered Accountants of India. | | |
| 2 | Purchase of fixed assets includes movements of capital work-in-progress between the beginning and end of the year | | |
| 3 | Previous year's figures have been regrouped /reclassified wherever applicable | | |
| | SHARP & TANNAN | | V K MAGAPU |
| | <i>Chartered Accountants</i> | | <i>Director/ Manager</i> |
| | by the hand of | | |
| | R D KARE | S S PRABHUDESAI | Y M DEOSTHALEE |
| | <i>Partner</i> | <i>Company Secretary</i> | <i>Director</i> |
| | <i>(Membership No. 8820)</i> | | <i>Mumbai</i> |
| | <i>Mumbai</i> | | <i>Date : May 25, 2007</i> |
| | <i>Date : May 25, 2007</i> | | |

| LARSEN & TOUBRO INFOTECH LIMITED | | |
|---|------------------------|------------------------|
| Schedules forming part of accounts | | |
| | As at 31-3-2007 | As at 31-3-2006 |
| | Rupees | Rupees |
| SCHEDULE A | | |
| Share capital | | |
| <i>Authorised : 3,27,50,000 Equity shares of Rs.5 each</i> | | |
| (Previous year 3,05,00,000 of Rs. 5 each) | 163,750,000 | 152,500,000 |
| <i>Issued and Subscribed</i> | | |
| 3,22,50,000 Equity Shares for Rs. 5 each | 161,250,000 | 150,000,000 |
| (Previous year 3,00,00,000 of Rs. 5 each) | | |
| <i>Paid up :</i> | | |
| 3,00,00,000 Equity Shares for Rs. 5 each, Fully Paid-up | 150,000,000 | 150,000,000 |
| (Previous year 3,00,00,000 of Rs. 5 each) | | |
| 22,50,000 Equity Shares for Rs. 5 each, Rs.2.20 Paid-up | 4,950,000 | - |
| All the above Equity shares (3,00,00,000 shares previous year) are held by Larsen & Toubro Limited, the holding company | | |
| | 154,950,000 | 150,000,000 |
| SCHEDULE B | | |
| Reserves and surplus | | |
| General reserve | | |
| As per last balance sheet | 1,000,000,000 | 700,000,000 |
| Less : Adjustment for Change in Accounting Policy with respect to Employee Benefits (see schedule O, note 6) | (309,224,660) | - |
| | 690,775,340 | 700,000,000 |
| Add : Transferred from profit and loss account | 600,000,000 | 300,000,000 |
| | 1,290,775,340 | 1,000,000,000 |
| Share premium (see schedule O, note 1) | 525,050,000 | - |
| Profit and Loss account | 1,287,749,963 | 547,529,047 |
| | 3,103,575,303 | 1,547,529,047 |
| SCHEDULE C | | |
| Secured loans | | |
| Term loans from bank | 469,771,790 | 495,704,455 |
| Other loans from banks | 406,620,515 | 780,581,997 |
| | 876,392,305 | 1,276,286,452 |
| SCHEDULE D | | |
| Unsecured loans | | |
| Inter corporate borrowings (from holding company) | - | 55,000,000 |
| Lease finance (Due within one year Rs.2,459,826) | 4,530,995 | 9,815,297 |
| | 4,530,995 | 64,815,297 |
| SCHEDULE F | | |
| Investments (at cost, unquoted) | | |
| Long term investment in wholly owned subsidiaries | | |
| 1, fully paid equity share of Euro 25,000/- in Larsen & Toubro Infotech GmbH | 1,140,649 | 1,140,649 |
| 100, fully paid equity shares of CAD 1 each in Larsen & Toubro Information Technology Canada Ltd. | 6,606,465 | 6,606,465 |
| 10 (Nil) Common Stock at no par value in GDA Technologies Inc., USA purchased during the year (see schedule O, note 5) | 1,197,016,430 | - |
| Current investments | | |
| UTI Mutual Fund - Quarterly Fixed Maturity Plan (2,250,000 units purchased during the year) | 22,500,000 | - |
| Details of investments purchased and sold during the year | | |
| (180,277,313.02 units of Principal Mutual Fund- Liquid Institutional Plan purchased and 180,277,313.02 sold during the year) | - | - |
| (66,212.453 units of UTI Mutual Fund- Liquid Institutional Plan purchased and 66,212.453 sold during the year) | - | - |
| | 1,227,263,544 | 7,747,114 |

| LARSEN & TOUBRO INFOTECH LIMITED | | | | | | | | | | |
|---|----------------------|--------------------|-------------------|----------------------|------------------------------------|--------------------|-------------------|----------------------|----------------------|----------------------|
| <i>Schedules forming part of accounts</i> | | | | | | | | | | |
| SCHEDULE E | | | | | | | | | | |
| FIXED ASSETS | | | | | | | | | | |
| | Gross Block | | | | Depreciation / Amortisation | | | | Net Block | Net Block |
| Fixed and Intangible Assets | As at | | | As at | As at | For the | | Up to | As at | As at |
| | 1-Apr-06 | Additions | Deductions | 31-Mar-07 | 1-Apr-06 | Year | Deductions | 31-Mar-07 | 31-Mar-07 | 31-Mar-06 |
| Schedule E1 - Tangible Assets - Own | | | | | | | | | | |
| Buildings | 141,354,959 | 25,748,511 | - | 167,103,470 | 26,655,876 | 5,250,960 | - | 31,906,835 | 135,196,633 | 114,699,083 |
| Plant and machinery | 258,798,075 | 52,006,388 | - | 310,804,463 | 86,438,316 | 14,520,590 | - | 100,958,906 | 209,845,558 | 172,359,759 |
| Computers | 663,212,660 | 166,636,118 | - | 829,848,778 | 400,121,933 | 128,257,819 | - | 528,379,752 | 301,469,026 | 263,090,726 |
| Furniture and fixtures | 619,492,719 | 249,747,997 | 36,225 | 869,204,491 | 239,583,887 | 93,105,570 | 26,400 | 332,663,057 | 536,541,435 | 379,908,834 |
| Vehicles | 4,811,355 | 600,058 | 192,897 | 5,218,516 | 3,466,184 | 654,821 | 61,370 | 4,059,634 | 1,158,881 | 1,345,171 |
| Sub Total (A) | 1,687,669,768 | 494,739,072 | 229,122 | 2,182,179,718 | 756,266,196 | 241,789,759 | 87,770 | 997,968,185 | 1,184,211,534 | 931,403,573 |
| Tangible Assets - leased | | | | | | | | | | |
| Computers | 23,630,040 | - | - | 23,630,040 | 15,311,198 | 4,520,302 | - | 19,831,500 | 3,798,540 | 8,318,841 |
| Sub Total (B) | 23,630,040 | - | - | 23,630,040 | 15,311,198 | 4,520,302 | - | 19,831,500 | 3,798,540 | 8,318,841 |
| Add: Capital work-in-progress (including Advances) | | | | | | | | | 58,268,994 | 98,728,015 |
| Total of Tangible Assets | 1,711,299,808 | 494,739,072 | 229,122 | 2,205,809,757 | 771,577,394 | 246,310,061 | 87,770 | 1,017,799,684 | 1,246,279,067 | 1,038,450,430 |
| Total Of Tangible Assets (Previous Year) | 1,217,107,954 | 524,047,561 | 29,855,707 | 1,711,299,808 | 610,305,992 | 179,689,490 | 18,418,088 | 771,577,394 | 1,038,450,430 | 638,007,027 |
| Schedule E2 - Intangible Assets | | | | | | | | | | |
| Plant and machinery | - | - | - | - | - | - | - | - | - | - |
| Leasehold Land | 12,268,579 | - | - | 12,268,579 | 1,472,168 | 128,820 | - | 1,600,988 | 10,667,591 | 10,796,411 |
| Software | 445,620,683 | 64,111,981 | - | 509,732,663 | 349,173,730 | 62,306,962 | - | 411,480,691 | 98,251,972 | 96,446,953 |
| Business Rights | 98,050,000 | - | - | 98,050,000 | 63,732,500 | 19,610,000 | - | 83,342,500 | 14,707,500 | 34,317,500 |
| Add: Capital work-in-progress (including Advances) | | | | | | | | | 5,013,349 | 19,125,266 |
| Total of intangible Assets | 555,939,262 | 64,111,981 | - | 620,051,242 | 414,378,398 | 82,045,782 | - | 496,424,179 | 128,640,412 | 160,686,130 |
| Total Of Intangible Assets (Previous Year) | 494,471,490 | 61,467,772 | - | 555,939,262 | 319,697,852 | 94,680,546 | - | 414,378,398 | 160,686,130 | 185,160,895 |

| LARSEN & TOUBRO INFOTECH LIMITED | | |
|---|----------------------|----------------------|
| Schedules forming part of accounts | | |
| | As at 31-3-2007 | As at 31-3-2006 |
| | Rupees | Rupees |
| SCHEDULE G | | |
| Sundry Debtors | | |
| Unsecured | | |
| Debts outstanding for a period exceeding six months | | |
| Considered good | 176,646,040 | 106,435,250 |
| Considered Doubtful | 155,940,531 | 133,517,482 |
| | 332,586,571 | 239,952,732 |
| Other Debts | | |
| Considered good | | |
| - Due from subsidiaries | 112,361,529 | 16,366,453 |
| - Others | 2,504,390,304 | 1,838,695,370 |
| Considered Doubtful | - | - |
| Less : Provision for doubtful debts | 155,940,531 | 133,517,483 |
| | 2,793,397,872 | 1,961,497,072 |
| SCHEDULE H | | |
| Cash and bank balances | | |
| Cash on hand | 2,173,718 | 1,426,455 |
| Balances with scheduled banks in current accounts | 11,955,762 | 9,666,366 |
| Balances with non-scheduled banks (see schedule O, note 2) | 158,461,741 | 90,722,038 |
| Remittances in transit | 132,390,000 | 90,294,803 |
| | 304,981,221 | 192,109,662 |
| SCHEDULE I | | |
| Loans and Advances | | |
| Secured : | | |
| Loans against mortgage of house property | 2,671,223 | 5,513,873 |
| Unsecured, considered good : | | |
| Unbilled revenues | 311,920,292 | 176,925,712 |
| Due from subsidiary company | 6,367,000 | 4,880,000 |
| Advances recoverable in cash or in kind | 936,063,150 | 693,213,017 |
| Unsecured, considered doubtful | 1,463,308 | - |
| Less : Provision for doubtful advances | 1,463,308 | - |
| Cost of long term projects (see schedule O, note 19) | - | 2,703,145 |
| | 1,257,021,664 | 883,235,747 |
| SCHEDULE J | | |
| Current liabilities and provisions | | |
| Current Liabilities : | | |
| Sundry creditors | 1,327,404,721 | 613,413,404 |
| Advance billing | 1,879,389 | 40,769,445 |
| Due to holding company | 337,182,126 | 382,710,924 |
| Due to Directors | 457,756 | 260,000 |
| | 1,666,923,993 | 1,037,153,774 |
| Provisions : | | |
| Income Taxes | 147,692,547 | 70,077,349 |
| Fringe Benefit Tax | 37,500,000 | 33,000,000 |
| Employee Benefits (see schedule O, note 6) | 239,450,213 | 59,376,000 |
| Other Provisions (see schedule O, note 15) | 10,700,000 | 4,000,000 |
| | 435,342,760 | 166,453,349 |
| | 2,102,266,753 | 1,203,607,123 |

| LARSEN & TOUBRO INFOTECH LIMITED | | |
|---|----------------------|----------------------|
| Schedules forming part of accounts | | |
| | 2006-07 | 2005-06 |
| | Rupees | Rupees |
| SCHEDULE K | | |
| Other income | | |
| Income from current investment in mutual funds | 3,219,078 | 620,998 |
| Provision no longer required | - | 21,241,490 |
| Gain on sale of fixed asset | - | 2,654,861 |
| Miscellaneous income | 22,240,406 | 22,491,884 |
| | 25,459,484 | 47,009,233 |
| SCHEDULE L | | |
| Software development expenses | | |
| Salaries including overseas staff expenses | 5,739,327,090 | 3,461,961,559 |
| Staff welfare | 362,269,444 | 227,209,391 |
| Contribution to provident and other funds | 76,713,674 | 65,054,588 |
| Contribution to superannuation fund | 30,090,538 | 25,384,841 |
| Contribution to gratuity fund | 10,380,094 | 3,800,040 |
| Communication expenses | 93,667,555 | 89,952,279 |
| Consultancy charges | 1,704,228,043 | 1,028,293,723 |
| Cost of Software packages for own use | 71,949,417 | 44,196,666 |
| Cost of bought-out items for resale | 36,529,310 | 86,376,613 |
| | 8,125,155,167 | 5,032,229,700 |
| SCHEDULE M | | |
| Sales, Administration and other expenses | | |
| Salaries including overseas staff expenses | 761,116,520 | 584,840,650 |
| Travelling and conveyance | 354,972,730 | 247,971,944 |
| Rent and establishment expenses <i>(lease rent Rs. 41,291,049; previous year Rs. 27,626,294)</i> | 531,005,188 | 318,535,716 |
| Telephone charges and postage | 153,180,476 | 104,048,863 |
| Legal and professional charges | 138,681,960 | 73,511,114 |
| Printing and stationery | 48,911,622 | 46,392,448 |
| Advertisement | 27,454,574 | 17,405,111 |
| Entertainment | 18,869,152 | 16,019,386 |
| Recruitment expenses | 60,464,924 | 55,458,013 |
| Repairs to building | 25,525,714 | 22,839,924 |
| Repairs to computers | 78,392,079 | 38,930,311 |
| General repairs and maintenance | 72,477,124 | 46,040,654 |
| Power and fuel | 129,440,848 | 80,335,962 |
| Equipment hire charges | 17,192,987 | 22,815,605 |
| Insurance charges | 34,193,729 | 33,058,519 |
| Rates and taxes | 52,573,207 | 14,815,026 |
| Auditors' remuneration | 1,141,828 | 1,201,500 |
| Provision for doubtful debts and advances | 65,101,799 | 36,150,584 |
| Bad debts | 41,215,443 | - |
| Less : Provision w/back | (41,215,443) | (11,299,672) |
| Commission charges | 14,806,668 | 12,955,142 |
| Books and periodicals | 8,784,069 | 7,392,951 |
| Directors fees | 460,000 | 260,000 |
| Loss on sale of fixed asset | 84,011 | - |
| Miscellaneous expenses | 29,159,656 | 34,909,224 |
| Amortisation of cost of long term projects | 2,703,145 | 17,874,871 |
| | 2,626,694,009 | 1,822,463,846 |
| SCHEDULE N | | |
| Interest paid on | | |
| Fixed loans | 14,075,775 | 12,554,843 |
| On others | 14,886,908 | 39,760,394 |
| Lease finance charges | 279,572 | 2,272,574 |
| | 29,242,255 | 54,587,812 |
| Less : Interest received | 8,293,085 | 1,570,235 |
| | 20,949,170 | 53,017,576 |

Larsen & Toubro Infotech Limited

Schedules forming part of Accounts

Schedule O

Significant Accounting Policies

1. Basis of accounting

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the Accounting Standards referred to in section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make estimates and assumptions that affect the income and expense reported for the period and assets and liabilities reported as of the date of the financial statements. Examples of such estimates include the useful lives of the fixed assets, provision for doubtful debts, future obligations in respect of retirement benefit plans, etc. Actual results could vary from these estimates.

2. Revenue recognition

Revenue earned from services provided on "time and material" basis is recognised based on software developed or time spent in person hours or person weeks and billed to customers as per the terms of specific contracts.

Revenue from services performed on "fixed-price" basis is recognised using the proportionate completion method. Unbilled revenue represents value of services performed in accordance with the contract terms but not billed.

3. Employee benefits

a) Short term employee benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences and performance incentives are recognized in the period in which the employee renders the related service.

b) Post-employment benefits

i) **Defined contribution plan:** The Company's superannuation fund and state governed provident fund scheme are classified as defined contribution plans. The contribution paid / payable under the schemes is recognized during the period in which the employee renders the related service.

- ii) Defined benefit plans: The provident fund scheme managed by trust, employee's gratuity fund scheme managed by LIC and post-retirement medical benefit scheme are the Company's defined benefit plans.

The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cashflows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on government bonds as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognized immediately in the profit and loss account. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

- (iii) Long term employee benefits

The obligation for long term employee benefits like long term compensation absences is recognized in the similar manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

4. Fixed assets

Tangible

Fixed assets are stated at cost less accumulated depreciation.

Intangible

Computer software developed in-house is capitalised at cost.

5. Leases

Finance Lease

Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value and the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Operating Lease

Assets acquired under lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit and loss account on accrual basis.

6. Depreciation

Tangible - Owned assets

Depreciation on all assets is calculated using straight line method at rates prescribed by schedule XIV to the Companies Act, 1956, except for the following:

- Plant and machinery 20%
- Computers 30%
- Servers 25%
- Furniture and fixtures 10%
- Office equipments 20%
- Motor cars 14.14%

Tangible - Leased assets

Assets acquired under finance leases are depreciated at the rates applicable to similar assets owned by the Company as there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term.

Intangible assets

The basis of amortisation of intangible assets is as follows:

- Leasehold land over the residual period of the lease
- Computer software 33.33%
- Business Rights over a period of five years

Depreciation / amortisation on additions / disposals are calculated pro-rata from / to the month of additions / disposals.

7. Borrowing cost

Borrowing cost that are attributable to the acquisition and construction of qualifying assets are capitalised as part of cost of such assets till such time as the asset is ready for its use. A qualifying asset is one that requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

8. Employee Stock Ownership Schemes

In respect of stock options granted pursuant to the Company's Stock Option Schemes, the excess of fair value of the share over the exercise price of the option is treated as discount and accounted as employee compensation cost over the vesting period.

9. Foreign currency transactions

Foreign currency transactions are initially recorded at the rates prevailing on the date of the transaction. At the balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Translation of foreign currency transaction of overseas branches is as under:

- revenue items at the average rate for the period;
- fixed assets and investments at the rates prevailing on the date of the transaction; and
- other assets and liabilities at year end rates.

Exchange difference on settlement / year end conversion is adjusted to profit and loss account.

Profit or loss on forward contracts is accounted over the period of the contract.

10. Income tax

Provision for income tax for the current year is based on the taxable profits for the year after considering tax exemptions / allowances.

Deferred tax is recognised on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11. Provisions, contingent liabilities and contingent assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a present obligation arising from a past event when it is not probable that an outflow of resources will be required to settle the obligation
- b) a possible obligation unless the probability of outflow of resources is remote

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

Notes forming part of Accounts

1. During the year, the Company issued 2,250,000 shares to the holding company at a price of Rs.530 per share. An amount of Rs.235.55 per share aggregating Rs.530,000,000 was called and received. This comprised of Rs.2.20 per share towards share capital and Rs.233.35 per share towards share premium, resulting in increase in share capital and share premium of Rs.4,950,000 and Rs.525,050,000 respectively.

2. Stock Option plans

a) Employee Stock Ownership Scheme ('ESOS Plan')

Under the Employee Stock Ownership Scheme (ESOS), 2,394,086 options are outstanding as at March 31, 2007. The grant of options to the employees under ESOS is on the basis of their performance and other eligibility criteria. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs 5/- each.

All vested options can be exercised on the First Exercise Date as may be determined by the Compensation Committee prior to date of IPO. The details of the grants under the aforesaid scheme are summarised below:-

| | ESOP Series | I, II & III | | IV - XIV | |
|---|--|-------------|---------|----------|---------|
| | | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| 1 | Grant Price (Rs.) | 25 | | 10 | |
| 2 | Options granted and outstanding at the beginning of the year | 391653 | 393182 | 1800558 | 1758471 |
| 3 | Options granted during the year | - | - | 258830 | 137550 |
| 4 | Options cancelled/ lapsed during the year | - | 1529 | 56955 | 95463 |
| 5 | Options exercised and shares allotted during the year | - | - | - | - |
| 6 | Options granted and outstanding at the end of the year | 391653 | 391653 | 2002433 | 1800558 |
| | of which - | | | | |
| | Options vested | 391653 | 391653 | 970917 | 970917 |
| | Options yet to vest | - | - | 1031516 | 829641 |

b) Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub - Plan')

During the year, the Company has instituted the Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan') for the employees and Directors of GDA Technologies, Inc (which became a wholly-owned subsidiary of the Company during the year). The grant of options to the employees under Sub-

Plan is on the basis of their performance and other eligibility criteria. The term of option shall be 5 years from the date of grant. The options are vested over a period of five years, subject to fulfilment of certain conditions specified in the respective Option agreement. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs 5/- each at an exercise price of USD 12 (equivalent to Rs 530) per share.

None of the options were due for vesting during the year.

- c) Employees Stock Options granted and outstanding as at the end of the year on unissued share capital represent 2,554,086 options (Previous year 2,192,211).
3. The secured loans from banks are secured against hypothecation of the Company's movable assets and accounts receivables.
4. Balances with non-scheduled banks held in:

| | Rs. | | | |
|--|--------------------------------|-------------------|-------------|-------------|
| | Max. amount outstanding during | | | |
| | 31.03.07 | 31.03.06 | 2006-07 | 2005-06 |
| Current account | | | | |
| ABN Amro Bank, Amsterdam | 6,169,984 | 3,124,729 | 11,282,293 | 10,418,581 |
| Bank of America, New Jersey | 1,675,173 | 2,140,167 | 181,731,962 | 7,089,888 |
| Citibank N.A., New Jersey (Collection) | 175,246,354 | 3,322,557 | 355,036,252 | 164,551,705 |
| Citibank N.A., New Jersey (Checking) | (80,405,271) | 10,895,946 | 37,473,210 | 210,322,049 |
| Citibank N.A., Paris | 8,244,372 | 5,323,759 | 34,985,836 | 30,193,624 |
| Citibank N.A., Singapore | 1,439,993 | 862,007 | 15,887,595 | 9,124,439 |
| Citibank, Philippines | 9,244,311 | - | 9,244,311 | - |
| HSBC, London (GBP) | 2,971,372 | 12,221,289 | 32,613,149 | 18,959,584 |
| HSBC, London (USD) | 1,055,567 | 18,083,316 | 37,171,847 | 55,343,291 |
| HSBC, London (EUR) | 2,450,701 | 4,888,839 | 16,878,030 | 13,767,140 |
| State Bank of India, Tokyo | 201,106 | 693,334 | 22,090,741 | 18,465,076 |
| Tokyo Mitshubishi Bank, Tokyo | 30,168,079 | 21,488,823 | 113,033,943 | 67,651,361 |
| Total | 158,461,741 | 83,044,766 | | |
| Deposit account | | | | |
| Citibank N.A., New Jersey | - | 7,677,272 | - | 7,677,272 |
| Total | 158,461,741 | 90,722,038 | | |

5. During the year, the Company acquired 100% stake in GDA Technologies Inc (GDA) which is a Company registered under the Laws of the State of California, USA, for a total consideration of USD 27 million. As per the Agreement and Plan of Merger ("the Agreement") dated December 12, 2006, Cambridge Merger Sub Inc.(Cambridge), a company promoted by the Company for the purpose of acquisition of GDA, was to reverse merge with GDA whereupon Cambridge ceased to exist and GDA remained as the continuing entity. As a result from the effective date, March 15, 2007, GDA and its two wholly owned subsidiaries have become subsidiaries of the Company. As per the terms of the Agreement, out of the total consideration of USD 27 million, USD 12 million has been paid during the year. The balance amount of USD 15 million is payable in 4 installments over the next 3 years, which is secured by a Stand-by Letter of Credit issued by Hongkong and Shanghai Banking Corporation Ltd. and is disclosed as deferred purchase consideration payable.

6. Employee benefits

a) The amounts recognised in balance sheet are as follows:

| | As at March 31, 2007 | | |
|---|-----------------------------|---|---|
| | Gratuity plan | Post retirement medical benefit plan | Self-managed provident fund plan |
| A | | | |
| a) Present value of defined benefit obligation as on March 31, 2007 | | | |
| - Wholly funded | 5,29,20,043 | - | 72,17,00,000 |
| - Wholly unfunded | - | 60,11,360 | - |
| | 5,29,20,043 | 60,11,360 | 72,17,00,000 |
| b) Fair value of plan assets as on March 31, 2007 | 4,29,23,226 | - | 73,37,00,000 |
| Amount to be recognised as liability or asset (a-b) | 99,96,817 | 60,11,360 | (1,20,00,000) ⁽¹⁾ |
| B Amounts reflected in the balance sheet | | | |
| Liabilities | 99,96,817 | 60,11,360 | 1,19,00,000 ⁽²⁾ |
| Assets | - | - | |
| Net (liability)/asset | 99,96,817 | 60,11,360 | _(1) |

(1) Asset is not recognised in balance sheet.

(2) Employer's and employee's contribution for March 2007 paid in April 2007.

b) The amounts recognised in profit and loss account are as follows:

| | | As at March 31, 2007 | | |
|---|--|----------------------|---|-------------------------------------|
| | | Gratuity plan | Post retirement medical benefit plan | Self-managed provident fund plan |
| 1 | Current service cost | 13,026,782 | 60,11,360 | 4,16,00,000 ⁽¹⁾ |
| 2 | Interest cost | 3,349,070 | - | 5,59,00,000 |
| 3 | Actual return on plan assets | (3,494,764) | - | (5,46,00,000) ⁽²⁾ |
| 4 | Actuarial Losses / (Gains) | 943,460 | - | (44,00,000) ⁽²⁾ |
| | Total Expense for the year | 13,824,548 | 60,11,360 | 4,16,00,000 |
| 5 | Total included in "staff expenses" (1 to 4) | 10,380,094 | 60,11,360 | 4,16,00,000 |

(1) Employer's contribution to provident fund

(2) The actual return on plan assets is higher than interest cost but no credit is taken to profit and loss on account of the difference.

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

| | Gratuity plan | Post retirement medical benefit plan | Self-managed provident fund plan |
|--|---------------|--|--|
| Opening balance of the present value of defined benefit obligation | 41,863,379 | - | 57,75,00,000 |
| Add: current service cost | 13,026,782 | 60,11,360 | - |
| Add: interest cost | 3,349,070 | - | 5,59,00,000 |
| Add: contribution by plan participants | - | - | - |
| i) Employer | - | - | 4,16,00,000 |
| ii) Employee | - | - | 10,39,00,000 |
| Add/(less): actuarial (gains)/losses | 943,460 | - | - |
| Less: Benefits paid | (6,262,648) | - | 5,72,00,000 |
| Closing balance of the present value of defined benefit obligation | 5,29,20,043 | 60,11,360 | 72,17,00,000 |

- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

| | FY 2006-07 | |
|--|---------------|----------------------------------|
| | Gratuity plan | Self-managed provident fund plan |
| Opening balance of the fair value of the plan assets | 3,73,96,589 | 58,68,00,000 |
| Add: expected return on plan assets | 3,494,764 | 5,46,00,000 |
| Add/(less): actuarial gains/(losses) | (943,460) | 44,00,000 |
| Add: Contribution by the employer | 82,94,521 | 4,16,00,000 |
| Add: Contribution by plan participants | | 10,36,00,000 |
| Less: benefits paid | (6,262,648) | (5,72,00,000) |
| Closing balance of the plan assets | 42,923,226 | 73,37,00,000 |

The Company expects to contribute Rs. 9,996,817 towards its gratuity plan and Rs. 4,41,00,000 towards its self managed provident fund plan during FY 2007-2008.

- e) The major categories of plan assets as a percentage of total plan assets are as follows:

| | FY 2006-07 | |
|--|---------------|----------------------------------|
| | Gratuity plan | Self-managed provident fund plan |
| Government of India securities | LIC Scheme | 20% |
| State government securities | | 13% |
| Corporate bonds | | 5% |
| Fixed deposits under Special Deposit Scheme framed by Central Government for provident funds | | 33% |
| Public sector bonds | | 29% |

- f) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

| | | 2006-2007 |
|---|--|---|
| 1 | Discount rate as at March 31 | |
| | For gratuity | 8% |
| | For post -retirement medical benefits. | 8.35% |
| 2 | Expected return on plan assets as at March 31 | 8% |
| 3 | Annual increase in healthcare costs (see note below) | 5% |
| 4 | Attrition rate : | Varies between 2% to 18% for various age groups |
| 5 | Salary growth rate | 4% |

The estimates of future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Although the obligation of the Company under the post-retirement medical benefit plan is limited to the overall ceiling limits, assumed healthcare cost trend rates may affect the amounts recognised in the statement of profit and loss. At present, healthcare costs, as indicated in the principal actuarial assumption given above, are expected to increase at 5% p.a. A one percentage point change in assumed healthcare cost trend rates would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation

| Particulars | Effect of | |
|---|-------------|-------------|
| | 1% increase | 1% decrease |
| Effect on the aggregate of the service cost and interest cost | 64,964 | (54,161) |
| Effect on defined benefit obligation | 313,242 | (264,942) |

- g) The amounts pertaining to defined benefit plans for the current year are as follows:

Post-retirement medical benefit plan (non-funded)

| | 2006-07 |
|----------------------------|-----------|
| Defined benefit obligation | 60,11,360 |

Gratuity Plan

| | 2006-07 |
|------------------------------|-------------|
| 1 Defined benefit obligation | 5,29,20,043 |
| 2 Plan assets | 4,29,23,226 |
| 3 Surplus/(deficit) | 99,96,817 |

Self-managed provident fund plan

| | 2006-07 |
|------------------------------|--------------|
| 1 Defined benefit obligation | 72,17,00,000 |
| 2 Plan assets | 73,37,00,000 |
| 3 Surplus/(deficit) | 1,20,00,000 |

General descriptions of defined benefit plans:

a) Gratuity plan

The Company makes contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lumpsum payment to employees at retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

b) Post-retirement medical benefit plan

The post-retirement medical benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling limit sanctioned at the time of retirement. The ceiling limits are based on cadre of the employee at the time of retirement.

c) Self-managed provident fund plan

The Company's provident fund plan is managed by its holding company through a Trust permitted under the Provident Fund Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

Previous year's figures and transitional adjustments

This being the first year of adoption of AS15 – Employee Benefits, figures for the previous year are not available.

