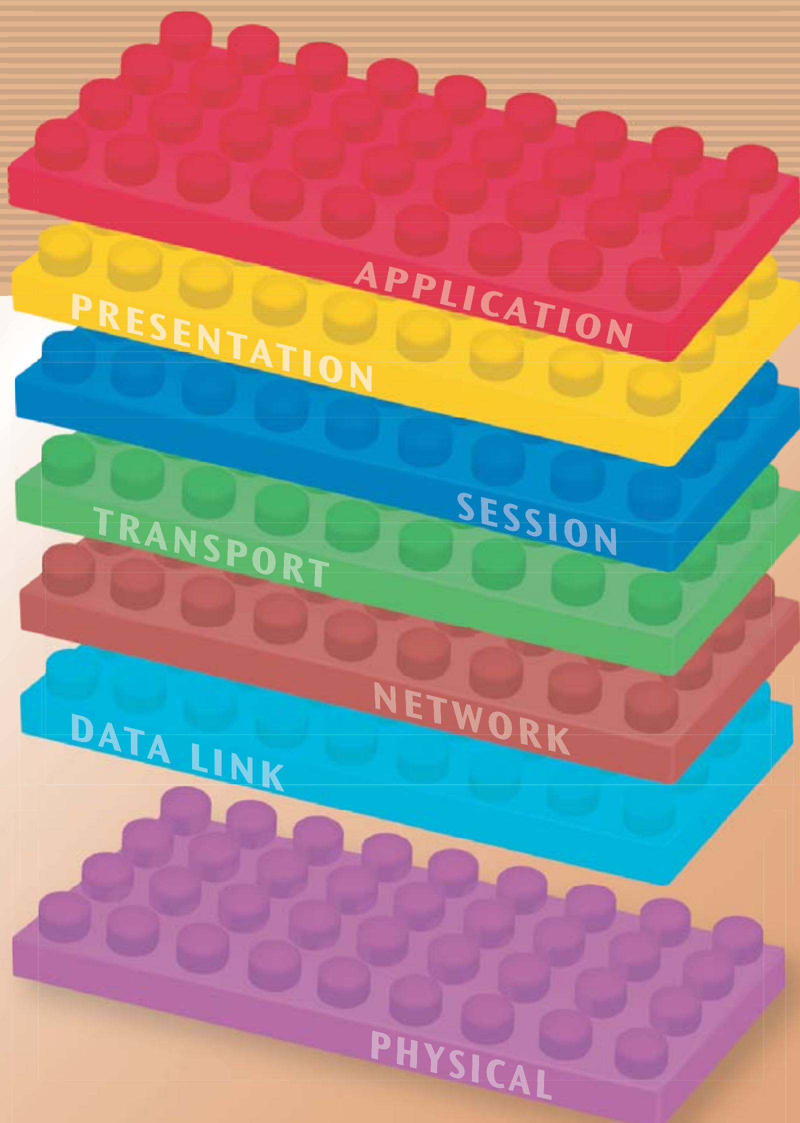
AFTEK®

Aftek Infosys Limited

mining the bottom of the stack



ANNUAL REPORT ▪ 2005 - 2006

BANKERS

Bank of India
Gohil House, L. J. Road,
Mumbai 400 026.

The Hongkong and Shanghai
Banking Corpn. Ltd.,
Asha Mahal,
46/B Dr. G. Deshmukh Marg,
Mumbai 400 026.

AUDITORS

M/s. V.D. Joshi & Co.,
Chartered Accountants,
2 Jai Ashirwad, Y.R. Tawde Road,
Dahisar (West), Mumbai 400 068.

CONSOLIDATION ADVISORS

M/s. Grant Thornton India Pvt. Ltd.
313 Ahura Centre,
82 Mahakali Caves Road,
Andheri (East),
Mumbai 400 093.

LEGAL ADVISORS

M/s. Kanga & Co., Advocates & Solicitors
Readymoney Mansion,
43, Veer Nariman Road,
Mumbai 400 001.

REGISTRARS & TRANSFER AGENTS

M/s. Bigshare Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Andheri (East),
Mumbai 400 072.

AFTEK INFOSYS LIMITED
2005 - 2006

BOARD OF DIRECTORS

Mr. Ranjit Dhuru	Chairman
Mr. Nitin Shukla	Executive Director
Mr. Sunil Desai	Executive Director
Mr. Promod Broota	Executive Director
Dr. S.S.S.P. Rao	Non-Executive Director
Mr. Shrikant Inamdar	Non-Executive Director
Mr. V. J. Masurekar	Non-Executive Director
Mr. Mahesh Naik	Non-Executive Director

MANAGEMENT TEAM

Mr. Ranjit Dhuru	CEO
Mr. Nitin Shukla	CFO
Mr. Mahesh Vaidya	CTO
Mr. Sunil Desai	Ex Director - Technology Solutions
Mr. Promod Broota	Ex Director - Planning
Mr. Ashutosh V. Humnabadkar	Sr Vice President - Products
Mr. Charuhas V. Khopkar	Sr Vice President - Quality & HRD
Mr. Ravindranath U. Malekar	Sr Vice President - Support
Mr. Mukul S. Dalal	Sr Vice President - Smart Products
Mr. Dhananjay Kulkarni	Sr Vice President - Engineering

COMPANY SECRETARY

Mr. C.G. Deshmukh

REGISTERED OFFICE

"Aftek House", 265, Veer Savarkar Marg, Shivaji Park,
Dadar, Mumbai 400 028

Financial SnapShot

Financial SnapShot							(Rs. in crores)
	FY'06	FY'05	FY'04	FY'03	FY'02	FY'01	FY'00
Total Income	202.86	198.00	140.50	99.36	67.44	50.71	20.81
Export Sale	191.30	191.36	134.37	91.54	57.37	40.92	15.86
Total Expenses	121.67	119.18	77.94	51.93	31.75	23.45	11.16
Operating Profit	81.18	78.82	62.56	47.43	35.69	27.26	9.65
Profit Before Tax	67.83	60.80	47.72	42.70	34.65	26.41	8.94
Profit After Tax	67.39	59.80	47.31	40.08	33.67	25.10	8.46
EPS (Rs.) Rs. 10 per share	-	-	-	53.06	56.11	41.47	14.09
EPS (Rs.) Rs. 2 per share - Basic	8.25	7.73	6.31	10.61	-	-	-
EPS (Rs.) Rs. 2 per share - Diluted	8.15	7.68	6.31	-	-	-	-
Networth	538.30	459.44	280.18	238.58	132.04	101.52	78.29
Fixed Assets	12.69	24.04	40.44	43.83	8.47	9.46	5.81
Net Current Assets	406.35	374.40	178.35	132.84	114.53	81.91	64.58
Dividend Per Share (%)	50.00	50.00	50.00	50.00	35.00	25.00	20.00
Share Capital	17.14	15.00	10.00	10.00	6.00	6.00	6.00
Reserves & Surplus	463.50	314.86	270.18	228.58	126.04	95.52	72.29

Aftek Infosys Limited

A F T E K   H O U S E

ANNUAL REPORT ■ 2005 - 2006

Message from the Chairman and CEO


Ranjit Dhuru

Let's start at the very beginning
A very good place to start…

– Julie Andrews in *Sound of Music*

Dear Shareholder,

Song writers have an uncanny knack for mining wisdom from the ground of collective human experience.

When it comes to business, the base is indeed a very good place to start.

Take your Company, for instance. Your Company provides enterprise business management products, solutions and services which span infrastructure, information and process tiers of any modern enterprise. The OSI (Open Systems Interconnection) model depicts communication as a structured, seven-layer stack – hence the term 'Communication Stack'. Your Company has expertise and business at most of the levels: while some of the technologies in Aftek's repertoire like *Jadoogar* help manage infrastructure, those like *Search* help manage information and others like *RFID* (Radio Frequency Identification) help manage processes. However, over the years, your Company has attained core competency in the field of Communications. Therefore, while *Jadoogar* supports communication at device or infrastructure level, *Search* implements it at information level and *RFID* handles it at process level. Whether communication is wired or wireless, short or long distance, networking or telecommunications, your Company excels in all those technologies. This unparalleled breadth and depth of expertise in Communications provides your Company the critical edge for winning business.

The unparalleled breadth and depth of expertise in Communications provides your Company the critical edge for winning business.

In many ways, the Communication Stack resembles a multi-layered mine. While mining, you start at the surface and drill down through multiple layers of earth to reach rare metals, jewels and diamonds. The Communication Stack starts off with the Application layer at the top and then goes all the way down to the hardware. Many of your company's solutions like Search, Video/Voice/Data gateways, etc., implement protocols and functionality of the upper layers of the Communication Stack. The lower layers of the Communication Stack are often built into firmware and hardware which define your Company's core competencies. Part of this functionality is often built into VLSI (Very Large Scale Integration) ASICs (Application Specific Integrated Chips). It used to be closely guarded territory of Semiconductor manufacturers in order to protect their IPs (Intellectual Properties). This is precisely where your Company mines i.e. at the bottom of the stack. And one of the jewels we have unearthed is Elven (pronounced as L1, for Level One). Exceeding our own expectations, Elven has not only managed to sustain but also grow – financially and geographically. Your Company now stands at a juncture where Elven can provide a solid foundation at the bottom of the stack, fuelling your Company's growth.

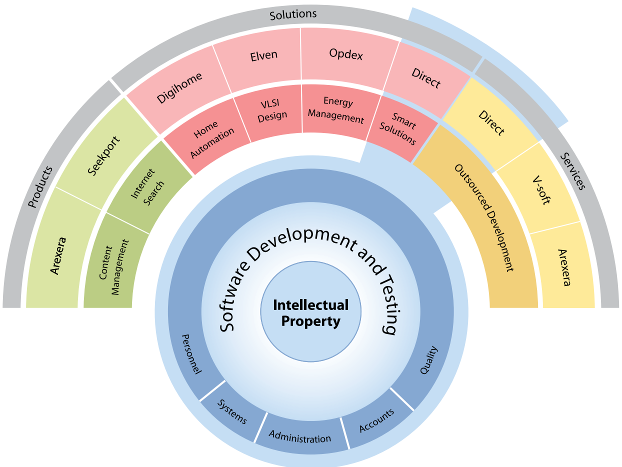
Getting better all the time

Having accomplished a decade of consistent and impressive growth, your Company has now stepped into the next decade with more maturity, stability and confidence. It gives me great pleasure in informing you that even during the 19th year, your Company has maintained its revenue growth at 40.40% and profit growth at 30%. Last year, your Company opted to make its accounting year March-ended. As a result, its last accounting year comprised only nine months from July 2005 to March 2006. During this period, your Company earned a profit of Rs. 67.39 crore on a gross income of Rs. 202.86 crore. With operating profits close to 81.18% of revenues, your Company continues to be remarkably profitable and debt-free. Your Company's performance has thus become not only rewarding but also dependably consistent.

To manage the challenge of preserving recurring growth, your Company has meticulously worked out a two-tier model encompassing Organic and Inorganic growth. At the core of this model are Intellectual Properties (IPs) which have been developed or acquired and enhanced.

The Organic tier comprises Development factory that reuses these IPs to provide products, solutions and services to both, the Inorganic tier and direct customers. The Inorganic tier, which is also a monetizing tier, comprises financially independent companies like Arexera, Seekport, Digihome, Opdex, Elven and V-Soft in which your Company has a strategic stake. The Organic tier expands as a result of direct growth in business. Some inorganic companies within your Company's

In many ways, the Communications Stack resembles a multi-layered mine. While mining, you start at the surface and drill down through multiple layers of earth to reach rare metals, jewels and diamonds.



The Aftek Mantra for Growth

fold, like Arexera, are monitored very closely and integrated with your Company after reaching critical mass, whereas others, like Seekport, Digihome, etc. continue to operate independently and have different exit strategies to realize their full value. This unique business model minimizes risks for your Company, while enhancing inorganic growth possibilities.

Prudent investments

Capitalizing on past experience, your Company made very cautious and prudent investments last year. Earlier investments in the areas of 3G (3rd Generation Telecommunications) and GIS (Geographical Information Systems) had failed to take off. While failure of 3G was mainly due to unexpectedly slow adoption of technology, that of GIS was due to very slow and long sales cycles. Therefore, your Company decided to invest only into mature businesses and take only a small stake, to begin with, but try to keep an option for full acquisition, should the business show sustained growth in the areas of your Company's focus. While this may have increased acquisition costs marginally, your Company's risks have been reduced phenomenally. In keeping with this policy, your Company took only 15% stake in a VLSI (Very Large Scale Integration) venture, Elven. VLSI is a very old and mature business with most chip manufacturers supporting captive, in-house development. However, the recent proliferation of wireless communications has provided a fresh impetus to the business. Your Company took 25% stake in Digihome and 5% revenue share. While costs of the licensed technology have already been recovered many times over, risks associated with the consumer segment have been kept at bay with this arrangement. I am very happy to inform you that these ventures, hence your investments, are doing very well.

Your Company has fully acquired and successfully integrated Arexera. Arexera has one of the best technologies for Search that meets, even exceeds, the performance of world leaders in this space. Recognizing and exploiting this inherent strength, Arexera has now positioned itself into ECM space with solutions for specific verticals like Compliance, Banking, Security, etc. A recent tie-up in Compliance space with a major European provider of storage solutions vindicates this strategy. Discussions with other such leaders in different verticals are at an advanced stage. In order to reduce taxes, maximize profitability and secure Intellectual Property, your Company is in the process of relocating Arexera's headquarters and all its Intellectual Property to Switzerland.

Converting challenges into business

Last year, your Company has secured several major clients worldwide. Your Company is now handling complete sustenance and enhancement for a product line for a North American Telecommunications major and some of its reputed clients. It has undertaken major development in Communications Stack for another North American leader and its large clients. It is handling testing certification for wireless communications for a premier European automobile manufacturer. Your Company has also signed a business cooperation agreement with another big name in Europe in Automotive, Telecommunications, Transportation and Aviation spaces.

The principal reasons for the long-term and sizable relationships with multinational giants are your Company's expertise in cutting-edge technologies, high quality and timely deliverables and flexibility in adapting its quality processes to match those of clients'.

Your Company has been consolidating and growing its business with multinational giants. The principal reasons for these long-term and sizeable relationships are your Company's expertise in cutting-edge technologies, high quality and timely deliverables and flexibility in adapting its quality processes to match those of clients'. Your Company provides product engineering services to many ODMs and OEMs (Original Device and Equipment Manufacturers).

Sowing effort, reaping success

Your Company's vision and focus are reflected in its strategies. And you have witnessed the results of the seamless execution of these strategies. I expect your Company to continue to grow financially and spread geographically through organic and inorganic means in the coming years. I expect your Company to continue to reap rich dividends with its cutting edge technologies, adaptable quality processes, reusable Intellectual Properties, inherent financial strength and its dedicated management team. My greetings to you on a successful year!

Yours truly,

Ranjit Dhuru

Management Discussion & Analysis

Company Overview

Established in 1986 as a private limited company, Aftek has completed two successful decades of change, innovation and growth. Its name itself revealed its charter of providing AFfordable TEKnology products, solutions and services. Taking off as a hardware company, it established its roots deep into the embedded technologies. Responding swiftly to the software revolution happening the world over, it successfully changed its course midstream to become a software company. Coming of age, it found a focus in enterprise business management by the turn of the century. Today, Aftek has grown into a mature family of subsidiaries, each focusing on a niche in enterprise business management.

Opdex is a wholly-owned subsidiary of Aftek in the USA. It has focused on Energy Management space. Arexera Technologies GmbH is also a wholly-owned subsidiary of Aftek in Swizerland. It has focused on ECM (Enterprise Content Management) space. Seekport has over 33% holding by Aftek, through its wholly-owned subsidiary, Arexera. Seekport is in the space of Internet Search or Information Management. Aftek holds a 25% stake in Digihome, which has focused on the Intelligent Home Management market. V-Soft, in which Aftek holds nearly 17%, handles Marketing and Sales of Aftek's Professional Services in North American market. Elven has 15% stake by Aftek and it has focused on VLSI, ASIC and FPGA space. All these companies make use of Intellectual Properties and/or Professional Services from Aftek and bring significant value to the Aftek family.

Industry Scenario

Indian IT-ITES (Information Technology and Information Technology Enabled Services) industry is looking nothing but bullish! 2005-2006 has seen worldwide increase in spending on IT-ITES sectors, particularly from key North American and Western European economies. With both clients and vendors adopting global delivery strategies, Outsourcing continues to be the primary growth engine.

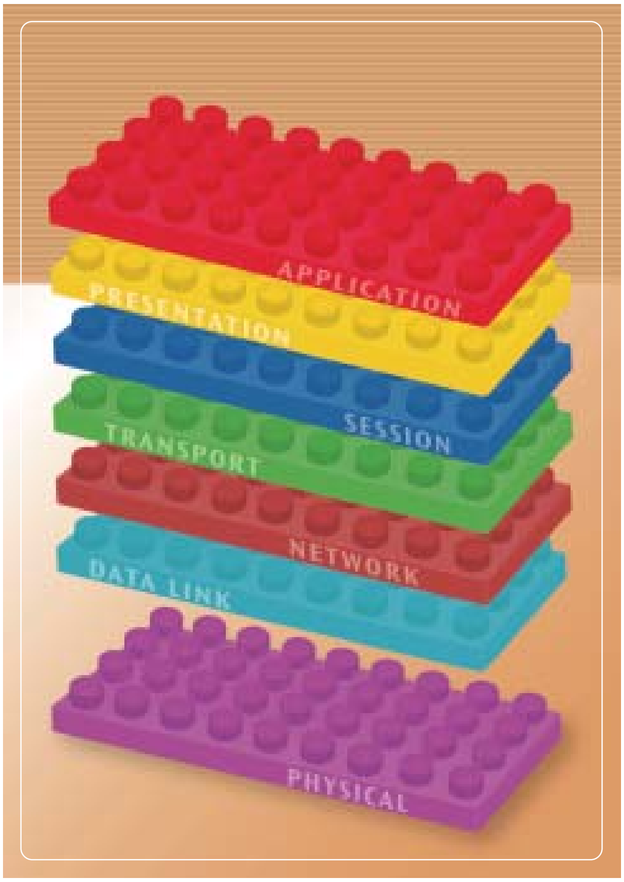
In the IT Services sector, your Company is into areas like 'custom application development', 'software testing' etc. and not into areas like 'application management', 'infrastructure management' etc. With export revenues of US$ 13.2 billion in 2005-2006, IT Services export is growing at 32% annually. Similarly, with export revenues of US$ 3.9 billion in 2005-2006, Engineering Services and R&D, Software Products export is growing at 26%.

Interestingly, nearly 56% revenues are project-based, whereas nearly 33% revenues are contract-based. Geographically Americas, Europe and rest of the world contribute to nearly 68%, 23% and 9% of exports. Leading business verticals are Banking, Finance, Insurance, Manufacturing and Telecommunications. [*Source: www.nasscom.in*]

Besides outsourcing in India, your Company also has significant interests in other geographies and markets, which are showing excellent revenue and growth prospects.

Energy Management Market is expected to be over US$ 6 billion by 2007 in USA alone [*Girvan Institute of Technology*]. Opdex has positioned itself into this market.

Worldwide ECM software and services market is expected to reach US$ 9 billion by 2007 with a CAGR (Compounded Annual



Growth Rate) of 15% [*META Group, Inc.*]. ECM software license alone is expected to reach US$ 3.9 billion by 2008, compliance and process efficiency being the key drivers [*Forrester Research, Inc.*]. Arexera is focused into ECM space.

In Internet space, advertising revenues for the year 2005 were over US$ 12.5 billion growing at 30% annually in USA alone, with nearly 41% coming from Search [*Price Waterhouse Coopers, LLP*]. Seekport is into Internet Search space, where revenues come mainly from online advertising.