Pursuant to the adoption, obligations of Rs. 309,224,660 (net of related deferred tax Rs. 1,160,089) have been adjusted against the opening balance of general reserve in accordance with the transitional provisions contained in AS15.

7. Expenditure in foreign currency:

| | Rs. | |
|--|----------------------|----------------------|
| | 2006-07 | 2005-06 |
| Overseas staff costs | 4,181,115,841 | 2,212,679,637 |
| Foreign travel | 82,072,114 | 66,813,075 |
| Agency commission | 15,209,831 | 13,123,456 |
| Interest | 2,497,477 | 6,597,003 |
| Others (includes overseas office expenses) | 1,997,995,042 | 1,190,366,794 |
| Total | 6,278,890,305 | 3,489,579,965 |

8. Earnings in foreign currency :

| | Rs. | |
|------------------|-----------------------|----------------------|
| | 2006-07 | 2005-06 |
| Software exports | 12,393,493,689 | 7,617,155,025 |
| Other income | 7,144,759 | 1,343,735 |
| Total | 12,400,638,448 | 7,618,498,760 |

9. The net exchange gain arising on foreign currency transactions amounting to Rs.35,342,606 (previous year loss of Rs. 4,829,186) has been accounted under respective revenue heads.

10. There are no forward contracts outstanding as on March 31, 2007.

11. Auditors' remuneration (excluding service tax) charged to the accounts include:

| | Rs. | |
|-----------------------|------------------|------------------|
| | 2006-07 | 2005-06 |
| Audit fees | 750,000 | 700,000 |
| Tax audit fees | 300,000 | 280,000 |
| Certification fees | 86,000 | 221,500 |
| Expense reimbursement | 5,828 | - |
| Total | 1,141,828 | 1,201,500 |

12. Value of imports on C.I.F. basis :

Rs.

| | 2006-07 | 2005-06 |
|---------------|--------------------|--------------------|
| Capital goods | 234,878,312 | 145,827,147 |
| Others | 7,420,945 | 14,848,948 |
| Total | 242,299,257 | 160,676,094 |

13. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for: Rs. 45,643,679 (previous year: Rs. 100,124,377)

14. The break-up of net deferred tax asset as at March 31, 2007 is as under:

Rs.

| | Deferred tax asset/(liability) as at March 31, 2006 | Current year (charge) / credit | Deferred tax asset/ (liability) as at March 31, 2007 |
|--|---|--------------------------------|--|
| Deferred tax liabilities | | | |
| • Depreciation / amortisation | (3,737,336) | 1,821,627 | (1,915,709) |
| • Others | 2,002 | 126,028 | 128,030 |
| • Total | (3,735,334) | 1,947,655 | (1,787,679) |
| Deferred tax asset | | | |
| • Provision for doubtful debts and Advances | 2,247,099 | 445,968 | 2,693,067 |
| • Provision for Employee benefits | - | 4,880,764 | 4,880,764 |
| • Total | 2,247,099 | 5,326,732 | 7,573,831 |
| Net deferred tax (liability) /asset | (1,488,235) | 7,274,386 | 5,786,151 |
| Charged/ (Credited) to Profit and Loss Account | | 6,114,297 | |
| Charged/ (Credited) to General Reserve Account | | 1,160,089 | |

15. "Provisions, Contingent Liabilities and Contingent Assets" as per Accounting Standard 29

Movement in provisions:

| Sr. No. | Particulars of Disclosure | Class of Provisions | | |
|---------|--------------------------------------|---------------------|-----------|------------|
| | | Sales Tax | Others | Total |
| 1 | Balance as at 1-4-2006 | 4,000,000 | - | 4,000,000 |
| 2 | Additional Provision During the year | - | 6,700,000 | 6,700,000 |
| 3 | Provision used during the year | - | - | - |
| 4 | Provision reversed during the year | - | - | - |
| 5 | Balance as at 31-3-2007 | 4,000,000 | 6,700,000 | 10,700,000 |

Nature of provisions:

- i) Provision for sales tax pertains to claim made by the authorities on certain transaction of capital nature for the year 2002-03.
- ii) Provision for others represents liabilities relating to matters in dispute.

16. Leases

Finance leases

In accordance with Accounting Standard 19 "Leases" issued by the Institute of Chartered Accountants of India, the assets acquired under finance leases on or after April 1, 2001 are capitalised and a loan liability is recognised for an equivalent amount. Consequently depreciation is provided on such leases. Lease rentals paid are allocated to the liability and the interest charged to profit and loss account.

Assets acquired on finance lease comprise of servers. The minimum lease rentals and their present value as at March 31, 2007 in respect of assets acquired under finance lease are as follows:

| | Rs. | |
|---|------------------|-------------------|
| | As at 31-3-2007 | As at 31-3-2006 |
| Minimum lease payments | | |
| - Payable not later than 1 year | 3,761,866 | 5,577,652 |
| - Payable after 1 year but not later than 5 years | 2,098,153 | 5,860,017 |
| - Total | 5,860,019 | 11,437,669 |
| Less : future finance charges | 1,329,024 | 1,622,372 |
| | 4,530,995 | 9,815,297 |
| Present value of minimum lease payments | | |
| - Payable not later than 1 year | 2,459,826 | 4,608,443 |
| - Payable after 1 year but not later than 5 years | 2,071,169 | 5,206,854 |
| - Total | 4,530,995 | 9,815,297 |

Operating leases

The Company has taken employee used cars under non-cancellable operating leases. The rental expense in respect of operating leases was 41,274,638 (Rs. 27,626,294) and the future rentals payable are as follows:

| | Rs. | |
|---|--------------------|--------------------|
| Minimum lease payments | As at 31-3-2007 | As at 31-3-2006 |
| - Payable not later than 1 year | 40,694,484 | 38,975,397 |
| - Payable after 1 year but not later than 5 years | 85,942,451 | 93,613,687 |
| - Total | 126,636,935 | 132,589,084 |

17. Basic and Diluted Earnings per share (EPS)

Basic

| | Rs. | |
|---|---------------|--------------|
| | 2006-07 | 2005-06 |
| Profit after tax as per accounts | 1,511,320,895 | 701,815,615 |
| Weighted average number of shares outstanding | 30,010,849 | 30,000,000 |
| Basic EPS (Rs.) | 50.36 | 23.39 |

Diluted

| | Rs. | |
|--|---------------|--------------|
| | 2006-07 | 2005-06 |
| Profit after tax as per accounts | 1,511,320,895 | 701,815,615 |
| Weighted average number of shares outstanding | 30,010,849 | 30,000,000 |
| Add: Weighted average number of potential equity shares on account of employee options | 197,467 | 46,524 |
| Weighted average number of shares outstanding | 30,208,316 | 30,046,524 |
| Basic EPS (Rs.) | 50.03 | 23.36 |

18. Related party disclosure:

The related parties with whom the Company had transactions during the year are:

| Name | Relationship |
|---|-------------------------|
| Larsen & Toubro Limited | Holding company |
| Larsen & Toubro Infotech GmbH | Wholly owned subsidiary |
| Larsen & Toubro Information Technology Canada Limited | Wholly owned subsidiary |
| GDA Technologies Limited | Wholly owned subsidiary |
| Tractor Engineers Limited | Fellow subsidiary |
| L&T Finance Limited | Fellow subsidiary |
| HPL Cogeneration Limited | Fellow subsidiary |
| L&T Infocity Limited | Fellow subsidiary |

A summary of transactions with related parties is given below: Rs.

| Transaction | Holding Co. | Subsidiaries | Fellow Subsidiaries |
|---|--------------------------------|------------------------------|---------------------------|
| • Sale of services / products | 161,887,215 (112,588,323) | 170,930,814 (126,389,086) | 3,608,750 (2,807,500) |
| • Purchase of goods and assets/ lease of assets | - (13,818,586) | - | - (3,618,921) |
| • Sale of assets | - (16,022,420) | - | - |
| • Purchase of services | 1,192,184,795 (544,680,202) | 43,886,736 (30,081,021) | - |
| • Overheads charged by | 357,236,410 (123,450,280) | - | 7,672,032 (6,863,145) |
| • Overheads charged to | 19,609,745 (26,112,985) | 36,973,702 | 5,481,204 (4,342,220) |
| • Lease rent paid | - | - | 47,602,789 35,603,131 |
| • Interest / Dividend paid | 150,204,316 (150,473,558) | - | 1,017,691 (1,064,342) |
| • Unsecured loan taken | - (55,000,000) | - | - |
| • Trade receivable | - | 112,361,529 (16,366,453) | 14,512,535 (1,631,433) |
| • Trade payable | 337,182,126 (382,710,924) | - | - |

Figures in brackets pertain to the previous year

No amounts were written off / provided or written back in respect of related parties during the year.

19. Segmental reporting

Segmental reporting of revenues for the Company is on the basis of the geographical location of the customers and is as under:

| | | | | | | Rs. |
|---------|-----------------|-----------------|---------------|---------------|-------------------|-----------------|
| | North America | Europe | Asia Pacific | India | Rest of the World | Total |
| Revenue | 9,295,477,483 | 1,780,981,314 | 1,191,903,929 | 387,338,653 | 125,130,964 | 12,780,832,342 |
| | (5,341,376,202) | (1,308,808,937) | (882,187,214) | (316,602,371) | (84,782,673) | (7,933,757,397) |

Fixed assets used and liabilities contracted for performing the Company's business have not been identified to any of the above reported segments as the fixed assets and services are used interchangeably among segments.

20. Cost incurred for long term projects mainly comprise of legal and employee related costs to secure long term projects. These costs are amortised over a period of two years commencing from the date of securing the project.
21. Based on the information and records available, there are no amounts payable to small scale industries and to micro, small and medium enterprises beyond 30 days as at March 31, 2007.
22. The Company is mainly engaged in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under paragraphs 3 and 4c of part II of schedule VI to the Companies Act, 1956.
23. Previous year's figures have been regrouped / reclassified wherever necessary.

24. Balance Sheet abstract and Company's general business profile

I Registration Details

Registration No.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 0 | 4 | 6 | 9 | 3 |
|---|---|---|---|---|---|---|---|

 Status Code

| | |
|---|---|
| 1 | 1 |
|---|---|

Balance Sheet Date

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 0 | 3 |
|---|---|

| | |
|---|---|
| 0 | 7 |
|---|---|

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

Public Issue @

| | | | | | | | | |
|--|--|--|--|--|--|---|---|---|
| | | | | | | N | I | L |
|--|--|--|--|--|--|---|---|---|

 Rights Issue

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 4 | 9 | 5 | 0 |
|--|--|--|--|---|---|---|---|

Bonus Issue

| | | | | | | | | |
|--|--|--|--|--|--|---|---|---|
| | | | | | | N | I | L |
|--|--|--|--|--|--|---|---|---|

 Private Placement

| | | | | | | | | |
|--|--|--|--|--|--|---|---|---|
| | | | | | | N | I | L |
|--|--|--|--|--|--|---|---|---|

III Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 4 | 8 | 6 | 1 | 1 | 0 | 3 |
|--|---|---|---|---|---|---|---|

 Total Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 4 | 8 | 6 | 1 | 1 | 0 | 3 |
|--|---|---|---|---|---|---|---|

Sources of Funds

Paid-up Capital

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 1 | 5 | 4 | 9 | 5 | 0 |
|--|--|---|---|---|---|---|---|

 Reserves & Surplus

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 3 | 1 | 7 | 3 | 1 | 8 | 0 |
|--|---|---|---|---|---|---|---|

Secured Loans

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 8 | 7 | 6 | 3 | 9 | 2 |
|--|--|---|---|---|---|---|---|

 Unsecured Loans

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 4 | 5 | 3 | 1 |
|--|--|--|--|---|---|---|---|

Deferred Purchase Consideration Payable

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 6 | 5 | 2 | 0 | 5 | 0 |
|--|--|---|---|---|---|---|---|

Application of Funds

Net Fixed Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 1 | 3 | 7 | 4 | 9 | 2 | 0 |
|--|---|---|---|---|---|---|---|

 Investments

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 1 | 2 | 2 | 7 | 2 | 6 | 3 |
|--|---|---|---|---|---|---|---|

Net Current Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 2 | 2 | 5 | 3 | 1 | 3 | 4 |
|--|---|---|---|---|---|---|---|

 Misc. Expenditure

| | | | | | | | | |
|--|--|--|--|--|--|---|---|---|
| | | | | | | N | I | L |
|--|--|--|--|--|--|---|---|---|

Deferred Tax

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 5 | 7 | 8 | 6 |
|--|--|--|--|---|---|---|---|

IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 8 | 0 | 6 | 2 | 9 | 2 |
|---|---|---|---|---|---|---|---|

 Total Expenditure

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 0 | 1 | 1 | 5 | 4 |
|---|---|---|---|---|---|---|---|

| | | | | | |
|-------------------------------------|--------------------------|--|-------------------------------------|--------------------------|--|
| + | - | Profit Before Tax | + | - | Profit After Tax |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> 1 <input type="checkbox"/> 7 <input type="checkbox"/> 0 <input type="checkbox"/> 5 <input type="checkbox"/> 1 <input type="checkbox"/> 3 <input type="checkbox"/> 8 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> 1 <input type="checkbox"/> 5 <input type="checkbox"/> 1 <input type="checkbox"/> 1 <input type="checkbox"/> 3 <input type="checkbox"/> 2 <input type="checkbox"/> 0 |

Please tick Appropriate box + for Profit, - for

Loss

| | | |
|---|--|--|
| | Earnings Per Share (Rs) | Dividend Rate % |
| <input type="checkbox"/> <input type="checkbox"/> | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> 5 <input type="checkbox"/> 0 <input type="checkbox"/> . <input type="checkbox"/> 3 <input type="checkbox"/> 6 | <input type="checkbox"/> 1 <input type="checkbox"/> 0 <input type="checkbox"/> 0 |

V Generic Names of Principal Products/Services of the Company
(as per monetary items)

Item Code No.
(ITC Code) N A

Product Description SOFTWARE DEVELOPMENT

As per our report attached
SHARP & TANNAN
Chartered Accountants
By the hand of

For and on behalf of the Board

V K MAGAPU
Director / Manager

R D KARE
Partner

S S PRABHUDESAI
Company Secretary

Y M DEOSTHALEE
Director

Membership No. 8820
Place : Mumbai
Date : May 25, 2007

Place : Mumbai
Date : May 25, 2007

Larsen & Toubro Infotech Limited

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies:

| Name of the subsidiary company: | Larsen & Toubro Infotech GmbH | Larsen & Toubro Information Technology Canada Ltd | GDA Technologies Ltd., India | GDA Systems Pvt. Ltd., Coimbatore | GDA Technologies, Inc |
|--|--------------------------------------|---|------------------------------|-----------------------------------|--------------------------------|
| Financial year of the subsidiary company ended on: | 31/3/2007 | 31/3/2007 | 31/3/2007 | 31/3/2007 | 31/12/2006 |
| Number of Shares in the subsidiary company held by Larsen & Toubro Infotech Limited at the above date | 1 | 100 | 168,197 | 10,027 | 0 |
| The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Infotech Limited : | Rupees | Rupees | Rupees | Rupees | Rupees |
| (i) Dealt with in the accounts of Larsen & Toubro Infotech Limited amounted to: | | | | | |
| (a) for the subsidiary's financial year ended March 31, 2007 & December 31 2006 | Nil | Nil | Nil | Nil | Nil |
| (b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Infotech Limited | Euro 600,000 | Nil | Not Applicable | Not Applicable | Not Applicable |
| (ii) Not dealt with in the accounts of Larsen & Toubro Infotech Limited amounted to: | | | | | |
| (a) for the subsidiary's financial year ended March 31, 2007 & December 31 2006 | 3,880,407 | 3,704,558 | 5,073,874 | 758 | Nil |
| (b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Infotech Limited. | 31,667,807 | (3,982,662) | Nil | Nil | Nil |
| Changes in the interest of Larsen & Toubro Infotech Limited between the end of the subsidiary's financial year and 31st March 2007 | | | | | |
| Number of shares acquired | Nil | Nil | Nil | Nil | 10 |
| Material changes between the end of the subsidiary's financial year and 31st March, 2007 in respect of Subsidiary's:- | Not applicable | Not applicable | Not applicable | Not applicable | |
| i) Fixed Assets | | | | | Nil |
| ii) Investments | | | | | Nil |
| iii) Moneys lent | | | | | Nil |
| iv) Moneys borrowed for any purpose other than that of meeting current liabilities | | | | | Nil |
| | | | | | V K Magapu Director/Manager |
| | S S Prabhudesai Company Secretary | | | | Y M Deosthalee Director |
| | Place: Mumbai Date :May 25, 2007. | | | | |

LARSEN & TOUBRO INFOTECH GmbH

LARSEN & TOUBRO INFOTECH GmbH

DIRECTORS' REPORT

The Directors have pleasure in presenting the Eight Annual report and the audited accounts of the Company for the year ended March 31, 2007.

FINANCIAL RESULTS

| | <u>2006-07</u> | | <u>2005-06</u> | |
|-------------------|----------------|-------------|----------------|-------------|
| | Euro | Rupees | Euro | Rupees |
| Total Income | 4,385,621 | 255,426,154 | 4,602,922 | 248,331,404 |
| Profit before tax | 76,559 | 5,629,832 | 147,024 | 5,983,816 |
| Taxes | 30,178 | 1,749,425 | 76,366 | 4,119,959 |
| Profit after tax | 46,381 | 3,880,407 | 70,658 | 1,863,856 |

REVIEW OF OPERATIONS

Larsen & Toubro Infotech GmbH recorded revenues of Euro 4.386 million in the year 2006-07 as compared to Euro 4.603 million in the previous year. During the year, the Company has taken steps to increase its sales coverage. It has been able to secure a few clients with strong potential and the same is expected to reflect in improved performance in the coming years.

The profit before tax for the year was Euro 0.08 million as compared to Euro 0.15 million. The lower profit is attributed to the investment in sales and marketing.

DIVIDEND

In order to conserve the resources for future business growth, the Directors do not recommend dividend for the current year.

DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors 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 as at March 31, 2007;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s Sharp & Tannan, the Auditors of the Company for the financial statements under Indian GAAP, have indicated their willingness and are eligible for reappointment.

For and on behalf of the Board,

KARAN SINGH

SUNIL SAPRE

Director

Director

Place : Leipzig

Date : May 25, 2007

Larsen & Toubro Infotech GmbH

Auditors' opinion:

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of Larsen & Toubro Infotech GmbH, Leipzig. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law (and supplementary provisions of the shareholder agreement) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the institute der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Munich, April 25, 2007

Pöhner
Wirtschaftsprüfer

von Leben
vereidigter Buchprüfer

AUDITORS' REPORT TO THE MEMBERS OF LARSEN & TOUBRO INFOTECH GMBH

The financial statements of Larsen & Toubro Infotech GmbH for the year ended March 31, 2007, being a company registered in Germany, are audited by Günther Pöhner and Christoph von Loeben and we have been furnished with their audit report dated April 25, 2007.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached balance sheet of Larsen & Toubro Infotech GmbH as at March 31, 2007 and the annexed profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with the provisions of section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to 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, 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, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
- (e) as regards reporting on the disqualification of directors under section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Germany, no reporting is required to be made under the said section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule P and notes appearing 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:

- 1 in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
- 2 in the case of the profit and loss account, of the profit for the year ended on that date; and
- 3 in the case of the cash flow statement, of the cash flows for the year ended on that date.

Sharp & Tannan
Chartered Accountants
By the hand of

R.D.Kare
Partner
(Membership no. 8820)

Place : Mumbai.
Date : May 25, 2007.

Annexure to the Auditors' Report

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed asset.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) Fixed assets disposed of during the year are not substantial in relation to the Company and do not affect the going concern.
- 2 The Company has no inventories and hence reporting under paragraphs 4(ii) (a), (b) and (c) is not applicable.
- 3 There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in Germany.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in Germany and accordingly, maintenance of records under section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted deposits from the public.
- 7 We are of the opinion that the Company has an internal audit system commensurate with the size and the nature of its business.
- 8 Cost records are not required to be maintained under section 209(1)(d) of the Companies Act, 1956 by the Company.
- 9 The Company being registered in Germany has no statutory liabilities in India and accordingly reporting for paragraphs 4 (ix) (a) and (b) is not required.
- 10 The Company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date.
- 11 According to the information and explanations given by management, the Company has neither borrowed from a bank or financial institution nor has it issued any debentures.

- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not availed any term loans during the year.
- 17 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.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
By the hand of

R D KARE
Partner
Membership No. 8820

Place : Mumbai
Date : May 25, 2007.

| Larsen & Toubro Infotech GmbH | | | | | |
|--|-----------------|-------------------------|-------------------|--------------------------------|-------------------|
| BALANCE SHEET AS AT 31ST MARCH, 2007 | | | | | |
| | | As at 31-03-2007 | | As at 31-03-2006 | |
| | Schedule | EUROS | RUPEES | EUROS | RUPEES |
| SOURCES OF FUNDS | | | | | |
| SHAREHOLDERS' FUNDS | | | | | |
| Share Capital | A | 25,000 | 1,140,650 | 25,000 | 1,140,650 |
| Reserves and Surplus | B | 610,621 | 35,548,214 | 564,240 | 31,667,807 |
| | | 635,621 | 36,688,864 | 589,240 | 32,808,457 |
| LOAN FUNDS | | | | | |
| Unsecured loans | C | 110,000 | 6,365,700 | 110,000 | 4,880,000 |
| | | 110,000 | 6,365,700 | 110,000 | 4,880,000 |
| TOTAL | | 745,621 | 43,054,564 | 699,240 | 37,688,457 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | D | 30,478 | 1,486,214 | 26,167 | 1,236,305 |
| Less: Depreciation | | 24,734 | 1,248,427 | 20,824 | 1,021,764 |
| Net Block | | 5,744 | 237,787 | 5,343 | 214,541 |
| Investments | | | | | |
| Pan Health, U.S.A. | E | 1 | 53 | 1 | 53 |
| | | 1 | 53 | 1 | 53 |
| Current assets, loans and advances | | | | | |
| Sundry debtors | F | 1,389,445 | 80,407,250 | 1,156,544 | 62,459,150 |
| Cash and bank balances | G | 237,721 | 13,756,938 | 222,697 | 12,026,738 |
| Loans and advances | H | 195,752 | 11,328,160 | 105,750 | 5,711,044 |
| | | 1,822,918 | 105,492,348 | 1,484,991 | 80,196,932 |
| Less: Current liabilities and provisions | | | | | |
| Liabilities | I | 912,128 | 52,784,831 | 540,208 | 29,173,916 |
| Provisions | J | 170,914 | 9,890,793 | 250,887 | 13,549,152 |
| | | 1,083,042 | 62,675,624 | 791,095 | 42,723,068 |
| Net current assets | | 739,876 | 42,816,724 | 693,896 | 37,473,864 |
| TOTAL | | 745,621 | 43,054,564 | 699,240 | 37,688,457 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | | | | | |
| As per our report attached | | | | | |
| SHARP & TANNAN | | | | For and on behalf of the Board | |
| Chartered Accountants | | | | | |
| by the hand of | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| R D KARE | | | | Karan Singh | Sunil Sapre |
| Partner | | | | Director | Director |
| Membership No. 8820 | | | | Place : Leipzig | |
| Mumbai | | | | Date : May 25, 2007 | |
| Date : May 25, 2007 | | | | | |

| Larsen & Toubro Infotech GmbH | | | | | |
|--|----------|------------------|--------------------------------|------------------|--------------------|
| PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 | | | | | |
| | | 2006-2007 | | 2005-2006 | |
| | Schedule | EUROS | RUPEES | EUROS | RUPEES |
| INCOME | | | | | |
| Software development services and products | | | | | |
| Overseas | | 257,299 | 14,915,615 | 285,760 | 15,416,747 |
| Domestic | | 4,067,488 | 235,792,279 | 4,254,609 | 229,536,180 |
| Other income | K | 55,907 | 4,432,642 | 57,429 | 3,098,315 |
| | | 4,380,694 | 255,140,536 | 4,597,799 | 248,051,242 |
| EXPENDITURE | | | | | |
| Software development expenses | L | 3,984,640 | 230,989,552 | 3,986,619 | 214,490,638 |
| Sales, administration and other expenses | M | 305,356 | 17,701,470 | 453,310 | 26,991,690 |
| | | 4,289,996 | 248,691,022 | 4,439,930 | 241,482,327 |
| Operating profit (PBIDT) | | 90,698 | 6,449,514 | 157,869 | 6,568,916 |
| Interest (net) | N | 9,228 | 534,972 | 7,227 | 389,885 |
| Depreciation on tangible assets | | 4,911 | 284,710 | 3,618 | 195,215 |
| Profit before tax | | 76,559 | 5,629,832 | 147,024 | 5,983,816 |
| Taxes on income | O | 30,178 | 1,749,425 | 76,366 | 4,119,959 |
| Profit after tax | | 46,381 | 3,880,407 | 70,657 | 1,863,856 |
| Add: Balance brought forward from previous year | | 564,240 | 31,667,807 | 493,583 | 29,803,951 |
| Profit available for appropriation | | 610,621 | 35,548,214 | 564,240 | 31,667,807 |
| Less: Transferred to General Reserve | | | | | |
| Profit available for distribution | | 610,621 | 35,548,214 | 564,240 | 31,667,807 |
| Dividend | | - | - | - | - |
| Balance carried to Balance Sheet | | 610,621 | 35,548,214 | 564,240 | 31,667,807 |
| Number of equity share | | | 1 | | 1 |
| Basic and diluted earnings per share (EPS) | | | 3,880,407 | | 1,863,856 |
| Face value per equity share (Euro) | | | 25,000 | | 25,000 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | P | | | | |
| As per our report attached | | | | | |
| SHARP & TANNAN | | | For and on behalf of the Board | | |
| Chartered Accountants | | | | | |
| by the hand of | | | | | |
| | | | | | |
| R D KARE | | | Karan Singh | | Sunil Sapre |
| Partner | | | Director | | Director |
| Membership No. 8820 | | | Place : Leipzig | | |
| Mumbai | | | Date: May 25, 2007 | | |
| Date : May 25, 2007 | | | | | |

| Larsen & Toubro Infotech GmbH | | | |
|--|--|--------------------------------|--------------------|
| CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 | | | |
| | | 2006-07 | 2005-06 |
| | | RUPEES | RUPEES |
| A | Cash flow from operating activities : | | |
| | Net profit before tax | 5,629,832 | 5,983,816 |
| | Adjustments for : | | |
| | Depreciation and ammortisation | 284,710 | 195,215 |
| | Interest paid (net) | 249,354 | 389,884 |
| | Unrealised foreign exchange difference on translation | 206,876 | - |
| | Operating profit before working capital changes | 6,370,772 | 6,568,915 |
| | Changes in working capital | | |
| | (Increase)/decrease in trade receivables | (17,948,100) | 17,108,479 |
| | (Increase)/decrease in other receivables | 140,749 | 51,476,017 |
| | Increase/(decrease) in trade payables | 24,385,642 | (75,530,564) |
| | (Increase)/decrease in working capital | 6,578,291 | (6,946,068) |
| | Cash generated from operations | 12,949,063 | (377,154) |
| | Less : Direct taxes paid | (11,277,465) | (428,831) |
| | Net cash from operating activities | 1,671,598 | (805,985) |
| B | Cash flow from investing activities : | | |
| | Purchase of fixed assets | 307,956 | (183,454) |
| | Interest received | 285,618 | 280,162 |
| | Net cash from investing activities | 593,574 | 96,709 |
| C | Cash flow from financing activities : | | |
| | Financial expenses | (534,972) | (670,047) |
| | Net cash from financing activities | (534,972) | (670,047) |
| | Net (decrease)/increase in cash and cash equivalents (A+B+C) | 1,730,200 | (1,379,323) |
| | Cash and cash equivalents at the beginning of the year | 12,026,738 | 13,406,061 |
| | Cash and cash equivalents at the end of the year | 13,756,938 | 12,026,738 |
| Notes: | | | |
| 1 | Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued by the Institute of Chartered Accountants of India. | | |
| 2 | Previous year's figures have been regrouped /reclassified wherever applicable | | |
| As per our report attached | | | |
| SHARP & TANNAN | | For and on behalf of the Board | |
| Chartered Accountants | | | |
| by the hand of | | | |
| | | | |
| R D KARE | | Karan Singh | Sunil Sapre |
| Partner | | Director | Director |
| Membership No. 8820 | | | |
| Mumbai | | Place : Leipzig | |
| Date: May 25, 2007 | | Date: May 25, 2007 | |

| Larsen & Toubro Infotech GmbH | | | | |
|---|------------------|-------------------|------------------|-------------------|
| Schedules forming part of accounts | | | | |
| | As at 31-03-2007 | | As at 31-03-2006 | |
| | EUROS | RUPEES | EUROS | RUPEES |
| SCHEDULE A | | | | |
| Share Capital | | | | |
| Authorised: 1 equity share of EUR 25,000 each | 25,000 | 1,140,650 | 25,000 | 1,140,650 |
| <i>Issued and Subscribed</i> | | | | |
| 1 Equity Share of Eur 25,000 each | 25,000 | 1,140,650 | 25,000 | 1,140,650 |
| <i>Paid up</i> | | | | |
| 1 Equity Share of Eur 25,000 each | 25,000 | 1,140,650 | 25,000 | 1,140,650 |
| <i>Called up</i> | | | | |
| 1 Equity Share of Eur 25,000 each | | | | |
| All the above Equity shares are held by Larsen & Toubro Infotech Ltd. | 25,000 | 1,140,650 | 25,000 | 1,140,650 |
| | 25,000 | 1,140,650 | 25,000 | 1,140,650 |
| SCHEDULE B | | | | |
| Reserves and surplus | | | | |
| Profit & Loss Account | 610,621 | 35,548,214 | 564,240 | 31,667,807 |
| | 610,621 | 35,548,214 | 564,240 | 31,667,807 |
| SCHEDULE C | | | | |
| Unsecured Loans | | | | |
| Loan from Larsen & Toubro Infotech Limited, the holding company | 110,000 | 6,365,700 | 110,000 | 4,880,000 |
| | 110,000 | 6,365,700 | 110,000 | 4,880,000 |
| SCHEDULE E | | | | |
| Investments (at cost, unquoted) | | | | |
| 100000 fully paid Equity Shares of USD 1 each in Pan Health, U.S.A. | 1 | 53 | 1 | 53 |
| | 1 | 53 | 1 | 53 |
| SCHEDULE F | | | | |
| Sundry Debtors | | | | |
| Debts outstanding for a period exceeding six months | | | | |
| Considered good | 161,850 | 9,366,274 | - | - |
| Considered doubtful | 14,692 | 850,212 | - | - |
| | 176,542 | 10,216,486 | - | - |
| Other Debts | | | | |
| Considered good | 1,227,595 | 71,040,976 | 1,156,544 | 62,459,159 |
| Considered doubtful | - | - | 10,054 | 542,966 |
| | 1,404,137 | 81,257,462 | 1,166,598 | 63,002,116 |
| Less: Provision for doubtful debts | 14,692 | 850,212 | 10,054 | 542,966 |
| | 1,389,445 | 80,407,250 | 1,156,544 | 62,459,150 |
| SCHEDULE G | | | | |
| Cash and Bank balances | | | | |
| Cash on hand | - | - | - | - |
| Bank balances with other banks | 237,721 | 13,756,938 | 222,697 | 12,026,738 |
| | 237,721 | 13,756,938 | 222,697 | 12,026,738 |
| SCHEDULE H | | | | |
| Loans and Advances | | | | |
| Unsecured, considered good | | | | |
| Deposits for premises | 6,951 | 402,247 | 3,963 | 214,027 |
| Advances recoverable in cash or in kind | 13,702 | 792,913 | 20,774 | 1,121,882 |
| Advance Taxes | 175,099 | 10,133,000 | 81,014 | 4,375,135 |
| | 195,752 | 11,328,160 | 105,750 | 5,711,044 |

SCHEDULE D

FIXED ASSETS

| Assets | Currency | Gross Block | | | | Depreciation | | | | Net Block |
|-----------------------|----------|-------------------|------------------------------|-----------|-------------------|-------------------|--------------|-------------|-------------------|-------------------|
| | | As on 01-04-06 | Additions during the year | Disposals | As on 31-03-07 | As on 01-04-06 | For the year | On disposal | As on 31-03-07 | As on 31-03-07 |
| Computer Equipment | RUPEES | 1,236,305 | 307,956 | 58,047 | 1,486,214 | 1,021,764 | 284,710 | 58,047 | 1,248,427 | 237,787 |
| | EUROS | 26,167 | 5,312 | 1,001 | 30,478 | 20,824 | 4,911 | 1,001 | 24,734 | 5,744 |
| Previous year | RUPEES | 1,052,851 | 183,454 | - | 1,236,305 | 826,549 | 195,215 | | 1,021,764 | 214,541 |
| | EUROS | 22,766 | 3,400 | - | 26,167 | 17,205 | 3,618 | | 20,824 | 5,343 |

| Larsen & Toubro Infotech GmbH | | | | |
|---|------------------|------------|------------------|------------|
| Schedules forming part of accounts | | | | |
| | As at 31-03-2007 | | As at 31-03-2006 | |
| | EUROS | RUPEES | EUROS | RUPEES |
| SCHEDULE I | | | | |
| Liabilities | | | | |
| Due to related parties | 785,101 | 45,433,805 | 250,725 | 13,540,403 |
| VAT payable | 18,236 | 1,055,309 | 97,413 | 5,260,811 |
| Due to employees | 24,466 | 1,415,868 | 15,238 | 822,906 |
| Sundry creditors | 15,661 | 906,315 | 66,679 | 3,601,010 |
| Others | 53,235 | 3,080,733 | 101,683 | 5,491,404 |
| Interest accrued but not due on loans | 15,428 | 892,801 | 8,469 | 457,383 |
| | 912,128 | 52,784,831 | 540,208 | 29,173,916 |
| SCHEDULE J | | | | |
| Provisions | | | | |
| Provision for municipal trade tax | 151,514 | 8,768,115 | 148,012 | 7,993,388 |
| Provision for corporate income tax | 18,300 | 1,059,021 | 85,800 | 4,633,629 |
| Provision for solidarity surcharge tax | 1,100 | 63,657 | 4,800 | 259,224 |
| | 170,914 | 9,890,793 | 238,612 | 12,886,241 |
| Accidental insurance for employees (Berufsgenossenschaft) | - | - | 12,275 | 662,911 |
| | 170,914 | 9,890,793 | 250,887 | 13,549,152 |

| Larsen & Toubro Infotech GmbH | | | | |
|---|------------------|--------------------|------------------|--------------------|
| Schedules forming part of accounts | | | | |
| | 2006-2007 | | 2005-2006 | |
| | EUROS | RUPEES | EUROS | RUPEES |
| SCHEDULE K | | | | |
| Other Income | | | | |
| Other Income | 47,646 | 2,762,024 | 56,900 | 3,069,776 |
| Insurance reimbursement | - | - | 529 | 28,540 |
| Currency exchange income | 8,261 | 478,890 | - | - |
| Exchange difference on translation | - | 1,191,728 | - | - |
| | 55,907 | 4,432,642 | 57,429 | 3,098,315 |
| SCHEDULE L | | | | |
| Software development services and products | | | | |
| Salaries including overseas staff expenses | 1,271,292 | 73,696,775 | 1,285,472 | 69,351,218 |
| Staff welfare | 149,633 | 8,674,214 | 151,942 | 8,197,280 |
| Consumables | 15,481 | 897,425 | - | - |
| Software development services | 2,548,234 | 147,721,138 | 2,549,205 | 136,942,139 |
| | 3,984,640 | 230,989,552 | 3,986,619 | 214,490,638 |
| SCHEDULE M | | | | |
| Sales, administration and other expenses | | | | |
| Travelling charges and conveyance | 38,700 | 2,243,412 | 39,363 | 2,123,640 |
| Car expenditures | 17,396 | 1,008,470 | 13,507 | 728,708 |
| Rent, Rates & Taxes | 27,193 | 1,576,398 | 29,477 | 1,590,257 |
| Telephone charges | 22,230 | 1,288,662 | 18,881 | 1,018,609 |
| Legal and professional charges | 87,761 | 5,087,503 | 86,389 | 4,660,665 |
| Printing and stationery | 1,124 | 65,144 | 3,143 | 169,561 |
| Advertisement & Exhibitions | 29,591 | 1,715,390 | 53,469 | 2,884,642 |
| Gifts | 419 | 24,279 | 558 | 30,091 |
| Repairs to computer | 527 | 30,572 | - | - |
| General repairs and maintenance | 138 | 7,993 | 527 | 28,451 |
| Power and fuel | - | - | 549 | 29,603 |
| Establishment expenses | - | - | 133 | 7,198 |
| Insurance charges | 19,855 | 1,151,013 | 55,170 | 2,976,421 |
| Auditor's remuneration | 9,000 | 521,730 | 8,750 | 472,063 |
| Provision for doubtful debts | 4,638 | 268,872 | - | - |
| Bad Debts | 39,032 | 2,262,668 | 28,332 | 1,528,518 |
| Books and periodicals | 186 | 10,777 | 19 | 1,008 |
| Entertainment | 3,841 | 222,655 | 3,951 | 213,152 |
| Bank charges | 3,687 | 213,739 | 3,944 | 212,779 |
| Currency exchange difference | - | - | 25,413 | 1,371,031 |
| Exchange difference on translation | - | - | - | 2,535,598 |
| Stamps and courier | - | - | 2,732 | 147,383 |
| Education and training | - | - | 4,400 | 237,380 |
| Municipal trade tax | - | - | 66,878 | 3,608,089 |
| Miscellaneous expenses | 38 | 2,193 | 7,726 | 416,842 |
| | 305,356 | 17,701,470 | 453,310 | 26,991,690 |
| SCHEDULE N | | | | |
| Interest | | | | |
| Interest received | 4,927 | 285,618 | 5,193 | 280,162 |
| Interest paid | 14,155 | 820,590 | 12,420 | 670,047 |
| Net interest paid | 9,228 | 534,972 | 7,227 | 389,885 |
| SCHEDULE O | | | | |
| Taxes | | | | |
| Corporate income tax | 28,598 | 1,657,826 | 72,513 | 3,912,076 |
| Solidarity surcharge tax | 1,580 | 91,599 | 3,853 | 207,883 |
| | 30,178 | 1,749,425 | 76,366 | 4,119,959 |

Larsen & Toubro Infotech GmbH, Leipzig

Schedules forming part of the accounts

Schedule P

1. Legal Status

Larsen & Toubro Infotech GmbH is a company registered in Germany and is engaged in the business of software development services. It is wholly owned subsidiary of Larsen & Toubro Infotech Limited which is a company incorporated in India.

2. Significant Accounting Policies

a. Basis of preparation

The accounts have been prepared using the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the Accounting Standards referred to in section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make estimates and assumptions that affect the income and expense reported for the period and assets and liabilities reported as of the date of the financial statements. Actual results could vary from these estimates.

b. Revenue recognition

Revenue from software development is recognised based on software developed or time spent in person hours or person weeks and billed to the customer as per the terms of specific contracts.

c. Fixed assets and depreciation

Fixed Assets are stated at original cost less accumulated depreciation. Depreciation is calculated using the straight line method over the estimated useful lives of the assets. The rate of depreciation is 25% for computer equipment which is higher than the rates specified under schedule XIV of the Companies Act, 1956.

d. Foreign currency transactions

The accounts are translated in Indian Rupees as follows :

- Share capital is retained at the initial contribution amount
- Revenue transactions are translated at the average rates.

- Current assets and current liabilities are translated at rates prevailing on the date of balance sheet.
- The resultant differences are accounted as exchange difference in the Profit & Loss Account.

e. Taxes on income :-

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the law of income tax in Germany.

3. There are no contingent liabilities as on March 31, 2007. (Previous year NIL).

4. Related Parties

The related parties with whom the Company had transactions during the year are:

| Name | Relationship |
|----------------------------------|--------------------------|
| Larsen & Toubro Infotech Limited | Holding company |
| Larsen & Toubro Limited | Ultimate Holding company |

Transactions with related parties during the year :-

| | Larsen & Toubro Infotech Ltd. | Larsen & Toubro Ltd. |
|----------------------|--|-------------------------------------|
| Purchase of services | 128,925,396 (124,217,754) | 14,083,355 (5,522,185) |
| Sale of services | 43,886,736 (30,081,021) | - - |
| Account payable | 32,768,780 (13,540,403) | 12,665,025 (1,629,971) |

5 Balances with non-scheduled banks

| | As at 31.3.07 | As at 31.3.06 | Rs. Max. amount outstanding at any time during the year | |
|------------------------|----------------------|----------------------|--|----------------|
| | | | 2006-07 | 2005-06 |
| Current account | | | | |
| Deutsche Bank | 11,965,720 | 10,530,439 | 49,128,993 | 48,886,503 |
| Dresdner Bank | 1,791,218 | 1,496,299 | 1,850,770 | 1,738,624 |

6 The Company has not taken any asset on operating / finance lease.

7 Borrowing cost capitalised during the year : Rs. Nil

8. There are no transactions with small scale industries or micro small and medium enterprises during the year.
9. Auditor's remuneration charged to the accounts amounted to Rs. 521,730 during the year (*Rs. 472,063 in previous year*)
10. The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under Paragraphs 3, 4c of part II of Schedule VI to the Companies Act, 1956.

11. Segmental reporting

Segmental reporting of revenues for the Company is on the basis of the geographical location of the customers and is as under:

| | Germany | Rest of World | Rs. Total |
|---------|------------------------------|----------------------------|------------------------------|
| Revenue | 235,792,279 (229,536,180) | 14,915,615 (15,416,747) | 250,707,894 (244,952,927) |

Fixed assets used and liabilities contracted for performing the Company's business have not been identified to any of the above reported segments as the fixed assets and services are used interchangeably among segments.

12. The Company's employees are on deputation from the holding company except for minimal staff in Germany. The Company has no post employment benefit plans or other long term employee Benefits covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to profit and loss account in the period when the employee renders the service.
13. Deferred tax is not accounted for as temporary timing differences are not material.
14. The Company is considered an integral operation of Larsen & Toubro Infotech Limited (the holding company). In accordance with Accounting Standard – 11 (revised 2003) the exchange differences on translation are accounted in the profit and loss account.

15. Balance Sheet abstract and Company's general business profile

I Registration Details

Registration No.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| H | R | B | 1 | 5 | 9 | 5 | 8 |
|---|---|---|---|---|---|---|---|

State Code

| | |
|---|---|
| N | A |
|---|---|

Balance Sheet Date

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 0 | 3 |
|---|---|

| | |
|---|---|
| 0 | 7 |
|---|---|

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

Public Issue @

| | | | | | | | |
|--|--|---|---|---|--|--|--|
| | | N | I | L | | | |
|--|--|---|---|---|--|--|--|

Rights Issue

| | | | | | | | |
|--|--|---|---|---|--|--|--|
| | | N | I | L | | | |
|--|--|---|---|---|--|--|--|

Bonus Issue

| | | | | | | | |
|--|--|---|---|---|--|--|--|
| | | N | I | L | | | |
|--|--|---|---|---|--|--|--|

Private Placement

| | | | | | | | |
|--|--|---|---|---|--|--|--|
| | | N | I | L | | | |
|--|--|---|---|---|--|--|--|

III Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

| | | | | | | | |
|--|--|--|---|---|---|---|---|
| | | | 4 | 3 | 0 | 5 | 4 |
|--|--|--|---|---|---|---|---|

Total Assets

| | | | | | | | |
|--|--|--|---|---|---|---|---|
| | | | 4 | 3 | 0 | 5 | 4 |
|--|--|--|---|---|---|---|---|

Sources of Funds

Paid-up Capital

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 1 | 1 | 4 | 0 |
|--|--|--|--|---|---|---|---|

Reserves & Surplus

| | | | | | | | |
|--|--|--|---|---|---|---|---|
| | | | 3 | 5 | 5 | 4 | 8 |
|--|--|--|---|---|---|---|---|

Secured Loans

| | | | | | | | |
|--|--|---|---|---|--|--|--|
| | | N | I | L | | | |
|--|--|---|---|---|--|--|--|

Unsecured Loans

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 6 | 3 | 6 | 6 |
|--|--|--|--|---|---|---|---|

+ -

| | |
|---|--|
| + | |
|---|--|

Deferred Tax

| | | | | | | | |
|--|--|--|---|---|---|--|--|
| | | | N | I | L | | |
|--|--|--|---|---|---|--|--|

Application of Funds

Net Fixed Assets

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | 2 | 3 | 8 |
|--|--|--|--|--|---|---|---|

Investments

| | | | | | | | |
|--|--|---|---|---|--|--|--|
| | | N | I | L | | | |
|--|--|---|---|---|--|--|--|

Net Current Assets

| | | | | | | | |
|--|--|--|---|---|---|---|---|
| | | | 4 | 2 | 8 | 1 | 6 |
|--|--|--|---|---|---|---|---|

Misc. Expenditure

| | | | | | | | |
|--|--|---|---|---|--|--|--|
| | | N | I | L | | | |
|--|--|---|---|---|--|--|--|

IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 2 | 5 | 5 | 1 | 4 | 0 |
|--|--|---|---|---|---|---|---|

Total Expenditure

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 2 | 4 | 9 | 7 | 9 | 6 |
|--|--|---|---|---|---|---|---|

+ - Profit/Loss Before Tax

+ - Profit/Loss After Tax

0 + 5 6 3 0 + 3 8 8 0

Please tick Appropriate box + for Profit, - for Loss

Earnings Per Share (Rs.)

3 8 8 0 4 0 7

Dividend Rate %

N I L

V Generic Names of Three Principal Products/Services of the Company
(as per monetary items)

Item Code No.
(ITC Code)

N A

Product Description

SOFTWARE DEVELOPMENT

As per our report attached

SHARP & TANNAN

Chartered Accountants

By the hand of

For and on behalf of the Board

R D KARE

Partner

Membership No.8820

Place :Mumbai

Date : May 25, 2007

KARAN SINGH

Director

Place :Leipzig

Date : May 25, 2007

SUNIL SAPRE

Director

**LARSEN & TOUBRO INFORMATION
TECHNOLOGY CANADA LIMITED**

LARSEN & TOUBRO INFORMATION TECHNOLOGY CANADA LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting the report and the audited accounts of the Company for the period ended March 31, 2007.

FINANCIAL RESULTS

| | <u>2006-07</u> | | <u>15 months ended, 31st March, 2006</u> | |
|------------------------------|------------------|-------------|---|-------------|
| | Canadian Dollars | Rupees | Canadian Dollars | Rupees |
| Total Income | 3,950,036 | 156,879,756 | 1,180,431 | 43,793,990 |
| Profit/ (Loss) before Tax | 102,543 | 3,863,398 | (60,527) | (2,331,135) |
| Taxes | 4,000 | 158,840 | 3,968 | 147,213 |
| Profit/ (Loss) after tax | 98,543 | 3,704,558 | (64,495) | (2,478,348) |

REVIEW OF OPERATIONS

The Company acquired control of the Canadian subsidiary in October 2005 and thus 2006-07 represents the first full financial year of the subsidiary performance. The total revenue for the year ended March 31, 2007 amounted to CAD 3.95 million as compared to CAD 0.59 million for the period October 14, 2005 to March 31, 2006. The profit after tax (PAT) was CAD 0.099 million as compared to loss of CAD 0.101 million for the aforesaid period.

With the increased sales focus, the Company has been able to open few new relationships and is concentrating on providing solutions to these customers, which is expected to reflect in improved revenue growth in the coming years.

DIVIDEND

In order to conserve the resources for future business growth, the Directors do not recommend dividend for the current year.

AUDITORS

M/s Sharp and Tannan, the Auditors of the Company, for the financial statements under Indian GAAP, have indicated their willingness and are eligible for reappointment.

DISCLOSURE_OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of directors of the Company confirms:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors 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 as at March 31, 2007;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board,

SUNIL PANDE ALFRED PAGE

Director

Director

Place : Toronto

Date : May 25, 2007.

Larsen & Toubro Information Technology Canada Ltd.

Auditors' Report:

We have audited the balance sheet of Larsen & Toubro Information Technology Canada Ltd. as at March 31, 2007 and the statements of income, deficit and cash flow 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

North York, Ontario
April 20, 2007

AUNDHIA, PARIKH & KAPADIA LLP
LICENSED PUBLIC ACCOUNTANTS

**AUDITORS' REPORT TO THE MEMBERS OF LARSEN & TOUBRO
INFORMATION TECHNOLOGY CANADA LIMITED**

The financial statements of Larsen & Toubro Information Technology Canada Limited for the year ended March 31, 2007, being a company registered in Canada, are audited by Aundhia, Parikh & Kapadia LLP and we have been furnished with their audit report dated April 20, 2007.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached balance sheet of Larsen & Toubro Information Technology Canada Limited as at March 31, 2007 and the annexed profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with the provisions of section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to 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, 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, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
- (e) as regards reporting on the disqualification of directors under section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Canada, no reporting is required to be made under the said section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule J and notes appearing 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:

- 1 in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
- 2 in the case of the profit and loss account, of the profit for the year ended on that date; and
- 3 in the case of the cash flow statement, of the cash flows for the year ended on that date.

Sharp & Tannan
Chartered Accountants
By the hand of

R.D.Kare
Partner
(Membership no. 8820)

Place : Mumbai
Date : May 25, 2007.

Annexure to the Auditors' Report

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
(b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
(c) Fixed assets disposed of during the year are not substantial in relation to the Company and do not affect the going concern.
- 2 The Company has no inventories and hence reporting under paragraphs 4(ii) (a), (b) and (c) is not applicable.
- 3 There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in Canada.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in Canada and accordingly, maintenance of records under section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted deposits from the public.
- 7 We are of the opinion that the Company has an internal audit system commensurate with the size and the nature of its business.
- 8 Cost records are not required to be maintained under section 209(1)(d) of the Companies Act, 1956 by the Company.
- 9 The Company being registered in Canada has no statutory liabilities in India and accordingly reporting for paragraphs 4 (ix) (a) and (b) is not required.
- 10 The Company's accumulated losses as at March 31, 2007 exceed fifty percent of its net worth. It has incurred not incurred cash losses in the current financial year but has incurred cash losses in the immediately preceding financial year.

- 11 According to the information and explanations given by management, the Company has neither borrowed from a bank or financial institution nor has it issued any debentures.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not availed any term loans during the year.
- 17 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.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
By the hand of

R D KARE
Partner
Membership No. 8820

Place : Mumbai
Date : May 25, 2007.

| Larsen & Toubro Information Technology Canada Limited | | | | | |
|--|----------|------------------|--------------------------------|------------------|--------------------|
| BALANCE SHEET AS AT 31ST MARCH, 2007 | | | | | |
| | | As at 31-03-2007 | | As at 31-03-2006 | |
| | Schedule | CAD | RUPEES | CAD | RUPEES |
| SOURCES OF FUNDS | | | | | |
| SHAREHOLDERS' FUNDS | | | | | |
| Share Capital | A | 100 | 3,779 | 100 | 3,779 |
| TOTAL | | 100 | 3,779 | 100 | 3,779 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | B | 22,458 | 813,767 | 22,458 | 786,616 |
| Less: Depreciation | | 15,843 | 566,416 | 13,410 | 469,802 |
| Net Block | | 6,615 | 247,351 | 9,048 | 316,815 |
| Current assets, loans and advances | | | | | |
| Sundry debtors | C | 1,690,678 | 63,708,990 | 395,517 | 15,173,021 |
| Cash and bank balances | D | 1,458,093 | 54,944,590 | 275,040 | 10,551,223 |
| Loans and advances | E | 6,794 | 256,015 | 100 | 3,836 |
| | | 3,155,565 | 118,909,594 | 670,657 | 25,728,080 |
| Less: Current liabilities and provisions | | | | | |
| Liabilities | F | 3,169,409 | 119,431,270 | 785,477 | 30,023,778 |
| | | 3,169,409 | 119,431,270 | 785,477 | 30,023,778 |
| Net current liabilities | | (13,844) | (521,676) | (114,820) | (4,295,697) |
| Profit & Loss Account | | 7,329 | 278,104 | 105,872 | 3,982,662 |
| TOTAL | | 100 | 3,779 | 100 | 3,779 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS | | | | | |
| As per our report attached | | | | | |
| SHARP & TANNAN | | | | | |
| Chartered Accountants | | | | | |
| by the hand of | | | For and on behalf of the Board | | |
| | | | | | |
| | | | | | |
| R D KARE | | | Sunil Pande | | Alfred Page |
| Partner | | | Director | | Director |
| Membership No. 8820 | | | | | |
| Mumbai | | | | | |
| Date : May 25, 2007 | | | | | |
| | | | | | |
| | | | | | |

| Larsen & Toubro Information Technology Canada Limited | | | | | |
|--|----------|------------------|--------------------------------|------------------|--------------------|
| PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 | | | | | |
| | | 2006-07 | | 2005-06 | |
| | Schedule | CAD | RUPEES | CAD | RUPEES |
| INCOME | | | | | |
| Software development services and products | | | | | |
| Domestic | | 3,950,636 | 156,879,756 | 1,180,431 | 43,793,990 |
| | | 3,950,636 | 156,879,756 | 1,180,431 | 43,793,990 |
| EXPENDITURE | | | | | |
| Software development expenses | G | 3,631,484 | 144,206,230 | 987,828 | 36,648,419 |
| Sales, administration and other expenses | H | 222,096 | 9,028,017 | 250,208 | 9,368,302 |
| | | 3,853,580 | 153,234,247 | 1,238,036 | 46,016,721 |
| Operating Profit / (Loss) | | 97,056 | 3,645,509 | (57,605) | (2,222,731) |
| Interest (net) | I | (7,920) | (314,503) | 640 | 23,742 |
| Depreciation | | 2,433 | 96,614 | 2,282 | 84,662 |
| Profit / (Loss) before tax | | 102,543 | 3,863,398 | (60,527) | (2,331,135) |
| Taxes on income | | 4,000 | 158,840 | 3,968 | 147,213 |
| Profit / (Loss) after tax | | 98,543 | 3,704,558 | (64,495) | (2,478,348) |
| Add: Balance brought forward from previous year | | (105,872) | (3,982,662) | (41,377) | (1,504,314) |
| Balance carried to Balance Sheet | | (7,329) | (278,104) | (105,872) | (3,982,662) |
| Number of equity share | | | 100 | | 100 |
| Basic and diluted earnings per share (EPS) | | | 37,046 | | (24,783) |
| Face value per equity share (CAD) | | | 1 | | 1 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS | | | | | |
| As per our report attached | | | | | |
| SHARP & TANNAN | | | | | |
| Chartered Accountants | | | | | |
| by the hand of | | | For and on behalf of the Board | | |
| | | | | | |
| | | | | | |
| R D KARE | | | Sunil Pande | | Alfred Page |
| Partner | | | Director | | Director |
| Membership No. 8820 | | | | | |
| Mumbai | | | Place : Toronto | | |
| Date : May 25, 2007 | | | Date : May 25, 2007 | | |

| Larsen & Toubro Information Technology Canada Limited | | | |
|---|--|-------------------|--------------------|
| CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2007 | | | |
| Particulars | | 2006-2007 | 2005-2006 |
| | | RUPEES | RUPEES |
| A | Cash flow from operating activities : | | |
| | Net profit before tax | 3,863,398 | (2,331,135) |
| | Adjustments for : | | |
| | Depreciation and amortisation | 96,614 | 84,662 |
| | Interest paid | 49,201 | 31,646 |
| | Interest received | - | (7,902) |
| | Unrealised foreign exchange difference | (33,768) | |
| | Operating profit before working capital changes | 3,975,445 | (2,222,729) |
| | Changes in working capital | | |
| | (Increase)/decrease in trade receivables | (48,535,969) | (14,509,933) |
| | (Increase)/decrease in other receivables | (252,179) | 71,829 |
| | Increase/(decrease) in trade payables | 89,407,492 | 25,185,016 |
| | (Increase)/decrease in working capital | 40,619,345 | 10,746,911 |
| | Cash generated from operations | 44,594,789 | 8,524,182 |
| | Direct taxes paid | (152,222) | 432,299 |
| | Net cash from operating activities | 44,442,567 | 8,956,481 |
| B | Cash flow from investing activities : | | |
| | Purchase of fixed assets | - | (139,236) |
| | Interest received | - | 7,902 |
| | Net cash from investing activities | - | (131,334) |
| C | Cash flow from financing activities : | | |
| | Interest paid | (49,201) | (31,646) |
| | Net cash from financing activities | (49,201) | (31,646) |
| | Net (decrease)/increase in cash and cash equivalents (A+B+C) | 44,393,367 | 8,793,500 |
| | Cash and cash equivalents at the beginning of the year | 10,551,223 | 1,757,723 |
| | Cash and cash equivalents at the end of the year | 54,944,590 | 10,551,223 |
| Notes: | | | |
| 1 | Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued by the Institute of Chartered Accountants of India. | | |
| 2 | Previous year's figures have been regrouped / reclassified wherever applicable. | | |
| As per our report attached | | | |
| SHARP & TANNAN | | | |
| Chartered Accountants | | | |
| by the hand of | | | |
| R D KARE | Sunil Pande | Alfred Page | |
| Partner | Director | Director | |
| Membership No. 8820 | Place :- Toronto | | |
| Mumbai | Date : May 25, 2007 | | |
| Date : May 25, 2007 | Date : May 25, 2007 | | |

| Larsen & Toubro Information Technology Canada Limited | | | | |
|--|------------------|--------------------|------------------|-------------------|
| Schedules forming part of accounts | | | | |
| | As at 31-03-2007 | | As at 31-03.2006 | |
| | CAD | RUPEES | CAD | RUPEES |
| SCHEDULE A | | | | |
| Share Capital | | | | |
| Authorised: Unlimited common shares of CAD 1 each | 100 | 3,779 | 100 | 3,779 |
| <i>Issued, Subscribed and Paid up</i> | | | | |
| 100 common shares of CAD 1 each | 100 | 3,779 | 100 | 3,779 |
| All the above shares are held by Larsen & Toubro Infotech Ltd | | | | |
| | 100 | 3,779 | 100 | 3,779 |
| SCHEDULE C | | | | |
| Sundry Debtors | | | | |
| Debts outstanding for a period exceeding six months | | | | |
| Considered good | - | - | - | - |
| Considered doubtful | - | - | - | - |
| Other Debts | | | | |
| Considered good | 1,690,678 | 63,708,990 | 395,517 | 15,173,021 |
| Considered doubtful | - | - | - | - |
| | 1,690,678 | 63,708,990 | 395,517 | 15,173,021 |
| SCHEDULE D | | | | |
| Cash and Bank balances | | | | |
| Balance with non-scheduled banks on current account | 188,033 | 7,085,554 | 275,040 | 10,551,223 |
| Term deposit | 1,270,060 | 47,859,036 | | |
| | 1,458,093 | 54,944,590 | 275,040 | 10,551,223 |
| SCHEDULE E | | | | |
| Loans and Advances | | | | |
| Unsecured, considered good | | | | |
| Interest receivable | 1,398 | 52,680 | - | - |
| Prepaid expenses | 5,396 | 203,335 | 100 | 3,836 |
| | 6,794 | 256,015 | 100 | 3,836 |
| SCHEDULE F | | | | |
| Liabilities | | | | |
| Due to related parties | 2,910,739 | 109,683,938 | 693,809 | 26,507,164 |
| Accounts payable | 153,995 | 5,802,917 | 49,276 | 1,890,351 |
| Income Tax payable | 4,000 | 150,730 | 3,968 | 152,222 |
| Goods and Services Tax payable | 96,958 | 3,653,620 | 22,603 | 867,108 |
| Due to employees | 3,717 | 140,066 | 3,260 | 125,062 |
| Others | | | 12,561 | 481,871 |
| | 3,169,409 | 119,431,270 | 785,477 | 30,023,778 |