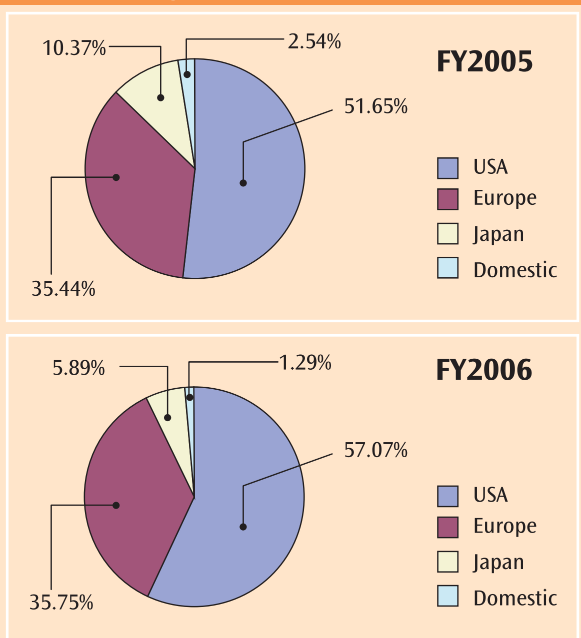
Worldwide, 'Intelligent Home' is an emerging market. Annual sales of Intelligent Home Controllers are expected to reach about 1 million units by 2009 in USA alone [*Parks Associates*]. In India, two million flats are expected to be built in metropolitan and B grade cities in the next three years, over 60% of them being meant for high-income families. Digihome is working in this space.

Business Review

Aftek's revenues from USA and EUROPE have contributed positively during the nine months period ended March 31, 2006 as compared to the twelve months period ended June 30, 2006.

On the business mix front substantial rise in service contract during the period under review was contributed towards overall sales performance.

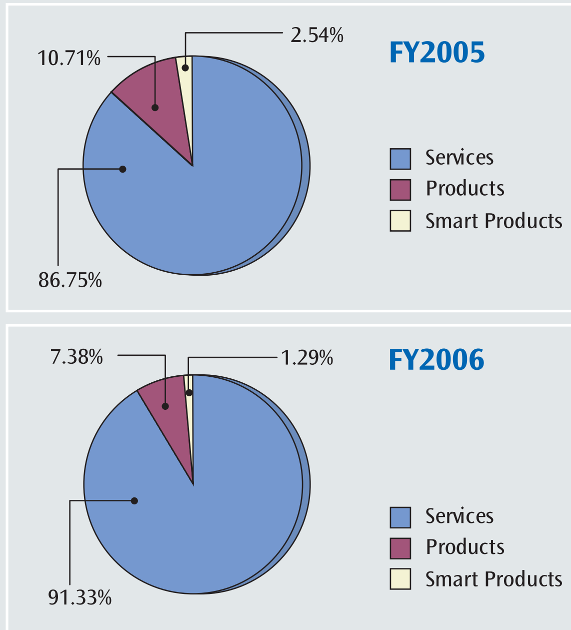
Geographical Revenue Mix



Financial Performance

The financial performance of the Company for the period ended March 31, 2006 is a reflection of the strategies and initiatives that Aftek put in place in the past. The Company has continued with its trend of sustained revenues and profitability growth.

Segmentwise Revenue Mix



Balance Sheet

Equity Capital

The paid up equity share capital of the Company increased from Rs.150.00 millions to Rs 171.43 million during the nine months period ended March 31, 2006, due to conversion of FCCBs and exercise of Stock Options.

Reserves and Surplus

Reserves and Surplus rose to Rs 4635.04 million at the end of March, 2006 from Rs 3148.63 million reported in June 2005. The increase is mainly on account of share premium accruing on account of FCCB conversion, exercise of Stock Options and retained profits.

Assets

Net fixed assets including Capital Work in Progress as at March, 31 2006 was Rs.126.93 million as compared to Rs.240.37 million as at June 30, 2005. the reduction is due to amortization of IPs.

Investments
Investments rose to Rs.1184.03 million as at March 31, 2006 as compared to Rs.594.89 million as at June 30, 2005, chieftly on account of integration of Arexera Information Technologies GmbH.

Debtors
Debtors at the end of Nine months ended March 31, 2006 were Rs 819.23 million as compared to Rs 471.38 million mainly as a consequence of change of Financial Year from July-June to April-March.

Liabilities
Current liabilities which included sundry creditor, advance from customers and provisions for tax, dividend and other adjustments was at Rs 381.49 million.

Employee Relations
The Employee relations at various Works and Establishment of the Company continue to be cordial. The active co-operation of employees at various locations is an important contributory factor for the cordial relations.

Opportunities & Threats
Like every other company, your Company has its very own strengths, weaknesses, opportunities and threats. Your Company's management has definite plans of overcoming the weaknesses and neutralizing the threats.

Strengths
Your Company has successfully completed over two decades since inception and one decade since going public. All these years, your Company's management has remained totally committed, very stable and has taken excellent care of your interests. Your Company's management will always work to safeguard your interests and maximize shareholder value.

Your Company is completely debt free and cash positive. Your Company has also demonstrated its ability to raise finance in domestic as well as offshore markets for promising business opportunities. This strength is very critical to your Company's offshore acquisitions, like Arexera.

Driven by change, your Company has always adopted appropriate business models suitable to the changing business environments. Starting early on with stress on offshore execution, then building products, solutions and services around the core of Intellectual Properties and finally

PLANNING FOR GROWTH

Promod Broota
EXECUTIVE DIRECTOR - PLANNING

Growth has many facets and dimensions. However, if all the facets and dimensions are not planned well, the resultant picture would obviously be a seriously distorted one. Planned growth assures replication of success, whereas unplanned growth is a certain call for disaster. With CAGR (Compound Average Growth Rate) of over 40% in revenues and over 25% in profits over last several years, your Company has shown repeatable growth, which is a result of meticulous planning.

While growth has many facets and dimensions, it can occur in several ways. One has to carefully balance different ways to achieve expected planned growth. Organic growth occurs by growing business from same clients and by growing the client list itself. Inorganic growth occurs by acquiring businesses that complement or add value to the existing business. While organic growth is more of an operational challenge and can range from conservative to lucrative, inorganic growth poses several challenges ranging from operations to finance to strategy and can range from aggressive to sometimes, even speculative. Obviously, inorganic growth has more risks, but definitely more opportunities and returns. The thumb rule for wise investments recommends 40% investments for business continuity and 60% for business growth, out of which, 30% should typically go towards conservative, 20% towards aggressive and 10% towards speculative growth.

Your Company has raised funds for acquiring Arexera and has used available funds for investing into V-Soft and Elven, whereas it has used available IPs (Intellectual Properties) for investing into Seekport and Digihome. Thus by utilizing all means available, your Company has always minimized risks and financial exposure while at the same time always maximizing returns and ensuring consistent and impressive growth.

creating an inorganic growth ring, your Company continues to convert its vision into reality successfully.

Working over two decades, your Company has built complete breadth and depth necessary to develop end-to-end solutions that involve skills ranging from hardware design to applications engineering. This places your Company in a unique position to offer product engineering services to product companies worldwide.

Your Company has established very strong and vibrant relationships with academic institutions. Many of your Company's senior managers have started with your Company as project trainees. Your Company is a sought-after, dream destination amongst bright, engineering students. Such fresh, young and aspiring talent is behind the creation of some of your Company's most valued Intellectual Properties.

Weaknesses

Your Company has yet to fully establish its brand in North American and European markets as a Technology company. However, your Company has established Arexera and Seekport as upcoming brands in Europe. And with major business wins this year in Communications and Semiconductor verticals in North America and Automobile vertical in Europe, your Company has started establishing its brand, slowly but definitely.

After growing to a certain level with captive marketing and sales force, your Company adopted a unique model for

Selling Internationally

Reshma Nigam

General Manager, V-Soft Inc.

Started by two graduates and a professor, all from Stanford University, V-Soft, located in the heart of Silicon Valley of California, has carved a niche for itself as a reliable provider of product engineering services in both software and hardware. Recognized as leader and pioneer in outsourcing, V-Soft has a loyal brand of customers spanning multiple industries that rely on its services to develop their products. V-Soft has strived to establish long term, win-win relationships with them to help them meet their functionality, quality, timing and cost objectives in product engineering. V-Soft has been providing such engineering and marketing solutions to high-tech companies in USA since 1995.

Although V-Soft has been working with your Company for last several years as a marketing and sales channel partner, it is only this year that both decided to strengthen and deepen their association with investment that is expected to promote V-Soft's efforts in consolidating and expanding its market in North America for the benefit of your Company. Technically, V-Soft handles marketing and sales, but it is practically the eyes and ears of your Company for North American clients. This partnership has created a formidable and powerful entity that combines the best in people, processes, domain and technology. However, what sets V-Soft apart is its responsiveness in responding to customer's needs and its flexibility in fine-tuning the engagement model to suit customer's specific requirements. Together with V-Soft's ability to overcome time and cultural differences between USA and India, this has enabled customers to have a seamless, successful and satisfying outsourcing experience.

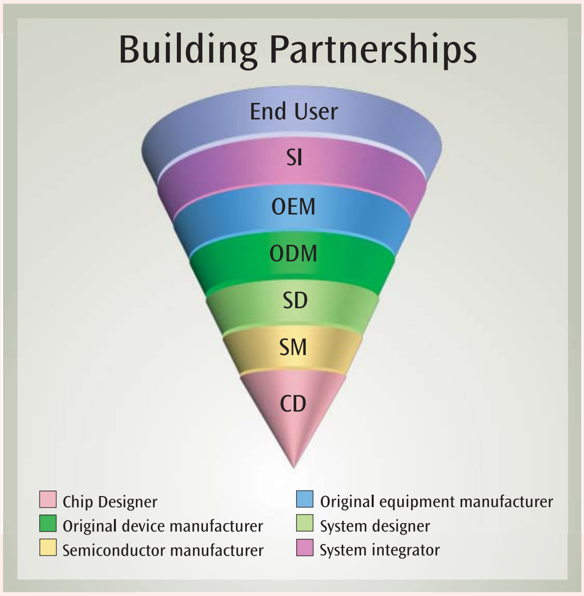
Over the years, V-Soft has built a highly experienced marketing and sales team. Some of the methodologies that this team uses for mining business are its proprietary search engine optimization techniques, Web-Seminars, market research and marketing campaigns, besides its highly productive and effective telemarketing group located in India. This group has a pool of researchers and telemarketers, which generate a constant supply of leads for our marketing and sales team. Once the sales cycle is set in motion, this team works closely with your Company to create dossiers, presentations and collaterals for prospective customers. Our sales team is chosen for its skills in selling as well as network of contacts and has been specially trained on off-shoring process. V-Soft thus handles integrated, onsite marketing, sales, account and project management responsibilities providing unparalleled ROI (Return-On-Investments) to the customers. This helps customers maintain strategic focus, improve operational performance, maximize shareholder value and realize business objectives.

BUILDING PARTNERSHIPS

Sunil Desai
EXECUTIVE DIRECTOR - TECHNOLOGY SOLUTIONS

For success, today's complex business environment necessitates an ecosystem comprising multiple partners adding very specific value. Rather at every step of value addition, there possibly is a partnership and also a business opportunity. Building correct partnerships goes a long way in assuring business success.

Working ardently over couple of decades, your Company has acquired breadth and depth necessary to deliver complete end-to-end solutions in Communications space.



However, consider the stack of value addition in this space. Starting at the bottom of the stack, Chip Designer designs the chips, whereas Semiconductor manufacturer manufactures them. System designer designs products using these chips, whereas ODM (Original Device Manufacturer) manufacturers these products. OEM (Original Equipment Manufacturer) sells products made by ODM. SI (System Integrator) builds solutions using one or more products for the final end user. The way industry is organized, neither Semiconductor manufacturers nor ODMs have the necessary skills to design systems, but both need them badly. Without system design, Semiconductor manufacturers would not be able to sell the chips, whereas without system design, ODMs would not be able to make the products. Here lies a very big opportunity for your Company to create reference designs. Partnerships with Semiconductor companies as well as ODMs/OEMs is very crucial for this. Your Company mines these partnerships for very big business opportunities.

There lies another such opportunity at System Integrator level, where again, there is lack of expertise to implement very specific missing functionality even after integrating all possible devices. Here, partnerships with System Integrators as well as OEMs/ODMs are very important.

Recognizing this potential, your Company has established vibrant partnerships with Semiconductor manufacturers in networking and communications space. At the ODM/OEM level, your Company has built long lasting partnerships in Southeast Asia, which is a hub for manufacturing.

marketing and selling in offshore markets. It established local partners in North America and Europe with better understanding of local culture, issues and time zones. Although this model has worked very well, your Company has yet to replicate it in many more geographies and markets. Your Company has now accorded high priority to this task. Your Company's first offshore investment and acquisition was Arexera. Subsequently, your Company created Seekport. Your Company has gained tremendous knowledge and experience through both these exercises. However, this has taken close to four years and your Company has not used this knowledge and experience for any more offshore acquisitions yet. Your Company has now accorded high priority to this.

Your Company has developed and/or acquired a huge wealth in terms of Intellectual Properties. Although, most of these investments have already paid back many times over, there is still a huge, latent value in these Intellectual Properties which is waiting to get unleashed. Your Company is now actively looking into monetization opportunities using available Intellectual Properties. Digihome is one such example.

While establishing necessary breadth and depth to qualify as an end-to-end solutions provider, your Company's skills became little too broad. In order to be effective, efficient and sustainable, it is important to stay sharply focused and maintain critical mass of resources for each skill area. With core competency in Communications, your Company is optimizing its skills and resources around the same.

Opportunities

As per NASSCOM's analysis, there has been another strong demand phase in outsourcing. This has also been fuelled by outsourcing from 2nd tier industry, which now finds outsourcing to be a more mature and reliable option. Interestingly, 'Engineering Services and R&D, Software Products' has recorded significant growth to be regarded as an independent sector. This happens to be your Company's core offering.

When your Company invested into Arexera, one of the objectives was to use it as stepping stone into European outsourced services market. With business coming from top-tier German companies, it's more than a reality. Such lateral selling opportunities are ever increasing since business always grows around strong relationships.

While your Company has competencies in Communications, its subsidiaries have competencies in Search, ECM (Enterprise Content Management), Energy, etc. verticals. All these verticals are booming with business. With end-to-end solution delivering or product engineering capabilities, more and more reference design business is expected from ODMs (Original Device Manufacturers) out of Southeast Asia.

Four years back, your Company was one of the very first Indian companies to acquire a software company out of Germany.

DELIVERING GLOBALLY

Dhananjay Kulkarni

SENIOR VICE PRESIDENT - ENGINEERING

Your Company is rapidly expanding its business in all continents. This makes global delivery one of the Critical Success Factors, since one has to overcome challenges like different time zones, languages, cultures and expectations. Satisfying implicit expectations, besides the documented explicit expectations, is particularly more challenging. Your Company draws upon the deep expertise of its management team to successfully tackle these challenges.

In service engagements, it is important to work seamlessly as an extended arm of customer's team. This is where differences in time zones, languages or cultures can create major hurdles. Your Company effectively uses an optimum combination of local, onsite coordinators and large offshore teams led by project managers. While local coordinators handle different time zones, languages, cultures and expectations, offshore project managers manage everything else, including schedules, resources, costs, etc. Local coordinators act as eyes and ears of offshore project managers to understand and translate customer's implicit expectations into deliverables.

Your Company offers product engineering services to many large and small product companies. Your Company has evolved a fine-tuned process with very quick turnaround times to help customers quickly implement proof-of-concept and prototypes. Many venture-funded as well as well-established companies are taking advantage of your Company's unique combination of cutting edge technology skills and mature, but flexible processes to meet their product engineering requirements.

With strong focus on customers and deliveries, your Company is taking special care in training managers and technologists in aspects related to customer relationship management. There is a specific stress on communication skills that help uncover customer's implicit expectations, needs and context. Managers are also encouraged to communicate frequently and effectively to bridge the gaps in time zones and expectations.

All this has culminated into strengthening your Company's brand as a reliable, global delivery organization. As a clear example of this profound trust, a USA Communications major in wired and wireless spaces, has transferred complete sustenance and enhancement engineering work for one of its newly released product lines to your Company. This relationship has not only grown in depth, but also in size significantly. Similarly, another top-tier Automobile Company out of Europe has transferred its complete testing certification process to your Company. Both these relationships underline your Company's unparalleled expertise and leadership in Communications space.

MANAGING HUMAN RESOURCES

Charuhas Khopkar

SENIOR VICE PRESIDENT - QUALITY & HRD

Due to the very nature of the IT (Information Technology) and ITES (Information Technology Enabled Services) industry, people take precedence over processes in overall business success. Many IT companies have recognized acquisition and training of quality human resources as Critical Success Factors and their attrition as a major threat. In the case of your Company, it is more so due to the cutting-edge technologies that drive most of the work. Managing human resources carefully and effectively is thus of paramount importance to the success and continuity of your Company's business.

Your Company has established outstanding relationships with prestigious academic institutions over past decade. Young, brilliant and dynamic students passing out from these institutions form a large part of human resources of your Company. What attracts them to your Company are exciting, cutting-edge technologies and challenges that these technologies pose, very informal work culture that is so conducive to innovation, purely performance-based numerous growth opportunities, highly personalized mentoring, etc. While it is almost impossible to find very experienced resources outside due to cutting edge nature of the technologies, these young people exuberating energy as well as confidence and coming with an open frame of mind form the right material for molding into tomorrow's technologists and managers. While they mingle with the culture much better, their loyalty is remarkable. So, when it comes to human capital, your Company mines at the very bottom of the resource stack.

Your Company lays a special stress on Professional development, performance management and wealth creation for all its human resources. Everyone is encouraged to take up specialized courses in technology or management to upgrade knowledge and also to acquire professional certifications. Your Company sponsors such efforts. Coming to performance, your Company believes in performance management more than performance appraisals. These exercises are conducted every quarter and everyone is assisted to reach new levels of performance, which ultimately raises your Company's performance. Your Company has always believed in sharing and distributing the wealth and all its human resources are also not an exception. Your Company effectively uses ESOP (Employee Stock Options Plan) instruments towards this purpose. Besides wealth, this gives a profound feeling of ownership and commitment.

Finally, for any attrition, a very detailed causal analysis is conducted and root causes are identified and corrected. All these factors and measures have resulted in an attrition of 8.99%, which is far below industry average. Even the average period of association has gone above three years. These are reflections of the excellent people orientation that your Company has.

Four years later, sound financial strength and global delivery capability are enabling more such opportunities all over the world. Your Company has right qualifications for such inorganic growth.

Coupled with strong outsourcing from Western Economies, emerging markets in Asia-Pacific and even domestic business are booming. In fact, Japan may be the second largest opportunity after North America. Your Company has recently established firm footsteps into Japanese and Taiwanese markets, through its investments in Elven, and into domestic market, through its investments in Digihome.

Threats

In competitive business, you have to compete with bids from smaller companies that challenge you due to lower costs and bigger companies that challenge you due to higher bandwidth. Your Company tackles such threats by adding value. With sharp focus, increased depth and necessary breadth, your Company puts forth a formidable proposal, which is extremely difficult to beat and not at all on costs.

There are still pressures on profitability due to ever increasing costs. Rather than cutting corners, your Company optimizes costs to an extent possible, but mainly tries to use more Intellectual Properties in serving any client, thereby increasing the profitability. Your Company also tries to convert initial project-based engagements into long term contracts, thereby eliminating effort, schedule and cost overruns that threaten profitability. Through its subsidiaries, it also tries to sell end-to-end solutions, where there is no pricing pressure from customers.