Larsen & Toubro Information Technology Canada Limited

Schedules forming part of accounts

SCHEDULE B

FIXED ASSETS

| Assets | Currency | Gross Block | | | Depreciation | | | | Net Block | | |
|-----------------------|----------|---------------------------|---|------------|------------------------|---------------|----------------|--------------|---------------|----------------|----------------|
| | | Gross Block 01.04.2006 | Additions/Adjustments during the period * | Deductions | Cost as at 31-03-07 | Upto 31.03.06 | For the period | On deduction | Upto 31-03-07 | As at 31-03-07 | As at 31-03-06 |
| Computer Equipment | RUPEES | 564,005 | 16,192 | - | 580,197 | 342,439 | 74,258 | - | 416,697 | 163,500 | 221,566 |
| | CAD | 16,026 | - | - | 16,026 | 9,794 | 1,870 | - | 11,664 | 4,362 | 6,232 |
| Furniture Equipment | RUPEES | 222,612 | 10,958 | - | 233,570 | 127,363 | 22,357 | - | 149,720 | 83,850 | 95,249 |
| | CAD | 6,432 | - | - | 6,432 | 3,616 | 563 | - | 4,179 | 2,253 | 2,816 |
| Total of assets | RUPEES | 786,616 | 27,150 | - | 813,767 | 469,802 | 96,614 | - | 566,416 | 247,351 | 316,814 |
| | CAD | 22,458 | - | - | 22,458 | 13,410 | 2,433 | - | 15,843 | 6,615 | 9,048 |
| Total (Previous year) | RUPEES | 647,380 | - | - | 647,380 | 385,140 | 84,662 | - | 469,802 | 316,814 | 262,240 |
| | CAD | 18,705 | - | - | 18,705 | 11,128 | 2,282 | - | 13,410 | 9,048 | 7,577 |

* Note : - Adjustments during the period are on account of exchange fluctuation.

| Larsen & Toubro Information Technology Canada Limited | | | | |
|--|------------------|--------------------|------------------|-------------------|
| Schedules forming part of accounts | | | | |
| | 2006-2007 | | 2005-2006 | |
| | CAD | RUPEES | CAD | RUPEES |
| SCHEDULE G | | | | |
| Software development services and products | | | | |
| Salaries including overseas staff expenses | 22,833 | 906,698 | 45,875 | 1,701,963 |
| Software development services | 3,608,651 | 143,299,531 | 941,953 | 34,946,456 |
| | 3,631,484 | 144,206,230 | 987,828 | 36,648,419 |
| SCHEDULE H | | | | |
| Sales, administration and other expenses | | | | |
| Travelling charges and conveyance | 35,561 | 1,412,127 | 21,057 | 781,215 |
| Car expenditures | 7,564 | 300,366 | 9,632 | 357,347 |
| Rent | 57,000 | 2,263,470 | 35,396 | 1,313,192 |
| Telephone charges | 8,736 | 346,907 | 8,362 | 310,230 |
| Management and Consulting Fees | 63,420 | 2,518,408 | 133,599 | 4,956,523 |
| Legal and professional charges | 13,109 | 520,558 | 16,307 | 604,990 |
| Printing and stationery | - | - | 4,555 | 168,991 |
| Equipment Rentals | 1,149 | 45,627 | 1,414 | 52,459 |
| Insurance charges | 7,925 | 314,702 | 5,732 | 212,657 |
| Auditors' remuneration | 8,000 | 317,680 | 8,518 | 316,018 |
| Entertainment | 343 | 13,621 | 2,975 | 110,373 |
| Rent | - | - | 1,681 | 62,365 |
| Currency exchange loss | 10,758 | 427,240 | 980 | 36,358 |
| Exchange loss on translation | - | 208,545 | - | 85,584 |
| Office & general exp | 8,531 | 338,766 | - | - |
| | 222,096 | 9,028,017 | 250,208 | 9,368,302 |
| SCHEDULE I | | | | |
| Interest | | | | |
| Interest received | 9,159 | 363,704 | 213 | 7,902 |
| Interest paid | 1,239 | 49,201 | 853 | 31,646 |
| Net interes received | 7,920 | 314,503 | (640) | (23,744) |

Schedule J

Larsen & Toubro Information Technology Canada Ltd.

Schedules forming part of the accounts

1. Legal Status

Larsen & Toubro Information Technology Canada Ltd. is incorporated under the provisional business corporations acts and is engaged in the business of software development services.

2. Significant Accounting Policies

a. Basis of preparation

The accounts have been prepared using the historical cost convention in accordance with Generally Accepted Accounting Principles ("GAAP") and in compliance with the Accounting Standards referred to in section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make estimates and assumptions that affect the income and expense reported for the period and assets and liabilities reported as of the date of the financial statements. Actual results could vary from these estimates.

b. Revenue recognition

Revenue from software development is recognised based on software developed or time spent in person hours or person weeks and billed to the customer as per the terms of specific contracts.

c. Fixed assets and depreciation

Fixed Assets are stated at original cost less accumulated depreciation. Depreciation is calculated using the declining balance method. The rate of depreciation is 30% for computer equipment and 20% for furniture which is higher than the rates specified under schedule XIV of the Companies Act, 1956.

d. Foreign currency transactions

The accounts are translated in Indian Rupees as follows:-

- Share capital is retained at the initial contribution amount.
- Revenue transactions are translated at the average rates.

- Current assets and current liabilities are translated at rates prevailing on the date of balance sheet.
- The resultant differences are accounted as exchange difference in the Profit & Loss Account.

3 There are no contingent liabilities as on March 31, 2007. (Previous year NIL)

4 Related Parties

The related parties with whom the Company had transactions during the year are:

| Name | Relationship |
|----------------------------------|--------------------------|
| Larsen & Toubro Infotech Limited | Holding company |
| Larsen & Toubro Limited | Ultimate holding company |

Transactions with related parties during the year.

| | Rs. | Rs. |
|----------------------|----------------------------------|-------------------------|
| | Larsen & Toubro Infotech Ltd. | Larsen & Toubro Ltd. |
| Purchase of services | 78,750,807 | 45,154,995 |
| Account payable | 77,187,681 | 32,496,257 |

5 Balances with non-scheduled banks

| | As at 31.3.07 | Rs. Max.amount outstanding at any time during the year |
|-----------------|---------------|---|
| Current account | 7,085,554 | 54,436,609 |
| Term Deposit | 47,859,036 | 57,081,485.13 |

6 The Company has one year lease with respect to its premises. The lease agreement provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments in 2007-08 are Rs.1,334,714.

- 7 Borrowing cost capitalised during the period : Rs. Nil
- 8 There are no transactions with small-scale industries or micro, small and medium enterprises during the year.
- 9 Auditors' remuneration charged to the accounts amounted to Rs. 317,680 during the period.
- 10 The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under Paragraphs 3, 4c of part II of Schedule VI to the Companies Act, 1956.

11 Segmental reporting

The Company operates wholly in Canada.

- 12 The Company's employees are on deputation from the holding company except for minimal staff in Canada. The Company has no past employment benefit plans or other long term benefits covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to profit and loss account in the period when the employee renders the service.
- 13 Deferred tax asset is not accounted for as temporary timing difference are not material.
- 14 The Company is considered an integral operation of Larsen & Toubro Infotech Limited (the holding company). In accordance with Accounting Standard - 11(revised 2003) the exchange differences on translation are accounted in the profit and loss account.

15. Balance Sheet abstract and Company's general business profile

I Registration Details

Registration No.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 0 | 1 | 4 | 1 | 5 | 0 | 2 | 6 |
|---|---|---|---|---|---|---|---|

State Code

| | |
|---|---|
| N | A |
|---|---|

Balance Sheet Date

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 0 | 3 |
|---|---|

| | |
|---|---|
| 0 | 7 |
|---|---|

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

Public Issue @

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Rights Issue

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Bonus Issue

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Private Placement

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

III Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities
Sources of Funds

| | | | | | | | |
|---|---|--|--|--|---|---|---|
| - | . | | | | 2 | 7 | 4 |
|---|---|--|--|--|---|---|---|

Total Assets

| | | | | | | | |
|---|--|--|--|--|---|---|---|
| - | | | | | 2 | 7 | 4 |
|---|--|--|--|--|---|---|---|

Paid-up Capital

| | | | | | | | |
|--|--|--|--|--|--|--|---|
| | | | | | | | 4 |
|--|--|--|--|--|--|--|---|

Reserves & Surplus

| | | | | | | | |
|---|--|--|--|--|---|---|---|
| - | | | | | 2 | 7 | 8 |
|---|--|--|--|--|---|---|---|

Secured Loans

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Unsecured Loans

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

+ -

| | |
|---|--|
| + | |
|---|--|

Deferred Tax

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Application of Funds

Net Fixed Assets

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | 2 | 4 | 7 |
|--|--|--|--|--|---|---|---|

Investments

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Net Current Assets

| | | | | | | | |
|---|--|--|--|--|---|---|---|
| - | | | | | 5 | 2 | 1 |
|---|--|--|--|--|---|---|---|

Misc. Expenditure

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 1 | 5 | 6 | 8 | 8 | 0 |
|--|--|---|---|---|---|---|---|

Total Expenditure

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 1 | 5 | 3 | 0 | 1 | 7 |
|--|--|---|---|---|---|---|---|

+ -

| | |
|---|--|
| + | |
|---|--|

Profit Before Tax

| | | | | | | |
|--|--|--|---|---|---|---|
| | | | 3 | 8 | 6 | 3 |
|--|--|--|---|---|---|---|

+ -

| | |
|---|--|
| + | |
|---|--|

Profit After Tax

| | | | | | | |
|--|--|--|---|---|---|---|
| | | | 3 | 7 | 0 | 4 |
|--|--|--|---|---|---|---|

Please tick Appropriate box + for Profit, - for Loss

| | |
|---|--|
| + | |
|---|--|

Earnings Per Share (Rs)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 3 | 7 | 0 | 4 | 5 | . | 5 | 8 |
|---|---|---|---|---|---|---|---|

Dividend Rate %

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

V Generic Names of Principal Products/Services of the Company
(as per monetary items)

Item Code No.
(ITC Code)

| | | | |
|---|---|--|--|
| N | A | | |
|---|---|--|--|

Product Description

| |
|----------------------|
| SOFTWARE DEVELOPMENT |
|----------------------|

As per our report attached
SHARP & TANNAN
Chartered Accountants
By the hand of

R D KARE

Partner

Membership No. 8820

Place : Mumbai

Date : May 25, 2007

SUNIL PANDE

Director

Place : Toronto

Date : May 25, 2007

ALFRED PAGE

Director

GDA TECHNOLOGIES, INC

GDA TECHNOLOGIES, INC

DIRECTORS' REPORT

The Directors have pleasure in presenting Annual report and the audited accounts of the Company for the year ended December 31, 2006.

FINANCIAL RESULTS

| | (Figures in Million) | | | |
|--------------------------|----------------------------------|--------|----------------------------------|---------|
| | For the year ended 31.12.2006 | | For the year ended 31.12.2005 | |
| | USD | Rupees | USD | Rupees |
| Total Income | 21.31 | 968.39 | 22.69 | 1002.00 |
| Profit before tax | 0.14 | 8.00 | 0.21 | 0.45 |
| Taxes | 0.23 | 10.30 | 0.12 | 5.10 |
| Profit/ (Loss) after tax | (0.09) | (2.30) | 0.10 | 4.35 |

REVIEW OF OPERATIONS

During the year 2006, the Company registered total income of USD 21.31 Mn, marginally lower than USD 22.69 for the year 2005.

The profit before tax amounted to USD 0.14 Mn as against that of USD 0.21 Mn for the corresponding previous year.

During 2006, the Company served the key customers like Intel, Freescale, Smith Aerospace, Fujitsu General, Toshiba, BNT and Cisco. The Company continues to create high value technology products for its customers and is now a key leader in Technology Services outsourcing space.

The Company expanded the headcount significantly through its subsidiary in India, GDA Technologies Ltd where the Company added over 100 engineers during the financial year.

On May 27, 2006, the Company signed a Letter of Intent with Larsen & Toubro Infotech Limited (L&T Infotech) for a possible merger with L&T Infotech. Subsequently a definitive agreement was negotiated and signed on December 13, 2006 to consummate the transaction wherein the Company was to operate as a wholly owned subsidiary of L&T Infotech. Transaction was subsequently closed on March 15, 2007 after the share holder approvals and other closing conditions specified in the definitive agreement were met. The erstwhile founders and management team of the Company continue to run the Company and its subsidiaries under the guidance of a new Board of Directors reconstituted by L&T Infotech. Going forward, the Company would concentrate in scaling up revenue per

customer and focus on establishing Offshore Design Centers (ODC) for its customers while continuing to grow in IP and CDMS business segments.

DIVIDEND

The Directors do not recommend dividend for the current year.

DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2006;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board,

A. G. KARUNAKARAN V. SHRINIVASAN

Director

Director

Place : San Jose/ Bangalore

Date : 25th May, 2007

AUDITORS' REPORT TO THE MEMBERS OF GDA TECHNOLOGIES INC

The financial statements of GDA Technologies Inc for the year ended December 31, 2006, being a company registered in California, United States of America, are audited by Frank, Rimerman+Co. LLP and we have been furnished with their audit report dated May 24, 2007.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached balance sheet of GDA Technologies Inc as at December 31, 2006 and the annexed profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with the provisions of section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to 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, 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, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
- (e) as regards reporting on the disqualification of directors under section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in California, United States of America, no reporting is required to be made under the said section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule N and notes appearing 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:

- 1 in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2006;
- 2 in the case of the profit and loss account, of the loss for the year ended on that date; and
- 3 in the case of the cash flow statement, of the cash flows for the year ended on that date.

Sharp & Tannan
Chartered Accountants
By the hand of

R.D.Kare
Partner
(Membership no. 8820)

Place : Mumbai
Date : May 25, 2007

Annexure to the Auditors' Report

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed asset.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) Fixed assets disposed of during the year are not substantial in relation to the Company and do not affect the going concern.
- 2 (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3 There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in United States of America.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in California, United States of America and accordingly, maintenance of records under section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted deposits from the public.

- 7 The Company does not have an internal audit system.
- 8 Cost records are not required to be maintained under section 209(1)(d) of the Companies Act, 1956 by the Company.
- 9 The Company being registered in California, United States of America has no statutory liabilities in India and accordingly reporting for paragraphs 4 (ix) (a) and (b) is not required.
- 10 The Company's accumulated losses as at December 31, 2006 exceed fifty percent of its net worth. It has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- 11 According to the information and explanations given by management, the Company has not defaulted in any repayment of dues to a bank or financial institution. The Company has not issued any debentures.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not availed any term loans during the year.
- 17 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.

- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
By the hand of

R D KARE
Partner
Membership No. 8820

Place : Mumbai
Date : May 25, 2007

| GDA Technologies Inc | | | | | |
|--|------------------|-------------------------|----------------------------|-------------------------|--------------------|
| BALANCE SHEET AS AT DECEMBER 31, 2006 | | | | | |
| | | As at 31-12-2006 | | As at 31-12-2005 | |
| | Schedules | US Dollars | Rupees | US Dollars | Rupees |
| SOURCES OF FUNDS | | | | | |
| SHAREHOLDERS' FUNDS | | | | | |
| Share capital | A | 224,205 | 9,923,300 | 181,452 | 8,188,915 |
| LOAN FUNDS | | | | | |
| Unsecured loans | B | 3,723,026 | 164,781,110 | 3,031,667 | 136,819,122 |
| TOTAL | | 3,947,231 | 174,704,410 | 3,213,118 | 145,008,037 |
| APPLICATION OF FUNDS | | | | | |
| Tangible Assets | | | | | |
| | C1 | | | | |
| Gross Block | | 1,194,171 | 52,854,014 | 1,036,000 | 46,754,672 |
| Less : Depreciation | | 961,806 | 42,693,848 | 848,878 | 38,309,885 |
| Net Block | | 232,365 | 10,160,166 | 187,121 | 8,444,787 |
| Intangible Assets | | | | | |
| | C2 | | | | |
| Gross Block | | 251,648 | 11,137,959 | 233,227 | 10,525,536 |
| Less : Amortisation & Depreciation | | 235,476 | 10,433,958 | 224,757 | 10,143,270 |
| Net Block | | 16,172 | 704,001 | 8,470 | 382,266 |
| Investments | D | 86,057 | 3,808,870 | 42,454 | 1,915,954 |
| Current assets, loans and advances | | | | | |
| Inventory | E | 299,755 | 13,267,155 | 292,260 | 13,189,705 |
| Sundry debtors | F | 3,146,746 | 139,274,993 | 3,260,169 | 147,131,429 |
| Cash and bank balances | G | 459,408 | 20,333,406 | 817,101 | 36,875,760 |
| Loans and advances | H | 496,320 | 21,967,104 | 475,793 | 21,472,547 |
| | | 4,402,229 | 194,842,658 | 4,845,323 | 218,669,440 |
| Less : Current liabilities and provisions | I | | | | |
| Current liabilities | | 2,602,954 | 115,206,761 | 3,711,380 | 167,494,590 |
| Provisions | | 142,162 | 6,292,090 | 90,000 | 4,061,699 |
| | | 2,745,116 | 121,498,851 | 3,801,380 | 171,556,289 |
| Net current assets | | 1,657,113 | 73,343,807 | 1,043,943 | 47,113,152 |
| Deferred tax asset (net) (Schedule N Note 7) | | 135,000 | 6,078,468 | 196,000 | 8,845,480 |
| Profit & Loss Account | | 1,820,523 | 80,609,098 | 1,735,130 | 78,306,399 |
| TOTAL | | 3,947,231 | 174,704,410 | 3,213,118 | 145,008,037 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS | | | | | |
| SHARP & TANNAN | | | | | |
| Chartered Accountants by the hand of | | | AG Karunakaran Director | | |
| R D KARE | | | | | |
| Partner (Membership No. 8820) Mumbai Date: May 25, 2007 | | | V Shrinivasan Director | | |

| GDA TECHNOLOGIES INC | | | | | |
|--|-----------|--------------------|---------------------|--------------------|----------------------|
| PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2006 | | | | | |
| | Schedules | 2006 | | 2005 | |
| INCOME | | US Dollars | Rupees | US Dollars | Rupees |
| Software development services and products | | | | | |
| Overseas | | | | | |
| Domestic | | 20,309,814 | 921,341,648 | 17,433,443 | 769,648,850 |
| Other income | J | 1,004,042 | 47,043,459 | 5,258,879 | 232,349,204 |
| | | 21,313,856 | 968,385,108 | 22,692,322 | 1,001,998,054 |
| EXPENDITURE | | | | | |
| Software development expenses | K | 15,044,083 | 682,412,161 | 17,130,506 | 756,340,396 |
| Sales, administration and other expenses | L | 5,667,926 | 257,101,840 | 5,062,340 | 223,524,707 |
| | | 20,712,009 | 939,514,001 | 22,192,846 | 979,865,102 |
| Operating profit before provision for doubtful debts | | 601,847 | 28,871,107 | 499,476 | 22,132,952 |
| Provision for doubtful debts (net) | | 90,494 | 4,104,863 | (14,270) | (643,990) |
| Operating profit (PBIDT) | | 511,354 | 24,766,244 | 513,746 | 22,776,942 |
| Interest (net) | M | 246,032 | 11,160,235 | 33,644 | 1,485,432 |
| Depreciation on tangible assets | | 112,928 | 5,122,487 | 262,268 | 11,579,560 |
| Amortisation of intangible assets | | 10,719 | 486,226 | 5,998 | 264,804 |
| Profit before tax (PBT) | | 141,675 | 7,997,295 | 211,836 | 9,447,147 |
| Provision for taxes | | 166,068 | 7,532,983 | 115,533 | 5,100,996 |
| Deferred tax | | 61,000 | 2,767,011 | - | - |
| Profit after tax (PAT) | | (85,393) | (2,302,698) | 96,303 | 4,346,150 |
| Add : Balance brought forward from previous year | | (1,735,130) | (78,306,399) | (1,831,433) | (82,652,549) |
| Profit available for appropriation | | (1,820,523) | (80,609,097) | (1,735,130) | (78,306,399) |
| Less: Transfer to general reserve | | - | - | - | - |
| Profit available for distribution | | (1,820,523) | (80,609,097) | (1,735,130) | (78,306,399) |
| Interim dividend | | | | | |
| Proposed dividend | | | | | |
| Tax on dividend | | | | | |
| Balance to be carried forward | | (1,820,523) | (80,609,097) | (1,735,130) | (78,306,399) |
| | | | | | |
| Basic earnings per share (EPS) | | (0.01) | (0.19) | 0.01 | 0.36 |
| Diluted earnings per share (EPS) | | (0.01) | (0.17) | 0.01 | 0.31 |
| | | | | | |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | N | | | | |
| SHARP & TANNAN | | | | AG Karunakaran | |
| Chartered Accountants | | | | Director | |
| by the hand of | | | | | |
| | | | | | |
| R D KARE | | | | V Shrinivasan | |
| Partner | | | | Director | |
| (Membership No. 8820) | | | | | |
| Mumbai | | | | | |
| Date: May 25, 2007. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

| GDA Technologies Inc | | | | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| Schedules forming part of accounts | | | | |
| | As at 31-12-2006 | | As at 31-12-2005 | |
| | US Dollars | Rupees | US Dollars | Rupees |
| SCHEDULE A | | | | |
| Share capital | | | | |
| <i>Authorised : 20,000,000 Equity Shares, no par value</i> | | | | |
| <i>(Previous year 20,000,000 Equity Shares, no par value)</i> | | | | |
| <i>3,000,000 shares of preferred stock, no par value</i> | | | | |
| <i>Issued, Subscribed and Paid Up</i> | | | | |
| 12,247,478 Equity Shares fully paid up | 224,205 | 9,923,300 | 181,452 | 8,188,915 |
| <i>(Previous year 12001978 Equity Shares fully paid up)</i> | | | | |
| <i>(Exercise of options to purchase 245,500 shares during the year)</i> | | | | |
| | 224,205 | 9,923,300 | 181,452 | 8,188,915 |
| SCHEDULE B | | | | |
| Unsecured Loan | | | | |
| Term loans from bank | 229,869 | 10,173,991 | - | - |
| Other loans from banks | 3,480,000 | 154,024,800 | 3,000,000 | 135,390,000 |
| Lease finance | 13,157 | 582,319 | 31,667 | 1,429,122 |
| | 3,723,026 | 164,781,110 | 3,031,667 | 136,819,122 |
| SCHEDULE D | | | | |
| Investments (at cost, unquoted) | | | | |
| Long term investment (at cost, unquoted) | | | | |
| GDA Technologies Ltd. | | | | |
| 1,67,234 Equity shares @ Rs. 10/- | 39,473 | 1,747,075 | 39,473 | 1,781,416 |
| Arkados | | | | |
| 1,50,000 shares @ USD .29 | 43,500 | 1,925,310 | | |
| Current Investments (at market value) | | | | |
| Citrix Systems | | | | |
| 114 Equity Shares @ USD 27.05 | 3,084 | 136,485 | 2,981 | 134,537 |
| <i>(Previous Year: 114 Equity Shares @ USD 26.15)</i> | | | | |
| | 86,057 | 3,808,870 | 42,454 | 1,915,954 |
| SCHEDULE E | | | | |
| Inventory | | | | |
| Finished goods | 26,993 | 1,194,721 | - | - |
| Work in process | 272,762 | 12,072,434 | 292,260 | 13,189,705 |
| | 299,755 | 13,267,155 | 292,260 | 13,189,705 |
| SCHEDULE F | | | | |
| Sundry Debtors | | | | |
| Unsecured | | | | |
| Debts outstanding for a period exceeding six months | | | | |
| Considered good | 69,820 | 3,090,216 | 3,260,169 | 147,099,296 |
| Considered Doubtful | 150,000 | 6,638,980 | 59,506 | 2,717,639 |
| | 219,819 | 9,729,196 | 3,319,675 | 149,816,935 |
| Other Debts | | | | |
| Considered good | 3,076,927 | 136,184,778 | - | - |
| Considered Doubtful | | | | |
| Less : Provision for doubtful debts | 150,000 | 6,638,980 | 59,506 | 2,685,506 |
| | 3,146,746 | 139,274,993 | 3,260,169 | 147,131,429 |

| GDA Technologies Inc | | | | | | | | | | | | | | | | | | | | | |
|--|-----------|------------|---------|-----------|--------|------------|-----------|------------|------------|-----------------------------|------------|------------|-----------|------------|---------|------------|------------|-----------|------------|-----------|-----------|
| Schedules forming part of accounts | | | | | | | | | | | | | | | | | | | | | |
| SCHEDULE C | | | | | | | | | | | | | | | | | | | | | |
| FIXED ASSETS | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| Gross Block | | | | | | | | | | Depreciation / Amortisation | | | | | | Net Block | | Net Block | | | |
| Fixed and Intangible Assets | | As at | | Additions | | Deductions | | As at | | As at | | For the | | Deductions | | Up to | | As at | | As at | |
| | | 1-Jan-06 | | | | | | 31-Dec-06 | | 1-Jan-06 | | Year | | | | 31-Dec-06 | | 31-Dec-06 | | 31-Dec-05 | |
| | | USD | Rupees | USD | Rupees | USD | Rupees | USD | Rupees | USD | Rupees | USD | Rupees | USD | Rupees | USD | Rupees | USD | Rupees | USD | Rupees |
| Schedule C1 - Tangible Assets - Own | | | | | | | | | | | | | | | | | | | | | |
| Furniture and fixtures | 1,036,000 | 45,853,352 | 158,171 | 7,000,661 | | | | 1,194,171 | 52,854,014 | 848,878 | 37,571,361 | 112,928 | 5,122,487 | - | - | 961,806 | 42,693,848 | 232,365 | 10,160,166 | 187,121 | 8,391,539 |
| Total Of Tangible Assets | 1,036,000 | 45,853,352 | 158,171 | 7,000,661 | - | - | - | 1,194,171 | 52,854,014 | 848,878 | 37,571,361 | 112,928 | 5,122,487 | - | - | 961,806 | 42,693,848 | 232,365 | 10,160,166 | 187,121 | 8,391,539 |
| Total Of Tangible Assets (Previous Year) | 932,097 | 42,065,548 | 162,154 | 7,317,992 | 58,251 | 2,628,868 | 1,036,000 | 46,754,672 | 636,242 | 28,716,587 | 262,268 | 11,901,822 | 49,631 | 2,252,275 | 848,878 | 38,363,133 | 187,121 | 8,391,539 | | | |
| Schedule C2 - Intangible Assets | | | | | | | | | | | | | | | | | | | | | |
| Software | 233,227 | 10,322,628 | 18,421 | 815,330 | | | | 251,648 | 11,137,959 | 224,757 | 9,947,732 | 10,719 | 486,226 | | | 235,476 | 10,433,958 | 16,172 | 704,001 | 8,470 | 380,764 |
| Total Of Intangible Assets | 233,227 | 10,322,628 | 18,421 | 815,330 | - | - | - | 251,648 | 11,137,959 | 224,757 | 9,947,732 | 10,719 | 486,226 | - | - | 235,476 | 10,433,958 | 16,172 | 704,001 | 8,470 | 380,764 |
| Total Of Intangible Assets (Previous Year) | 230,498 | 10,402,380 | 2,729 | 123,156 | - | - | 233,227 | 10,525,536 | 218,759 | 9,878,466 | 5,998 | 212,174 | - | - | 224,757 | 10,144,772 | 8,470 | 380,764 | | | |

| GDA Technologies Inc | | | | |
|--|-------------------------|--------------------|-------------------------|--------------------|
| Schedules forming part of accounts | | | | |
| | As at 31-12-2006 | | As at 31-12-2005 | |
| | US Dollars | Rupees | US Dollars | Rupees |
| SCHEDULE G | | | | |
| Cash and bank balances | | | | |
| Cash on hand | 1,072 | 47,427 | 869 | 39,231 |
| Balances with scheduled banks | | | | |
| in current accounts (including remittances in transit) | 349,486 | 15,468,262 | 711,775 | 32,122,388 |
| in deposit accounts | | | | |
| Balances with non-scheduled banks | 108,850 | 4,817,716 | 104,457 | 4,714,141 |
| | 459,408 | 20,333,406 | 817,101 | 36,875,760 |
| SCHEDULE H | | | | |
| Loans and Advances | | | | |
| Advances recoverable in cash or in kind | 496,320 | 21,967,104 | 475,793 | 21,472,547 |
| | 496,320 | 21,967,104 | 475,793 | 21,472,547 |
| SCHEDULE I | | | | |
| Current liabilities and provisions | | | | |
| Current Liabilities : | | | | |
| Sundry creditors | 2,362,682 | 104,572,286 | 3,485,085 | 157,281,868 |
| Advance billing | 240,273 | 10,634,475 | 226,296 | 10,212,722 |
| | 2,602,954 | 115,206,761 | 3,711,380 | 167,494,590 |
| Provisions : | | | | |
| Income Taxes | 137,000 | 6,063,620 | 90,000 | 4,061,700 |
| Other Provisions | 5,162 | 228,470 | - | - |
| | 142,162 | 6,292,090 | 90,000 | 4,061,700 |
| | 2,745,116 | 121,498,851 | 3,801,380 | 171,556,290 |

| GDA TECHNOLOGIES INC | | | | |
|---|-------------------|--------------------|-------------------|--------------------|
| Schedules forming part of accounts | | | | |
| | 2006 | | 2005 | |
| | US Dollars | Rupees | US Dollars | Rupees |
| SCHEDULE J | | | | |
| Other income | | | | |
| Sale of Intellectual property right | 1000000 | 45360833 | 5250000 | 231796250 |
| Dividends received | 3643 | 165250 | 5376 | 237359 |
| Others | 399 | 18108 | 3503 | 154682 |
| Exchange gain on Translation | - | 1499268 | - | 160912 |
| | 1,004,042 | 47,043,459 | 5,258,879 | 232,349,204 |
| SCHEDULE K | | | | |
| Software development expenses | | | | |
| Salaries including overseas staff expenses | 4696269 | 213026665 | 6782035 | 299438165 |
| Staff welfare | 39917 | 1810667 | 93174 | 4113777 |
| Communication expenses | 1394179 | 63241129 | 761625 | 33627013 |
| Consultancy charges | 5620149 | 254934623 | 5971311 | 263643346 |
| Raw Material consumed | 2925484 | 132702403 | 3333510 | 147180003 |
| Cost of bought-out items for resale | 368086 | 16696673 | 188851 | 8338091 |
| | 15,044,083 | 682,412,161 | 17,130,506 | 756,340,396 |
| SCHEDULE L | | | | |
| Sales, Administration and other expenses | | | | |
| Salaries including overseas staff expenses | 3097405 | 140500871 | 2590149 | 114359414 |
| Travelling and conveyance | 403349 | 18296258 | 433950 | 19159628 |
| Rent and establishment expenses | 441413 | 20022877 | 415312 | 18336713 |
| Telephone charges and postage | 115279 | 5229141 | 124624 | 5502366 |
| Legal and professional charges | 4400 | 199608 | 559 | 24681 |
| Printing and stationery | 4989 | 226297 | 7984 | 352526 |
| Advertisement | 55871 | 2534356 | 80003 | 3532277 |
| Entertainment | 34027 | 1543477 | 38177 | 1685574 |
| General repairs and maintenance | 3690 | 167380 | 3511 | 155004 |
| Insurance charges | 150453 | 6824652 | 123714 | 5462193 |
| Auditors' remuneration | 40000 | 1814433 | 65500 | 2891934 |
| Commission charges | 268875 | 12196414 | 640050 | 28259292 |
| Books and periodicals | 98650 | 4474836 | 65097 | 2874158 |
| Loss on sale of fixed asset | - | - | 25200 | 1112622 |
| Miscellaneous expenses | 943264 | 42787226 | 427892 | 18906127 |
| Conference expenses | 4421 | 200551 | 12893 | 569258 |
| Donation | 1840 | 83464 | 7722 | 340939 |
| | 5,667,926 | 257,101,840 | 5,062,340 | 223,524,707 |
| SCHEDULE M | | | | |
| Interest paid on | | | | |
| Fixed loans | - | - | - | - |
| On others | 251141 | 11391960 | 53200 | 2348890 |
| Less : Interest received | (5108) | (231725) | (19557) | (863458) |
| | 246,032 | 11,160,235 | 33,644 | 1,485,432 |

GDA Technologies Inc.

Schedules forming part of the accounts

Schedule N

1. Legal Status

GDA Technologies Inc. is a company registered in the state of California, USA and is engaged in providing technology services in the areas of system architecture, board design, integrated circuits design and embedded software. The Company is a product development partner for companies in the embedded networking and consumer electronics market. The Company has developed products in the areas of hand-held embedded solutions, digital video, voice and data networking applications.

2. Significant Accounting Policies

a. Basis of preparation

The accounts have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and in compliance with the Accounting Standards referred to in section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make estimates and assumptions that affect the income and expense reported for the period and assets and liabilities reported as of the date of the financial statements. Actual results could vary from these estimates.

b. Revenue recognition

Revenue from software development is recognised based on software developed or time spent in person hours or person weeks and billed to the customer as per the terms of specific contracts.

c. Fixed assets and depreciation

Fixed Assets are stated at original cost less accumulated depreciation. Property and equipment are stated at cost less accumulated depreciation and amortisation. Depreciation is computed using straight-line method over the estimated useful lives of the assets which range from three to seven years.

d. Foreign currency transactions

The accounts are translated in Indian Rupees as follows:-

- Revenue transactions are translated at the average rates.
- Current assets and current liabilities are translated at rates prevailing on the date of balance sheet.
- The resultant differences are accounted as exchange difference in the Profit & Loss Account.

e. Taxes on income

Provision for income tax for the current year is based on the taxable profits for the year after considering tax exemptions / allowances.

Deferred tax is recognised on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

- 3 There are no contingent liabilities as on December 31, 2006. (Previous year NIL).
- 4 Term loans and other loans from banks are collateralised by the Company's receivables and are subject to certain financial covenants.

5. Related Parties

The related parties with whom the Company had transactions during the year are:

| Name | Relationship |
|----------------------|--------------|
| GDA Technologies Ltd | Subsidiary |

Transactions with related parties during the year:

| | Rs. |
|----------------------|----------------------|
| | GDA Technologies Ltd |
| Overheads charged to | 463,161 |
| Purchase of services | 184,845,396 |

6. The Company leases office space & equipment under non-cancellable capital and operating lease agreements. Company leases office space in United States and India under lease agreements that expire on various dates through 2010.

Finance leases

The minimum lease rentals and their present value as at December 31, 2006 in respect of assets acquired under finance lease are as follows:

| | Rs. |
|---|-------------------------|
| Present value of minimum lease payments | As at 31-12-2006 |
| - Payable not later than 1 year | 840,940 |
| - Payable after 1 year but not later than 5 years | 575,380 |
| - Total | 14,16,320 |

Operating leases

The rental expense in respect of operating leases was 26,218,562 (Rs. 24,636.630) and the future rentals payable are as follows:

| | Rs. |
|---|-------------------------|
| Minimum lease payments | As at 31-12-2006 |
| - Payable not later than 1 year | - |
| - Payable after 1 year but not later than 5 years | 20,979,240 |
| - Total | 20,979,240 |

7. The break-up of deferred tax asset as at December 31, 2006 is as under:

| | Deferred tax asset as at Dec 31, 2005 | Current year charge | Rs. Deferred tax asset as at Dec 31, 2006 |
|--|---------------------------------------|---------------------|--|
| • Reserves and accruals | 5,009,430 | (2,177,320) | 7,186,750 |
| • Research & Development credit forwards | 8,123,400 | (22,090,726) | 30,214,126 |
| • Depreciation | (4,287,350) | (3,220,619) | (1,066,731) |
| • Valuation Allowance | - | 30,255,676 | (30,255,676) |
| Deferred tax asset | 8,845,480 | 2,767,011 | 6,078,469 |

8. Borrowing cost capitalised during the period : Rs. Nil
9. There are no transactions with small-scale industries or micro small and medium enterprises during the year.
10. **401(k) Saving plan**
 During May 1996, the Company established a defined contribution saving plan under section 401(k) of the Internal revenue Codes. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company's contribution to the plan is determined annually by the Board of Directors.
 The Company did not make any contributions under this plan during 2006 and 2005. The Company has no post employment benefit plans or other long term benefits covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to profit and loss account in the period when the employee renders the service.
11. Auditors' remuneration charged to the accounts amounted to Rs.1,814,433 during the period (*Previous Year: Rs. 2,891,934*).
12. The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under paragraphs 3 and 4c of part II of schedule VI to the Companies Act, 1956. The inventory comprises of numerous miscellaneous components and it is not feasible to provide quantitative analysis of each separate type.
13. **Basic and Diluted Earnings per share (EPS)**

| Basic | Rs. | |
|---|---------------|-------------|
| | 2006-07 | 2005-06 |
| (Loss)/profit after tax as per accounts | (2,302,698) | 4,346,150 |
| Weighted average number of shares outstanding | 12,247,478 | 12,001,978 |
| Basic EPS (Rs.) | (0.19) | 0.36 |

| Diluted | Rs. | |
|--|-------------|------------|
| | 2006-07 | 2005-06 |
| (Loss)/profit after tax as per accounts | (2,302,698) | 4,346,150 |
| Weighted average number of shares outstanding | 12,247,478 | 12,001,978 |
| Add: Weighted average number of potential equity shares on account of employee options | 1,524,500 | 20,74,500 |
| Weighted average number of shares outstanding | 13,771,978 | 14,076,478 |
| Basic EPS (Rs.) | (0.17) | 0.31 |

14. Segmental reporting

Company operates principally in one business segment – software development and all its activities are within the United States of America.

15. Subsequent non-adjusting event

In December 2006, the Company entered into an Agreement and Plan of Merger (the Agreement) with Larsen & Toubro Infotech Limited (L&T Infotech). Under the terms of the Agreement, L&T Infotech acquired all of the outstanding common stock of the Company in exchange for \$27,000,000, less certain expensed defined in the Agreement. The consideration is payable as follows:

| | US \$ | Rupees |
|---|------------|---------------|
| Upon closing of the merger agreement | 12,000,000 | 531,120,000 |
| July 31, 2007 | 5,000,000 | 221,300,000 |
| July 31, 2008 | 3,250,000 | 143,845,000 |
| 30 months after the closing of the merger agreement | 1,750,000 | 77,455,000 |
| July 31, 2009 | 5,000,000 | 221,300,000 |
| | 27,000,000 | 1,195,020,000 |

The Agreement includes a Retention Bonus Plan, Long-Term Retention Bonus Plan, Parent Employee Stock Option Plan and Performance Incentive Plan.

16. Balance Sheet abstract and Company's general business profile

I Registration Details

Registration No.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| C | 1 | 9 | 6 | 8 | 7 | 1 | 0 |
|---|---|---|---|---|---|---|---|

State Code

| | |
|---|---|
| N | A |
|---|---|

Balance Sheet Date

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 1 | 2 |
|---|---|

| | |
|---|---|
| 0 | 6 |
|---|---|

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

Public Issue @

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Rights Issue

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 1 | 7 | 4 | 6 |
|--|--|--|--|---|---|---|---|

Bonus Issue

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Private Placement

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

III Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 1 | 7 | 4 | 7 | 0 | 4 |
|--|--|---|---|---|---|---|---|

Total Assets

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 1 | 7 | 4 | 7 | 0 | 4 |
|--|--|---|---|---|---|---|---|

Sources of Funds

Paid-up Capital

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 9 | 9 | 2 | 3 |
|--|--|--|--|---|---|---|---|

Secured Loans

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Unsecured Loans

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 1 | 6 | 4 | 7 | 8 | 1 |
|--|--|---|---|---|---|---|---|

+ -

| | |
|--|--|
| | |
|--|--|

Deferred Tax

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Application of Funds

Net Fixed Assets

| | | | | | | | |
|--|--|--|---|---|---|---|---|
| | | | 1 | 0 | 8 | 6 | 4 |
|--|--|--|---|---|---|---|---|

Investments

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 3 | 8 | 0 | 9 |
|--|--|--|--|---|---|---|---|

Net Current Assets

| | | | | | | | |
|--|--|--|---|---|---|---|---|
| | | | 7 | 3 | 3 | 4 | 4 |
|--|--|--|---|---|---|---|---|

Misc. Expenditure

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Deferred Tax Asset

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 6 | 0 | 7 | 8 |
|--|--|--|--|---|---|---|---|

Profit & Loss Account

| | | | | | | | | |
|--|--|--|--|---|---|---|---|---|
| | | | | 8 | 0 | 6 | 0 | 9 |
|--|--|--|--|---|---|---|---|---|

IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 9 | 6 | 8 | 3 | 8 | 5 |
|--|--|---|---|---|---|---|---|

Total Expenditure

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 9 | 3 | 9 | 5 | 1 | 4 |
|--|--|---|---|---|---|---|---|

+ -

| | |
|---|--|
| √ | |
|---|--|

Profit Before Tax

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 7 | 9 | 9 | 7 |
|--|--|--|--|---|---|---|---|

+ -

| | |
|--|---|
| | √ |
|--|---|

Profit After Tax

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | 2 | 3 | 0 | 2 |
|--|--|--|--|---|---|---|---|

Please tick appropriate box + for Profit, - for Loss

+ -
[] [√]

Earnings Per Share (Rs)
[] [] [] [] [0] [.] [°] [1] [9]

Dividend Rate %
[N] [I] [L]

V Generic Names of Principal Products/Services of the Company
(as per monetary items)

Item Code No.
(ITC Code) [N] [A] [] []

Product Description [SOFTWARE DEVELOPMENT]

As per our report attached
SHARP & TANNAN
Chartered Accountants
By the hand of

R D KARE
Partner
(Membership No. 8820)
Place : Mumbai

Date : May 25, 2007

A G KARUNAKARAN
Director

Place : California

Date : May 25, 2007

V SHRINIVASAN
Director

GDA TECHNOLOGIES LIMITED

GDA TECHNOLOGIES LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Tenth Annual Report and audited accounts of GDA Technologies Limited for the year ended March 31, 2007.

FINANCIAL RESULTS

| | (In Rs. million) | |
|--|------------------|---------|
| | 2006-07 | 2005-06 |
| Total Income | 269.03 | 251.17 |
| Operating Profit (PBIDT) | 122.78 | 157.06 |
| Less : Depreciation and amortization | 4.74 | 3.68 |
| Profit Before Tax (PBT) | 118.04 | 153.38 |
| Less : Provision for Tax (including Rs.5.1 Lakhs for Fringe Benefit Tax) | 3.61 | 2.07 |
| Less: Provision for Bad & Doubtful debts. | 0.60 | - |
| Add/ Less: (Writeback) / further provision for earlier years | 0.33 | - |
| Profit After Tax (PAT) | 114.16 | 151.31 |
| Add : Balance brought forward from previous year | 162.49 | 11.36 |
| Balance available for disposal which Directors appropriate as follows : | 276.65 | 162.68 |
| Dividends | - | 0.17 |
| Tax on Dividend | - | 0.02 |
| Balance carried forward to Balance Sheet. | 276.65 | 162.49 |

DIVIDEND

The Directors do not recommend dividend for the current year.

REVIEW OF OPERATIONS

The Company recorded revenues of Rs. 269.03 million in the year 2006-07 as compared to Rs. 251.17 million in the previous year. The profit after tax for the year was Rs. 114.16 million as compared to Rs. 151.31 million.

During the year under review, your Company has carried out IC design, Systems design, Software development and PCB layout for several global customers. The Company also executed projects in the above areas for the customers who are located in India.

In addition to the turnkey projects that were executed in the above domains, the Company started ODCs (Offshore Design Centers) during this year for customers based out of US. The Company has developed OIB (Office in a Box), several FPGA (Field Programmable Gate Array) boards, GPON (Gigabit Passive Optical Network) IP during the year. In addition to the US customer base, the Company has expanded its customer list to other continents. The Company started executing projects for customers from Japan, UK and Israel.

The total employee strength has increased to 276 to keep up with the pace of outsourcing from customers across the globe. The infrastructure has been improved with additional high capacity servers, back-up generator and high-speed internet connection.

The parent Company GDA Technologies, Inc US has been acquired by Larsen & Toubro Infotech Limited (L&T Infotech) in March 2007 and consequently it has become a 100% owned subsidiary of L&T Infotech. The Company is looking forward to expand its customer base, set-up large scale ODCs, enhance the CDMS (Custom Design Manufacturing Services) offerings in the coming year. The strength of your Company lies in retaining the customers by delivering high quality designs on time. This results in repeat orders from the existing customers and adding more customers to the list. The Company will continue to strive on this path to increase the revenue.

DEPOSITS

During the period under review, the Company has not accepted any deposits from the public.

AUDITORS' REPORT

The notes to the accounts referred to in the Auditors' Report are self-explanatory. In connection with the observations made in Clause 4 (d) of the Auditor's Report, regarding provision of gratuity of Rs. 1,268,416/-, made on the basis of management's estimate rather than on actuarial certificate, we wish to clarify that the impact of the same is not expected to be material.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure A forming part of this report.

FINANCIAL RESULTS

There were no employees covered by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) which was introduced by the Companies (Amendment) Act, 2000, your Directors confirm that:-

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- (ii) The Directors had selected such 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 as on March 31, 2007 and of the profit or loss of the Company for the year ended March 31, 2007.
- (iii) 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.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

AUDITORS

The Auditors, M/s. S. V. Visvanathan & Associates, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting.

DIRECTORS

During the year, Mr. G. V. S. Desikan, Mr. N. Ramachandran and Mr. R Mahadevan have resigned as Directors of the Company.

Mr. A. G. Karunakaran retires from the Board of Directors by rotation and is eligible for re-appointment.

COMPLIANCE CERTIFICATE

In accordance with Section 383A of the Companies Act, 1956 read with Companies (Compliance Certificate) Rules, 2001, the Company has obtained a certificate from a Company Secretary in whole-time practice and a copy of the certificate is annexed to this report.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the Bankers, Vendors and Customers.

For and on behalf of the Board of
GDA Technologies Limited

GOPAKUMAR PERIYADAN

ARUNACHALAM RAMANATHAN

Director

Director

Place : Coimbatore

Date : 10th May, 2007

ANNEXURE - A

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2007.

A. Conservation of energy

Since the Company is engaged in software development, it is not a major consumer of energy.

B. Technology absorption

I. Research and Development (R & D)

R & D activities are carried out at our Registered Office.

II. Specific areas where R & D is carried out by the Company.

R & D efforts are continuing in the fields of Systems and Layout designs.

III. Technology adaptation and innovation.

Continuous efforts are made towards Technology Innovation.

C. Foreign exchange earnings and outgo

(c) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services; and export plans

The Company has rendered services in the IP & CDMS business segments to several well-known customers across the globe. The Company continues to create high value technology products for its global customers and hopes to be a key leader in Technology Services Outsourcing space.

(d) Total foreign exchange used and earned

2006-07 (Rs.)

Used
Earned

Rs. 16,703,928
Rs. 245,243,197

AUDITORS' REPORT TO THE MEMBERS OF M/s.GDA TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of **M/s.GDA TECHNOLOGIES LIMITED** as at March 31, 2007, and also the Profit and Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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, and on the basis of the information and explanations given to us and the books and records examined by us in the normal course of our audit and to the best of our knowledge and belief, we give below our report on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to the 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 purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of 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, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, subject to note no 13 regarding provision of gratuity on the basis of Management's Estimate rather than on the basis of actuarial certificate.
 - e) On the basis of written representations received from the Directors, as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 from being appointed as a Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, including the Balance Sheet and Profit and Loss account dealt with by this report read with the Notes thereon and documents annexed thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007,
- (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

S.V.VISVANATHAN & ASSOCIATES
Chartered Accountants

R.MUGUTHAN
Partner
(Membership No.21397)

Place: Coimbatore
Date : May 10, 2007.

**ANNEXURE TO AUDITOR'S REPORT OF M/s.GDA TECHNOLOGIES LIMITED
FOR THE YEAR ENDED MARCH 31, 2007.**

Referred to in paragraph 3 of our report of even date.

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets and the same is being updated.

(b) All the Assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. No material discrepancies were noticed on such verification.

(c) The Company has not disposed off a major part of its Assets.
- ii. (a) The Company has no Inventory and hence the provision relating to physical verification and sub clauses (b) and (c) does not arise.
- iii. The Company had not taken/given loan from/to the Directors and other parties listed in the Register maintained u/s 301 of the Companies Act, 1956 and hence sub clauses (b),(c),(d),(e),(f) and (g) of clause 4 (iii) of the said order not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its Business with regard to purchases of Inventory, Fixed Assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into 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, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. The Company has not accepted any Deposit from the Public.

- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its Business.
- viii. The provision relating the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 does not apply to the Company.
- ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanation given to us, there are no dues of Sales Tax, Income tax, Customs duty, Wealth tax, excise duty and Cess which have not been deposited on account of any dispute other than ESI dues as given below:

| Sl. No. | Name of the Statue | Nature of the due | Total Amount | Disputed Amount Paid | Period to which the amount Relate | Forum where dispute is Pending |
|---------|--------------------|-------------------|--------------|----------------------|-----------------------------------|--------------------------------|
| 1. | ESI | Regular Demand | 52,052 | 26,026 | 31-3-2001 | High Court Chennai |

- x. The Company does not have any accumulated losses as at March 31, 2007. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. The Company has not taken any loan from Financial Institutions, Banks or Debenture holders.
- xii. In our opinion and according to the information and explanation given to us the Company has not granted any Loans and Advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a Chit Fund or a Nidhi/Mutual Benefit Fund/Society. Therefore, the provisions of clause 4(xiii) 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. The Company has not given guarantees for loans taken by others from Banks or Financial Institutions.

- xvi. The Company has not received any Term Loan during the year.
- 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 the no funds raised on short term basis have been used for long term investment. No long term funds have been used to finance short term Assets, except for permanent working Capital.
- xviii. During the year the Company has not made any allotment of Shares.
- xix. According to the information and explanations given to us, during the period covered by our Audit Report, the Company has not issued any Debentures.
- xx. The Company has not raised any money by Public Issue during the period.
- xxi. According to the information and explanations given to us, based upon the audit procedures performed and representations made by the management no fraud on or by the Company has been noticed or reported during the course of our audit.

S.V.VISVANATHAN & ASSOCIATES
Chartered Accountants

R.MUGUTHAN
Partner
(Membership No.21397)

Place: Coimbatore
Date : May 10, 2007.

| GDA Technologies Ltd : India | | | | | | |
|--|----------|--------------|--------------------------------|------------------------|--------------------|--|
| Balance Sheet as at March 31, 2007 | | | | | | |
| | | 31.03.2007 | | 31.03.2006 | | |
| | Schedule | Rs. | Rs. | Rs. | Rs. | |
| I. Sources of Funds | | | | | | |
| Shareholder's Funds | | | | | | |
| Capital | 1 | | 1,681,970 | | 1,681,970 | |
| Reserves & Surplus | 2 | | 277,647,647 | | 163,485,486 | |
| Deferred Tax Liability | 3 | | 1,358,772 | | 560,245 | |
| TOTAL | | | 280,688,389 | | 165,727,701 | |
| II. Application of Funds | | | | | | |
| Fixed Assets | | | | | | |
| Gross Block | 4 | 38,442,933 | | 31,253,970 | | |
| Less: Depreciation | | 15,611,719 | | 10,880,891 | | |
| Net Block | | | 22,831,214 | | 20,373,079 | |
| Investments | 5 | | 198,258,130 | | 111,786,647 | |
| Current Assets, Loans & Advances | | | | | | |
| Sundry Debtors | 6 | 55,710,658 | | 25,937,890 | | |
| Work-in-Progress | 7 | 2,085,411 | | 648,500 | | |
| Cash and Bank Balances | 8 | 4,040,449 | | 7,063,199 | | |
| Loans and Advances | 9 | 10,322,441 | | 6,922,935 | | |
| | | 72,158,959 | | 40,572,524 | | |
| Less: Current Liabilities and Provisions | | | | | | |
| Liabilities | 10 | 8,654,589 | | 5,390,872 | | |
| Provisions | 11 | 3,905,325 | | 1,613,677 | | |
| | | 12,559,914 | | 7,004,549 | | |
| Net Current Assets | | | 59,599,045 | | 33,567,975 | |
| TOTAL | | | 280,688,389 | | 165,727,701 | |
| Schedule 1 to 11 Significant Accounting Policies and Notes to Accounts form part of the Balance Sheet. | | | | | | |
| This is the Balance Sheet referred to in our report of even date | | | | | | |
| For S.V. VISVANATHAN & ASSOCIATES | | | For and on Behalf of the Board | | | |
| CHARTERED ACCOUNTANTS | | | | | | |
| | | R. MUGUNTHAN | Gopakumar Periyadan | Arunachalam Ramanathan | | |
| | | Partner. | Director | Director | | |
| | | M.No. 21397 | | | | |
| Date : May 10, 2007 | | | | | | |
| Place : Coimbatore | | | | | | |

| GDA Technologies Ltd : India | | | |
|--|---|--|------------------------|
| Profit and Loss account for the year ended March 31, 2007 | | | |
| | | 31.03.2007 | 31.03.2006 |
| | | Rs. | Rs. |
| Revenues | Sales - Export | 245,243,197 | 241,452,506 |
| | Sales - Domestic | 15,476,840 | 6,551,040 |
| | Add/Less: Depletion/(Accretion) in WIP | 1,436,911 | 648,500 |
| | Other Income | 6,877,475 | 2,518,009 |
| | Total - Revenue | 269,034,424 | 251,170,055.00 |
| Cost of Sales | Salaries and Wages | 98,362,416 | 64,208,035 |
| | Travelling Expenses | 21,065,765 | 6,189,661 |
| | Consultancy | 1,995,884 | 2,727,406 |
| | Total - Cost of Sales | 121,424,064 | 73,125,101.94 |
| | Gross Profit | 147,610,360 | 178,044,953.06 |
| General Expenses | Building Maintenance | 1,790,347 | 2,357,749 |
| | Recruitment | 1,330,422 | 1,469,682 |
| | Rent - Building | 5,370,972 | 2,948,229 |
| | Sales Promotion Expenses | 56,640 | 116,924 |
| | Staff Welfare | 1,989,319 | 1,453,118 |
| | Telephone | 1,240,898 | 1,432,370 |
| | Administrative Charges | 578,208 | 518,048 |
| | Bank Charges | 269,065 | 217,679 |
| | Electricity | 3,392,601 | 2,576,294 |
| | Employee Development | 190,359 | 581,502 |
| | Insurance, Taxes & Fees | 639,005 | 456,809 |
| | Internet Charges | 1,621,174 | 1,241,889 |
| | Rent - Furniture | 600,359 | 492,350 |
| | Salaries- Administration Staff | 1,980,162 | 466,417 |
| | System Administration | 1,039,222 | 768,831 |
| | Depreciation | 4,742,535 | 3,680,536 |
| | Loss on Sale of Asset | 6,013 | 63,177 |
| | R&D Expenses | 2,105,795 | 1,258,928 |
| | Bad Debt Written off | 627,840 | 2,565,760 |
| | Total - General Expenses | 29,570,936 | 24,666,291 |
| | Income Before Taxes | 118,039,424 | 153,378,662 |
| | Provision for Income Tax | 2,303,015 | 1,200,000 |
| | Provision for Deffered Tax | 798,527 | 648,026 |
| | Provision for Fringe Benefit Tax | 510,234 | 221,882 |
| | Provision for Bad & doubtful debts | 595,293 | 0 |
| | Income after Taxes | 113,832,355 | 151,308,754 |
| | Add: | | |
| | Tax provision for earlier years written back | 329,806 | 6,000 |
| | | 114,162,161 | 151,314,754 |
| | Balance brought forward from Pre year | 162,485,486 | 11,362,526 |
| | Profit available for Appropriation | 276,647,647 | 162,677,281 |
| Appropriation | Proposed Dividend | 0 | 168,197 |
| | Tax on Dividend | 0 | 23,598 |
| | Transfer to General Reserve | 276,647,647 | 162,485,486 |
| | Balance surplus carried to Balance sheet | 276,647,647 | 162,677,281 |
| Earnings per share | | 678.74 | 899.63 |
| This is the Profit & Loss Account referred to in our report of even date | | | |
| For S.V. VISVANATHAN & ASSOCIATES | | For and on Behalf of the Board, | |
| CHARTERED ACCOUNTANTS | | | |
| | | Gopakumar Periyadan | Arunachalam Ramanathan |
| | R. MUGUNTHAN | Director | Director |
| | Partner. | | |
| | M.No. 21397 | | |
| Date : May 10, 2007. | | | |
| Place : Coimbatore | | | |