Technology At The Bottom Of The Stack

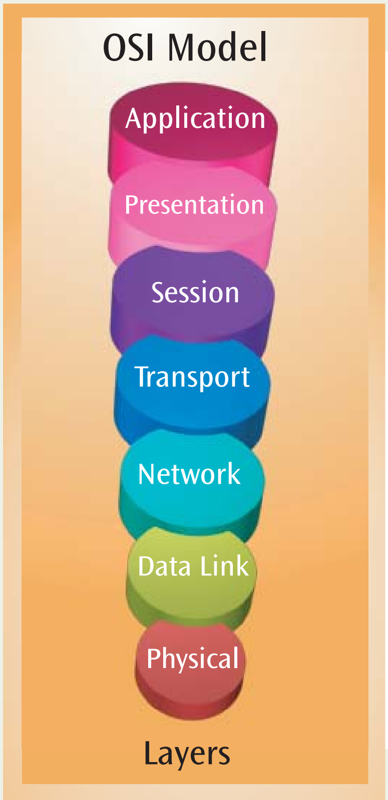
Shrikant Inamdar
DIRECTOR

Communication systems designers have blessed the world with a very diligent way of implementing very complex and volatile standards. It is the "stack" approach to 'architecting' Communications Systems. This approach allows an orderly way to successfully and quickly respond to changing demands on functionality, interfacing and more importantly, co-working. Interestingly, an inherent characteristic of a stack also happens to be "last in first out" operation. Technological obsolescence creates a highly volatile scenario at the topmost or application layer, but as one goes to the lower layers of the stack, technologies are more stable, similar and generic, although more complex. Take, for example, TCP/IP that has continued to rule the internet for ages. It supports a host of video, voice and data applications that have evolved over a decade. Or consider base-band technologies that span lower two-three layers of the Communications Stack. Barring physical dissimilarities, there is a striking similarity for various wireless communications standards. Therefore, although it is important to be agile enough to respond to the volatility at the user level, it is equally important to have strategies firmly rooted in such anchor technologies at the bottom of the stack where the rate of obsolescence is much lower. Owing to the complexity, there's also an inherent entry barrier against newcomers. The bottom of the stack is precisely where your Company is mining for not only maintaining but also sharpening its cutting edge advantage.

By investing in Elven, your Company is trying to acquire and maintain its knowledge base, competencies and leadership position at the very bottom of the stack. Focusing on Silicon, your Company has chosen ASIC (Application Specific Integrated Circuit) and FPGA (Field Programmable Gate Array) technologies in the VLSI (Very Large Scale Integration) space for providing full-chip design services as well as microcode for the lower two layers - physical and data-link layers - of the Communications Stack. These areas are envisaged to ride the next crest in demand cycle.

Semiconductor design and IP (Intellectual Property) creation, an area once almost exclusively reserved for large Semiconductor manufacturers, has now got unleashed for distributed innovation. An increasingly large number of OEMs (Original Equipment Manufacturers) are using fixed-function chip sets to protect their proprietary innovations and ideas so as to retain the first-to-market advantage. They require expertise of companies like yours which are agile, flexible and competent enough to assist them in quickly integrating pioneering solutions from available cores and diverse functional modules.

Like any other development,



Functional Specifications are drawn from the MRD and PRD (Market and Product Requirements Documents). Design and Verification teams then work almost concurrently. While the design team works on chip design, the verification team creates environments for verifying functional and performance compliance. While actual processes are much more complex, hardware-software co-simulation allows simulation of functions and emulation of chip to work with higher layers of Communications Stack.

With all this expertise, some of the most successful VLSI and Network Processor companies are being served as very happy clients. And this also complements and completes the depth of your Company's expertise stack allowing it to offer end-to-end solutions from chip design to system integration.

Although Pune had the potential to become a premier outsourcing destination in India, only recently has it started getting noticed on a large scale. Many multinationals are making very aggressive plans for Pune. With extremely aggressive offers, they are likely to cause serious concerns on attrition and if not, at least wages. Companies like yours can meet this challenge by rewarding the topnotch performers, managing volatile layer with redundancies and by sharing the wealth. Your Company is taking all these and more such measures to neutralize the threat.

After the meltdown of North American economy few years ago, it is only now that there are some signs of stability and growth. However, should there be another meltdown or even a slowdown, there is a serious potential threat to business. Last time it occurred, your Company consciously shopped into Europe. This time, even before something can happen, your Company has started growing into Asia-Pacific.

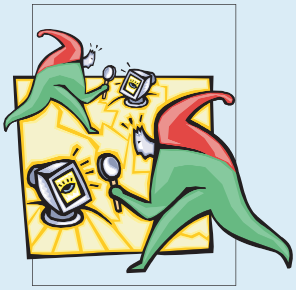
Critical Success Factors

Effective marketing and sales is very critical to the organic growth of your Company. Your Company works though its subsidiaries like V-Soft. Your Company needs to create more such entities in distinct geographies to foster organic growth. Following up on the business wins from top tier companies this year, your Company has to concentrate on mining these accounts and their clients for more business. This is already

ENTERPRISE CONTENT MANAGEMENT (ECM)

Bidjan Tschaitschian

CHIEF TECHNOLOGY OFFICER, AREXERA INFORMATION TECHNOLOGIES GmbH



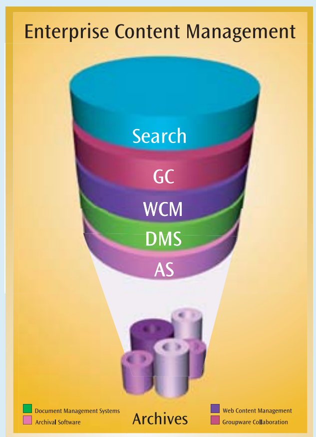
Enterprises today are confronted with the problem of information explosion. Typically, less than 20% of information is in structured, numerical form under control in ERP (Enterprise Resource Planning) or BI (Business Intelligence) systems, whereas over 80% information is in unstructured, textual form with hardly any control and access. Regulatory compliance, information security and real-time access are forcing them to look for technologies that unify these highly disparate sources through a common information model and platform. Significant cost and time savings that result from these information, knowledge or content management facilitate intelligent and efficient decision making.

ECM platforms consist of five distinct, interdependent competencies in the form of the ECM Stack. While search is at the top of the stack, information lies at the bottom of the stack. Document management, Web content management and groupware are other layers of the ECM stack in rising order. With one of the best technologies in Search, Arexera's solutions mine for the information at the bottom of the ECM stack.

Companies like IBM, Microsoft, Oracle, SAP or Filenet deliver comprehensive ECM platforms having more than one layer of competencies, whereas companies like FAST, Autonomy, etc. deliver focused solutions for search. Arexera competes with them.

Arexera's technology comprises information aggregation, analysis and access layers. Information aggregation handles different information sources, types, formats, etc. Information analysis takes care of extracting, classifying, refining, correlating and finally indexing the information in a highly condensed repository. Information access allows extremely fast and flexible access to this information from any business client.

Arexera's technology has several USPs (Unique Selling Propositions). It provides possibly the most scalable and fastest crawling, indexing and searching platform. It is also one of the best platforms that combines internet and enterprise search. It is highly extensible and flexible owing to its unique architecture and modules. All these USPs make Arexera's technology most sought after by many OEMs in ECM space for making their solutions create a multiplier effect in their respective vertical markets. A major strategic deal with a European storage vendor underlines the potential of this technology.



happening and up-selling to customer's customers, cross-selling to customer's divisions and down- selling to customer's vendors has increased. This necessitates serious and successful account management. As a subtle, yet important part of the marketing campaign, your Company has to establish its brand globally.

With successful track record of investment, acquisition and integration, your Company's success depends on repeating it for more Inorganic growth. Your Company is working out a judicious mix of alliances, investments, acquisitions and mergers, since every opportunity has its own advantages and disadvantages. Learning quickly from previous experience, leveraging knowledge gained and speeding up the end-to-end process of acquisition is critical to the inorganic growth of your Company.

Since your Company is so heavily focused on technologies, accurate technology forecasting, correct technology strategy and clear technology roadmap are very critical. Based on the technology roadmap, development and/or acquisition of necessary technologies and their successful dissemination is also very crucial. Your Company has therefore established and strengthened the CTO's (Chief Technology Officer's) office and has also put COEs (Centers-Of-Excellence) under it.

Your Company is expanding its footprint in North American and European markets. Your Company has also started getting into Asia-Pacific markets. With a spread like this come the challenges of different cultures, time zones, languages, travel, etc. and global delivery capability becomes critical. Optimizing onshore, near-shore and offshore resources to seamlessly deliver services becomes a challenge. Your Company uses onshore resources for project management to meet these challenges. Redundant, high-performance communications backbone, flexible working hours, effective conferencing technologies, are some other measure that your Company takes to ensure seamless delivery.

Managing and integrating your people with your processes is critical to your Company's success. Besides excellent technologists, your Company needs excellent managers. Every organization has a unique culture formed by its people and processes. And managers necessarily are mentored in-house. Inbreeding of such resources at senior and midlevel management is critical to your Company's success. Similarly, instead of standard, but disjointed processes for development, people, security, etc., your Company needs

Leveraging Intellectual Properties

Mahesh Vaidya

Chief Technology Officer

Your Company is uniquely different in many ways and one of them is its strategy of providing IP-based products, solutions and services. Your Company leverages IPs that it creates and/or buys and enhances them from time to time to reduce time-to-market for its clients, remain highly competitive in pricing and also derive best of the ARPP (Average-Revenue-Per-Person) figures for the services it delivers. By reusing its existing IPs, your Company reduces overall efforts, thereby increasing ARPP figure. For its clients, non-exclusive license serves the purpose.

Take for example, Arexera. When your Company initially invested into Arexera, it was because Arexera had a technology, product and solution to manage unstructured information, which is the middle tier of any enterprise business. Subsequently, when a series of worldwide acquisitions and mergers suddenly created a vacuum, hence a business opportunity, in Europe for Internet search, your Company reused core search technology from Arexera, added necessary components for Internet and released the European search engine, Seekport, in German, French, Italian, Spanish and English languages. While returns on your Company's investment in Arexera are being realized through enterprise search itself, internet search, in terms of Seekport, has created huge opportunity out of the IPs. Since Seekport is outside our focus of enterprise business management, it will continue to be an independent company with separate exit strategy.

Another example is Digihome. Working over last several years, your Company had created and/or acquired a host of IPs in the areas of wired and wireless communications, process and factory automation, device management, voice over internet, communications gateways, etc. Many of these IPs have been used repeatedly for developing new products and solutions for various clients. Development efforts and costs invested into these IPs have already been recovered. So, when all these IPs were licensed to create a solution for intelligent homes, it was another huge business opportunity created out of the IPs. Like Seekport, Digihome too continues to be an independent company.

Let us also see why your Company needs to buy IPs and how it leverages them. Unlike Application Software, which is often created for client's specific requirements, System and Embedded Software, like operating systems, stacks, drivers, etc., is relatively more standardized and is adapted, optimized or tuned to suit new hardware, devices, protocols, etc. Though a lot of open source software is available, due to obligations of disclosure many clients prefer not to use it. Creating operating systems, stacks or drivers from scratch is technically feasible, but does not make sense from time and efforts perspective. Your Company therefore buys some IPs in these areas and uses them again and again to serve multiple clients. For example, from June 2003 to February 2005, your Company bought several IPs worth tens of crores and capitalized them. These IPs were mainly in the areas of Text Analysis, Bluetooth, Video, Voice, Security, etc. Text Analysis IPs were used to develop information analysis tools for Arexera and Seekport. Bluetooth IPs were used to serve many clients for whom we engineered products like mobile phones, gateways, etc. Voice and video IPs were used to serve many others for whom we engineered products like exchanges, messengers, etc. Security IPs were extensively used to serve clients for whom we developed solutions for wireless communications. And finally, all these IPs also found their way in Digihome. That's how, your Company leverages IPs to derive maximum business advantage.

Since IPs are extremely critical to your Company's business, your Company is in the process of establishing a formal IPR (Intellectual Property Rights) cell under the CTO's (Chief Technology Officer's) office. Besides identifying and safeguarding your Company's trademarks and copyrights, this IPR cell would also handle Patenting process. CTO's office is also in the process of establishing COEs (Centers Of Excellence) for creating competency and IPs in priority technical areas. All such technical initiatives are being consolidated under CTO's office for effective coordination, better efficiency and central management. Your Company will continue to consolidate and further sharpen its technological edge.

Performance advertising with SEPA

Search is the second most used application on internet after E-mail. Although search functionality by itself is free, search engines make money by selling sponsored links as a form of online advertisements. Out of all forms of online advertising like banners, sponsorships, etc., sponsored links contribute to nearly 40% of the revenues. The sponsored link business is expected to grow to over US$ 7 billion by 2007. The single most important reason for its popularity is its performance nature i.e. advertisers are required to pay only when user actually clicks on the sponsored link. Hence, this model is also called as Pay-Per-Click or simply PPC. Besides search engines themselves, other big customers for sponsored links are media houses and ISPs (Internet Service Providers), Yellow Pages and directory service companies, traditional marketers and mobile phone operators. These companies need their own end-to-end, online advertising tool for the websites belonging to their group and affiliates. SEPA (Search Engine Performance Advertising) is such a white label, sponsored links software.

Your Company has significant commitment to search space in terms of Arexera and Seekport. Considering the inherent need of Seekport as well as overall market potential, your Company is developing SEPA for almost a year now. It will be available as a hosted, ASP (Application Service Provider) model, with an optional backfill from Seekport. It will also be available in Arabic and some Indian languages. SEPA is an absolutely state-of-the-art, cutting-edge, search technology for sponsored links. While most of the peer companies are sliding down the value chain into the world of ITES (Information Technology Enabled Services) and BPO (Business Process Outsourcing), your Company is climbing up the value chain with products like SEPA. This strongly differentiates your Company from the rest.

From UPS to Energy Management

By the turn of the last century, your Company developed its first enterprise infrastructure management product, Powersafe, to manage enterprise-wide UPSs (Uninterruptible Power Supplies). This product received highest certification and recognition from Computer Associates and Hewlett Packard. Subsequently, your Company entered into partnership with MGE Electronics to promote this product in North America. While Powersafe sold well within the niche of enterprise-wide UPS management, the business opportunity therein was limited. Therefore, Powersafe sales and revenues have now stagnated. Interestingly, however, UPS management market led your Company into much bigger market and business opportunity of Energy Management.

Worldwide, the power situation is going from serious to grave and the need of the hour is to minimize and manage load on the power grid, integrate and manage distributed energy resources and evolve a self-healing, intelligent power grid. Each one of these opportunities is multi-billion US$ in size and technology, especially communications, is expected to play a crucial role in all of them.

The earliest opportunity is for developing a Consumer Portal for residential, commercial and industrial consumers to manage power consumption based on a DR (Demand Response) program. Under this program, many Consumer Portals would participate in an online auction for power shedding in case of increased power loads on the grid. The successful bidders would then shed load as per preset policies. Such a device would need to communicate with appliances for Heating, Ventilation, Air-conditioning, etc. and also with Energy companies for auction. With its flexible communications architecture, Jadoogar is the most promising framework for developing such a Consumer Portal. This opportunity would be available in the next two to five years.

integrated processes for all aspects of its business spanning planning, finance, administration, etc. also. Your Company has taken up this challenge.

Risks Management

Your Company has successfully managed and completed its first acquisition, Arexera. Any acquisition has several risks ranging from business, financial, legal, technical, cultural, operational, etc. Overseas acquisitions have even more challenges on account of different legal and cultural structures. Your Company has gained extensive knowledge and experience through this exercise. This knowledge has been institutionalized at various levels. During this process, your Company has also developed an extensive network of consultants, lawyers, experts, etc., who offer advice from time to time. Your Company also has a focused group which is now trained to handle acquisitions and their challenges.

Your Company works in what is called cutting or even bleeding-edge technologies. While this offers significant advantage for business wins, it has its associated risks. There is always very limited availability of trained human resources, therefore identifying potential candidates, effectively training and quickly deploying them to actual work is very crucial. Such training is rarely available through professional trainers and your Company has strong in-house technologists under CTO's office who handle this task very well. Retention of trained resources is yet another risk. Continuous availability of challenging work and sufficient number of redundant resources help tackle this risk. Protection of Intellectual Properties is yet another risk. Your Company has recently started the patenting process for same.

Any concentration of revenues around a geography, vertical, service or client poses serious risks owing to over-dependency. Your Company has good geographical split across North America and Europe and has also started getting into Asia-Pacific. With core competency in Communications, your Company is already into Networking, Telecommunications, Semiconductors and Automobile verticals. Your Company mainly offers custom application development, product engineering and software testing services. Your Company has a satisfactory split of business between large and small clients with no over-dependency on a small number of clients.

Your Company is an equal opportunities employer and remains fully committed to social justice and equality. Successful execution and profitability of your Company's business depends on availability of trained and qualified human resources. Any problems in availability can pose serious risks. Your Company is closely watching the developments and shall take all necessary steps to ensure business continuity.

Internal Control System

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of Company's assets.

The Company's internal control systems are supplemented by an internal audit program and periodic review by the management. The system of internal control of the Company is adequate considering the size and complexity of its business.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statues and other incidental factors.

CONTENTS

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of Aftek Infosys Limited will be held at 10.30 a. m. on Friday, the 29th September, 2006 at The Queenie Captain Auditorium, The NAB-Workshop for the Blind, Dr. Annie Besant Road, Prabhadevi, Mumbai – 400 025 to transact the following business :

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the nine months' period ended 31st March 2006, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on equity shares of the Company.
3. To appoint a Director in place of Mr Ranjit Dhuru who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Nitin Shukla who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr Sunil Desai who retires by rotation, and being eligible, offers himself for re-appointment.
6. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

   "RESOLVED THAT M/s. V D Joshi & Co, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service tax, out-of-pocket and travelling expenses actually incurred by them in connection with the Audit."

Special Business :

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

   "RESOLVED THAT in accordance with Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the name of the Company be changed from 'Aftek Infosys Limited' to 'Aftek Limited'.

   RESOLVED FURTHER THAT the name 'Aftek Infosys Limited' wherever it appears in the Memorandum of Association and Articles of Association of the Company be replaced with the new name of the Company."

By Order of the Board of Directors
C G Deshmukh
Company Secretary

Registered Office:
"AFTEK HOUSE",
265, Veer Savarkar Marg,
Shivaji Park, Dadar,
Mumbai – 400 028

Dated: August 31st, 2006

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business is annexed hereto and forms part of the Notice of the Annual General Meeting.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 23rd September, 2006 to Friday, the 29th September, 2006 (both days inclusive).

4. The dividend, as recommended by the Board, if sanctioned at the meeting, will be paid to those shareholders whose names appear (i) as Members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its Registrars on or before 22nd September, 2006 and (ii) as Beneficial Owners as at the end of the business hours on 22nd September, 2006 as per the list to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form.

5. Members holding shares in physical form are requested to notify immediately any change in their addresses with PIN Code to the Company's Share Transfer Agents, M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai – 400 072, and in case they hold shares in demat form, this information should be passed on directly to their respective Depository Participants and not to the Company.

6. Members are informed that, in order to avoid fraudulent encashment of dividend warrants, they should send to the Company under the signature of the Sole/First Joint holder the information relating to Name and Address of the Banker along with the Pin Code Number and Bank Account Number to print on the Dividend Warrants. Members holding shares in dematerialized form and desirous to change or correct the bank account details should send the same immediately to the concerned Depository Participant.

7. Members desirous of availing of the facility of Electronic Credit of Dividend are requested to send ECS Form attached to this Annual Report alongwith a photocopy of a cheque for verification of details to the Share Transfer Agents of the Company.

8. Pursuant to the provisions of Section 205A and Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. Members should note that no claims can be made by the shareholders for the unclaimed Dividends which are transferred to the credit of The Investor Education & Protection Fund. Therefore, members who have not yet encashed the dividend warrants for the year ended 30th June, 1999 and/or subsequent dividend payments are requested to make their claims to the Company.

9. Members holding shares in physical form and desirous of making nomination as permitted under Section 109A of the Companies Act, 1956 in respect of the shares held by them in the Company, can make the nomination in Form 2B.

10. Members desirous of obtaining any information concerning the accounts of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the meeting.

11. Members who hold shares in electronic form are requested to bring their depository account number for easy identification and attendance at the meeting.

12. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking re-appointment at the ensuing Annual General Meeting, are contained in Annexure I hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO.7

Your Company was incorporated as a private limited company on 25th March 1986, under the name, "Aftek Business Machines Private Limited". Prior to the Company's maiden public issue of equity shares, it was converted into a public company, in 1994 and the word 'Private' was deleted from its name. In view of the change of focus of the Company's activities from hardware to software, the name of the Company was again changed to "Aftek Infosys Limited". The Company's products are sold under its Registered Trademark, 'AFTEK' and over a period of time, the Company has become better-known throughout the country and abroad, by its stakeholders, as well as in the media and in the 'IT' industry as "AFTEK". The change of name to "Aftek Limited" would, therefore, be a more accurate reflection of the corporate image and brand name of the Company.

Under Section 21 of the Companies Act, 1956, the approval of the shareholders and that of the Central Government is required for changing the name of the Company. The Registrar of Companies, Maharashtra, vide letter dated 10/8/2006, has made available the said name to the Company. Members' approval is being sought by this resolution to change the name of the Company, subject to the final approval of the Central Government.

None of the Directors of the Company is interested in the Resolution at Item No.7 of the Notice. The Board of Directors commends the resolution for adoption by members.

By Order of the Board of Directors
C G Deshmukh
Company Secretary

Registered Office:
"AFTEK HOUSE",
265, Veer Savarkar Marg,
Shivaji Park, Dadar,
Mumbai – 400 028

Dated: August 31, 2006

RELEVANT INFORMATION IN RESPECT OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT IS AS UNDER:

Particulars	Mr. Ranjit Dhuru	Mr. Nitin Shukla	Mr. Sunil Desai
Date of Birth	04/06/1952	18/10/1957	19/06/1962
Date of Appointment	25/03/1986	25/03/1986	01/08/1999
Expertise in specific functional area	For the last 25 years, he has been working exclusively in the computer industry. He is well conversant with the computer industry and market and has been instrumental in formulating the business stategy for the Company.	For the last 25 years, he has been assosiated with the computer industry. He has experience in the field of accounts, banking, finance and customs	Total 23 years of experience, chiefly in the areas of Embedded Systems, Business Development, Technology Management
Qualification(s)	B. Com., LL.M.	B. Com.	B.E., M. M. S.
List of outside public companies in which Directorship held as on 31st March, 2006	Nil	Nil	Nil
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on 31st March, 2006	Nil	Nil	Nil
Shareholding of Non-executive directors in the Company (No. of Shares)	N A	N A	N A

To,

The Members,

Your Directors are pleased to present their 19th Annual Report together with the Audited Statement of Accounts for the year (nine months) ended 31st March 2006

FINANCIAL PERFORMANCE

PARTICULARS	Amount (Rs. in lacs)	
	31/03/2006	30/06/2005
Turnover	19,329	19,525
Profit Before Depreciation	8,118	7,881
Less: Depreciation	1,336	1,802
Profit Before Tax	6,783	6,079
Less: Provision for Taxation	42	99
Profit After Tax	6,739	5,980
Transfer to General Reserve	1,000	1,000

CHANGE IN ACCOUNTING YEAR

The accounting year has been changed from July-June to April-March. Therefore, the accounts have been drawn up for nine months, for the period ended 31st March 2006.

DIVIDEND

Your Directors have recommended a dividend of Re 01/- per equity share of Rs.02/- each, for the nine months' period ended 31st March 2006. Dividend at the same rate is also recommended to be paid on those shares that may be allotted by the Company on conversion of Foreign Currency Convertible Bonds and by exercise of Stock Options before 23rd September 2006 being the commencement date of the closure of the Company's Register of Members and Share Transfer Books.

BUSINESS REVIEW & FUTURE PROSPECTS

In the last two quarters of the last year, global economies, particularly of the West, grew at a pace far beyond the analysts' expectations. The largest economy, namely the US, as well as the sluggish economies of Europe – especially, Germany and France – have shown consistent growth. Against this backdrop, in the IT sector, your Company has been growing at over 40% over last two years and it continues to do so during the year under review, while maintaining a healthy bottomline of over 30%. This is due to a strong service component, which comes from your Company's core competency i.e. the Communications arena. Your Company operates and has strong skill sets in the Communications Stack. This is vindicated by the fact that large US corporates are taking interest in your Company's development work in the Communications vertical. In Europe, too, Communications has been our Mantra.

In the area of "Telematics" which is Communications for the automobile, within and beyond, large automobile manufacturers are looking at Aftek as a preferred vendor for outsourcing. This strengthening of our services is making your Company a specialist in the Communications domain. Both, V-Soft and Arexera, have done an excellent front-ending job with key customers, who have, in the last year, almost doubled their exposure to Aftek. Your Directors feel that as we sign more such companies out of both, US and Europe, and keeping in mind the positive growth of the Western economies, we can expect to grow very strong in this area in the forthcoming years.

Your Company continues to grow its footprint into professional services both in the US and Europe, largely through V-Soft and Arexera (Arexera Professional Services division). Last year, we integrated Arexera as a wholly-owned subsidiary of Aftek, whereby Arexera's Balance Sheet now forms a part of our consolidated Balance Sheet. Arexera is transforming itself into an Enterprise Content Management

(ECM) vendor for small and mid-sized European companies. This transformation is slowly adding new companies from the mid-sized German enterprises, which form over 70% of the German economy. ECM market is expected to grow to 4.5 billion worldwide and there is an acute need for this practice in Europe. Arexera is specialising in verticals like compliance management, security management, fraud detection and early warning systems. These verticals, by themselves, are growing practices, with sizeable market potential. Therefore, in the coming years, your Directors see Intellectual Property-based services far exceeding our expectations.

Apart from signing up with an automobile major, Arexera Professional Services has also signed up with a major software house in Germany, specialising in Defence and Automobile sectors. The impact of this will obviously be visible to all stakeholders in the forthcoming years. Your Company's prudent thinking and timely action is responsible for creating a new 100 per cent owned entity called Arexera Information Technologies AG. This entity was created as a Swiss Corporation to avail tax benefits from the Swiss canton of Schaffhausen. This entity, which is a hundred per cent ownership of your Company, would ultimately own all the Arexera entities worldwide, including Arexera, Germany.

Your Company's foray into Energy Management is continuing at a steady pace and on the roadmap and milestones set jointly with your Company's wholly-owned subsidiary, Opdex Inc, in consultation with EPRI. A fallout of that created an opportunity for your Company in the Digital Home arena. IPs that were earlier created by your Company are being monetised through Digihome Solutions Private Limited (DSPL). Your Company holds 25% of this entity and is entitled to 5% royalty on all revenues generated by DSPL. It may be recalled that Energy Management requires your Company to efficiently manage and control the domestic electricity consumption appliances which, in the US, account for 33% of the electricity consumption. Therefore, development of Home Energy Management is of strategic importance to your Company.

Your Company has also taken a 15% stake in Elven Technologies Private Limited (Elven) which operates in the area of EDA (Electronic Designs Automation), where new skills of VLSI and ASIC designs verification and testing are required. Elven currently sits on the inorganic ring of your Company's business model, which is also called the 'Maturity Ring'. Obviously, the strategy is to insulate risks and mature the company to a level where it is opportune enough to integrate the same with the core. Elven currently is in Bangalore and its employee-strength has grown from a mere 22 to about 100 in the last year. Your Company will embark upon an integration process shortly, once the revenue milestones have been met by Elven. This integration will further extend our offering in the Communications stack to our customers who otherwise would have outsourced this activity to other companies.

Seekport, where your Company has a 33% investment through Arexera Information Technologies GmbH, is making news in the Arabian Gulf. Recently, Seekport entered into a joint venture with MITSCO, forming a new search engine called 'SAWAFI', which means 'sandstorm'. SAWAFI attracted global attention and now, both, Google and Yahoo, have started looking at Arabia as a destination for growth. It is to be noted that SAWAFI is backed by the royal family of Saudi and has the patronage of key Arabic foundations. Your Directors expect SAWAFI to be operational early next year. In the meanwhile, Seekport was assigned the World Cup Portal by our Arabian partners which translated into 1.4 million Euro revenues for Seekport. Seekport expects to extend its operation to India early next year and to have an independent existence, Aftek has created a path-breaking technology product called SEPA (Search Engine Performance Advertising).

SEPA unshackles the dependency revenue model of Seekport and allows Seekport to operate in markets like Arabia and India without an advertising search partner. SEPA's value proposition further enhances the valuation of Seekport.

With the growing strength of your Company, other business with comparatively a smaller contribution to the total revenue, is also recording growth in countries like Seychelles, Mauritius and African crest countries.

CHANGE OF NAME

Over the years, your Company has become better-known, throughout the country and abroad, by its stakeholders, the media and the IT industry as "AFTEK", which is also its Registered Trademark. It is, therefore, considered more appropriate to change the name of the Company to "Aftek Limited" to reflect more accurately the corporate image and brand name of the Company. A suitable special resolution has been included in the Notice of the ensuing 19th Annual General Meeting, for adoption by the shareholders.

FINANCE

During the period under review, out of 3,450 numbers of 1% Foreign Currency Convertible Bonds Due 2010 of US$ 10,000 each (FCCBs) issued in June/July 2005, 1820 numbers of FCCBs were converted into 8436855 numbers of equity shares of Rs 02/- each and 450 numbers of Bonds were converted into 695345 numbers of Global Depository Receipts (GDRs), representing 2086035 numbers of equity shares of Rs 02/- each and 1180 numbers of FCCBs were outstanding, as on 31st March 2006. In terms of the provisions of the Trust Deed executed with Bank of New York, as Trustees for FCCB issue, the Initial Conversion Price of Rs 94/- was reset at Rs 75.20 with effect from the Reset Date of 25th June, 2006. Further, during the year under review, 193841 numbers of equity shares of Rs 02/- each were allotted against exercise of an equivalent numbers of Stock Options.

In view of the above conversions of FCCBs and exercise of Stock Options, the paid-up equity share capital has increased from Rs 10.00 crores to Rs 17.14 crores as on 31st March, 2006

DIRECTORATE

In compliance with the revised provisions of Clause 49 of the Listing Agreement executed with the Stock Exchanges, Mr Mahesh Vaidya, Executive Director and Mr Sandip Save, Non-Executive Director of the Company resigned from the Board with effect from 31st December, 2005. Mr Mahesh Vaidya, however, continues to be associated with the Company as its Chief Technology Officer.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

i. that in the preparation of the annual accounts for the nine months' period ended 31st March, 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures;
ii. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year of nine months ended 31st March, 2006 and of the profit of the Company for that period;
iii. that the directors had 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. that the directors had prepared the annual accounts for the nine months' period ended 31st March 2006, on a 'going concern' basis.

FIXED DEPOSITS

The company has not accepted any Fixed Deposits from the public.

SUBSIDIARY COMPANIES

During the year under review, Arexera Information Technologies GmbH was fully integrated with your Company and become a wholly-owned subsidiary in January 2006. Further, the other wholly-owned subsidiaries, namely, Mihir Properties Private Limited and Aftek Sales and Services Private Limited, did not carry out any business during last year.

Opdex Inc, the wholly-owned subsidiary in the US, is spearheading Aftek's roadmap in the energy sector. As in the past, it continues to market Aftek's product, Powersafe.

AUDITORS

M/s V. D. Joshi & Co, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

As regards Para 9(c) of the Auditors' Report, out of the total amount of Rs 516,365/- stated to be unpaid as on 31st March 2006, the amount of Rs 331,043/- was on account of shortage of credit granted by Authorities towards TDS and the balance of Rs 185,322/- was towards additional tax which has been paid as on date.

PARTICULARS OF EMPLOYEES

Details of remuneration paid to employees, as required under Section 217(2A) of the Companies Act, 1956, are set out in a separate statement attached hereto as Annexure 'A' and the same forms part of this Report.

CONSERVATION OF ENERGY ETC.

Your Company endeavours to ensure conversation of energy. However, considering the nature of your Company's activities, the particulars viz. Conservation of energy etc, prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable. Further, the Foreign Exchange Earnings and Outgo are as per Para Nos. 9 & 8 of the Notes on Accounts.

OTHER DISCLOSURES

The disclosures required to be made under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, together with a certificate obtained from the Statutory Auditors confirming compliance, is given in Annexure 'B'.

Pursuant to Clause 49 of the Listing Agreements executed with the stock exchanges, while Management Discussion and Analysis is given elsewhere in the Annual Report, the Corporate Governance Report and Auditors' Certificate confirming compliance, are given in Annexures 'C' and 'D'.

ACKNOWLEDGEMENT

Your directors would like to place on record their sincere appreciation of the continued co-operation, support and assistance given by shareholders, customers, vendors, bankers, service providers, suppliers and employees at all levels.

FOR AND ON BEHALF OF THE BOARD
RANJIT DHURU
CHAIRMAN & MG. DIRECTOR

PLACE : MUMBAI
DATED : 31ST AUGUST, 2006

ANNEXURE "A" TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, and forming part of the Directors' Report for the nine months' period ended 31st March, 2006.

SN	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross (Rs.) Remuneration (for nine months)	Previous Employment
1	Mr. Ranjit Dhuru	Chairman & Managing Director	B. Com . & LL.M.	54	25/03/1986	25	5,628,872	Self-employed
2	Mr. Nitin Shukla	Executive Director – Finance	B. Com.	49	25/03/1986	24	2,245,104	Accountant, Computer Shack
3	Mr. Sunil Desai	Executive Director – Technology Solutions	B.E. & M.M.S.	44	10/05/1995	23	2,245,104	Director, Aftek Digital Systems Private Limited
4	Mr. Promod Broota	Executive Director – Planning	B.A. (Economics) & PGDSA	45	06/02/1992	20	2,245,104	Sales Executive, Computer Shack
5	Mr. Mahesh Vaidya	Chief Technology Officer	B.E. (Elec Comm), M.Tech, IIT, Bombay (Comp.Sc & Engg)	44	10/05/1995	22	2,245,104	Director, Aftek Digital Systems Private Limited
6	Mr. Dhananjay Kulkarni*	Sr Vice President - Engineering	B.Sc. (Stats) & MCA	42	01/09/2005	20	1,558,416	Director, Starent Networks

*In employment for part of the year

Notes:

1. Gross remuneration received includes Basic Salary, House Rent Allowance, Medical Expenses, Leave Travel Allowance, Ex-gratia, Entertainment Allowance.
2. The above appointment is contractual.
3. The above employee is not a relative of any director or manager of the Company.
4. There is no employee drawing salary in excess of that drawn by the Managing Director or Whole-time Director and holding, either by himself or along with spouse and dependent children, not less than two percent of the equity share of the Company.

FOR AND ON BEHALF OF THE BOARD
RANJIT DHURU
CHAIRMAN & MANAGING DIRECTOR

PLACE : MUMBAI
DATED : 31ST AUGUST, 2006

ANNEXURE "B" TO THE DIRECTORS' REPORT

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999 as amended		
SR NO	PARTICULARS	ESOP 2004
a	Options granted	6,40,990
b	The pricing formula	Price determined on discounting by 20% the average of weekly high and low of the closing prices for the Company's equity shares on t he BSE during the 26 weeks period prior to Grant Date or the closing price for the Company's shares on the BSE on Grant Date, whichever is lower. Accordingly, exercise price* worked out for grant date August 25, 2004-Rs 56/- per share and for grant date October 28, 2004-Rs 70/- per share.
c	Options vested	224,878
d	Options exercised	193,841
e	Total number of shares arising as a result of Exercise of Options	193,841
f	Options lapsed	46,083
g	Variation of terms of Option	Nil
h	Money realised by exercise of Options	Rs. 51.60 lacs
i	Total number of Options in force	401,066
j	Employee-wise details of Options granted to :-	
	i) Senior Managerial Personnel :	
	Mr Mahesh Vaidya	59,490
	Mr Sunil Desai	57,205
	Dr S S S P Rao	25,000
	Mr Shrikant Inamdar	25,000
	Mr V J Masurekar	25,000
	Mr Mahesh Naik	25,000
	ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year.	Nil
	iii) Identified employees who were granted Options, during any one year, equal to or exceeding 1%	Nil

	of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	
j	Diluted Earnings Per Share (EPS) (as on 31st March 2006) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20.	Rs. 8.15
k	The difference between employee compensation cost using intrinsic value method and the fair value of the Options and impact of this difference on profits and on EPS	The Company has calculated the employee compensation cost using the fair value of the stock options.
l	*(i) Weighted average exercise price of Options* *(ii) Weighted average fair value of Options*	Rs. 58.29 Rs. 52.09
m	Method and significant assumptions used to estimate the fair value of Options	Method The fair value of Options has been computed under Black and Scholes Method. Significant assumptions: a) Exercise price : Rs 58.29 b) Expected life of Option : 3.26 yrs c) Stock Price : Rs 83.12 d) Expected Volaitility : 81.84% e) Expected Dividend yield : 1.24% f) Risk free rate of return : 6.09%

* Exercise prices revised to Rs 26/- and Rs 40/- for grant dates 25/08/2004 and 28/10/2004 respectively on account of bonus issue adjustment.

AUDITORS' CERTIFICATE ON EMPLOYEE STOCK OPTION SCHEME

We have examined the books of accounts and other relevant records of Aftek Infosys Limited (the Company) and based on the information and explanations given to us, cerify that, in our opinion, the Company has implemented the Employee Stock Option scheme in accordance with SEBI (Employee Stock Options Schemes and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions of the Company in General Meeting held on 29th December 2000.

V D Joshi & Co,

Chartered Accountants

V D Joshi

Proprietor

Mumbai, 23rd August 2006

CORPORATE GOVERNANCE

Company's philosophy on corporate code of governance

The Company had proactively adopted Corporate Governance much before it became mandatory. The Company has always aimed to protect the interest of its shareholders, creditors and employees. The management of the Company believes that the importance of the corporate code of governance lies in its contribution both to the business prosperity and to the accountability.

A. BOARD OF DIRECTORS

(i) Composition of the Board and changes since the date of last Annual General Meeting

The Board of Directors of the Company comprises of 8 Directors with an optimum combination of Executive and non-Executive and independent directors. 50% of the Board of Directors are Non-executive Directors. Since the Company has an executive chairman, majority of the Board of Directors are independent directors. In compliance with the revised requirements of Clause 49 of the Listing Agreement, Mr Sandip Save, Non-executive Director and Mr Mahesh Vaidya, Executive Director had resigned from the Board, effective from December 31, 2005. However, Mr Vaidya continues to be associated with the Company as its Chief Technology Officer (CTO).

(ii) Number of Board Meetings:

The Board of Directors met 5 times during the year under review (a period of 9 months). The meetings of the Board of Directors were held on various dates as follows : 29.07.05, 10.10.05, 31.10.05, 30.11.05 and 31.01.06. The maximum interval between two Board Meetings was 72 days.

(iii) Directors' attendance and directorships held as on 31/03/2006.

Name of Director	Category	No. of Board Meetings Attended	Attendance at AGM held on 30.12.2005	Directorship of other Company(ies)	No. of other Committees	
					Membership	Chairmanship
Mr. Ranjit Dhuru	CMD	5	Yes	3	NIL	NIL
Dr. S.S.S.P. Rao	NE	4	Yes	NIL	NIL	NIL
Mr. Shrikant Inamdar	NE	5	Yes	2	NIL	NIL
Mr. V. J. Masurekar	NE	5	Yes	3	NIL	3
Mr. Mahesh Naik	NE	5	Yes	NIL	NIL	NIL
Mr. Sunil Desai	ED	3	Yes	2	NIL	NIL
Mr. Nitin Shukla	ED	4	Yes	2	NIL	NIL
Mr. Promod Broota	ED	4	Yes	3	NIL	NIL
*Mr. Sandip Save	NE	3	Yes	1	_	_
*Mr. Mahesh Vaidya	ED	4	Yes	2	_	_

*Ceased to be Directors w.e.f. 31.12.2005

NOTE :

CMD Chairman & Managing Director

ED Executive Director

NE Non-executive Director

None of the Directors is a member of more than 10 committees or acts as Chairman of more than five committees across all companies in which he is a director. Necessary information as mentioned in Annexure IA to Clause 49 of the Listing Agreements has been placed before the Board for its consideration.

B. COMMITTEES OF THE BOARD

i) Audit Committee:

In view of the resignation of Mr Sandip Save, Non-executive Director, w e f 31.12.2005, in compliance with the revised requirements of Corporate Governance, the Audit Committee was reconstituted by the induction of Mr Ranjit Dhuru, CMD, as a member. Accordingly, the present Audit Committee comprises of 3 directors, namely, Mr V J Masurekar, Mr Mahesh Naik, being Independent Non-executive Directors, and Mr Ranjit Dhuru, CMD. Mr. C.G. Deshmukh, Company Secretary of the Company, functions as the Secretary of the Audit Committee. During the year under review (a period of 9 months) 4 meetings of the Audit Committee were held. The attendance of members thereat was as follows :

Director	No of Meetings Attended
Mr. V. J. Masurekar	4
Mr. Ranjit Dhuru@	1
Mr. Mahesh Naik	4
Mr. Sandip Save*	2

@ Inducted as member on 31.01.2006

* Resigned w e f 31.12.2005

The terms of reference of the Audit Committee are as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
    b. Changes, if any, in accounting policies and practices and reasons for the same
    c. Major accounting entries involving estimates based on the exercise of judgment by management

d. Significant adjustments made in the financial statements arising out of audit findings

e. Compliance with listing and other legal requirements relating to financial statements

f. Disclosure of any related party transactions

g. Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval

6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

8. Discussion with internal auditors any significant findings and follow up there on.

9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

12. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

ii) Shareholders' Grievance Committee :

The Share Transfer-cum-Investors' Grievance Committee consists of 3 directors, majority of them being Non-executive Directors. Mr. V J Masurekar is the Non-executive Director and Chairman of the Committee. Mr C G Deshmukh, Company Secretary, has been designated as the Compliance Officer. The Company received 73 complaints during the year under review from the shareholders and out of which, 72 complaints were disposed off to their satisfaction and the balance of 1complaint was also resolved subsequently. No share transfers were pending as on 31st March 2006.

C. REMUNERATION OF DIRECTORS :

Remuneration Policy :

Subject to the approval of the Board and of the Company in the general meeting and such other approvals as may be necessary, the Managing/Whole-time Directors are paid remuneration as per the Agreements entered into between them and the Company. The remuneration structure of the Managing/Whole-time Directors comprises salary, allowances and gratuity.

Non-executive Directors are paid sitting fees/commission. The amount of commission is determined on the basis of the Company's performance and regulatory provisions.

Details of Remuneration of Directors as on 31.03.2006:

(Amount in Rs)

Names	Salary	Allowances	Commission /Incentive	Sitting Fees
Mr. Ranjit Dhuru	2,250,000	3,376,872	-	-
Mr. Nitin Shukla	927,000	1,318,104	-	-
Mr. Promod Broota	927,000	1,318,104	-	-
Mr. Sunil Desai	927,000	1,318,104	-	-
Mr. Mahesh Vaidya*	618,000	878,736	-	-
Dr. S S S P Rao	-	-	-	80,000
Mr. Shrikant Inamdar	-	-	1,350,000	-
Mr. V J Masurekar	-	-	-	180,000
Mr. Mahesh Naik	-	-	-	180,000
Mr. Sandip Save*	-	-	825,150	-

*Part of the year

Note : Monthly salary containing : Basic/HRA/Ex-gratia/LTA/Medical/Entertainment etc.

- Notice period for termination of appointment of Chairman & Managing Director and other Whole-time Directors is three months on either side.
- No severance pay is payable on termination of appointment.
- Mr Mahesh Vaidya and Mr Sunil Desai were granted 59490 and 57205 numbers of stock options each respectively on 25.08.2004, with an exercise price of Rs 56/- (later revised to Rs 26/- on account of Bonus Issue) with 25% of the options maturing every year, exercisable over a period of 2 years from vesting.

The details of shares/convertible instruments held by Non-executive Directors are as under:

Names	No of Shares Held	Stock Options Granted@	Warrants#
Dr. S S S P Rao	25,000	25,000	—NIL—
Mr. Shrikant Inamdar	25,000	25,000	—NIL—
Mr. V J Masurekar	25,000	25,000	—NIL—
Mr. Mahesh Naik	21,000	25,000	—NIL—
Mr. Sandip Save	1,475,625	N A	93,745

NOTE : Excepting Mr Sandip Save, who was Non-executive Director for part of the year, the Non-executive Directors hold shares by exercise of the above Stock Option entitlements.

@ Stock Options granted on 25.08.2004, with an exercise price of Rs 56/-, later revised to Rs 26/- on account of Bonus Issue, exercisable immediately on completion of vesting period of one year and over a period of two years from vesting.

Pursuant to the special resolution passed at the Extra-ordinary General Meeting of the Company held on November 09, 2005 your Company allotted 39,69,200 numbers of Warrants on November 23, 2005 to Promoters' Group on Preferential basis at a price of Rs 120.60 per Warrant. Each Warrant is convertible into one equity share within a period of 18 months from the date of allotment with a lock-in period of three years. The lock-in on the shares allotted on conversion of Warrants will be reduced to the extent Warrants have already been locked-in.

D. SUBSIDIARY COMPANIES

The Company does not have a material non-listed Indian subsidiary whose turnover or net worth (i e paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceeding Accounting Year.

Copies of the minutes of the Board Meetings of the subsidiary companies are periodically placed at the Board Meetings of the listed Holding Company.

E. NON-MANDATORY REQUIREMENTS

The Status of Compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement is provided below :

1. Non- Executive Chairman's Office

A Non-executive Chairman may be entitled to maintain a Chairman's office at the company's expense and also allowed reimbursement of expenses incurred in performance of his duties.

The Chairman of the Company is an Executive Chairman and hence, this provision is not applicable.

2. Remuneration Committee

The board may set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

The Company does not have a Remuneration Committee. Subject to the approval of the Board and of the Company, in the General Meeting , and such other approvals as may be necessary, the Managing/Whole-time Directors are paid remuneration as per the Agreements entered into between them and the Company.

3. Shareholder Rights

A half-yearly declaration of financial performance including summary of the significant events in last six-months, may be sent to each household of shareholders.

Presently, this information is being made available through press releases/website of the Company and announcements to the Stock Exchanges, besides posting of information on SEBI EDIFAR.

4. Audit qualifications

Company may move towards a regime of unqualified financial statements.

The Statutory Auditors have given an unqualified Auditors' Report for the year.

5. Training of Board Members

A company may train its Board members in the business model of the company as well as the risk profile of the business parameters of the company, their responsibilities as directors, and the best ways to discharge them.

The Board Members possess rich experience in their respective fields of specialisation and have been on the Board for a considerable period of time. The Directors keep themselves abreast of the developments in the Organisation and in the industry.

6. Mechanism for evaluating Non-executive Board Members

The performance evaluation of Non-executive directors could be done by a peer group comprising the entire Board of Directors, excluding the director being evaluated; and Peer Group evaluation could be the mechanism to determine whether to extend / continue the terms of appointment of Non-executive directors.

The Non-executive Directors have been inducted on the Board after mutual consultations by other members of the Board and have been found to be contributing significantly to the affairs of the Company.

7. Whistle Blower Policy

The company may establish a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit committee in exceptional cases. Once established, the existence of the mechanism may be appropriately communicated within the organization.

The Company encourages an Open-door policy, where employees have free access from the level of the immediate reporting authority upto that of the CEO, to report any unethical behaviour, or non-adherence to the Company's Code of Conduct.

F. GENERAL BODY MEETINGS:

Details of General Meetings held during the last three years:

Year	EGM/AGM	Venue	Date	Time
2002-2003	AGM	The Queenie Captain Auditorium, The NAB-Workshop for the Blind, Dr. Annie Besant Road, Prabhadevi, Mumbai 400 025.	December 29, 2003	10.30 a.m.
2003-2004	AGM	The Queenie Captain Auditorium, The NAB-Workshop for the Blind, Dr. Annie Besant Road, Prabhadevi, Mumbai 400 025.	December 28, 2004	10.30 a.m.
2004-2005	EGM	The Queenie Captain Auditorium, The NAB - Workshop for the Blind, Dr. Annie Besant Road, Prabhadevi, Mumbai 400 025.	November 09, 2005	10.30 a.m.
2004-2005	AGM	The Queenie Captain Auditorium, The NAB-Workshop for the Blind, Dr. Annie Besant Road, Prabhadevi, Mumbai 400 025.	December 30, 2005	10.30 a.m.

Details of Special Resolution(s) passed at General Meetings during the last three years :

Annual General Meeting held on 30th December 2005 :

a) To approve increase of investment limits for Foreign Institutional Investors upto 40 per cent of the ordinary Share Capital of the Company;

b) To approve payment of Commission to Mr Shrikant Inamdar, Non-executive Director, for the year ended 30th June 2005; and,

c) To authorise the Board of Directors for payment of Commission to Mr Shrikant Inamdar, Non-executive Director, for a period for four years, commencing from 1st July 2005.

Extraordinary General Meeting held on 9th November 2005 :

a) To amend the Articles of Association, consequent upon increase of Authorised Capital from Rs 20 crores to Rs 25 crores; and,

b) To authorise the Board of Directors to issue equity shares/warrants convertible into equity shares to Promoters, Directors etc, on preferential issue basis, aggregating to an amount not exceeding Rs 48.50 crores.

Annual General Meeting held on 28th December 2004 :

a) To approve appointment of Mr Shrikant Inamdar as Consultant, for a period of three years, effective from 1st January 2005;

b) To approve appointment of Mr Mahesh Naik as Consultant, for a period of three years, effective from 1st January 2005;

c) To amend the Articles of Association, consequent upon increase of Authorised Capital from Rs 15 crores to Rs 20 crores;

d) To authorise the Board of Directors to issue bonus shares in the proportion of one equity share for every two equity shares held; and,

e) To authorise the Board to issue securities, through international offerings, for the aggregate sum of USD 30 millions, with a Green Shoe Option of 15%.

Annual General Meeting held on 29th December 2003 :

a) To amend the Articles of Association, consequent upon increase of Authorised Capital from Rs 10 crores to Rs 15 crores;

b) To sub-divide equity shares of the Company, having par value of Rs 10, into equity shares having par value of Rs 02-;

c) To make consequential amendment to Memorandum of Association due to sub-division of par value of equity shares;
d) To make consequential amendment to Articles of Association due to sub-division of par value of equity shares;
e) To approve payment of Commission to Mr Sandip Save, Non-executive Director, for the year ended 30th June 2003;
f) To authorise the Board of Directors for payment of Commission to Mr Sandip Save, Non-executive Director, for a period for four years, commencing from 1st July 2003; and,
g) To voluntarily delist the Company's equity shares from Pune and Ahmedabad Stock Exchanges.

All the matters as set out in the respective notices of the abovementioned General Meetings were passed by the Shareholders. No resolution was either required to be passed or is now proposed to be passed through postal ballot.

G. DISCLOSURES:

a) There was no transaction with any of the related parties that was in conflict with the interest of the Company.
b) The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authority on matters related to capital markets during the last three years. There are no penalties or strictures imposed on the Company by any of the aforesaid authorities relating to the above.
c) In the preparation of financial statements, the Company has followed the Accounting Standards issued by ICAI. The significant accounting policies which are consistently applied have been set out in the Notes to the Accounts.

H. MEANS OF COMMUNICATION

1. The quarterly financial results of the Company are published in Business Standard newspaper in English and Sakal in Marathi.
2. A Report on Management Discussion and Analysis forms part of the Annual Report.
3. The Company has its own web site (*www.aftek.com*) and all the vital information relating to the Company (such as quarterly/half-yearly results, press releases, presentations to analysts, shareholding pattern etc) and its products are displayed on the web site.
4. Filing of data required to be filed electronically as EDIFAR document pursuant to Clause 51 of the Listing Agreement with the Stock Exchange, Mumbai.
5. The Company also informs by way of intimation to the Stock Exchanges all price sensitive matters or such other matters which, in its opinion, are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters.

I. OTHER INFORMATION

i) Code of Conduct :

The Company has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is available on the website of the Company, *www.aftek.com*. The declaration of Chairman and Managing Director is given below :

To the Shareholders of Aftek Infosys Limited

Sub : Compliance with Code of Conduct

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Ranjit Dhuru
Chairman & Managing Director

Mumbai, August 31, 2006

ii) Insider Trading

The Company has a Code of Conduct for prevention of Insider Trading in the securities of the Company, which *inter alia* prohibits dealing in securities of the Company by Insiders while in possession of unpublished price sensitive information.

J. GENERAL SHAREHOLDER INFORMATION

1. AGM : Date, Time and Venue/Book Closure/Dividend Payment Date

Date	Friday, 29th September, 2006
Venue	The Queenie Captain Auditorium, The NAB-Workshop for the Blind,Dr Annie Besant Road,Prabhadevi, Mumbai – 400 025
Time	10.30 a.m.
Book Closure Dates	Saturday, 23rd September, 2006 -to- Friday, 29th September, 2006 (both days inclusive)
Dividend Payment Date	Within statutory period

2. FINANCIAL CALENDAR

Financial Year 2006-2007	
First Quarter Results	July 2006
Second Quarter and Half-Year Results	October 2006
Third Quarter Results	January 2007
Fourth Quarter Results	April 2007

3. LISTING OF SECURITIES ON STOCK EXCHANGES (WITH STOCK CODE)

SECURITY	NAME & ADDRESS OF STOCK EXCHANGE	SECURITY CODE	ISIN
EQUITY	Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001	530707	INE796A01023
	National Stock Exchange, "Exchange Plaza", Bandra–Kurla Complex, Bandra (E), Mumbai – 400 051	AFTEKINFO	INE796A01023
GDR	Bourse de Luxembourg Societe de la Bourse de Luxembourg, Avenue de la Porte, Neuve, L-22011-, Luxembourg B.P 165	Common Code : 016077470	US00831M1062
FCCB	Bourse de Luxembourg Societe de la Bourse de Luxembourg Avenue de la Porte Neuve L-22011- Luxembourg B.P 165	Common Code : 022232347	XS0222323478

The listing fees for the Financial Year 2006-2007 have been paid to the Stock Exchanges.

4. Market Price Data :

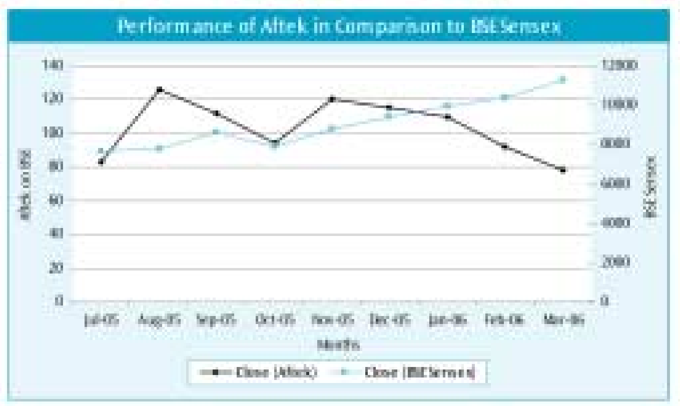
Monthly High and Low quotations of Shares traded on Bombay Stock Exchange Ltd during the Financial Year ended 31st March, 2006

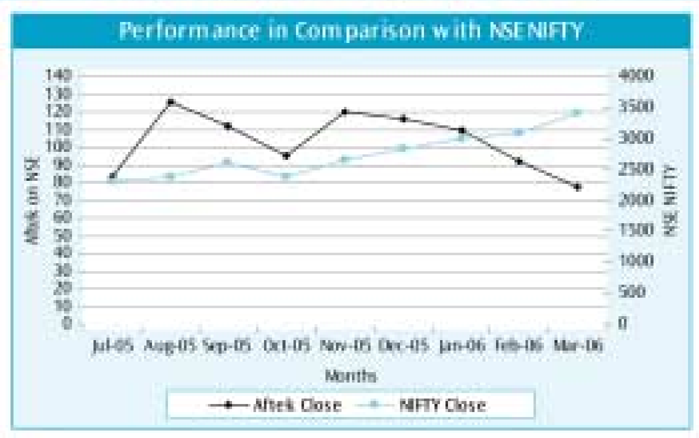
(in Rs.)

Months	BSE High	BSE Low	NSE High	NSE Low
Jul-05	94.00	80.70	93.70	82.80
Aug-05	144.55	80.00	144.70	79.75
Sep-05	157.25	108.00	157.30	108.00
Oct-05	134.50	92.75	134.20	92.00
Nov-05	127.35	95.00	127.35	95.25
Dec-05	123.90	105.80	123.90	98.90
Jan-06	124.90	105.50	123.80	105.75
Feb-06	110.95	87.05	111.75	86.30
Mar-06	100.00	74.00	95.75	74.00

(Source : BSE & NSE website)

5. PERFORMANCE IN COMPARISON TO BROAD-BASED INDICES SUCH AS BSE SENSEX, CRISIL INDEX, ETC.





(Source : BSE & NSE website)

6. **Registrars & Transfer Agents :**

   M/s Bigshare Services Pvt Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai 400 072.

   Tel : 2847 3474 / 2847 0652 / 2847 0653 Fax : 2847 5207

7. **Share Transfer System :** In case of shares held in physical form, Share Transfer Deeds are processed by the Share Transfer Agents and Share Transfer Register is sent to the Company for approval. The Committee for Share Transfers called Share Transfer cum Investors' Grievance Committee comprising of Directors considers and approves the same. Thereafter, necessary endorsements on the Share Certificates are done and Share Certificates are dispatched to the transferees.

8. Distribution of Shareholding

Distribution of Shareholding as on March 31, 2006

Range		No of Shareholders	% of Total Holders	Total Holding	% of Total Capital
1	5000	38,177	98.00	1,41,72,460	16.53
5001	10000	329	0.84	23,92,975	2.79
10001	20000	181	0.46	26,21,229	3.06
20001	30000	66	0.17	16,29,251	1.90
30001	40000	38	0.10	13,47,897	1.57
40001	50000	20	0.05	9,02,777	1.05
50001	100000	52	0.13	38,10,191	4.45
100001	99999999	92	0.24	5,88,39,951	68.64
Total		38,955		8,57,16,731	

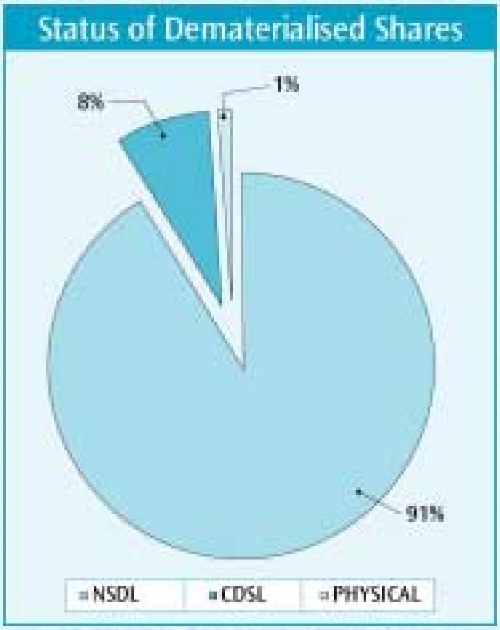
Categories of Shareholders as on March 31, 2006

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2006

Category	No of Shares held	% of Paid-up Capital
Promoters	10284403	12.00
Mutual Funds	750	0.00
Financial Institutions and Insurance Companies	1890577	2.21
Foreign Institutional Investors	9886368	11.53
GDRs	14539035	16.96
Private Corporate Bodies	20692016	24.14
Indian Public	21961396	25.62
NRIs / OCBs	5584431	6.51
NSDL & CDSL Clearing Members	877755	1.02
TOTAL	85716731	100.00

9. Dematerialisation of Shares and Liquidity

As on March 31, 2006, 98.97% of Company's total paid-up capital, representing 84837578 number of shares were held in dematerialised form and the balance 1.03 %, representing 879153 shares was held in paper form.