| GDA TECHNOLOGIES LTD | | |
|--|--|--------------------------------|
| CASH FLOW STATEMENT ANNEXED TO THE | | |
| BALANCE SHEET FOR YEAR ENDED 31ST MARCH, 2007 | | |
| | | 31-Mar-07 |
| | | Rs. |
| A. | Cash flows from operating activities : | |
| | Profit before Taxation | 118,039,424 |
| | Adjustments for : | |
| | Depreciation | 4,742,535 |
| | Loss/ (Profit) on Sale of Fixed Assets (net) | 6,013 |
| | Dividend income | (6,877,475) |
| | Operating Profit before working capital changes | 115,910,497 |
| | Adjustments for : | |
| | (Increase)/Decrease in Sundry Debtors and other receivables | (30,514,080) |
| | (Increase)/Decrease in Inventories | (1,436,911) |
| | Increase/(Decrease) in Sundry Creditors and Provisions | 3,263,722 |
| | Cash from operations | 87,223,228 |
| | Direct taxes paid (net) | (3,277,090) |
| | Net cash from / (used in) operating activities | 83,946,138 |
| B. | Cash flows from investing activities : | |
| | Purchase of fixed assets | (7,232,683) |
| | Proceeds from sale of fixed assets | 26,000 |
| | Investments | (86,471,483) |
| | Dividend income | 6,877,475 |
| | Net cash from investing activities | (86,800,691) |
| C. | Cash flows from financing activities : | |
| | Dividends paid | (168,197) |
| | Net cash from financing activities | (168,197) |
| | Net increase in cash and cash equivalents (A+B+C) | (3,022,750) |
| | Cash and cash equivalents as at the commencement of the year | 7,063,199 |
| | Cash and cash equivalents as at the end of the year | 4,040,449 |
| | Notes: | |
| | 1) The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting standard (AS - 3) "Cash Flow Statements" issued by the Institute of Chartered Accountants of India. | |
| | 2) As requirements under AS-3 "Cash Flow Statements" were exempt in the previous year, figures of the previous year have not been stated. | |
| | As per our attached report of even date | For and on behalf of the Board |
| | For S.V.VISVANATHAN & ASSOCIATES | |
| | Chartered Accountants | |
| | | Gopa Periyadan Chairman |
| | | Arun Ramanathan Director |
| | R. Mugunthan Partner Membership No 21397 | |
| | PLACE: Coimbatore | |
| | DATE: 10.5.2007 | |

| GDA Technologies Ltd : India | | | | | | | | | | |
|---|--------------------------|------------------|---------------------|--------------------------|--------------------|-------------------|---------------------|--------------------|---------------------|---------------------|
| Schedules forming part of the Balance Sheet as at 31st March, 2007 | | | | | | | | | | |
| | | | | | as of 31-03-2007 | | | as of 31-03-2006 | | |
| | | | | | Rs. | | Rs. | | Rs. | |
| Schedule - 1 | | | | | | | | | | |
| Share Capital | | | | | | | | | | |
| 4,00,000 Equity Shares of Rs. 10 each | | | | | 4,000,000 | | | 4,000,000 | | |
| Issued and Subscribed | | | | | | | | | | |
| 1,68,197 Equity Shares of Rs. 10 each fully paid up | | | | | 1,681,970 | | | 1,681,970 | | |
| (Of the above, 167,234 equity shares are held by GDA Technologies Inc.) | | | | | | | | | | |
| Schedule - 2 | | | | | | | | | | |
| Reserves and Surplus | | | | | | | | | | |
| As per Last Balance sheet | | | | | 1,000,000 | | 1,000,000 | | | |
| Surplus in Profit & Loss Account | | | | | 276,647,647 | | 277,647,647 | | 162,485,486 | |
| | | | | | | | 277,647,647 | | 163,485,486 | |
| Schedule - 3 | | | | | | | | | | |
| Deferred Tax Liability/Asset : | | | | | | | | | | |
| As per Last Balance sheet | | | | | 560,245 | | | (87,781) | | |
| Add : Transfer during the year | | | | | 798,527 | | | 648,026 | | |
| Balance | | | | | 1,358,772 | | | 560,245 | | |
| Schedule - 4 | | | | | | | | | | |
| Description | Gross Block | | | | Depreciation | | | | Net Block | |
| | Cost as at 01.04.2006 | Additions | Sales/ Transfers | Cost as at 31.03.2007 | Upto 01.04.2006 | For the period | Sales/ Transfers | Upto 31.03.2007 | As at 31.03.2007 | As at 01.04.2006 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Computers | 23,353,272 | 4,884,365 | 15,000 | 28,222,637 | 9,982,116 | 4,206,682 | 0 | 14,188,798 | 14,033,840 | 13,371,157 |
| Leasehold In | 0 | 846,064 | | 846,064 | 0 | 8,542 | | 8,542 | 837,522 | 0 |
| Generator | 0 | 612,024 | | 612,024 | 0 | 26,602 | 0 | 26,602 | 585,422 | |
| Office | | | | | | | | | | |
| Equipments | 1,164,703 | 28,465 | 2,600 | 1,188,568 | 146,104 | 55,788 | 622 | 201,270 | 987,298 | 1,018,599 |
| Electrical | | | | | | | | | | |
| Fittings | 652,420 | 11,579 | | 663,999 | 74,993 | 34,399 | | 109,392 | 554,607 | 577,427 |
| Vehicles | 19,035 | 0 | | 19,035 | 11,091 | 1,808 | | 12,899 | 6,136 | 7,944 |
| Furniture & | | | | | | | | | | |
| Fittings | 6,064,540 | 852,186 | 26,120 | 6,890,606 | 666,588 | 408,714 | 11,085 | 1,064,217 | 5,826,389 | 5,397,952 |
| Total | 31,253,970 | 7,232,683 | 43,720 | 38,442,933 | 10,880,891 | 4,742,535 | 11,707 | 15,611,719 | 22,831,214 | 20,373,079 |
| Schedule - 5 | | | | | | | | | | |
| | | | | | as of 31-03-2007 | | | as of 31-03-2006 | | |
| Investments | | | | | | | | | | |
| Investments in shares (Unquoted) | | | | | | | | | | |
| 10,000 Equity shares @ Rs. 10/- with GDA Systems Pvt Ltd | | | | | 100,000 | | | 100,000 | | |
| Face value Rs. 1,00,000/- (Market value - Unquoted) | | | | | | | | | | |
| Investment in Mutual Funds : | | | | | 198,158,130 | | | 11,168,664 | | |
| Templeton India Treasury Mangement Account Institutional Plan - | | | | | | | | | | |
| - Daily Dividend Reinvestment 198,108,603 Units @ 1000.25 | | | | | | | | | | |
| | | | | | 198,258,130 | | | 111,786,647 | | |
| Schedule - 6 | | | | | | | | | | |
| Sundry Debtors (unsecured - considered good) | | | | | | | | | | |
| Debts outstanding for a period exceeding 6 months | | | | | 535,093 | | | 625,500 | | |
| Other debts | | | | | 55,770,858 | | | 25,312,390 | | |
| | | | | | 56,305,951 | | | 25,937,890 | | |
| Less : Provision for Bad and doubtful debts | | | | | 595,293 | | | 55,710,658 | | |
| | | | | | | | | 0 | | |
| | | | | | | | | 25,937,890 | | |
| Schedule - 7 | | | | | | | | | | |
| Work-In-Progress | | | | | | | | | | |
| WIP | | | | | 2,085,411 | | | 648,500 | | |
| | | | | | 2,085,411 | | | 648,500 | | |

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|-------------------|------------------|
| Schedule - 8 | | | | | | | | | |
| Cash and Bank Balances | | | | | | | | | |
| Cash and Cheques on hand | | | | | | | | 36,031 | 16,892 |
| Balance s with scheduled Banks | | | | | | | | | |
| In Current Account | | | | | | | | 3,795,599 | 6,909,900 |
| In Deposit Account | | | | | | | | 208,819 | 136,407 |
| | | | | | | | | 4,040,449 | 7,063,199 |
| Schedule - 9 | | | | | | | | | |
| Loans and Advances (Unsecured - considered good) | | | | | | | | | |
| Advances recoverable in cash or kind or for value to be received | | | | | | | | 1,922,573 | 1,627,546 |
| Advance Income Tax | | | | | | | | 2,978,725 | 143,690 |
| Prepaid Expenses | | | | | | | | 297,657 | 375,302 |
| Telephone Deposit | | | | | | | | 92,513 | 105,600 |
| Rent Advance | | | | | | | | 2,973,000 | 2,973,000 |
| TDS Receivable | | | | | | | | 1,349,672 | 931,215 |
| Other Deposits | | | | | | | | 708,300 | 766,582 |
| | | | | | | | | 10,322,441 | 6,922,935 |
| Schedule - 10 | | | | | | | | | |
| Current Liabilities and Provisions | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Sundry Creditors | | | | | | | | | |
| Due to SSI Units | | | | | | | | 0 | 0 |
| Others | | | | | | | | 8,654,589 | 8,654,589 |
| Advance received from Customers | | | | | | | | | 3,224,978 |
| | | | | | | | | | 3,224,978 |
| | | | | | | | | 8,654,589 | 5,390,872 |
| Schedule - 11 | | | | | | | | | |
| Provisions | | | | | | | | | |
| Proposed Dividend | | | | | | | | 0 | 168,197 |
| Tax on Dividend | | | | | | | | 0 | 23,598 |
| Provision for Tax | | | | | | | | 3,173,209 | 1,200,000 |
| Provision for Fringe Benefit Tax | | | | | | | | 732,116 | 221,882 |
| | | | | | | | | 3,905,325 | 1,613,677 |

GDA Technologies Limited

Significant Accounting Policies

a) General

The Company is consistently following the accrual method of accounting and the financial Statements are prepared on the basis as going concern basis. The accounting method followed by the Company complies with the applicable accounting standards issued by the Institute of Chartered Accountants of India and also relevant provisions of the Companies Act. 1956.

b) Depreciation

Depreciation on Fixed Assets is calculated on straight line basis at the rate specified in Schedule XIV of the Companies Act.

c) Revenue Recognition

Sales represents billing done for software development services rendered by the Company. Percentage completion method is followed in respect of fixed price contracts.

d) Fixed Asset

Fixed are stated at cost which includes cost of which includes cost of the assets, freight, installation, borrowing, duties and taxes and other incidental expenses incurred during the construction/installations stage.

e) Foreign Currency Transactions

Income and Expenditure items involving foreign exchange are translated at the exchange rate prevailing on the dates of transaction. All fluctuations arising from foreign exchange transactions are dealt with in the profit and loss account gains and Losses are accounted for on realization.

f) Lease Rent

Operating Lease Rent are charged off to Profit and loss account during the tenure of Lease.

g) Taxation

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The Company is eligible for tax exemption under Section 10A of the Income Tax Act 1961.

Deferred Tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date.

Notes forming part of Accounts

1) Estimated amount of contracts remaining to be executed on capital account and are not provided for Rs.Nil [Previous Year Rs.Nil]

2) Contingent Liability not provided for in respect of:

i) Disputed demands by Employee State Insurance Corporation not acknowledged as Debts-Rs 26,026/- [Previous year Rs.26, 026/-]

3) Additional information pursuant to the provisions of Schedule VI of Companies Act 1956

i) Expenditure in foreign currency on account of :

| Nature of Expenses | 31.3.2007 Rs. | 31.3.2006 Rs. |
|--|------------------|------------------|
| a) Passage money | 1,32,04,044 | 14,58,657 |
| b) Procurement of material/capital items | 34,99,884 | 12,69,833 |

ii) Earnings in foreign currency

| | | |
|-----------------------------|--------------|--------------|
| a) Software sales / service | 24,52,43,197 | 24,14,52,506 |
|-----------------------------|--------------|--------------|

iii) Remittance in foreign currency on account of dividend.

| Particulars | for the year ended 31.3.2007 | for the year ended 31.3.2006 |
|---------------------------------------|---------------------------------|---------------------------------|
| Number of Non Resident Share holder | One | One |
| Number of share held by them | 1,67,234 | 1, 67,234 |
| Dividend Amount in Rs. | NIL | 1, 67,234 |
| Year to which the dividend is related | 2006-07 | 2005-06 |

- 4) Interest Income of Rs. 14380/- [Previous year Rs. 6,852/-]
Tax deducted at source thereon Rs. 1,973/- [Previous year Rs 1,537/-]
- 5) Based on the information available with the Company regarding the status of suppliers, there are no amounts due to small scale/ancillary undertaking outstanding for more than 30 days on account of principal and or interest as at the close of the year.
- 6) In the opinion of the Board, the current assets loans and advances have a value on realization in the ordinary courses of business at least equal to the amount at which they are stated.
- 7) Income tax assessments completed up to assessments year 2004-05
- 8) The Company has taken Building on operational lease agreement for not less than 11 months and Rent Payable within 1 year Rs. 53,70,972/-

9) Earnings per share.

| | 2006 – '07 | 2005 – '06 |
|---|------------------|------------------|
| Numerator | | |
| Net Profit attributable to Shareholders | Rs. 11,41,62,161 | Rs. 15,13,14,754 |
| Denominator | | |
| Weighted Average Equity Shares Numbers | 1,68,197 | 1,68,197 |
| Basic and Diluted Earnings Per shares | Rs. 678.74 | Rs. 899.63 |

10) Deferred Tax Liability

The Company has adopted Accounting Standard – 22 “Accounting for Taxes on Income” as per the clarifications issued by the Institute of Chartered Accountants of India from the year. The accumulated deferred tax amounting to Rs.7,98,527/- on account of timing difference between book and Income tax depreciation is adjusted in the Profit and Loss Account.

| | |
|---|---------------|
| Opening Timing difference on account of Depreciation during Tax Holiday | = 560245 |
| Closing Timing difference on account of Depreciation during Tax holiday | = (13,58,772) |
| Deferred tax Liability | = 7,98,527 |

11) Disclosure in respect of provisions pursuant to Accounting standard – 29

| Particulars | Opening Balance as on 01.04.06 | Provided during the year | Utilised during the year | Reversed during the year | Closing Balance as on 31.03.07 |
|---------------------|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------------|
| Proposed Dividend | 1,68,197 | NIL | 1,68,197 | - | - |
| Tax on Dividend Tax | 23,598 | | 23,598 | - | - |
| Income Tax | 12,00,000 | 23,03,015 | - | 3,29,806 | 31,73,209 |
| Fringe Benefit Tax | 2,21,882 | 5,10,234 | - | - | 7,32,116 |

12) Balance of Certain creditors, debtors, loans and advances given are subject to confirmation and reconciliation, if any. However in the opinion of the management, there would not be any material impact on financial statements.

13) Provision of Gratuity amounting to Rs. 12,68,416/- provided on the basis of Management's estimate rather than on the basis of actuarial certificate.

14) The figures of the previous year have been re-grouped/re-arranged wherever necessary so as to make them comparable with those of the current year.

GDA TECHNOLOGIES LIMITED

Information Pursuant to Part IV of Schedule VI to the Companies Act 1956.

Balance Sheet abstract and Company's General Business Profile

1. Registration Details:

Registration No : **181-8145** State Code: **18**
Balance Sheet date: : **31.03.2007**

2. Capital raised during the year(Amount in Rs. Thousand)

Public Issue : **Nil** Rights Issue : **Nil**
Bonus Issue : **Nil** Private Placement : **Nil**

3. Position of Mobilisation and Deployment of Funds(Amount in Rs. Thousand)

Total Liabilities : **280,688** Total Assets : **280,688**

Sources of Funds :

Paid up Capital : **1682** Reserves & Surplus : **277,647**
Secured Loan: : **Nil** Unsecured Loan : **Nil**
Deferred Tax Liability : **1359**

Application of Funds:

Net Fixed Assets : **22,831** Investments : **198,258**
Net Current Assets : **59,599** Deferred Tax Assets : **-**
Accumulated Losses : **Nil** Misc. Expenditure : **Nil**

4. Performance of Company (Amount in Rs.Thousand)

Turnover : **269,034** Total Expenditure : **150,995**
Profit /Loss before tax : **118,039** Profit/Loss after tax : **113,832**

Earning Per Share : **Rs. 678.74** Dividend Rate :

5. Generic name of the Principal Products/Services of Company(As per Monetary terms)

Item Code No. **8,47,110/Not Applicable**
Product Description **Computer Hardware**
Computer Software

As per our attached report of even date

For S. V. Visvanathan & Associates

For and on behalf of the Board

R. Mugunthan

Partner

Membership No.: 21397

Gopa Periyadan

Director

Arunachalam Ramanathan

Director

Place: Coimbatore

Date : 10.05.2007

GDA Technologies Limited

**Statement pursuant to Section 212 of the Companies Act, 1956
relating to subsidiary company:**

| | |
|--|---------------------------------------|
| Name of the subsidiary company: | GDA Systems Private Limited Rs. |
| Financial year of the subsidiary company ended on: | 31/3/2007 |
| Number of Shares in the subsidiary company held by GDA Technologies Limited at the above date | 10,000 |
| Extent of holding | 99.73 percent |
| The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of GDA Technologies Limited : | Rupees |
| (i) Dealt with in the accounts of GDA Technologies Limited amounted to: | |
| (a) for the subsidiary's financial year ended March 31, 2007 & | NIL |
| (b) for previous financial years of the subsidiary since it became subsidiary of GDA Technologies Limited | NIL |
| (ii) Not dealt with in the accounts of GDA Technologies Limited amounted to: | |
| (a) for the subsidiary's financial year ended March 31, 2007. | 17,063 |
| (b) for previous financial years of the subsidiary since it became subsidiary of GDA Technologies Limited. | -18,454 |

For and On Behalf of Board,

Place: Coimbatore
Date: May 10, 2007

Gopakumar Periyadan
Director

Arunachalam Ramanathan
Director

GDA SYSTEMS PRIVATE LIMITED

GDA SYSTEMS PRIVATE LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Eight Annual Report and audited accounts of GDA Systems Private Limited for the year ended March 31, 2007.

FINANCIAL RESULTS

| | <u>2006-07</u> | (In Rs. lakhs) <u>2005-06</u> |
|-------------------|----------------|----------------------------------|
| Total Income | 1,521,229 | 1,796,080 |
| Profit before tax | 41,780 | 29,281 |
| Taxes | 24,717 | 21,999 |
| Profit after tax | 17,063 | 7,282 |

DIVIDEND

The Directors do not recommend dividend for the current year.

REVIEW OF OPERATIONS

During the year under review, your Company has carried out systems design projects and supplied complete systems for customers across India. Media Gateway and Multi channel data acquisition are the significant projects that the Company carried out during the year.

The parent Company GDA Technologies Inc, US, has been acquired by Larsen & Toubro Infotech Limited (L&T Infotech) in March 2007 and consequently it has become a 100% owned subsidiary of L&T Infotech.

The Company is looking forward to expand its customer base, enhance the CDMS (Custom Design Manufacturing Services) offerings to its customers in the coming year. The Company will continue to strive on this path to increase the revenue.

DEPOSITS

During the period under review, the Company has not accepted any deposits from the public.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

DISCLOSURE OF PARTICULARS

Your Company has no activity relating to conservation of energy and technology absorption. The Company had no foreign exchange earnings and foreign exchange outgo was Rs. 29,250/-

PERSONNEL

There were no employees covered by the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) which was introduced by the Companies (Amendment) Act, 2000, your Directors confirm that:-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) the Directors had selected such 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 as on March 31, 2007 and of the profit of the Company for the year ended March 31, 2007;
- (iii) 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) the Directors have prepared the annual accounts on a going concern basis.

AUDITORS

The Auditors, M/s. S. V. Visvanathan & Associates, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting.

DIRECTORS

During the year, Mr. K. N. Ganesan, Mr. Gopakumar Periyadan and Mr. Arunachalam Ramanathan have been appointed as Directors of the Company, while Mr. G. S. Hariganesh, Mr. G. V. S. Desikan, Mr. R Mahadevan and Mr. M. Selvaraj have resigned as Directors of the Company.

Mr. K. N. Ganesan retires from the Board of Directors by rotation and is eligible for re-appointment.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the bankers, vendors and customers.

For and on behalf of the Board of
GDA Systems Private Limited

GOPAKUMAR PERIYADAN ARUNACHALAM RAMANATHAN

Director

Director

Place :Coimbatore

Date : May 10, 2007.

AUDITORS' REPORT TO THE MEMBERS OF M/s.GDA SYSTEMS PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **M/s.GDA SYSTEMS PRIVATE LIMITED** as at March 31, 2007, and also the Profit and Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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, and on the basis of the information and explanations given to us and the books and records examined by us in the normal course of our audit and to the best of our knowledge and belief, we give below our report on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to the 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 purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of 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, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956
 - e) On the basis of written representations received from the Directors, as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 from being appointed as a Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, including the Balance Sheet and Profit and Loss account dealt with by this report read with the Notes thereon and documents annexed thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007,
- (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

S.V.VISVANATHAN & ASSOCIATES
Chartered Accountants

R.MUGUTHAN
Partner
(Membership No.21397)

Place : Coimbatore
Date : May 10, 2007.

**ANNEXURE TO AUDITORS' REPORT OF M/S. GDA SYSTEMS PRIVATE
LIMITED FOR THE YEAR ENDED MARCH 31, 2007.**

Referred to in paragraph 3 of our report of even date.

- i.
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets and the same is being updated.
 - (b) All the Assets have been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. No material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off a major part of its Assets.
- ii.
 - (a) The Inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business
 - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records were not material.
- iii. The Company had not taken/given loan from/to the Directors and other Parties listed in the Register maintained u/s 301 of the Companies Act, 1956 and hence sub clauses (b), (c), (d), (e), (f) and (g) of clause (iii) of the said order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of Inventory, Fixed Assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v.
 - (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into 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, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301

of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

- vi. The Company has not accepted any deposit from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. The provision relating the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 does not apply to the Company.
- ix.
 - (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
 - (b) According to the information and explanation given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
- x. In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. The Company has not taken any loan from Financial Institutions, Banks or Debenture holders.
- xii. In our opinion and according to the information and explanation given to us the Company has not granted any Loans and Advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a Chit Fund or a Nidhi/ Mutual Benefit Fund/Society. Therefore, the provisions of clause 4(xiii) 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. The Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- xvi. The Company has not received any Term Loan during the year.

- 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 the no funds raised on short term basis have been used for long term investment. No long term funds have been used to finance short term Assets, except for permanent Working Capital.
- xviii. During the year the Company has not made any allotment of Shares.
- xix. According to the information and explanations given to us, during the period covered by our Audit Report, the Company has not issued any Debentures.
- xx. The Company has not raised any money by Public Issue during the period.
- xxi. According to the information and explanations given to us, based upon the audit procedures performed and representations made by the management no fraud on or by the Company has been noticed or reported during the course of our audit.

S.V.VISVANATHAN & ASSOCIATES
Chartered Accountants

R.MUGUTHAN
Partner
(Membership No.21397)

Place : Coimbatore
Date : May 10, 2007.

| GDA SYSTEMS PVT LTD : COIMBATORE | | | |
|--|-----------------|--|-------------------|
| Balance Sheet as at March 31, 2007 | | | |
| | | 31.03.2007 | 31.03.2006 |
| | Schedule | Rs. | Rs. |
| I. Sources of Funds | | | |
| Shareholder's Funds | | | |
| Share Capital | 1 | 100,270 | 100,270 |
| Deferred Tax Liability/(Asset) | 2 | 4,802 | 4,654 |
| | TOTAL | 105,072 | 104,924 |
| II. Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | 3 | 36,290 | 36,290 |
| Less: Depreciation | | 15,292 | 9,979 |
| Net Block | | 20,998 | 26,311 |
| Current Assets, Loans & Advances | | | |
| a. Inventory | 4 | 188,986 | 186,486 |
| b. Sundry Debtors | 5 | 436,949 | 50,681 |
| c. Cash and Bank Balances | 6 | 1,084,697 | 262,462 |
| d. Other Current assets | 7 | 7,849 | 620 |
| e. Loans and Advances | 8 | 114,348 | 3,500 |
| | | 1,832,829 | 503,749 |
| Less:Current Liabilities and Provisions | | | |
| Liabilities | 9 | 1,725,009 | 439,744 |
| Provisions | 10 | 27,069 | 6,101 |
| | | 1,752,078 | 445,845 |
| | | 80,751 | 57,904 |
| Miscellaneous Expenditure | 11 | 1,932 | 2,255 |
| (To the extent not w/off or adjusted) | | | |
| Profit and Loss account | | 1,391 | 18,454 |
| | TOTAL | 105,072 | 104,924 |
| Schedule 1 to 11 statement on Significant Accounting Policy and Notes on Accounts form Part of this Balance Sheet. | | | |
| As per our report attached | | | |
| For S.V.VISVANATHAN & ASSOCIATES | | For and on behalf of the Company | |
| Chartered Accountants | | | |
| R. Mugunthan | | Gopakumar Periyadan Arunachalam Ramanathan | |
| Partner | | Director | Director |
| Membership No. 21397 | | | |
| Place:Coimbatore | | | |
| Date:May 10, 2007. | | | |

| GDA SYSTEMS PVT LTD : COIMBATORE | | | |
|--|-----------------|--|-------------------|
| Profit and Loss Account for the year ended March 31, 2007 | | | |
| | | Year ended | Year ended |
| | | 31.03.2007 | 31.03.2006 |
| | Schedule | Rs. | Rs. |
| Income | | | |
| Sales : | | | |
| Sales | | 1,514,000 | 1,795,460 |
| Interest receipts | | 7,229 | 620 |
| | | 1,521,229 | 1,796,080 |
| Expenditure | | | |
| Raw - Materials consumed | 12 | 117,357 | 1,381,098 |
| Personal cost including welfare | | 1,211,737 | 56,394 |
| Other expenses | 13 | 98,594 | 110,863 |
| Depreciation | | 5,313 | 7,613 |
| Bad debts written off | | 46,448 | |
| Add/Less: Depletion /(Accretion) in stock | 14 | - | 210,831 |
| | | 1,479,449 | 1,766,799 |
| Profit before Tax (PBT) | | 41,780 | 29,281 |
| Less: Provision for current tax | | 22,261 | 2,500 |
| Provision for Deferred tax Liability/(Asset) | | 148 | 15,898 |
| Provision for Fringe benefit tax paid | | 2,308 | 3,601 |
| Profit after Tax (PAT) | | 17,063 | 7,282 |
| Add: Prior year expenses | | - | (1,179) |
| Loss b/f from Previous year | | (18,454) | 24,557 |
| | | (1,391) | (18,454) |
| Basic and Diluted Earnings per Share | | 1.70 | 0.73 |
| Schedule 12 to 14 statement on Significant Accounting Policy | | | |
| and Notes on Accounts form Part of this Profit and Loss Account. | | | |
| As per our report attached | | | |
| For S.V.VISVANATHAN & ASSOCIATES | | For and on behalf of the Company | |
| Chartered Accountants | | | |
| R. Mugunthan | | Gopakumar Periyadan Arunachalam Ramanathan | |
| Partner | | Director | Director |
| Membership No. 21397 | | | |
| Place:Coimbatore | | | |
| Date:May 10, 2007. | | | |

| GDA SYSTEMS PRIVATE LTD | | |
|--|--|--------------------------------|
| CASH FLOW STATEMENT ANNEXED TO THE | | |
| BALANCE SHEET FOR YEAR ENDED MARCH 31, 2007 | | |
| | | (In Rs.) |
| A. | Cash flows from operating activities : | |
| | Profit before Taxation | 41,780.00 |
| | Adjustments for : | |
| | Depreciation | 5,313.00 |
| | Preliminary Expenses Writenn off | 323.00 |
| | Operating Profit before working capital changes | 47,416.00 |
| | Adjustments for : | |
| | (Increase)/Decrease in Sundry Debtors and other receivables | (501,360.00) |
| | (Increase)/Decrease in Inventories | (2,500.00) |
| | Increase/(Decrease) in Sundry Creditors and Provisions | 1,285,270.00 |
| | Cash from operations | 828,826.00 |
| | Direct taxes paid (net) | (6,591.00) |
| | Net cash from / (used in) operating activities | 822,235.00 |
| B. | Cash flows from investing activities : | |
| | Purchase of fixed assets | - |
| | Proceeds from sale of fixed assets | - |
| | Interest income | - |
| | Dividend income | - |
| | Net cash from investing activities | |
| C. | Cash flows from financing activities : | |
| | Dividends paid | |
| | Net cash from financing activities | |
| | Net increase in cash and cash equivalents (A+B+C) | 822,235.00 |
| | Cash and cash equivalents as at the commencement of the year | 262,462.00 |
| | Cash and cash equivalents as at the end of the year | 1,084,697.00 |
| | Notes: | |
| | 1) The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting standard (AS - 3) "Cash Flow Statements" issued by the Institute of Chartered Accountants of India. | |
| | 2) As requirements under AS-3 "Cash Flow Statements" were exempt in the previous year, figures of the previous year have not been stated. | |
| | As per our attached report of even date. | |
| | For S.V. VISVANATHAN & ASSOCIATES | For and on behalf of the Board |
| | Chartered Accountants | |
| | | |
| | R. Mugun than | Gopakumar Periyadan |
| | Partner | Chairman |
| | Membership No 21397 | Arunachalam Ramanathan |
| | | Director |
| | PLACE: COIMBATORE | |
| | DATE: May 10 2007 | |

| GDA SYSTEMS PVT LTD ; COIMBATORE | | | |
|---|--------------|-------------------|-------------------|
| Schedules annexed to the Balance Sheet as at March 31, 2007 | | | |
| | | As at | As at |
| | | 31.03.2007 | 31.03.2006 |
| | | Rs. | Rs. |
| Schedule - 1 | | | |
| Share Capital | | | |
| Authorised | | | |
| 12,000 Equity Shares of Rs. 10 each | | 120,000 | 120,000 |
| Issued and Subscribed and paid up | | | |
| 10027 Equity Shares of Rs. 10 each | | 100,270 | 100,270 |
| | Total | 100,270 | 100,270 |
| Schedule - 2 | | | |
| Deferred tax Liability/(Assets) | | | |
| As per last Balance Sheet | | 4,654 | (11,244) |
| Less: Deferred tax (Asset)/ Liability transferred from / to Profit & loss a/c | | 148 | 15,898 |
| | Total | 4,802 | 4,654 |
| Schedule - 4 | | | |
| Inventories | | | |
| Raw-materials | | 59,817 | 57,317 |
| Finished goods | | 69,169 | 69,169 |
| work in process | | 60,000 | 60,000 |
| | | 188,986 | 186,486 |
| Schedule - 5 | | | |
| Sundry Debtors | | | |
| Unsecured, Considered good: | | | |
| Outstanding more than six months | | 393,119 | 24,750 |
| Others | | 43,830 | 25,931 |
| | | 436,949 | 50,681 |
| Schedule - 6 | | | |
| Cash and Bank Balances | | | |
| Cash and hand | | 1,277 | 13,087 |
| Balance s with scheduled Banks | | | |
| In Current Account | | 935,920 | 139,375 |
| In Deposits Account | | 147,500 | 110,000 |
| | | 1,084,697 | 262,462 |

GDA SYSTEMS PVT LTD : COIMBATORE**Schedules to Balance Sheet (Contd.,)****Schedule - 3 - Fixed Assets**

| Description | Gross Block | | | | Depreciation | | | Net Block | | |
|----------------------|---------------------------|--|------------------------------------|----------------------------|----------------------------|------------------------|--|----------------------------|----------------------------|----------------------------|
| | As at 1.04.2006 Rs. | Additions during the year Rs. | Sales during the year Rs. | As at 31.03.2007 Rs. | As at 01.04.2006 Rs. | For the year Rs. | withdrawn during the year Rs. | As at 31.03.2007 Rs. | As at 31.03.2007 Rs. | As at 31.03.2006 Rs. |
| Computers | 31,990 | - | - | 31,990 | 7,495 | 5,186 | - | 12,681 | 19,309 | 24,495 |
| Office Equipments | 2,300 | - | - | 2,300 | 2,300 | - | - | 2,300 | - | - |
| Furniture & Fittings | 2,000 | - | - | 2,000 | 184 | 127 | - | 311 | 1,689 | 1,816 |
| Total | 36,290 | - | - | 36,290 | 9,979 | 5,313 | - | 15,292 | 20,998 | 26,311 |
| Previous Year | 33,990 | 2,300 | - | 36,290 | 2,366 | 7,613 | - | 9,979 | 26,311 | 31,624 |

| GDA SYSTEMS PVT LTD ; COIMBATORE | | | |
|--|--|-------------------|-------------------|
| Schedules annexed to the Balance Sheet as at March 31, 2007 | | | |
| | | As at | As at |
| | | 31.03.2007 | 31.03.2006 |
| | | Rs. | Rs. |
| Schedule - 7 | | | |
| Other Current Assets | | | |
| Interest accrued on deposit | | 7,849 | 620 |
| | | 7,849 | 620 |
| Schedule - 8 | | | |
| Loans and Advances | | | |
| Unsecured and considered good: | | | |
| recoverable in cash or in kind for value to be received considered good | | | |
| Advance for taxes(including FBT) | | 6,493 | 3,500 |
| Deposits | | 3,500 | - |
| Balances with sales tax dept | | 1,455 | - |
| Earnest money Deposit | | 102,900 | - |
| | | 114,348 | 3,500 |
| Schedule - 9 | | | |
| Current Liabilities | | | |
| Due to holding Company | | 1,703,255 | 433,000 |
| Others | | 4,500 | - |
| Creditors for expenses | | 17,254 | 6,744 |
| | | 1,725,009 | 439,744 |
| Schedule - 10 | | | |
| Provisions | | | |
| Provision for taxes | | 24,761 | 2,500 |
| Provision for fringe Benefit tax | | 2,308 | 3,601 |
| | | 27,069 | 6,101 |
| Schedule - 11 | | | |
| Miscellaneous Expenditure | | | |
| Preliminary Expenses | | 2,255 | 2,578 |
| As per last Balance Sheet | | | |
| Less: 1/10th written off during the year 5th yr. | | 323 | 323 |
| | | 1,932 | 2,255 |

| GDA SYSTEMS PVT LTD : COIMBATORE | | |
|---|-------------------|-------------------|
| Schedules annexed to the Profit and Loss account | | |
| | Year ended | Year ended |
| | 31.03.2007 | 31.03.2006 |
| | Rs. | Rs. |
| Schedule - 12 | | |
| Raw-material consumed | | |
| Opening stock | 57,317 | - |
| Add: Purchases and expenses | 119,857 | 1,438,415 |
| | 177,174 | 1,438,415 |
| Less: Closing stock | 59,817 | 57,317 |
| | 117,357 | 1,381,098 |
| Schedule - 13 | | |
| Other expenses | | |
| Rent, rates and taxes | 24,000 | 14,400 |
| Postage and telephone expenses | 19,542 | 24,339 |
| Travelling and conveyances | 18,956 | 3,722 |
| Printing and stationery | 1,348 | 1,571 |
| Books and periodicals | 2,960 | 2,910 |
| Directors travelling expenses | - | 9,000 |
| Office maintenance | - | 4,587 |
| Registration and Renewals | - | 2,694 |
| Directors sitting fees | 15,000 | 9,000 |
| filing fees | 1,000 | 400 |
| Bank charges | 3,463 | 10,208 |
| Professional fees | 849 | 15,979 |
| Auditors remuneration | 10,928 | 6,744 |
| Miscellaneous expenses | 225 | 4,986 |
| Preliminary expenses w/off | 323 | 323 |
| | 98,594 | 110,863 |
| Schedule - 14 | | |
| Depletion/ (Accretion)in stock | | |
| Opening Stock: | | |
| Finished goods | 69,169 | - |
| Process stock | 60,000 | 340,000 |
| | 129,169 | 340,000 |
| Closing Stock: | | |
| Finished goods | 69,169 | 69,169 |
| Process stock | 60,000 | 60,000 |
| | 129,169 | 129,169 |
| Depletion in stock | - | 210,831 |

GDA Systems Private Limited

Significant Accounting Policies:

(In the order of applicability of Accounting Standards)

AS-1 DISCLOSURE AND BASIS OF ACCOUNTING

- a) The Financial Statements have been prepared under the Historical Cost Convention which is in accordance with the Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956. The Company has complied with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as referred u/s 211 (3C) of the Companies Act, 1956.
- b) The Company^o has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.
- c) The Accounts are prepared on the basis of Going Concern concept only.

AS-2 VALUATION OF INVENTORIES

| | | |
|-----------------|---|--|
| Raw Materials | - | At Cost |
| Work in Process | - | At cost. |
| Finished Goods | - | At lower of the cost or net realisable value |

AS - 6 DEPRECIATION ACCOUNTING

- a) Depreciation has been calculated on straight line method for all assets at rates specified in schedule XIV of the Companies Act, 1956.
- b) In respect of all assets purchased or sold during the year depreciation has been provided at the above rates on pro-rata basis.
- c) In respect of assets below Rs.5,000/- entire amount is claimed as
- d) depreciation.

AS-9 REVENUE RECOGNITION

Revenue from Software development comprise from time and material contracts

Revenue is recognized with the terms of the contract with the customer.

Revenue with respect to time and materials contracts is recognized as related services are performed.

Software development costs comprise expenditure that can be directly attributed or allocated on a reasonable and consistent basis to development of the product.

AS-10 ACCOUNTING FOR FIXED ASSETS

The cost of fixed assets is shown at historical cost less accumulated depreciation.

AS-11 FOREIGN CURRENCY TRANSACTIONS

Expenses in foreign currency are accounted at the rate of exchange debited by the bankers in case of banking transactions and at the rate of exchange prevalent at the time of expenditure in other cases.

AS - 20 EARNINGS PER SHARE.

The Earnings considered in ascertaining the Company's earning per share comprise of Net Profit after tax and include post tax adjustments of prior period and extra-ordinary items.

AS - 22 ACCOUNTING FOR TAXES ON INCOME:

Deferred Tax: Deferred Tax for timing differences between the book and tax profit for the year is accounted for, using the tax rates and laws that have been substantially enacted as of the Balance Sheet date. Deferred Tax Assets arising from timing difference are recognised to the extent there is a reasonable certainty that these would be realised in future.

Notes Forming Part of Accounts

1.
 - a) The Company has identified suppliers covered under the "Interest on delay & payment to small scale and ancillary undertaking Act, 1993" and has ascertained the liability in this regard as Nil.
 - b) Amount outstanding to small scale Industrial units for more than 30 days is Nil.
2. Additional Information required under Part II of Schedule VI to the Companies Act, 1956.

| | | 31.03.2007 Rs. | 31.03.2006 Rs. |
|----|--|-------------------|-------------------|
| a) | Towards Audit fees (Including Service Tax) | 6744 | 6744 |
| b) | Towards Taxation | 2500 | - |
| c) | Certification fees | 1684 | - |
| | Total | 10,928 | 6,744 |

Foreign Exchange outflow:

Imported consumables Rs. 29,250/-.

The other additional information required to be disclosed under Part II of Schedule VI of the Companies Act, 1956 does not arise.

Disclosures under Accounting Standards:

3. Calculation of Earnings per Share (AS-20):

Numerator : Net Profit after tax and adjustments

Denominator : Weighted average no of Equity Shares

| | 31.03.2007 Rs. | 31.03.2006 Rs. |
|----------------------------|-------------------|-------------------|
| Net profit after taxes | 17,063 | 7,282 |
| Weighted average of shares | 10027 | 10027 |
| Basic and Diluted EPS | 1.70 | 0.73 |

4 Computation of Deferred tax Liability/Asset (AS-22):

| | 31.03.2007 | 31.03.2006 |
|---|------------|---------------|
| Deferred Tax Liability: | Rs. | Rs. |
| On account of Depreciation | 435 | 6445 |
| On account of Carried forward of Loss set off | 0 | 40787 |
| | 435 | 47232 |
| Deferred Tax Asset: | Nil | NIL |
| Net Deferred Tax Liability | 435 | 47232 |
| Tax Effect on above @ 33.99% | 148 | 15,898 |

- 5) Previous years figures in the balance sheet have been regrouped and reclassified wherever necessary. As there was no operation during last year previous years figures in respect of Profit and Loss account does not arise.

To be read with our report of even date.
For S.V.VISVANATHAN & ASSOCIATES
Chartered Accountants

R. MUGUNTHAN
Partner
 Membership No. 7534

Place : *Coimbatore*
 Date : *May 10, 2007.*

GDA SYSTEMS PVT LTD : COIMBATORE**Information Pursuant to Part IV to of Schedule VI to the Companies Act, 1956****Balance sheet abstract and company's general business profile :****I . Registration Details :**

| | | | |
|------------------|----------|--------------------|------------|
| Registration No. | 181-8982 | Balance sheet Date | 31.03.2007 |
| State Code | 18 | | |

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

| | | | |
|-----------------|-----|----------------------|-----|
| a. Public Issue | Nil | b. Right Issue | Nil |
| c. Bonds Issue | Nil | d. Private Placement | Nil |

III . Position of Mobilisation and deployment of Funds : (Amount in Rs. thousands)

| | | | |
|------------------------|-----|----------------------------------|-----|
| Total Liabilities | 105 | Total Assets | 105 |
| Sources of Funds : | | Application of Funds : | |
| Paid up Capital | 100 | Net Fixed Assets | 21 |
| Reserves and Surplus | - | Investments | - |
| Secured Loan | - | Net Current assets/(Liabilities) | 81 |
| Unsecured Loan | - | Miscellaneous expenditure | 2 |
| Deferred Tax Liability | 5 | Accumulated losses | 1 |

IV .Performance of the Company : (Amount in Rs.thousands)

| | | | |
|-----------------------------|-------|-------------------------|-------|
| Turnover | 1,521 | Total Expenditure | 1,479 |
| Profit/(Loss) before tax | 42 | Profit/(Loss) after tax | 17 |
| Earnings Per Share - in Rs. | 1.70 | Dividend Rate - in % | - |

**V .Generic names of Three Principal products/ Services of Company.
(as per monetary terms)**

| | | | |
|----------------------------|----------------|-----------------------|------------------|
| Item Code No. (ITC Code) : | Not applicable | Product Description : | Commission Agent |
|----------------------------|----------------|-----------------------|------------------|

To be read with our report of even date
For S.V.VISVANATHAN & ASSOCIATES

For and on behalf of the Company

R. Mugunthan
Partner
Membership Number 21397
Place:Coimbatore
Date:May 10, 2007.

Gopakumar Periyadan
Director

Arunachalam Ramanathan
Director

**LARSEN & TOUBRO INFOTECH LIMITED
CONSOLIDATED**

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF LARSEN & TOUBRO INFOTECH LIMITED ON CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached consolidated balance sheet of Larsen & Toubro Infotech Limited and its subsidiaries (the Group) as at 31 March 2007, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.426,156,395 as at 31 March 2007, total revenues of Rs. 455,626,580 and cash flows amounting to Rs. 84,633,659 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Group included in the consolidated financial statements.

We report that on the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Group, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2007;
- b) in the case of the consolidated profit and loss account of the consolidated results of operations of the Group for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
By the hand of

R. D. KARE
Partner
Membership No. 8820

Place : Mumbai
Date : 25 May 2007

| LARSEN & TOUBRO INFOTECH LIMITED | | | |
|---|-------------------|----------------------|----------------------|
| CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007 | | | |
| | | (Amount in Rupees) | |
| | | As of 31.03.2007 | As of 31.03.2006 |
| | | Schedules | |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | A | 154,950,000 | 150,000,000 |
| Reserves and surplus | B | 3,136,761,387 | 1,575,070,442 |
| Employee Stock Options Outstanding | | 153,163,671 | |
| Less : Deferred employee compensation expense | | (83,559,096) | |
| | | 3,361,315,962 | 1,725,070,442 |
| LOAN FUNDS | | | |
| Secured loans | C | 1,037,053,666 | 1,276,286,452 |
| Unsecured loans | D | 5,102,920 | 64,815,297 |
| | | 1,042,156,586 | 1,341,101,749 |
| Deferred purchase consideration payable (see schedule O, note 7) | | 652,050,000 | - |
| Deferred tax liability (net) (see schedule O, note 9) | | - | 1,488,235 |
| TOTAL | | 5,055,522,548 | 3,067,660,426 |
| APPLICATION OF FUNDS | | | |
| Tangible Assets | | | |
| | E1 | | |
| Gross Block | | 2,241,078,509 | 1,713,387,334 |
| Less : Depreciation | | 1,020,144,240 | 773,106,431 |
| Net Block | | 1,220,934,269 | 940,280,903 |
| Capital work-in-progress | | 58,268,994 | 98,728,015 |
| | | 1,279,203,263 | 1,039,008,918 |
| Intangible Assets | | | |
| | E2 | | |
| Gross Block | | 1,605,754,653 | 563,085,710 |
| Less : Amortisation & Depreciation | | 502,161,226 | 415,093,043 |
| Net Block | | 1,103,593,427 | 147,992,667 |
| Capital work-in-progress | | 5,013,349 | 19,125,266 |
| | | 1,108,606,776 | 167,117,933 |
| Investments | F | 222,726,965 | 53 |
| Current assets, loans and advances | | - | - |
| Inventory | | 16,035,461 | - |
| Sundry debtors | G | 3,011,096,651 | 2,019,049,743 |
| Cash and bank balances | H | 389,614,880 | 214,687,623 |
| Loans and advances | I | 1,296,457,102 | 884,070,628 |
| | | 4,713,204,094 | 3,117,807,994 |
| Less : Current liabilities and provisions | J | - | - |
| Current liabilities | | 1,828,754,587 | 1,076,271,971 |
| Provisions | | 452,408,593 | 180,002,501 |
| | | 2,281,163,180 | 1,256,274,472 |
| Net current assets | | 2,432,040,914 | 1,861,533,522 |
| Deferred revenue expenditure (To the extent not written off or adjusted) | | 1,932 | - |
| Deferred tax asset (net) (see schedule O, note 9) | | 12,942,698 | - |
| TOTAL | | 5,055,522,548 | 3,067,660,426 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS | | | |
| As per our report attached. | | | |
| SHARP & TANNAN | | | V K MAGAPU |
| Chartered Accountants | | | Director / Manager |
| by the hand of | | | |
| R D KARE | S S PRABHUESAI | Y M DEOSTHALEE | |
| Partner | Company Secretary | Director | |
| (Membership No. 8820) | | Mumbai | |
| Mumbai | | Date : May 25, 2007 | |
| Date : May 25, 2007 | | | |

| LARSEN & TOUBRO INFOTECH LIMITED | | | |
|--|-------------------|-----------------------|----------------------|
| CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007 | | | |
| | | | (Amount in Rupees) |
| | Schedules | 2006-07 | 2005-06 |
| INCOME | | | |
| Software development services and products | | | |
| Overseas | | 12,582,645,091 | 7,728,312,020 |
| Domestic | | 388,093,802 | 316,602,372 |
| Other income | K | 35,237,125 | 50,865,173 |
| | | 13,005,976,018 | 8,095,779,565 |
| EXPENDITURE | | | |
| Software development expenses | L | 8,273,840,816 | 5,110,404,938 |
| Sales, administration and other expenses | M | 2,663,099,157 | 1,855,833,992 |
| | | 10,936,939,973 | 6,966,238,930 |
| Operating profit (PBIDT) | | 2,069,036,045 | 1,129,540,635 |
| Interest (net) | N | 21,946,678 | 53,687,623 |
| Depreciation on tangible assets | | 247,183,626 | 179,914,948 |
| Amortisation of intangible assets | | 87,068,183 | 95,395,191 |
| Amortisation of deferred revenue expenditure | | | |
| Profit before tax (PBT) | | 1,712,837,558 | 800,542,873 |
| Provision for taxes | | 163,986,341 | 64,195,133 |
| (including Rs 8500 for wealth tax; previous year Rs. 10,000) | | | |
| Short provision for taxes in previous years | | (14,658) | 4,067,103 |
| Deferred tax | | (6,078,800) | (272,421) |
| Fringe Benefit Tax | | 37,522,780 | 33,000,000 |
| Short provision for Fringe Benefit Tax for previous year | | 456,310 | - |
| Profit after tax (PAT) | | 1,516,965,585 | 699,553,058 |
| Add : Balance brought forward from previous year | | 575,070,442 | 346,554,884 |
| Profit available for appropriation | | 2,092,036,027 | 1,046,107,942 |
| Less: Transfer to general reserve | | 600,000,000 | 300,000,000 |
| Profit available for distribution | | 1,492,036,027 | 746,107,942 |
| Interim dividend | | 150,054,795 | 150,000,000 |
| Tax on dividend | | 21,045,185 | 21,037,500 |
| Balance to be carried forward | | 1,320,936,047 | 575,070,442 |
| Basic earnings per share (EPS) | | 50.55 | 23.32 |
| Diluted earnings per share | | 50.22 | 23.28 |
| (See schedule O, note 12) | | | |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | | | |
| As per our report attached | | | |
| SHARP & TANNAN | | | V K MAGAPU |
| Chartered Accountants | | | Director / Manager |
| by the hand of | | | |
| | | | |
| R D KARE | S S PRABHUDESAI | | Y M DEOSTHALEE |
| Partner | Company Secretary | | Director |
| (Membership No. 8820) | | | Mumbai |
| Mumbai | | | Date :May 25, 2007 |
| Date :May 25, 2007 | | | |

| LARSEN & TOUBRO INFOTECH LIMITED | | |
|---|----------------------|----------------------|
| Schedules forming part of consolidated accounts | | |
| | (Amount in Rupees) | |
| | As of 31.03.2007 | As of 31.03.2006 |
| SCHEDULE A | | |
| Share capital | | |
| <i>Authorised : 3,27,50,000 Equity shares of Rs.5 each</i> | | |
| (Previous year 3,05,00,000 of Rs. 5 each) | 163,750,000 | 152,500,000 |
| <i>Issued and Subscribed</i> | | |
| 3,22,50,000 Equity Shares for Rs. 5 each | 161,250,000 | 150,000,000 |
| (Previous year 3,00,00,000 of Rs. 5 each) | | |
| <i>Paid up :</i> | | |
| 3,00,00,000 Equity Shares for Rs. 5 each, Fully Paid-up | 150,000,000 | 150,000,000 |
| 22,50,000 Equity Shares for Rs. 5 each, Rs.2.20 Paid-up | 4,950,000 | |
| (Previous year 3,00,00,000 of Rs. 5 each) | | |
| All the above Equity shares (previous year 3,00,00,000 shares) are held by Larsen & Toubro Limited, the holding Company | | |
| | 154,950,000 | 150,000,000 |
| SCHEDULE B | | |
| Reserves and surplus | | |
| General reserve | | |
| As per last balance sheet | 1,000,000,000 | 700,000,000 |
| Less : Adjustment for change in accounting policy with respect to employee benefits (see schedule O, note 8) | (309,224,660) | - |
| | 690,775,340 | 700,000,000 |
| Add : Transferred from profit and loss account | 600,000,000 | 300,000,000 |
| | 1,290,775,340 | 1,000,000,000 |
| Share premium (see schedule O, note 4) | 525,050,000 | - |
| Profit and Loss account | 1,320,936,047 | 575,070,442 |
| | 3,136,761,387 | 1,575,070,442 |
| SCHEDULE C | | |
| Secured loans | | |
| Term loans from bank | 621,047,391 | 495,704,455 |
| Other loans from banks | 416,006,275 | 780,581,997 |
| | - | - |
| | 1,037,053,666 | 1,276,286,452 |
| SCHEDULE D | | |
| Unsecured loans | | |
| Inter corporate borrowings (from holding company) | - | 55,000,000 |
| Lease finance (Due within one year Rs.2,459,826) | 5,102,920 | 9,815,297 |
| | 5,102,920 | 64,815,297 |

| LARSEN & TOUBRO INFOTECH LIMITED | | | | | | | | | | |
|--|----------------------|----------------------|-------------------|------------------------------------|--------------------|--------------------|-------------------|----------------------|----------------------|----------------------|
| <i>Schedules forming part of consolidated accounts</i> | | | | | | | | | | |
| SCHEDULE E | | | | | | | | | | |
| FIXED ASSETS | | | | | | | | | | |
| | Gross Block | | | Depreciation / Amortisation | | | | Net block | Net block | |
| Fixed and Intangible Assets | As at | | | As at | As at | For the | On | As at | as at | as at |
| | 1-Apr-06 | Additions | Deductions | 31-Mar-07 | 1-Apr-06 | year | Deductions | 31-Mar-07 | 31-Mar-07 | 31-Mar-06 |
| Schedule E1 - Tangible Assets - Own | | | | | | | | | | |
| Buildings | 141,354,959 | 26,586,413 | - | 167,941,372 | 26,655,876 | 5,259,122 | - | 31,914,998 | 136,026,374 | 114,699,083 |
| Plant and machinery | 258,798,075 | 52,562,523 | - | 311,360,598 | 86,438,316 | 14,522,119 | - | 100,960,435 | 210,400,163 | 172,359,759 |
| Computers | 665,057,137 | 181,200,609 | 58,047 | 846,199,699 | 401,514,119 | 128,796,198 | 58,047 | 530,252,270 | 315,947,429 | 263,543,018 |
| Furniture and fixtures | 619,735,768 | 267,022,525 | 36,225 | 886,722,068 | 239,720,738 | 93,430,984 | 26,400 | 333,125,322 | 553,596,746 | 380,015,030 |
| Vehicles | 4,811,355 | 606,274 | 192,897 | 5,224,732 | 3,466,184 | 654,901 | 61,370 | 4,059,715 | 1,165,017 | 1,345,171 |
| Sub Total (A) | 1,689,757,294 | 527,978,344 | 287,169 | 2,217,448,469 | 757,795,233 | 242,663,324 | 145,817 | 1,000,312,740 | 1,217,135,729 | 931,962,061 |
| Tangible Assets - leased | | | | | | | | | | |
| Computers | 23,630,040 | - | - | 23,630,040 | 15,311,198 | 4,520,302 | - | 19831500 | 3,798,540 | 8,318,841 |
| Sub Total (B) | 23,630,040 | - | - | 23,630,040 | 15,311,198 | 4,520,302 | - | 19,831,500 | 3,798,540 | 8,318,841 |
| Add: Capital work-in-progress (including Advances) | | | | | | | | | | |
| | | | | | | | | | 58,268,994 | 98,728,015 |
| Total Of Tangible Assets | 1,713,387,334 | 527,978,344 | 287,169 | 2,241,078,509 | 773,106,431 | 247,183,626 | 145,817 | 1,020,144,240 | 1,279,203,263 | 1,039,008,918 |
| Total Of Tangible Assets (Previous Year) | 1,218,867,620 | 524,375,421 | 29,855,707 | 1,713,387,334 | 611,609,571 | 179,914,948 | 18,418,088 | 773,106,431 | 1,039,008,918 | 638,463,114 |
| Schedule E2 - Intangible Assets | | | | | | | | | | |
| Leasehold Land | 12,268,579 | - | - | 12,268,579 | 1,472,168 | 128,820 | - | 1,600,988 | 10,667,591 | 10,796,411 |
| Software | 445,620,683 | 64,732,872 | - | 510,353,555 | 349,173,730 | 62,327,874 | - | 411,501,604 | 98,851,951 | 96,446,953 |
| Business Rights | 98,050,000 | - | - | 98,050,000 | 63,732,500 | 19,610,000 | - | 83,342,500 | 14,707,500 | 34,317,500 |
| Goodwill on Consolidation | 7,146,448 | 977,936,071 | - | 985,082,519 | 714,645 | 5,001,489 | - | 5,716,134 | 979,366,385 | 6,431,803 |
| Add: Capital work-in-progress (including Advances) | | | | | | | | | | |
| | | | | | | | | | 5,013,349 | 19,125,266 |
| Total Of Intangible Assets | 563,085,710 | 1,042,668,943 | - | 1,605,754,653 | 415,093,043 | 87,068,183 | - | 502,161,226 | 1,108,606,776 | 167,117,933 |
| Total Of Intangible Assets (Previous Year) | 494,471,490 | 68,614,220 | - | 563,085,710 | 319,697,852 | 95,395,191 | - | 415,093,043 | 167,117,933 | 185,160,895 |

| LARSEN & TOUBRO INFOTECH LIMITED | | |
|---|--------------------|-----------|
| Schedules forming part of consolidated accounts | | |
| | 2006-07 | 2005-06 |
| SCHEDULE F | | |
| Investments (at cost, unquoted) | | |
| Long term investment in wholly owned subsidiaries | | |
| 100000 fully paid Equity Shares of USD 1 each in Pan Health, USA. | 53 | 53 |
| Long term investment in other companies | 2,068,782 | |
| Current investments | | |
| UTI Mutual Fund - Quarterly Fixed Maturity Plan (2,250,000 units purchased during the year) | 22,500,000 | - |
| Templeton India Treasury Mangement Account Institutional Plan - - Daily Dividend Reinvestment 198,108.603 Units @ 1000.2500 | 198,158,130 | |
| Details of investments purchased and sold during the year | | |
| (180,277,313.02 units of Principal Mutual Fund- Liquid Institutional Plan purchased and 180,277,313.02 sold during the year) | - | - |
| (66,212.453 units of UTI Mutual Fund- Liquid Institutional Plan purchased and 66,212.453 sold during the year) | | |
| | 222,726,965 | 53 |