10. Outstanding GDRs/Warrants/Convertible Instruments, Conversion Date and Likely Impact on Equity

Outstanding GDRs :

The Company had issued 13,33,100 GDRs on 07th February, 2003, each GDR representing 3 equity shares of Rs.10/- each. Pursuant to Special Resolution passed at the Annual General Meeting held on 29th December 2003, equity shares of Rs.10/- each were sub-divided into smaller denomination of Rs.02/- for which Company had fixed 29th January 2004 as the Record Date . Corresponding increase was made to the number of GDRs from one to five in order to maintain the GDR to Equity proportion of 1: 3. Further, pursuant to the Special Resolution passed at the Annual General Meeting held on 28th December 2004, Bonus Shares in the proportion of one equity share for every two equity shares held on the record date of 28 January 2005 were allotted on 31st January 2005 resulting in further increase in the number of GDRs. Further, 980 numbers of Foreign Currency Convertible Bonds outstanding as on 31st August 2006, the details of which are given below, if converted into GDRs, would result into issuance of 1892885 numbers of GDRs with 5678656 numbers of equity shares underlying the same.

Outstanding FCCBs :

The Company had raised US$ 34.5 millions through an issue of 3000 numbers of 1% Foreign Currency Convertible Bonds Due 2010 of US$ 10,000 each ("FCCBs"/ "Bonds") in June 2005 followed with 450 numbers of additional Bonds in July 2005 on account of exercise of Green Shoe Option of 15%. These Bonds are listed at Luxembourg Stock Exchange. The Bonds bear interest @ 1% per annum with redemption at 128.25% of their principal amount. At the option of the Bondholders the Bonds were convertible into Shares/Global Depository Receipts ("GDRs") at an initial conversion price of Rs 94/- per share, which has been reset, with effect from 25th June 2006, at Rs 75.20 per share, pursuant to the provisions of the Trust Deed executed in respect of the Bonds.

During the year ended 31st March 2006, 450 numbers of FCCBs were converted into 695345 numbers of GDRs with 2086035 numbers of underlying equity shares and 1820 numbers of FCCBs were converted into 8436855 numbers of equity shares.

Further, during the period from 1st April, 2006 to 31st August, 2006, 200 numbers of Bonds have been converted into 927127 number of equity shares and the remaining 980 numbers of outstanding bonds, if converted into shares/GDRs at the reset Conversion Price of Rs 75.20 per share, would result into issuance of further 5678656 numbers of equity shares of Rs 02/-.

Outstanding Warrants :

Pursuant to the special resolution passed at the Extra-ordinary General Meeting of the Company held on 9th November, 2005, your Company allotted 39,69,200 numbers of Warrants on November 23, 2005 to Promoters' Group on Preferential basis at a price of Rs 120.60 per Warrant. Each Warrant is convertible into one equity share within a period of 18 months from the date of allotment and has a lock in period of three years. The lock-in on the shares allotted on conversion of Warrants will be reduced to the extent Warrants have already been locked in. All the 39,69,200 numbers of Warrants were outstanding as on 31st March 2006 and, in the event of their full conversion into Equity Shares, 39,69,200 numbers of equity shares of Rs 02/- each would come into existence.

Outstanding Stock Options :

The Company has granted 640990 number of stock options to employees and directors, as per details given in Annexure "B" of the Directors' Report. As on 31st March 2006, 30342 numbers of vested stock options were outstanding and if exercised, would result into 30342 number of equity shares of Rs 02/- each coming into being.

11. Plant Locations

Software Centre – I
Muttha Symphony,
City Survey No. 129 D/A,
Plot No. 69/4, Erandwane,
Law College Road,
Pune – 411 004.

Software Centre – II
Pawan Complex, Survey No. 45/8, 9/B,
3rd Floor, Shila Vihar Colony,
Off Karve Road, Kothrud,
Pune – 411 038.

Solapur Factory
A/19/2, MIDC, Chincholi,
Solapur - 413 255.

12. Address for Correspondence

AFTEK INFOSYS LIMITED
"Aftek House", 265, Veer Savarkar Marg,
Shivaji Park, Dadar, Mumbai - 400 028.
Tel No : 91-22-24454016
Fax : 91-22-24446330

Shareholders' correspondence should be directed to the Company's Registrar and Transfer Agents, whose address is given below :

Registrars & Transfer Agents :
M/s Bigshare Services Pvt Ltd, E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka, Andheri (East),
Mumbai 400 072.
Tel : 2847 3474 / 2847 0652 / 2847 0653
Fax : 2847 5207

AUDITORS' CERTIFICATE

To
The Members,
AFTEK INFOSYS LIMITED

We have examined the compliance of conditions of Corporate Governance by Aftek Infosys Limited (the Company) for the nine months' period ended 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that the Registrars & Share Transfer Agents of the Company have certified that as on 31st March 2006, there was one investor complaint pending, which was subsequently resolved.

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

FOR V.D. JOSHI & CO.
CHARTERED ACCOUNTANTS

V.D. JOSHI
PROPRIETOR

PLACE : MUMBAI
DATED : 23rd August, 2006

Auditors' Report to the Members of Aftek Infosys Ltd.

1. We have audited the attached Balance Sheet of **AFTEK INFOSYS LIMITED** as at 31st March, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the nine months ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 from 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, we enclose in the Annexure a statement on the matters specified in Paragraph 4 & 5 of the said order.

4. 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 purpose of our audit;

   b. In our opinion, the company has kept proper books of account as required by law so far as appears from our examination of those books;

   c. The Balance Sheet, the Profit & 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, the Profit & Loss Account and Cash Flow Statement comply with the accounting standards referred to in Sub-Section (3C) of section 211 of the Companies Act, 1956.

   e. According to information and explanations given to us and on the basis of written representation received from the directors, taken on record by the Board of Directors of the company, no director is disqualified as on 31st March, 2006 from being appointed as director in terms of clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes contained in schedule-M thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:-

   i. in the case of Balance sheet, of the state of affairs of the Company as at 31st March, 2006

   ii. in the case of Profit & Loss Account, of the profit for the nine months ended on that date and,

   iii. in the case of the Cash Flow Statement, of the cash flows for the nine months ended on that date.

FOR V.D. JOSHI & CO.
Chartered Accountants

(V.D.JOSHI)
Proprietor
Membership No. 043340

Mumbai, 31st August, 2006,

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 2 of the Auditors' Report of even date to the members of Aftek Infosys Ltd. for the nine months ended on 31st March, 2006.)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

   (b) There is a regular program of physical verification, which in our opinion is reasonable, having regard to the size of the Company and nature of fixed assets. No material discrepancies have been noticed in respect of the assets physically verified during the period.

   (c) The Company has not disposed off substantial part of fixed assets during the period.

2. (a) Inventories have been physically verified during the period by the management . In our opinion the frequency of the verification is reasonable.

   (b) The procedures of physical verification of stocks followed by the management are 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 books records were not material and have been properly dealt with in the books of accounts.

3. The Company has not taken nor granted any loans from and/or to parties covered in the register maintained under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and nature of its business with regard to purchase of stores, raw materials including components, packing materials, plant and machinery, equipment and other assets and with regard to sale of goods. There is no major weakness in the internal control procedures.

5. (a) According to the information and explanations given to us, all the transactions with parties covered under section 301 of the Companies Act, 1956 have been properly entered in the register maintained under section 301 of the Act.

   (b) In our opinion, and according to the information and explanations given to us, there are no transactions of purchase of goods, materials, or services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.500,000 or more, in respect of each party.

6. The company has not accepted any deposit from the public, attracting the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the product manufactured by the company.

9. (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

   (b) According to the information and explanations given to us no undisputed amounts payable in respect of Income –Tax, Wealth -Tax, Sales-Tax, Custom Duty, Excise Duty, Service Tax and Cess and other material statutory dues applicable to it were in arrears as at 31st March, 2006, for a period of more than 6 months from the date they become payable.

   (c) As per information and explanations given to us no disputed amounts were payable outstanding as on 31st March, 2006, except the following that have not been deposited on account of any dispute:

Name of the Statute	Nature of Dues	Amount Rs.	Period to which the amount relates	Forum Where Pending
Income-Tax Act, 1961	Income-tax	516365	Asst. Year 2005-06	Dy. Comm. Of Income tax.

10. The Company has not incurred cash loss in the current period and in the immediately preceding financial year and there are no accumulated losses in the Balance Sheet as on 31st March, 2006.

11. According to the information and explanations given to us, the Company has not defaulted during the period in repayment of dues to any financial institutions, banks or debenture holders.

12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

13. As the Company is not a chit fund, nidhi, mutual benefit fund or society, the provision of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

14. As the Company is not dealing or trading in shares, securities, debentures and other investments, the provision of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

15. In our opinion and according to information and explanations given to us , the Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.

16. According to information and explanations given to us, the Company has not taken any term loan during the period.

17. According to information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. However the Company has made preferential allotment of Warrants, convertible into equity shares, to Promoters' Group at a price which was worked out as per Preferenial Issue Guidelines issued by Securities and Exchange Board of India. In our opinion and as per information and explanations given to us, the said price is not prejudicial to the interest of the company.

19. As the company has no debentures outstanding at any time during the period, paragraph (xix) of the Order is not applicable to the company.

20. The company has disclosed the details of money raised by issue of Foreign Currency Convertible Bonds during the period and utilization thereof by way of note no. 19 of Schedule M.

21. According to the information and explanations given to us no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR V.D. JOSHI & CO.
Chartered Accountants

(V.D. JOSHI)
Proprietor

Mumbai, 31st August, 2006,

BALANCE SHEET as at 31st March ,2006

	SCH		As At 31st March'06 Rs.	As At 30th June '05 Rs.
SOURCES OF FUNDS				
SHAREHOLDERS' FUND				
Share Capital	A		171,433,462	150,000,000
Partly Paid Warrants			47,868,552	-
(See Note 6 of Schedule M)				
Reserves and Surplus	B		4,635,044,600	3,148,626,186
LOAN FUND	C			
Secured Loans		227,047		334,983
Unsecured Loans		528,404,000		1,295,400,000
			528,631,047	
	TOTAL Rs.		**5,382,977,661**	**4,594,361,169**
APPLICATION OF FUNDS				
FIXED ASSETS	D			
Gross Block		608,755,773		624,419,807
Less: Depreciation		496,170,558		384,045,605
Net Block		112,585,215		240,374,202
Capital Work-in-Progress		14,348,929		-
			126,934,144	240,374,202
INVESTMENTS	E		1,184,030,931	594,892,613
DEFERRED TAX ASSETS			-	-
CURRENT ASSETS, LOANS & ADVANCES	F			
Inventories		1,868,868		2,080,135
Sundry Debtors		819,226,206		471,377,203
Cash & Bank Balance		3,308,059,857		3,280,850,044
Loans, Advances & Deposits		315,807,160		233,643,422
		4,444,962,092		3,987,950,803
LESS: CURRENT LIABILITIES & PROVISIONS	G	381,490,777		243,935,104
Net Current Assets			4,063,471,315	3,744,015,699
Miscellaneous Expenditure (To the extent not written off or adjusted)	H		8,541,272	15,078,655
	TOTAL Rs.		**5,382,977,661**	**4,594,361,169**
Notes on Accounts	M			

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

RANJIT M DHURU
Chairman & Mg. Director

NITIN K SHUKLA
Director - Finance

V.D. JOSHI
Proprietor
Mumbai, 31st August, 2006

C. G. DESHMUKH
Company Secretary

PROFIT & LOSS ACCOUNT for the Nine Months Ended 31st March, 2006

	SCH		2005 - 06 Rs. (Nine Months)	2004 - 05 Rs. (Twelve Months)
INCOME:				
Sales	I		1,932,906,972	1,952,474,828
Other Income	J		95,671,787	27,506,976
	TOTAL INCOME Rs.		**2,028,578,759**	1,979,981,805
EXPENDITURE:				
Cost of Revenues & Employees Cost	K		1,150,770,437	1,022,340,433
Selling, Administrative & Other Expenses	L		65,961,874	169,482,599
Depreciation	D		133,568,285	180,206,979
	TOTAL EXPENDITURE Rs.		**1,350,300,596**	1,372,030,012
Profit before Extra Ordinary Items, Prior Period Adjustments & Tax			**678,278,163**	607,951,793
Extraordinary Item			-	-
Profit before Prior Period Adjustments & Tax			**678,278,163**	607,951,793
Provision for Current Tax		3,500,000		9,728,243
Provision for Deferred Tax (Refer Note 10 Sch M)		-		-
Fringe Benefit Tax		699,328		213,540
			4,199,328	9,941,783
Profit before Prior Period Adjustment			**674,078,835**	598,010,010
Less : Prior period adjustment			131,638	93,852
Profit After Tax			**673,947,197**	597,916,158
Add: Balance Brought forward from Previous Year			1,641,838,373	1,258,611,849
(Short)/Excess Provision for Taxation of earlier years			-	(18,265,041)
Amount Available for Appropriation			**2,315,785,570**	1,838,262,966
Less: Proposed Dividend			86,647,050	85,279,613
Tax on Dividend			12,152,248	11,144,980
Trfd. to General Reserve			100,000,000	100,000,000
Dividend and Dividend Tax For 04-05			42,231	-
Profit transferred to Balance Sheet			**2,116,944,041**	1,641,838,373
Basic Earnings Per Share of Rs. 2/- each			**8.25**	7.73
Diluted Earning Per Share of Rs. 2/- each			**8.15**	7.68
(Refer Note 11 of Schedule M)				
Notes on Accounts		M		

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

RANJIT M DHURU
Chairman & Mg. Director

NITIN K SHUKLA
Director - Finance

V.D. JOSHI
Proprietor
Mumbai, 31st August, 2006

C. G. DESHMUKH
Company Secretary

CASH FLOW STATEMENT for the Nine Months Ended 31st March, 2006

	2005 - 2006 (Nine Months) Rs.	2004 - 2005 (Twelve Months) Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax, prior period adjustment and after extraordinary item	678,278,163	607,951,793
Adjustments :		
Depreciation	133,568,285	180,206,979
Miscellaneous Expenditure Written Off	5,124,763	7,588,571
Provision for employee benefits (Net)	376,935	239,299
Employee Compensation (ESOP)	7,053,161	14,559,076
Unrealised foreign exchange (gain)/loss	(49,353,963)	75,097,504
Loss on sale/discard of Fixed Assets	526,246	2,221
Provision for Doubtful Debts / Advances	(21,802)	174,282
Provision for Doubtful Debts converted to Bad Debts	(131,148)	-
Interest Income	(28,680,088)	(25,437,875)
Operating Profit Before Working Capital Changes	**746,740,551**	**860,381,851**
Adjustments for (Increase)/Decrease in :		
Trade & other receivables	(349,095,405)	(205,225,011)
Inventories	211,266	1,372,299
Trade Payables	140,128,555	99,281,181
	537,984,967	755,810,321
Prior Period Item	(131,638)	(93,852)
Direct taxes paid (Including Advance Tax and Net of Refund)	(8,434,600)	(14,051,858)
	529,418,729	741,664,611
Extra ordinary Items	-	-
Net Cash Generated From Operating Activities	**529,418,729**	**741,664,611**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets *	(21,306,717)	(16,220,948)
Sale of Fixed Assets	652,245	1,200
Investment in wholly owned subsidiary	(548,155,885)	(3,129,100)
Investment in others	(40,982,433)	-
(Increase)/Decrease in Loans & Advances to Subsidiaries & Affiliates	(59,170,210)	453,547
Advances for Acquisition of Shares	(20,005,272)	-
Interest income	34,464,272	29,856,388
Net Cash From Investing Activities	**(654,503,999)**	**10,961,087**

	2005 - 2006 (Nine Months) Rs.	2004 - 2005 (Twelve Months) Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Foreign Currency Convertible Bonds	194,085,000	1,295,400,000
FCCB Expenses	(67,206,790)	(1,412,620)
Shares issued under ESOP	5,159,958	-
Proceeds from Secured Loan	-	427,934
Repayment of Secured Loan	(107,936)	(92,951)
Application Money for Warrants	47,868,552	-
Interest Paid	(5,784,185)	(4,418,512)
Dividend Paid (Incl Tax on Dividend)	(95,966,615)	(55,915,529)
Net Cash From Financing Activities	**78,047,985**	**1,233,988,321**
D. Net increase/(Decrease) in Cash & Cash equivalents (A+B+C)	**(47,037,285)**	**1,986,614,019**
Cash & cash equivalents at the beginning of the year	**3,280,850,044**	**1,364,995,756**
Cash & cash equivalents at the end of the year	**3,233,812,758**	**3,351,609,776**
Add: Unrealised Foreign Exchange Loss on cash & Cash Equivalent	74,247,099	(70,759,732)
Cash & cash equivalents at the end of the year as per Accounts	**3,308,059,857**	**3,280,850,044**

Notes to the Cash flow statement

* Includes stock in trade converted to Fixed Assets Rs.424849/- (PY 251241/-)

1 Figures in bracket represents outflow.

2 Previous year's figures have been regrouped whereever necessary.

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

RANJIT M DHURU
Chairman & Mg. Director

NITIN K SHUKLA
Director - Finance

V.D. JOSHI
Proprietor
Mumbai, 31st August, 2006

C. G. DESHMUKH
Company Secretary

SCHEDULES FORMING PART OF THE ACCOUNTS

		As At 31st March '06 Rs.	As At 30th June '05 Rs.
SCHEDULE A: SHARE CAPITAL			
Authorised			
125,000,000 (PY100,000,000)Equity shares of Rs. 2/- each		250,000,000	200,000,000
Issued, Subscribed & Paid Up			
85,716,731(PY75,000,000) Eq.Shares of Rs.2/- each		171,433,462	150,000,000
	TOTAL Rs.	**171,433,462**	**150,000,000**

Notes :

1. Of the above equity shares, following were alloted :
   A) as fully paid Bonus Shares :
      1,750,000* in 1994 - 95 by capitalisation of General Reserve
      25,000,000 in 2004 - 05 by capitalisation of General Reserve.
   B) as Fully paid up Equity Shares -
      10,522,890 in 2005-06 consequant to conversion of 2270 FCCBs .
   C) 193,841 against exercise of Stock Option under Employees Stock Option Scheme, 2004.
2. 14,539,035 (PY 29,994,750) equity shares of Rs.2/- each fully paid up represent 4,846,345 (PY 9,998,250)Global DepositoryReceipts ("GDRs"). Originaly 3,999,300 shares of Rs.10/- each, were issued underlying 1,333,100 GDRs by way of GDR offering in the year 2003 by the Company.)
3. Under Aftek Employees Stock Option Scheme the company has granted (net of options lapsed) :
   -594907 (PY 607460) Options in 2004 - 05, of which 193,841 (PY NIL) vested Options# have been exercised.

* Consequant upon sub-division of shares from Rs.10/- to Rs.2/-

Each Option entitles the holder thereof to apply for and be alloted 1 ordinary share of the face value of Rs.2/- each

SCHEDULE B : RESERVES & SURPLUS			
General Reserve :			
Opening Balance	265,859,952		216,837,282
Add : Addition	100,000,000		100,000,000
	265,859,952		316,837,282
Less : Issue of Bonus shares	-		50,000,000
Less: Deferred Tax Adjustment	-		977,330
		265,859,952	265,859,952
Share Premium :			
Opening Balance	1,226,032,575		1,226,032,575
Add:Addition	981,312,801		-
Less : FCCB Express Written off	68,619,410		-
		2,138,725,966	1,226,032,575
Capital Reserve		336,210	336,210
Employee Stock Options			
Employee Stock Options Outstanding	22,063,551		31,393,429
Less : Deferred Employee Compensation Expenses	8,885,120		16,834,353
		13,178,431	14,559,076
Profit & Loss Account		2,116,944,041	1,641,838,373
	TOTAL Rs.	**4,635,044,600**	**3,148,626,186**
SCHEDULE C : LOAN FUND			
SECURED LOANS			
ICICI Bank Car Loan		227,047	334,983
(Secured against Motor Car)		**227,047**	**334,983**
UNSECURED LOANS			
1% Foreign Currency Convertible Bonds Due 2010 *		528,404,000	1,295,400,000
(1180 (PY3000) FCCBs Of US $ 10000/- each)		**528,404,000**	**1,295,400,000**
(Refer Note 20 Schedule M)			

SCHEDULE D: FIXED ASSETS

Amount in Rupees

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/07/05	Additions	Sale/ Removed	Total 31/03/06	Upto 30/06/05	Sale/ Removed	During the Year	Total 31/03/06	As at 31/03/06	As at 30/06/05
TANGIBLE ASSETS										
1. Leasehold Land	10,052,980	59,670	-	10,112,650	-	-	54,313	54,313	10,058,337	10,052,980
2. Plot of Land	16,201,320	-	-	6,201,320	-	-	-	-	16,201,320	16,201,320
3. Factory Building	8,290,632	-	-	8,290,632	3,061,598	-	489,874	3,551,472	4,739,160	5,229,034
4. Plant & Machinery	8,856,854	1,627,756	4,490,610	5,994,000	7,796,641	4,490,566	507,425	3,813,500	2,180,501	1,060,213
5. Electrical Fittings	2,819,378	-	2,403,689	415,688	2,791,151	2,403,689	27,708	415,170	518	28,226
6. Computers	47,704,517	5,126,630	7,627,122	45,204,025	39,873,316	7,378,753	5,213,948	37,708,510	7,495,515	7,831,201
7. Air Conditioner	2,806,685	-	1,706,160	1,100,525	2,416,830	1,586,350	268,672	1,099,151	1,374	389,855
8. Furniture & Fixtures	15,149,879	41,881	5,424,202	9,767,557	12,473,187	4,685,435	1,523,563	9,311,315	456,242	2,676,692
9. Motor Vehicles	10,811,233	-	-	10,811,233	9,950,311	-	459,157	10,409,468	401,765	860,922
10. Office Equipment	2,880,379	101,851	970,038	2,012,192	2,354,405	898,538	198,089	1,653,957	358,235	25,973
Intangible Assets										
11. IPR	498,845,950	-	-	498,845,950	303,328,166	-	124,825,536	428,153,703	70,692,248	195,517,784
	624,419,807	6,957,788	22,621,822	608,755,773	384,045,605	21,443,331	133,568,285	496,170,558	112,585,215	240,374,202
Capital Work-in-progress -	-	14,348,929	-	14,348,929	-	-	-	-	14,348,929	-
Total.. Rs.	624,419,807	21,306,717	22,621,822	623,104,702	384,045,605	21,443,331	133,568,285	496,170,558	126,934,144	240,374,202
Previous Year	627,207,782	16,220,948	19,008,923	624,419,807	222,844,127	19,005,502	180,206,979	384,045,605	240,374,202	404,363,655

Capital Work-in-Progress includes Intangible Assets yet to be capitalised Rs.9283097/- (PY NIL)

SCHEDULE E : INVESTMENT

	As At 31st March '06 Rs.	As At 30th June '05 Rs.
Unquoted - Trade Investments (At Cost)		
In subsidiary Companies		
Aftek Sales & Services Pvt. Ltd.	100,000	100,000
(1000 (PY 1000) Equity shares of Rs.100/- each fully paid up.)		
Opdex Inc.(formerly Aftek Infosys (USA) Inc.,)		
(31,700,000(PY31,700,000) Eq.Shares of US$0.05 each	69,596,911	69,596,911
fully paid up.agg.to US $ 1.585 million(PY US$1.585 million))		
Mihir Properties Private Ltd.	55,265,000	55,265,000
(145,000 (PY 145000)Equity shares each fully paid up. FV Rs.100/-)		
Arexera Information Technologies GmbH	1,018,086,587	469,930,703
(100%(PY49.23%) of the share capital of the company, nominal value of which is Euro 52000(PY25600))		
In Others		
Digihome Solutions Pvt. Ltd.	625,000	-
(62500 (PY 0) Equity Shares of Rs.10/- each fully paid up)		
Elven Technologies Pvt. Ltd.(Shares)	375,000	-
(37500 (PY 0) Equity Shares of Rs.10/- each fully paid up)		
V. Soft Inc. (USA)	39,982,433	-
(164250 (PY 0) Equity Shares of US $5.48 each fully paid up)		
TOTAL Rs.	**1,184,030,931**	**594,892,613**

		As At 31st March '06 Rs.	As At 30th June '05 Rs.
SCHEDULE F : CURRENT ASSETS, LOANS & ADVANCES			
I Inventories			
(As taken, valued & certified by the Management)			
Raw Materials, Consumables		1,601,375	1,192,838
Work-in-progress		267,493	570,832
Finished Product		-	316,465
TOTAL Rs.		**1,868,868**	**2,080,135**
II Sundry Debtors			
(Unsecured considered good except stated otherwise)			
(a) Outstanding for more than six months			
Considered good	89,059,686		93,613,101
Considered Doubtful	1,938,975		2,091,925
	90,998,661		95,705,027
Less: Provision for Doubtful Debts	1,938,975		2,091,925
	89,059,686		93,613,101
(b) Others (Considered Good)	730,166,520		377,764,101
		819,226,206	471,377,203
TOTAL Rs.		**819,226,206**	**471,377,203**
III Cash & Bank Balances			
Cash in Hand		2,304,836	2,240,965
With Scheduled Bank			
In Cash Credit Account		7,099,044	15,927,026
In Current Account		298,991	1,849,635
In Fixed Deposit #		554,413,966	1,232,241,259
In Dividend Account		2,735,113	2,231,808
In Foreign Currency Current Account		23,596,690	36,497,008
With Non Scheduled Bank			
In Current accounts			
Banco Efisa , Portugal		1,437,360,950	973,310,862
(Maximum Balance Outstanding at any time during the year Rs.1,550,388,503(PY 1,086,912,482))			
Investec Bank (Switzerland) AG, Switzerland		199,016	-
(Maximum Balance Outstanding at any time during the year Rs.45,470,000(PY NIL))			
In Deposit Account			
Banco Efisa, Portugal		1,054,821,812	1,016,551,481
(Maximum Balance Outstanding at any time during the year Rs.1,054,821,812(PY 1,225,956,654))			
Investec Bank (Switzerland) AG, Switzerland		225,229,439	-
(Maximum Balance Outstanding at any time during the year Rs.229,816,240(PY NIL))			
TOTAL Rs.		**33,308,059,857**	**3,280,850,044**

\# Balance in Deposit Accounts with Scheduled Bank include Rs.143733/- (PY 701259/-) worth FD's under lien.
Balance in Foreign Currency Current accounts includes Rs.169789/- (PY 34543525) being unutilised money of FCCB issue.
Balance in Fixed Deposit accounts includes Rs.531219025/- (PY 1209040000/-) being unutilised money of FCCB issue.
Balance in Investec Bank (Switzerland)AG Current account includes Rs199016/- (PY NIL) being unutilised money of FCCB issue.
Balance in Investec Bank (Switzerland)AG Deposit account includes Rs225229439/- (PY NIL) being unutilised money of FCCB issue.
Balance in Banco Efisa Current Account includes Rs.1,344,079(PY14,635,553) is unutilised money of the GDR issue.
Balance in Banco Efisa Deposit Account includes Rs.NIL(PY 8,391,552) is unutilised money of the GDR issue.

		As At 31st March '06 Rs.	As At 30th June '05 Rs.
SCHEDULE F Current Assets, Loans & Advances (Cont'd)			
IV Loans, Advances & Deposits			
(Unsecured considered good except stated otherwise)			
Advances recoverable in cash or in kind			
Considered Good	60,932,816		60,897,289
Considered Doubtful	-		-
	60,932,816		60,897,289
Less : Provision for Doubtful Advances	-		-
		60,932,816	60,897,289
Advances for acquisition of shares	23,600,847		3,595,575
Less : Provision for Doubtful Advances	3,595,575	20,005,272	3,595,575
			-
Loans & Advances - Affiliates		82,172,006	22,744,018
Deposit with Body Corporates		145,598,630	145,598,630
Deposits - others		4,052,802	4,292,430
Interest Accrued		3,045,635	111,055
	TOTAL Rs.	**315,807,160**	**233,643,422**
SCHEDULE G: CURRENT LIABILITIES & PROVISIONS			
i) Current Liabilities :			
Sundry Creditors		260,840,898	117,685,348
Advance from Customers		9,235,805	7,432,168
Unclaimed Dividend		2,730,758	2,230,549
(Investor Protection & Education Fund shall be credited by the amount when due)			
Others		3,316,327	6,792,815
ii) Provisions :			
Provision for Tax		3,677,973	9,941,783
Proposed Dividend (Incl. Dividend Tax)		98,799,298	96,424,593
Provision for Employee Benefits		1,735,708	1,358,773
Other Provisions		1,154,009	2,069,075
	TOTAL Rs.	**381,490,777**	**243,935,104**
SCHEDULE H : MISCELLANEOUS EXPENDITURE			
Preliminary Expenses			
Opening Balance	-		755,554
Less : Written Off	-		755,554
		-	-
GDR Issue Expenses			
Opening Balance	13,666,035		20,499,052
Less : Written off	5,124,763		6,833,017
		8,541,272	13,666,035
FCCB Expenses			
Opening Balance	1,412,620		-
Add : Addition	67,206,790		1,412,620
Less : Written off against share premium	68,619,410	-	-
		-	1,412,620
	TOTAL Rs.	**8,541,272**	**15,078,655**

		2005-06 Rs. (Nine Months)	2004-05 Rs. (Twelve Months)
SCHEDULE I : SALES			
Software, Software Driven Products & others		19,870,124	38,548,619
Software - Exports - Products		142,638,265	209,047,413
Software - Exports - Services		1,765,261,365	1,693,816,906
Other Exports		5,128,336	10,753,893
		1,932,898,090	1,952,166,830
Add: Duty Drawback		8,882	307,998
	TOTAL Rs.	**1,932,906,972**	**1,952,474,828**
SCHEDULE J : OTHER INCOME			
Interest Income (Net of Foerign Tax) [Incl. TDS Rs.219257/- (PY Rs.1148095/-)]	34,464,272		29,856,388
Less :Interest Paid	5,784,185		4,418,512
		28,680,088	25,437,875
Miscellaneous Income		404,889	2,069,101
Foreign Exchange Diff.		66,586,811	-
	TOTAL Rs.	**95,671,787**	**27,506,976**
SCHEDULE K : COST OF REVENUES & EMPLOYEES COST			
Consumption of Raw Materials & Consumables			
Opening Stock	1,192,838		1,718,482
Add: Purchases & Expenses	6,489,550		7,023,736
	7,682,388		8,742,217
Less: Closing Stock	1,601,375		1,192,838
		6,081,013	7,549,379
Cost of Software Sold (Trading)			
Opening Stock	-		-
Add: Purchases [Qty.430 Nos. (PY1022Nos.)]	10,640,600		26,207,125
	10,640,600		26,207,125
Less: Closing Stock	-		-
		10,640,600	26,207,125
Add / (Less) :			
Decrease / (Increase) in finished & semi finished stocks			
Opening Stock	887,297		1,733,952
Closing Stock	267,493		887,297
		619,803	846,656
Payments to and Provisions for Employees (including Managerial Remuneration)			
Salaries, Wages, Bonus & others	71,154,126		78,843,423
Contribution to Provident Fund & Gratuity Fund	3,158,980		2,760,762
Staff Welfare Expenses	4,049,015		2,218,816
Employees Compensation	7,053,161		14,559,076
		85,415,281	98,382,076
Software Development, Installation & Testing Charges		1,048,013,739	889,355,197
	TOTAL Rs.	**1,150,770,437**	**1,022,340,433**

SCHEDULE FORMING PART OF THE ACCOUNTS

	2005-06 Rs. (Nine Months)	2004-05 Rs. (Twelve Months)
SCHEDULE L:		
SELLING, ADMINISTRATIVE & OTHER EXPENSES		
Advertisement & Sales Promotion	796,597	1,929,142
Payment to Auditors	1,515,040	1,231,485
Bad and Doubtful Debts	61,033	825,405
Travelling & Conveyance	8,547,050	12,218,450
Professional Fees	4,951,171	5,511,230
Miscellaneous Expenses W/Off	5,124,763	7,588,571
Rent	12,043,573	5,701,834
Commission Paid	235,194	421,973
Electricity Expenses	2,148,914	2,170,212
Rates & Taxes	2,122,867	2,634,345
Foreign Exchange Diff.	-	114,833,023
Telephone & Communication	2,540,438	2,841,794
Insurance Charges	70,422	145,147
Loss on sale of Fixed Assets	526,246	2,221
R. & D. Expenses	18,110,309	810,815
Repairs & Maintenance		
Buildings	159,952	342,903
Computers	513,081	473,446
Others	432,930	570,794
Miscellaneous Expenses	6,062,296	9,229,810
TOTAL Rs.	**65,961,874**	**169,482,599**

SCHEDULE M : NOTES ON ACCOUNT

1. SIGNIFICANT ACCOUNTING POLICIES

Basis for preparation of financial statements

The financial statements are prepared in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards specified by the Institute of Chartered Accountants of India under section 211(3C) of the Companies Act, 1956.

Method of Accounting

The Company follows accrual basis of accounting.

Sales

Revenue from sale of products is recognized when significant risks and rewards in respect of ownership of products are transferred to the customer and there are either no unfulfilled company obligations or any obligations are inconsequential or perfunctory and will not affect the customer's final acceptance of the arrangement. Sale of products is primarily carried out through channel partners. Further, the Company reimburses certain software installation and testing charges to these channel partners and these installation and testing activities are considered to be distinct components preceding the actual delivery and acceptance of the software. The Company also bears the entire credit risk on the sale of products. Accordingly, the installation and testing activity is considered to be a transaction independent of the sale of the product and the the costs relating to these activities are accounted under 'Cost of revenues'.

Revenues from services are recognized as services are provided when arrangements are on a time and material basis. Revenues for fixed price contracts are recognized based on payment milestones as agreed and accepted by the customers. However for large contracts, which are in progress as of the end of a reporting period, the company makes an assessment of the need to recognize revenues based on a proportional performance method. Performance is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. If the proportional performance is higher than a related contractual milestone requiring customer acceptance, revenue is recognized only to the extent customer acceptance has been received. If the proportional performance is lower than the related milestone, then revenue is deferred.

Foreign Currency Transactions

Transactions in foreign currencies pertaining to revenue accounts are accounted at approximate exchange rate prevalent on the transaction date. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment/realization in Profit & Loss Account. The amount outstanding at the year end are translated at exchange rate prevailing at year end and the profit/loss so determined are recognized in the Profit & Loss Account.

Inventories

(i) Inventories are valued at lower of cost or net realisable value.

(ii) In case of raw materials and consumables the cost includes non refundable duties, taxes and freight inward on FIFO basis.

(iii) Cost of finished product and work-in-progress includes the cost of raw materials, consumables and direct labour as applicable.

(iv) Traded goods are valued at cost on FIFO basis.

Fixed Assets & Depreciation

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Direct costs are capitalised until the assets are ready for use and include inward freight, non refundable duties, taxes and expenses incidental to acquisition and installation.

Depreciation on Fixed Assets is provided on straight line method over the Useful life of assets as estimated by the management, on a pro-rata basis, except Leasehold land. The useful lives estimated by the management for amortisation/depreciation of the assets which are higher than rates specified as per Schedule XIV of the Companies Act, 1956, are as under :

Plant & Machinery*	5 years
Computers & Softwares	3 years
Furniture & Fixtures	5 Years
Factory Building	15 Years
Intellectual property Right	3 Years

*(Plant & Machinery includes Office Equipments, Electrical Fittings)

Investments

Long term investments are carried at Cost and Short term investment are carried at the lower of cost or fair value. Provision for diminution in the value of long term investments is made only if such a decline is not temporary in the opinion of the management.

Employee Stock Option Scheme

Accounting of Employee Stock Option Scheme is done as per "Fair Value Method". SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 requires the amortization of fair value of the option over the vesting period.

Employees' Retirement Benefits

Company's contribution to Provident Fund and Gratuity Fund is charged to Profit and Loss account on accrual basis. Liability for Leave Encashment benefits is charged to Profit & Loss account on the basis of actuarial valuation.

Research and Development

Capital expenditure if any, is shown under respective head of fixed assets. Revenue expenses incurred are included under the respective heads of expenses except for purchase of components etc., which are included under Research & Development Expenses.

Taxation

Tax expense for the year, comprising current tax and defferred tax is include in determining the net profit / (loss) for the year.

Deffered tax assets are recognized for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets to the extent it pertains to unabsorbed loss / depreciation under tax laws, is recognized only to the extent that there is virtual certainty of realization based on convincing evidence, as evaluated on a case to case basis.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

Fringe Benefit Taxation

Consequent to the introduction of Fringe Benefit Tax Benefits Tax (FBT) effective from April 1, 2005, the Company has made provision for FBT in accordance wih the guidance note on accounting for fringe benefit tax issued by the Institute of Chartered Accountant of India.

SCHEDULE TO ACCOUNTS for the Nine Months Ended 31st March, 2006

	2005-2006 (9 Months) Rs.	2004-2005 (12 Months) Rs.
2. Capital Commitment	NIL	NIL
Estimated amounts of contracts remaining to be executed on capital account and not provided for	19,533,333	NIL
Commitment for acquisition of shares in V. Soft Inc, USA US $ 300,000.	13,312,500	NIL
3. Contingent Liabilities in respect of:		
Bank Guarantee	123,900	257,629
Income-tax	331,043	NIL
Income tax cases for Assessment Year 1996-97 and 2001-02 is pending before Commissioner (Appeal) and Tribunal respectively. However their outcome in terms of contingent liability is not ascertainable.		
Interest on FCCB	-	277,439
4. Payments to Directors:		
Salaries	13,858,920	22,249,932
Commission to Non Executive directors	2,175,150	3,285,875
5. Auditors' Remuneration:		
Tax Audit Fees	280,600	275,500
Statutory Audit Fees	617,320	606,100
Certification & others	617,120	349,885
6. Quantitative and other information:		
Productions	762 Pcs	1,058 Pcs

SCHEDULE TO ACCOUNTS for the Nine Months Ended 31st March, 2006

ii) Particulars in respect of opening stock, closing stock & turnover :

	Op.Stock		Cl.Stock		Turnover	
	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)
Software	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	1,908,590,423 (1,903,433,144)
Software Driven Products	65 (35)	316,465 (173,403)	(NIL) (65)	NIL (316,465)	827 (1,028)	8,813,202 (15,931,964)
Software (Trading)	NIL (NIL)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)	NIL (NIL)	11,711,781 (28,844,282)
Others (Refer Note-b)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)	(NIL) (NIL)	3,791,566 (3,957,440)

a. Figures in (Bracket) indicate previous year's figures.

b. Others include receipt from Annual Maintenance Contracts and sale of miscellaneous consumables and accessories, stock of which has been included in stock of Raw Materials and Consumables.

c. Software Driven Product sales includes Rs.424849/- (PY Rs.251241) being products transferred to Fixed Assets.

iii) Value of imported & Indigenous Raw Materials consumed/traded and percentage of each to total Consumption.

	2005 – 2006		2004 – 2005	
	Rs.	%	Rs	%
Raw Materials & Consumables :				
Imported	1,909,208	31.40%	1,873,572	24.82%
Indigenous	4,171,805	68.60%	5,675,807	75.18%
	6,081,013	100.00%	7,549,379	100.00%

Note : Quantities in respect of raw materials and consumables are not ascertainable due to multiplicity and diverse nature of items and value of each such item is less than 10% of the total value.