| LARSEN & TOUBRO INFOTECH LIMITED | | |
|--|----------------------|----------------------|
| Schedules forming part of consolidated accounts | | |
| | 2006-07 | 2005-06 |
| | Rupees | Rupees |
| SCHEDULE G | | |
| Sundry Debtors | | |
| Unsecured | | |
| Debts outstanding for a period exceeding six months | | |
| Considered good | 349,392,426 | 118,775,352 |
| Considered Doubtful | 163,869,013 | 133,517,482 |
| | 513,261,439 | 252,292,834 |
| Other Debts | | |
| Considered good | 2,661,704,225 | 1,900,274,391 |
| Considered Doubtful | - | - |
| Less : Provision for doubtful debts | 163,869,013 | 133,517,482 |
| | 3,011,096,651 | 2,019,049,743 |
| SCHEDULE H | | |
| Cash and bank balances | | |
| Cash on hand | | |
| | 2,392,894 | 24,004,416 |
| Balances with scheduled banks | | |
| in current accounts (including remittances in transit) | 154,896,084 | 99,961,169 |
| in deposit accounts | 356,319 | - |
| Balances with non-scheduled banks | 231,969,583 | 90,722,038 |
| | 389,614,880 | 214,687,623 |
| SCHEDULE I | | |
| Loans and Advances | | |
| Secured : | | |
| Loans against mortgage of house property | 2,671,223 | 5,513,873 |
| Unsecured : | | |
| Unbilled revenues | 311,920,292 | 176,925,712 |
| Due from subsidiary /holding company | - | - |
| Advances recoverable in cash or in kind | 981,865,587 | 698,927,898 |
| Unsecured, considered doubtful | 1,463,308 | - |
| Less : Provision for doubtful advances | 1,463,308 | - |
| Cost of long term projects | - | 2,703,145 |
| (see schedule O, note 15) | - | - |
| | 1,296,457,102 | 884,070,628 |
| SCHEDULE J | | |
| Current liabilities and provisions | | |
| Current Liabilities : | | |
| Sundry creditors | 1,437,449,945 | 652,531,600 |
| Advance billing | 8,503,478 | 40,769,445 |
| Due to holding company | 382,343,408 | 382,710,926 |
| Due to Directors | 457,756 | 260,000 |
| | 1,828,754,587 | 1,076,271,971 |
| Provisions : | | |
| Income Taxes | 164,023,956 | 83,626,501 |
| Fringe Benefit Tax | 38,234,424 | 33,000,000 |
| Employee Benefits | 239,450,213 | 59,376,000 |
| (see schedule O, note 8) | - | - |
| Other Provisions | 10,700,000 | 4,000,000 |
| (see schedule O, note 10) | - | - |
| | 452,408,593 | 180,002,501 |
| | 2,281,163,180 | 1,256,274,472 |

| LARSEN & TOUBRO INFOTECH LIMITED | | |
|---|----------------------|----------------------|
| Schedules forming part of consolidated accounts | | |
| | (Amount in Rupees) | |
| | 2006-07 | 2005-06 |
| SCHEDULE K | | |
| Other income | | |
| Income from investments | 3,563,613 | 903,198 |
| Provision no longer required | - | 21,241,490 |
| Gain on sale of fixed asset | - | 2,654,861 |
| Exchange gain/(loss) | 5,000,347 | |
| Miscellaneous income | 26,673,165 | 26,065,624 |
| | 35,237,125 | 50,865,173 |
| SCHEDULE L | | |
| Software development expenses | | |
| Salaries including overseas staff expenses | 5,860,589,394 | 3,531,939,516 |
| Staff welfare | 371,159,904 | 235,406,672 |
| Contribution to provident and other funds | 76,713,674 | 65,054,588 |
| Contribution to superannuation fund | 30,090,538 | 25,384,841 |
| Contribution to gratuity fund | 10,380,094 | 3,800,040 |
| Communication expenses | 97,248,430 | 89,952,279 |
| Consultancy charges | 1,712,732,702 | 1,028,293,723 |
| Cost of Software packages for own use | 71,949,417 | 44,196,666 |
| Materials consumed | 4,834,441 | - |
| Cost of bought-out items for resale | 38,142,222 | 86,376,613 |
| | 8,273,840,816 | 5,110,404,938 |
| SCHEDULE M | | |
| Sales, Administration and other expenses | | |
| Salaries including overseas staff expenses | 765,907,306 | 584,840,650 |
| Travelling and conveyance | 360,855,591 | 251,469,675 |
| Rent and establishment expenses <i>(lease rent Rs. 41,291,049; previous year Rs. 27,626,294)</i> | 536,100,374 | 320,760,431 |
| Telephone charges and postage | 155,158,250 | 105,345,678 |
| Legal and professional charges | 146,808,512 | 111,081,944 |
| Printing and stationery | 48,987,085 | 46,693,179 |
| Advertisement | 29,312,755 | 20,289,753 |
| Entertainment | 19,167,548 | 16,257,087 |
| Recruitment expenses | 60,524,053 | 24,802,540 |
| Repairs to building | 25,605,285 | 5,957,749 |
| Repairs to computers | 78,422,651 | 19,527,038 |
| General repairs and maintenance | 72,488,216 | 78,842,901 |
| Power and fuel | 129,591,630 | 80,365,565 |
| Equipment hire charges | 17,238,614 | 22,833,728 |
| Insurance charges | 35,806,724 | 36,148,795 |
| Rates and taxes | 52,573,207 | 18,423,115 |
| Auditors' remuneration | 1,981,724 | 2,001,314 |
| Bad debts | 43,661,233 | - |
| Provision for doubtful debts and advances (Net) | 24,181,685 | 26,379,430 |
| Commission charges | 15,092,093 | 12,955,142 |
| Books and periodicals | 8,945,408 | 7,393,959 |
| Directors fees | 460,667 | 260,000 |
| Loss on sale of fixed asset | 84,278 | - |
| Miscellaneous expenses | 31,441,109 | 45,329,449 |
| Amortisation of cost of long term projects | 2,703,159 | 17,874,871 |
| | 2,663,099,157 | 1,855,833,992 |
| SCHEDULE N | | |
| Interest paid on | | |
| Fixed loans | 14,075,774 | 12,554,843 |
| On others | 16,550,443 | 40,430,441 |
| Lease finance charges | 279,572 | 2,272,574 |
| Less : Interest received | 8,959,111 | 1,570,235 |
| | 21,946,678 | 53,687,623 |

Larsen & Toubro Infotech Limited

Schedules forming part of the Consolidated Accounts

Schedule O

Significant Accounting Policies

1. Basis of accounting

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the Accounting Standards referred to in section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make estimates and assumptions that affect the income and expense reported for the period and assets and liabilities reported as of the date of the financial statements. Examples of such estimates include the useful lives of the fixed assets, provision for doubtful debts, future obligations in respect of retirement benefit plans, etc. Actual results could vary from these estimates.

2. Revenue recognition

Revenue earned from services provided on "time and material" basis is recognised based on software developed or time spent in person hours or person weeks and billed to customers as per the terms of specific contracts.

Revenue from services performed on "fixed-price" basis is recognised using the proportionate completion method. Unbilled revenue represents value of services performed in accordance with the contract terms but not billed.

3. Principles of Consolidation

The financial statements of the Parent Company and its Subsidiaries have been consolidated on line-by-line basis by adding together the book values of the like items of the assets, liabilities, income and expenses, after eliminating intra-group balances and the unrealized profits/losses on intra-group transactions, and are presented to the extent possible, in the same manner as the Company's independent financial statements.

4. Employee benefits

a) Short term employee benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences and performance incentives are recognized in the period in which the employee renders the related service.

b) Post-employment benefits

- i) Defined contribution plan: The Company's superannuation fund and state governed provident fund scheme are classified as defined contribution plans. The contribution paid / payable under the schemes is recognized during the period in which the employee renders the related service.
- ii) Defined benefit plans: The provident fund scheme managed by trust, employees gratuity fund scheme managed by LIC and post-retirement medical benefit scheme are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cashflows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on government bonds as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognized immediately in the profit and loss account. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

- (iii) Long term employee benefits

The obligation for long term employee benefits like long term compensation absences is recognized in the similar manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

5. Fixed assets

Tangible

Fixed assets are stated at cost less accumulated depreciation.

Intangible

Computer software developed in-house is capitalised at cost.

6. Leases

Finance Lease

Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value and the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Operating Lease

Assets acquired under lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit and loss account on accrual basis.

7. Depreciation

Tangible - Owned assets

Depreciation on all assets is calculated using straight line method at rates prescribed by schedule XIV to the Companies Act, 1956, except for the following:

- | | |
|--------------------------|--------|
| • Plant and machinery | 20% |
| • Computers | 30% |
| • Servers | 25% |
| • Furniture and fixtures | 10% |
| • Office equipments | 20% |
| • Motor cars | 14.14% |

Tangible - Leased assets

Assets acquired under finance leases are depreciated at the rates applicable to similar assets owned by the Company as there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term.

Intangible assets

The basis of amortisation of intangible assets is as follows:

- Leasehold land over the residual period of the lease
- Computer software 33.33%
- Business Rights over a period of five years

Depreciation / amortization on additions / disposals is calculated pro-rata from / to the month of additions / disposals.

In case of GDA Inc. depreciation is computed using straight-line method over the estimated useful lives of the assets which range from three to seven years.

8. Borrowing cost

Borrowing cost that are attributable to the acquisition and construction of qualifying assets are capitalised as part of cost of such assets till such time as the asset is ready for its use. A qualifying asset is one that requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

9. Employee Stock Ownership Schemes

In respect of stock options granted pursuant to the Company's Stock Option Schemes, the excess of fair value of the share over the exercise price of the option is treated as discount and accounted as employee compensation cost over the vesting period.

10. Foreign currency transactions

Foreign currency transactions are initially recorded at the rates prevailing on the date of the transaction. At the balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Translation of foreign currency transaction of overseas branches is as under:

- revenue items at the average rate for the period;
- fixed assets and investments at the rates prevailing on the date of the transaction; and
- other assets and liabilities at year end rates.

Exchange difference on settlement / year end conversion is adjusted to profit and loss account.

Profit or loss on forward contracts is accounted over the period of the contract.

11. Income tax

Provision for income tax for the current year is based on the taxable profits for the year after considering tax exemptions / allowances.

Deferred tax is recognised on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

12. Provisions, contingent liabilities and contingent assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the company has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a present obligation arising from a past event when it is not probable that an outflow of resources will be required to settle the obligation
- b) a possible obligation unless the probability of outflow of resources is remote

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

Notes forming part of Accounts

1. Basis of Preparation

- i) The Consolidated financial statement (CFS), comprising the Company and its subsidiaries, are prepared in accordance with Accounting Standard 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants Of India. Reference in these notes to “the Company” shall mean Larsen & Toubro Infotech Limited and “the Group” shall mean the Company and its subsidiaries.
- ii) The notes and significant accounting policies are intended to serve as a guide for better understanding of Group’s financial position. In this respect the Company has disclosed such notes and policies, which represent the needed disclosure.

2. The list of subsidiaries included in the consolidated financial statements are as under:-

| | Name of the subsidiary company | Country of incorporation | Proportion of ownership as at March 31, 2007 Percentage (%) |
|---|--|--------------------------|--|
| | Indian Subsidiaries | | |
| 1 | GDA Technologies Limited | India | 100 |
| 2 | GDA Systems Private Limited | India | 100 |
| | Foreign subsidiaries | | |
| 1 | Larsen & Toubro Information Technology Canada Ltd. | Canada | 100 |
| 2 | Larsen & Toubro Infotech, GmbH | Germany | 100 |
| 3 | GDA Technologies Inc. | USA | 100 |

3. During the year, an amount of Rs 5,001,488 was amortized from goodwill arising on acquisition of subsidiary companies (previous year Rs 714,645).
4. During the year, the Company issued 2,250,000 shares to the holding company at a price of Rs.530 per share. An amount of Rs.235.55 per share aggregating Rs.530,000,000 was called and received. This comprised of Rs.2.20 per share towards share capital and Rs.233.35 per share towards share premium, resulting in increase in share capital and share premium of Rs.4,950,000 and Rs.525,050,000 respectively.

5. Stock Option plans

a) Employee Stock Ownership Scheme ('ESOS Plan')

Under the Employee Stock Ownership Scheme (ESOS), 2,394,086 options are outstanding as at March 31, 2007. The grant of options to the employees under ESOS is on the basis of their performance and other eligibility criteria. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs 5/- each.

All vested options can be exercised on the First Exercise Date as may be determined by the Compensation Committee prior to date of IPO. The details of the grants under the aforesaid scheme are summarised below:-

| | ESOP Series | I, II & III | | IV - XIV | |
|---|--|-------------|---------|----------|---------|
| | | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| 1 | Grant Price (Rs.) | 25 | | 10 | |
| 2 | Options granted and outstanding at the beginning of the year | 391653 | 393182 | 1800558 | 1758471 |
| 3 | Options granted during the year | - | - | 258830 | 137550 |
| 4 | Options cancelled/ lapsed during the year | - | 1529 | 56955 | 95463 |
| 5 | Options exercised and shares allotted during the year | - | - | - | - |
| 6 | Options granted and outstanding at the end of the year | 391653 | 391653 | 2002433 | 1800558 |
| | of which - | | | | |
| | Options vested | 391653 | 391653 | 970917 | 970917 |
| | Options yet to vest | - | - | 1031516 | 829641 |

b) Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan')

During the year, the Company has instituted the Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan') for the employees and Directors of GDA Technologies, Inc (which became a wholly-owned subsidiary of the Company during the year). The grant of options to the employees under Sub-Plan is on the basis of their performance and other eligibility criteria. The term of option shall be 5 years from the date of grant. The options are vested over a period of five years, subject to fulfilment of certain conditions specified in the respective Option agreement. Each option entitles the holder to exercise the right

to apply for and seek allotment of one equity share of Rs 5/- each at an exercise price of USD 12 (equivalent to Rs 530) per share.

None of the options were due for vesting during the year.

- c) Employees Stock Options granted and outstanding as at the end of the year on unissued share capital represent 2,394,086 options (Previous year 2,192,211).
6. The secured loans from banks are secured against hypothecation of the Company's movable assets and accounts receivables.
7. During the year, the Company acquired 100% stake in GDA Technologies Inc (GDA) which is a company registered under the laws of the State of California, USA, for a total consideration of USD 27 million. As per the Agreement and Plan of Merger ("the Agreement") dated December 12, 2006, Cambridge Merger Sub Inc.(Cambridge), a company promoted by the Company for the purpose of acquisition of GDA, was to reverse merge with GDA whereupon Cambridge ceased to exist and GDA remained as the continuing entity. As a result from the effective date, March 15, 2007, GDA and its two wholly owned subsidiaries have become subsidiaries of the Company. As per the terms of the Agreement, out of the total consideration of USD 27 million, USD 12 million has been paid during the year. The balance amount of USD 15 million is payable in 4 installments over the next 3 years, which is secured by a Stand-by Letter of Credit issued by Hongkong and Shanghai Banking Corporation Ltd. and is disclosed as deferred purchase consideration payable.

8. Employee benefits

a) The amounts recognised in balance sheet are as follows:

| | | As at March 31, 2007 | | |
|----------|--|----------------------|--------------------------------------|----------------------------------|
| | | Gratuity plan | Post retirement medical benefit plan | Self-managed provident fund plan |
| A | | | | |
| a) | Present value of defined benefit obligation as on March 31, 2007 | | | |
| | - Wholly funded | 5,29,20,043 | - | 72,17,00,000 |
| | - Wholly unfunded | - | 60,11,360 | - |
| | | 5,29,20,043 | 60,11,360 | 72,17,00,000 |
| b) | Fair value of plan assets as on March 31, 2007 | 4,29,23,226 | - | |
| | Amount to be recognised as liability or asset (a-b) | 99,96,817 | 60,11,360 | (1,20,00,000) ⁽¹⁾ |
| | Amounts reflected in the balance sheet | | | |
| | Liabilities | 99,96,817 | 60,11,360 | 1,19,00,000 ⁽²⁾ |
| | Assets | | | |
| | Net (liability)/asset | 99,96,817 | | |

(1) Asset is not recognised in balance sheet.

(2) Employer's and employees contribution for March 2007 paid in April 2007.

b) The amounts recognised in profit and loss account are as follows:

| As at March 31, 2007 | | | | |
|----------------------|---|---------------|--------------------------------------|----------------------------------|
| | | Gratuity plan | Post retirement medical benefit plan | Self-managed provident fund plan |
| 1 | Current service cost | 13,026,782 | 60,11,360 | 4,16,00,000 ⁽¹⁾ |
| 2 | Interest cost | 3,349,070 | - | 5,59,00,000 |
| 3 | Actual return on plan assets | (3,494,764) | - | (5,46,00,000) ⁽²⁾ |
| 4 | Actuarial Losses / (Gains) | 943,460 | - | (44,00,000) ⁽²⁾ |
| | Total Expense for the year | 13,824,548 | 60,11,360 | 4,16,00,000 |
| 5 | Total included in "staff expenses" (1 to 4) | 10,380,094 | 60,11,360 | 4,16,00,000 |

(1) Employer's contribution to provident fund

(2) The actual return on plan assets is higher than interest cost but no credit is taken to profit and loss on account of the difference.

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

| | Gratuity plan | Post retirement medical benefit plan | Self-managed provident fund plan |
|--|---------------|--------------------------------------|----------------------------------|
| Opening balance of the present value of defined benefit obligation | 41,863,379 | - | 57,75,00,000 |
| Add: current service cost | 13,026,782 | 60,11,360 | - |
| Add: interest cost | 3,349,070 | | 5,59,00,000 |
| Add: contribution by plan participants | | | |
| i) Employer | - | | 4,16,00,000 |
| ii) Employee | - | | 10,39,00,000 |
| Add/(less): actuarial (gains)/losses | 943,460 | | - |
| Less: Benefits paid | (6,262,648) | | 5,72,00,000 |
| Closing balance of the present value of defined benefit obligation | 5,29,20,043 | 60,11,360 | 72,17,00,000 |

- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

| | FY 2006-07 | |
|--|---------------|----------------------------------|
| | Gratuity plan | Self-managed provident fund plan |
| Opening balance of the fair value of the plan assets | 3,73,96,589 | 58,68,00,000 |
| Add: expected return on plan assets | 3,494,764 | 5,46,00,000 |
| Add/(less): actuarial gains/(losses) | (943,460) | 44,00,000 |
| Add: Contribution by the employer | 82,94,521 | 4,16,00,000 |
| Add: Contribution by plan participants | | 10,36,00,000 |
| Less: benefits paid | (6,262,648) | (5,72,00,000) |
| Closing balance of the plan assets | 42,923,226 | 73,37,00,000 |

The Company expects to contribute Rs. 9,996,817 towards its gratuity plan and Rs. 4,41,00,000 towards its self managed provident fund plan during FY 2007-2008.

- e) The major categories of plan assets as a percentage of total plan assets are as follows:

| | FY 2006-07 | |
|--|---------------|----------------------------------|
| | Gratuity plan | Self-managed provident fund plan |
| Government of India securities | LIC Scheme | 20% |
| State government securities | | 13% |
| Corporate bonds | | 5% |
| Fixed deposits under Special Deposit Scheme framed by Central Government for provident funds | | 33% |
| Public sector bonds | | 29% |

- f) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

| | | 2006-2007 |
|---|--|---|
| 1 | Discount rate as at March 31 | |
| | For gratuity | 8% |
| | For post -retirement medical benefits | 8.35% |
| 2 | Expected return on plan assets as at March 31 | 8% |
| 3 | Annual increase in healthcare costs (see note below) | 5% |
| 4 | Attrition rate : | Varies between 2% to 18% for various age groups |
| 5 | Salary growth rate | 4% |

The estimates of future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Although the obligation of the Company under the post-retirement medical benefit plan is limited to the overall ceiling limits, assumed healthcare cost trend rates may affect the amounts recognised in the statement of profit and loss. At present, healthcare costs, as indicated in the principal actuarial assumption given above, are expected to increase at 5% p.a. A one percentage point change in assumed healthcare cost trend rates would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation

| Particulars | Effect of | |
|---|-------------|-------------|
| | 1% increase | 1% decrease |
| Effect on the aggregate of the service cost and interest cost | 64,964 | (54,161) |
| Effect on defined benefit oblig: | 313,242 | (264,942) |

- g) The amounts pertaining to defined benefit plans for the current year are as follows:

Post-retirement medical benefit plan (non-funded)

| | 2006-07 |
|----------------------------|-----------|
| Defined benefit obligation | 60,11,360 |

Gratuity Plan

| | 2006-07 |
|------------------------------|-------------|
| 1 Defined benefit obligation | 5,29,20,043 |
| 2 Plan assets | 4,29,23,226 |
| 3 Surplus/(deficit) | 99,96,817 |

Self-managed provident fund plan

| | 2006-07 |
|------------------------------|--------------|
| 1 Defined benefit obligation | 72,17,00,000 |
| 2 Plan assets | 73,37,00,000 |
| 3 Surplus/(deficit) | 1,20,00,000 |

General descriptions of defined benefit plans:

a) Gratuity plan

The Company makes contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to employees at retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

b) Post-retirement medical benefit plan

The post-retirement medical benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling limit sanctioned at the time of retirement. The ceiling limits are based on cadre of the employee at the time of retirement.

c) Self-managed provident fund plan

The Company's provident fund plan is managed by its holding company through a Trust permitted under the Provident Fund Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

In case of GDA inc.(a wholly owned subsidiary) a defined contribution saving plan under section 401(k) of the Internal revenue Codes has been established in May 1996.This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company's contribution to the plan is determined annually by the Board of Directors. The Company did not make any contributions under this plan during 2006 and 2005.

GDA inc.has no post employment benefit plans or other long term benefits covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to profit and loss account in the period when the employee renders the service.

Previous year's figures and transitional adjustments

This being the first year of adoption of AS15 – Employee Benefits, figures for the previous year are not available.

Pursuant to the adoption, obligations of Rs. 309,224,660 (net of related deferred tax Rs. 1,160,089) have been adjusted against the opening balance of general reserve in accordance with the transitional provisions contained in AS15.

9. The break-up of net deferred tax asset as at March 31, 2007 is as under:

| | Rs. | |
|--|--|--|
| | Deferred tax asset/(liability) as at March 31, 2007 | Deferred tax asset/ (liability) as at March 31, 2006 |
| Deferred tax liabilities | | |
| • Depreciation / amortisation | (47,183,540) | (3,737,336) |
| • Others | 128,030 | 2,002 |
| • Total | (47,055,510) | (3,735,334) |
| Deferred tax asset | | |
| • Provision for doubtful debts and Advances | 2,693,067 | 2,247,099 |
| • Research & Dev exp and Reserves | 52,424,377 | - |
| • Provision for Employee benefits | 4,880,764 | - |
| • Total | 59,998,208 | 2,247,099 |
| Net deferred tax (liability) /asset | 12,942,698 | (1,488,235) |
| Charged/ (Credited) to Profit and Loss Account | 6,078,800 | |
| Charged/ (Credited) to General Reserve Account including net deferred tax asset of Rs.7,192,044 (net of current year's charge of Rs.35,497) on acquisition of GDA Technologies Inc. during the year. | (1,160,089) | |

10. "Provisions, Contingent Liabilities and Contingent Assets" as per Accounting Standard 29

Movement in provisions:

| Sr. No. | Particulars of Disclosure | Rs. | | |
|---------|--------------------------------------|---------------------|-----------|------------|
| | | Class of Provisions | | Total |
| | | Sales Tax | Others | |
| 1 | Balance as at 1-4-2006 | 4,000,000 | - | 4,000,000 |
| 2 | Additional Provision During the year | - | 6,700,000 | 6,700,000 |
| 3 | Provision used during the year | - | - | - |
| 4 | Provision reversed during the year | - | - | - |
| 5 | Balance as at 31-3-2007 | 4,000,000 | 6,700,000 | 10,700,000 |

Nature of provisions:

- i) Provision for sales tax pertains to claim made by the authorities on certain transaction of capital nature for the year 2002-03.
- ii) Provision for others represents liabilities relating to matters in dispute.

11. Finance leases

In accordance with Accounting Standard 19 "Leases" issued by the Institute of Chartered Accountants of India, the assets acquired under finance leases on or after April 1, 2001 are capitalised and a loan liability is recognised for an equivalent amount. Consequently depreciation is provided on such leases. Lease rentals paid are allocated to the liability and the interest charged to profit and loss account.

In the Company assets acquired on finance lease comprise servers whereas in case of GDA Inc. office space and equipment have been acquired under uncancellable operating and finance lease. The minimum lease rentals and their present value as at March 31, 2007 in respect of assets acquired under finance lease are as follows:

| | Rs. | |
|---|------------------|-------------------|
| Minimum lease payments | As at 31-3-2007 | As at 31-3-2006 |
| - Payable not later than 1 year | 4,394,007 | 5,577,652 |
| - Payable after 1 year but not later than 5 years | 2,706,733 | 5,860,017 |
| - Total | 7,100,740 | 11,437,669 |
| Less : future finance charges | 1,415,964 | 1,622,372 |
| | 5,684,776 | 9,815,297 |
| Present value of minimum lease payments | | |
| - Payable not later than 1 year | 3,041,672 | 4,608,443 |
| - Payable after 1 year but not later than 5 years | 2,643,104 | 5,206,854 |
| - Total | 5,684,776 | 9,815,297 |

Operating leases

The Company has taken cars under non-cancellable operating leases. The rental expense in respect of operating leases was 41,274,638 (Rs. 27,626,294) and the future rentals payable are as follows:

| | Rs. | |
|---|--------------------|--------------------|
| Minimum lease payments | As at 31-3-2007 | As at 31-3-2006 |
| - Payable not later than 1 year | 40,694,484 | 38,975,397 |
| - Payable after 1 year but not later than 5 years | 106,547,231 | 93,613,687 |
| - Total | 147,241,715 | 132,589,084 |

12. Basic and Diluted Earnings per share (EPS)

Basic

| | Rs. | |
|---|---------------|--------------|
| | 2006-07 | 2005-06 |
| Profit after tax as per accounts | 1,516,965,585 | 699,553,058 |
| Weighted average number of shares outstanding | 30,010,849 | 30,000,000 |
| Basic EPS (Rs.) | 50.55 | 23.32 |

Diluted

| | Rs. | |
|--|---------------|--------------|
| | 2006-07 | 2005-06 |
| Profit after tax as per accounts | 1,516,965,985 | 699,553,058 |
| Weighted average number of shares outstanding | 30,010,849 | 30,000,000 |
| Add: Weighted average number of potential equity shares on account of employee options | 197,467 | 46,524 |
| | 30,208,316 | 30,046,524 |
| Weighted average number of shares outstanding | | |
| Diluted EPS (Rs.) | 50.22 | 23.28 |

13. Related party disclosure:

The related parties with whom the Company had transactions during the year are:

| Name | Relationship |
|---------------------------|-------------------|
| Larsen & Toubro Limited | Holding company |
| Tractor Engineers Limited | Fellow subsidiary |
| L&T Finance Limited | Fellow subsidiary |
| HPL Cogeneration Limited | Fellow subsidiary |
| L&T Infocity Limited | Fellow subsidiary |

A summary of transactions with related parties is given below:

| Transaction | Rs. | |
|---|--------------------------------|---------------------------|
| | Holding Co. | Fellow Subsidiaries |
| • Sale of services / products | 161,887,215 (112,588,323) | 3,608,750 (2,807,500) |
| • Purchase of goods and assets/ lease of assets | 59,238,350 (13,818,586) | - (3,618,921) |
| • Sale of assets | - (16,022,420) | - - |
| • Purchase of services | 1,192,184,795 (544,680,202) | - - |
| • Overheads charged by | 357,236,410 (123,450,280) | 7,672,032 (6,863,145) |
| • Overheads charged to | 19,609,745 (26,112,985) | 5,481,204 (4,342,220) |
| • Lease rent paid | - - | 47,602,789 35,603,131 |
| • Interest / Dividend paid | 150,204,316 (150,473,558) | 1,017,691 (1,064,342) |
| • Unsecured loan taken | - (55,000,000) | - - |
| • Trade receivable | - | 14,512,535 (1,631,433) |
| • Trade payable | 382,343,408 (382,710,924) | - - |

Figures in brackets pertain to the previous year

No amounts were written off / provided or written back in respect of related parties during the year.

14. Segmental reporting

Segmental reporting of revenues for the Company is on the basis of the geographical location of the customers and is as under:

| | North America | Europe | Asia Pacific | India | Rest of the World | Rs. Total |
|---------|----------------------------------|----------------------------------|--------------------------------|------------------------------|------------------------------|-----------------------------------|
| Revenue | 9,406,733,123 (5,341,376,202) | 1,780,981,314 (1,384,046,342) | 1,191,903,929 (897,603,961) | 465,989,564 (316,602,371) | 125,130,964 (105,285,516) | 12,970,738,893 (8,044,914,392) |

Fixed assets used and liabilities contracted for performing the Company's business have not been identified to any of the above reported segments as the fixed assets and services are used interchangeably among segments.

15. Cost incurred for long term projects mainly comprise of legal and employee related costs to secure long term projects. These costs are amortised over a period of two years commencing from the date of securing the project.

16. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report attached
SHARP & TANNAN
Chartered Accountants
By the hand of

For and on behalf of the Board

V K MAGAPU
Director / Manager

R D KARE
Partner
Membership No. 8820
Place: Mumbai
Date : May 25, 2007

S S PRABHUDESAI
Company Secretary

Y M DEOSTHALEE
Director
Place : Mumbai
Date : May 25, 2007



L&T Infotech

Larsen & Toubro Infotech Limited

| | |
|---|--|
| National Implementation Partner | |
| Microsoft Gold Certified Partner | |
| Member of 'ORACLE Partner Program' E – Business Suite | |
| Member of 'ORACLE Partner Program' PeopleSoft Enterprise | |
| Systems Integration Partner | |
| Systems Integration Partner | |
| Certified Consulting Partner | |
| Member of 'ORACLE Partner Program' Siebel System Integrator | |
| Member of 'ORACLE Partner Program' JD Edwards World | |
| Member of 'ORACLE Partner Program' JD Edwards EnterpriseOne | |
| Member – Partner World for Developer | |
| Systems Integration Partner | |
| Implementation Partner | |
| Technology Partner | |
| Technology Partner | |
| Technology Partner | |
| Member of BEA Select Level Partner Program | |
| System Integration Partner | |
| Consulting Partner | |