7 C.I.F. VALUE OF IMPORTS

		2005-2006 (9 Months) Rs.	2004-2005 (12 Months) Rs.
i)	Raw Materials	1,623,597	1,223,416
ii)	Software	338,986,620	217,612,189
iii)	Capital Purchases	776,909	1,443,051
iv)	Others	17,121,936	383,422

8. EXPENDITURES IN FOREIGN CURRENCY

Foreign Tour & Travelling	3,474,000	5,165,266
Software Installations, testing, support and others	709,024,119	671,642,166
Interest On FCCB	4,044,892	NIL
FCCBs Expenses	55,732,090	1,412,620
Other expenses	1,007,199	1,001,625

9 . EARNINGS IN FOREIGN CURRENCY

Export Sales	1,913,027,966	1,913,618,212
Interest (Net of tax)	33,407,668	24,313,896

10. NET DIVIDEND REMITTED IN FOREIGN CURRENCY :

Period to which it relates	2005– 2006			2004 – 2005		
	Number of Non-resident Shareholders	Number of Equity Shares Held	Dividend Remitted (Net of Tax) Rs.	Number of Non-resident Shareholders	Number of Equity Shares Held	Dividend Remitted (Net of Tax) Rs.
Final 2003-04	--	--	--	6	16,500	16,500
Final 2004-05	6	23,500	23,500	--	--	--

11. EARNINGS PER SHARE (EPS) :	2005 - 2006 Rs.	2004 - 2005 Rs.
Basic		
Profit After tax and Prior Period Adjustment	673,947,197	597,916,158
Less/(Add):Short provision for taxation of earlier years	0	18,265,041
Add: Excess provision for doubtful debts of earlier years	0	0
Net Profit available for Equity Share Holders	673,947,197	579,651,117
Weighted Average Number of equity shares subscribed	81,658,231	75,000,000
Face value of Shares	2	2
Basic Earnings per Equity Share	8.25	7.73
Diluted		
Net Profit available for Equity Share Holders	673,947,197	579,651,117
Add: Interest on FCCB (Net of Tax)	3,022,507	-
Adjusted profit for Diluted Earning per Share	676,969,704	579,651,117
Weighted Average Number of equity shares subscribed	81,658,231	75,000,000
Weighted Average Number of potential shares on account of outstanding Employee Stock Options	375,334	149,537
Weighted Average Number of potential shares on account of Foreign Currency Convertible Bonds	1,065,858	306,714
Total Weighted Average Number shares outstanding	83,099,423	75,456,251
Diluted Earning Per Share	8.15	7.68

12. Details of Loans & Advances in the nature of loans recoverable from subsidiaries /Associates Concerns : (Rs.)

Name of the Subsidiary	Outstanding Amount As at 31/03/2006		Maximum balance outstanding at any time during the year	
	2005 - 06	2004 – 05	2005 - 06	2004 - 05
Mihir Properties Pvt. Ltd.	125,655	118,155	125,655	118,155
Aftek Sales & Services Pvt.Ltd.	44,945	123,745	123,745	123,745
Arexera Information Technologies GmbH	40,605,788	NIL	40,605,788	NIL

13. Related Party Information

(i) List of Related Party with whom transactions have taken place and relationships :

Name of the Related Parties	Nature of Relation
Opdex Inc. (Formerly known as Aftek Infosys (USA) Inc.) Aftek Sales & Services Private Limited Mihir Properties Private Limited Arexera Information Technologies GmbH	Subsidiary Companies
Aftek Employees' Welfare Trust Aftek Infosys Ltd. Employees Group Gratuity Scheme	Control
Ranjit M. Dhuru Nitin K Shukla Mahesh B Vaidya # Sunil M. Desai Promod V Broota	Key Management Personnel
Digihome Solutions Pvt. Ltd.	Associate
Cabernet Vineyards Pvt Ltd. Elven Technologies Pvt. Ltd.	Others

SCHEDULE TO ACCOUNTS for the Nine Months Ended 31st March, 2006

(ii) Transactions : (Rs.)

	2005 - 06 (9 Months)	2004 - 05 (12 Months)
Sales :		
Subsidiaries	28,55,950	NIL
Loans & Advances Given : (net)		
Subsidiaries	40,613,288	46,585
Control	18,893,500	NIL
Loans & Advances Received Back : (net)		
Control	NIL	500,132
Subsidiaries	78800	NIL
Remunerations :		
Key Managerial Personnel	13,858,920	22,249,932
Equity Contribution / advances for equity		
Subsidiaries	2,186,500	3,129,100
Associates	625,000	NIL
Others	375,000	NIL
Contribution :		
Control	597,798	465,197
Building as collateral & guarantee to bank by:		
Subsidiaries (Bank O/D facility)	40,000,000	40,000,000
Rent free use of Building from :		
Subsidiaries	NIL	NIL
purchase for staff wealfare		
Others	40,120	NIL

(iii) Balances : (Rs.)

	As on 31st March,2006	As on 30th June, 2005
Accounts Receivable:		
Subsidiaries	*(1,380,537)	NIL
Loans & Advances Given :		
Subsidiaries	40,776,388	241,900
Control	41,395,618	22,502,118

Mahesh Vaidya was Key Managerial Person up to 31st December,2005 only.

* Represents Advances received from Debtors.

Note : Aftek Employees' Welfare Trust (unregistered) was created for the benefit of employees including Executive Directors. The purpose of the trust inter alia is to purchase/invest in the shares or other securities including that of Aftek Infosys Ltd. for the benefit of employees. As per the conditions of the trust deed the company has provided an interest free loan aggregating to Rs.41395618 (PY Rs. 22502118) (maximum balance outstanding at any time during the year Rs.42225618 (PY Rs. 23002250)) and the same has been used for the purchase of Equity shares of Aftek Infosys Ltd.. These shares may be allocated to the employees or the amount of profit earned on the sale of these shares may be distributed amongst the employees..

SCHEDULE TO ACCOUNTS for the Nine Months Ended 31st March, 2006

14. Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non-whole time directors

Computation of Profit in accordance with section 349 of the Companies Act, 1956.

		2005 - 2006	2004 - 2005
Net profit after tax		674,078,835	598,010,010
Add:			
1.	Whole-time directors remuneration	13,858,920	22,249,932
2.	Commission to non-Executive Directors	2,175,150	3,285,875
3.	Provision for bad and doubtful debts/advances	(21,802)	194,782
4.	Loss on sale of fixed assets	526,246	2,221
5.	Depreciation as per the books of account	133,568,285	180,206,979
6.	Provision for taxation	4,199,328	9,941,783
		828,384,961	813,891,583
Less:			
	Depreciation as envisaged U/s. 350 of the Companies Act*	133,568,285	180,206,979
	Profit on sale of fixed assets	-	-
	Net profit as per section 349 of the Companies Act, 1956	694,816,676	633,684,603
Maximum Commission Permissible to non-Executive Directors		6,948,167	6,336,846
Commission paid to non-Executive Directors		2,175,150	3,285,875

(*) The company depreciates fixed assets based on estimated useful life that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the company are higher than the minimum rates prescribed by Schedule XIV of the Companies Act, 1956.

15. Employee Stock Option Scheme:

Stock Options [ESOP]						
1 Exercise Price per Share	Rs. 56		Rs. 70		Rs. 56	
Adjusted Exercise Price on account of issue of Bonus shares	Rs. 26		Rs. 40		Rs. 26	
2 Grant Date	25.08.2004		28.10.2004		25.08.2004	
3 Vesting commences on	25.08.2005		28.10.2005		25.08.2005	
4 Vesting schedule	25% of grant each year commencing one year from the date of grant				100% on 25.08.2005	
Particulars of Numbers of Options	**2005-06**	**2004-05**	**2005-06**	**2004-05**	**2005-06**	**2004-05**
5 Option outstanding at The Beginning of the year	413230	-	94230	-	100000	-
6 Option granted during the year	-	436025	-	104965	-	100000
7. Option exercised in respect of which shares were allotted	89263	-	8578	-	96000	-
8. Option lapsed during the year on separation	4318	22795	8235	10735	-	-
9. Option outstanding at the end of the year Of which –	319649	413230	77417	94230	4000	100000
Option vested	13271	-	13071	-	4000	-
Option Yet to vest	306378	413230	64346	94230	-	100000

16. During the year the Company has allotted 39,69,200 numbers of warrants to Promoters' Group on preferential basis at a price of Rs.120.60 per warrant, out of which 10% cash has been received by the company and balance 90% is receivable within a period of 18 months from the date of allotment, failling which paid up amount is liable to be forfeited. Each fully paid up warrant is convertible ino 1 equity share within a period of 18 monhs from the date of allotment.

17. As at 31st March, 2006, there is no outstanding amount payable to the Parties covered under Small Scale Industries.

18. The Company's significant leasing arrangements are in respect of operating leases for premises and utilities. The significant leasing arrangement which is non-cancellable is for a period of 33 months. The aggregate lease rentals payable in this respect are charged as Rent as per Schedule L for cancelable as well as non cancelable Lease arrangements. Maximum obligations on non-cancelable operating leases payable as per the rentals stated in respective agreements are as follows: (Rs.)

	2005 - 06 (9 Months)	2004 - 05 (12 Months)
Lease Rental on Non cancellable Leases	9,576,450	2,606,424

(Rs.)

	As At 31st March,2006	As At 30th June, 2005
Obligations on Non-Cancelable Leases		
Not later than one year	12,768,600	12,768,600
Later than one year and not later than five years	NIL	9,576,450
Later than Five years	NIL	NIL
Total	**12,768,600**	**22,345,050**

19. During the year the Company issued 450 (PY 3000) additional 1% Foreign Currency Convertible Bonds (FCCBs) of UD 10000/- each aggregating to USD 4.5 Millions (PY 30 Millions) Rs.19,40,85,000/- (PY Rs.129,54,00,000/-) as per terms of Original FCCB Issue dated 24th June,2005, with an option to convert these Bonds into equity shares of Rs.2/- each or GDR within a period of 5 years from the date of the original issue i.e. 24th June, 2005.

The details of use of FCCB money :

PARTICULARS	AMOUNT Rs.
Source	
Amount received through allotment dt.26/06/2005	1,295,400,000
Amount received through allotment dt.22/07/2005	194,085,000
Interest Earned	11,807,840
Foreign Exchange Difference	28,300,613
TOTAL A	1,529,593,453

SCHEDULE TO ACCOUNTS for the Nine Months Ended 31st March, 2006

Application		
Issue Expenses		66,461,357
Strategic Investments/Acquisitions/Advances to WOS		646,634,266
Bank Charges		299,263
Advance towards purchase of Capital Goods(IPRs)		54,948,298
Payment of FCCB Interest		4,433,000
	TOTAL B	772,776,184
	Balance A-B	756,817,269
Balance with : (Amount in Rs.)		
Bank Of India-London FD Account	: 531,219,025	
Bank Of India-London Current Account	: 169,789	
Investec Bank-FD Account	: 225,229,439	
Investec Bank-Current Account	: 199,016	
	Total 756,817,269	

20. The Company had raised US$ 30 millions through an issue of 3000 numbers of 1% Foreign Currency Convertible Bonds Due 2010 of US$ 10,000 each ("FCCBs") in June, 2005 followed with 450 numbers of additional Bonds in July 2005 on account of exercise of greenshoe option of 15%. These Bonds are listed at Luxembourg Stock Exchange. The Bondsbear interest @ 1% per annum with redemption at 128.25% of their principal amount. At the option of the Bondholders the Bonds were convertible into Shares/Global Depository Receipts ("GDRs") at an initial conversion price of Rs 94/- per share, which has been reset, with effect from 25th June 2006, at Rs 75.20 per share, pursuant to the provisions of the Trust Deed executed in respect of the Bonds.

    During the year ended 31st March 2006, 450 numbers of FCCBs were converted into 695,345 numbers of GDRs with 2,086,035 numbers of underlying equity shares and 1,820 numbers of FCCBs were converted into 8,436,855 numbers of equity shares.

    The Company, subject to fulfilment of certain conditions, and obtaining requisite approvals, has an option to redeem the balance Bonds in whole, but, not in part, at any time on or after 25 June 2008 and prior to 25 June 2010 at its Early Redemption Amount together with accrued and unpaid interest

21. The company operates in a single segment.

22. Previous years' figures have been regrouped / recast wherever necessary to make them comparable with the current period's figure.

23. Figures are rounded off to nearest rupee.

24 The company hitherto followed the accounting year beginning from 1st July and ending on 30th June each year. The Company, as per the resolution of the Board of Directors dated 31st January, 2006, has changed its accounting year to begin from 1st April and to end on 31st March every year. Consequently the current accounting period consist of only Nine Months, i.e. from 1st July, 2005 to 31st March, 2006. Figures for the current period are therefore, not comparable with corresponding figures of the previous year.

25. Schedules- A to M form an integral part of the accounts and have been duly authenticated.

SCHEDULE TO ACCOUNTS for the Nine Months Ended 31st March, 2006

26. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details:

Registration No.:	**39342**	State Code: **11**	
Balance Sheet Date:	**31.03.2006**		

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

Public Issue	**NIL**	Right Issue:	**NIL**
Bonus Issue	**NIL**	Private Placement:	**NIL**
Esop Allotment	5160	FCCB conversion	989153

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

Total Liabilities	5481777	Total Assets	5481777

SOURCES OF FUNDS

Paid up Capital	171433	Reserves & Surplus	4733844
Warrants	47869		
Secured Loans	227	Unsecured Loans	528404

APPLICATION OF FUNDS

Net Fixed Assets	126934	Investments	1184031
Net Current Assets	4162271	Miscellaneous	
Deferred Tax Assets	NIL	Expenditure	8541
Accumulated Losses	NIL		

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

Gross Income	2028579	Total Expenditure	1350301
Profit before Tax	678278	Profit after Tax	673947
Earnings Per Share in Rs.	8.25	Dividend Rate 50%	

5. Generic Names of Principal Products/Services of Company:

Product Description: **Computer Software** Item Code No.: **85249009.10**

For and on behalf of Board of Directors

RANJIT M DHURU — CHAIRMAN & MG.DIRECTOR

NITIN K SHUKLA — DIRECTOR

C.G. DESHMUKH

COMPANY SECRETARY

Mumbai, 31st August, 2006

NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of Aftek Sales And Services Private Limited will be held at 10.30 a.m. on Wednesday, the 23rd August, 2006 at the Registered Office of the Company at 366, Veer Savarkar Marg, Dadar, Mumbai- 400 028 to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March 2006 and the Profit & Loss Account for the year (nine months) ended on that date together with the Reports of Directors and Auditors thereon.

2. To appoint a Director in place of Mr.Ravindranath Malekar, who retires by rotation, and being eligible, offers himself for re-appointment.

3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT M/s. J. R. Shah & Associates, Chartered Accountants, Mumbai, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service tax, out-of-pocket and travelling expenses actually incurred by them in connection with the Audit."

BY ORDER OF THE BOARD OF DIRECTORS
MUKUL DALAL
DIRECTOR

Registered Office :
366, Veer Savarkar Marg,
Dadar, Mumbai – 400 028

DATED : 23rd August, 2006

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.

DIRECTORS' REPORT

To,
The Members of
Aftek Sales & Services Pvt. Ltd.

Your Directors present their Annual Report together with the Audited Statement of Accounts for the financial year (nine months) ended on March 31, 2006.

1. **PERFORMANCE**
   Your Company did not carry out any business activity during the year under review.

2. **CHANGE IN ACCOUNTING YEAR**
   The Accounting Year has been changed from July-June to April-March. Therefore, the accounts have been drawn up for nine months, for the period ended March 31, 2006.

3. **DIVIDEND**
   In view of the loss incurred by the Company your directors could not consider recommendation of any dividend for the year.

4. **DIRECTORS' RESPONSIBILITY STATEMENT**
   Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :
   (i) that in the preparation of the annual accounts for the year (nine months) ended March 31, 2006, the applicable accounting standards have been followed along with proper explanations in case of material departures;
   (ii) that the selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the year (nine months) ended March 31, 2006 and of the profit of the Company for that period;
   (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 for the year (nine months) ended March 31, 2006 have been prepared on a 'going concern' basis.

5. **PERSONNEL**
   There were no employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, as amended.

6. **INFORMATION UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**
   Considering the nature of your Company's activities and the fact that no business activity was carried out, the particulars viz. Conservation of energy etc. prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable. There are no Foreign Exchange Earnings and Outgo during the year under review.

7. **AUDITORS**
   M/s J.R. Shah & Associates, Chartered Accountants, Mumbai, the retiring Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

BY ORDER OF THE BOARD OF DIRECTORS
RAVINDRANATH MALEKAR
CHAIRMAN

Place : Mumbai
Date : 23rd August, 2006

AUDITORS' REPORT To the Members of AFTEK SALES & SERVICE PVT. LTD.

1. We have audited the attached Balance Sheet of **AFTEK Sales & Services Private Limited** as at 31st March, 2006 and also the Profit & Loss Account of the Company for the nine months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards required 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Companies (Auditors' Report) Order 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, is not applicable to the Company, as the Company is not covered by the order.
4. Further to our comments in the paragraph 3 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 accounts as required by law have been kept by the company, so far as appears from our examination of these books.

   c. The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of accounts.

   d. In our opinion the Balance Sheet and the Profit & Loss Account 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 representation received from the directors and taken on record by the Board of Directors, We report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

   f. In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with the Significant Accounting Policies and other notes thereon give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view:

   i) in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2006

   ii) in the case of the Profit & Loss Account, of the Loss for the period ended on that date.

FOR J. R. SHAH & ASSOCIATES
Chartered Accountants

(J. R. Shah)
Proprietor

23rd August, 2006, Mumbai — Mem.No.46598

BALANCE SHEET as at 31st March 2006

		As At 31st March,2006 Rs.	As At 30th June, 2005 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
AUTHORISED			
1,000 Equity shares of Rs.100/- each		100,000	100,000
ISSUED, SUBSCRIBED & PAID UP			
1,000 Equity Shares of Rs.100/- each		100,000	100,000
UNSECURED LOANS			
From Holding Company		44,945	123,745
	TOTAL Rs.	**144,945**	**223,745**
APPLICATION OF FUNDS			
CURRENT ASSETS, LOANS & ADVANCE			
Cash & Bank Balance		6,167	94,231
LESS: CURRENT LIABILITIES & PROVISIONS			
Provision for Audit Fees	11,224		7,714
		11,224	7,714
Net Current Assets		**(5,057)**	**86,517**
Profit & Loss Account		150,002	137,228
	TOTAL Rs.	**144,945**	**223,745**

Notes on Accounts

As per our report of even date
For J R SHAH & ASSOCIATES
Chartered Accountants

For & on Behalf of Board of Directors

J R Shah
Proprietor.
23rd August, 2006. Mumbai

Mukul S Dalal
Director

Ravindranath U. Malekar
Director

PROFIT & LOSS ACCOUNT For The Nine Months ended 31ST MARCH, 2006

		2005-2006 (Nine Months) Rs.	2004-2005 (Twelve Months) Rs.
INCOME		NIL	NIL
EXPENDITURE			
Selling, Admn. & other Expenses			
Audit Fees		11,224	7,714
Profession tax		-	5,000
Bank Charges		350	450
ROC filing fees		1,200	1,000
	TOTAL	**12,774**	**14,164**
Net Profit/(Loss) Before tax		**(12,774)**	**(14,164)**
Less: Provision for Tax - Current		-	-
- Deferred		-	-
Net Profit/(Loss) for the Period		**(12,774)**	**(14,164)**
Balance brought forward		(137,228)	(123,064)
Add: Net Profit/(Loss) for the period		(12,774)	(14,164)
Balance carried to Balance Sheet		**(150,002)**	**(137,228)**

Notes on Accounts

As per our report of even date
For J R SHAH & ASSOCIATES
Chartered Accountants

For & on Behalf of Board of Directors

J R Shah
Proprietor.
23rd August, 2006. Mumbai

Mukul S Dalal
Director

Ravindranath U. Malekar
Director

NOTES FORMING PART OF ACCOUNTS
as at 31st March, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

General

(i) The accounts are prepared on historical cost basis and on the accounting principles of going concern.

(ii) The company generally adopts the accrual basis of accounting.

(iii) The accounting policies not specifically referred to otherwise is consistent and in consonance with generally accepted accounting principles.

	Current Year	Previous Year
2. Auditors Remuneration:		
(Inclusive of Service Tax)		
Audit Fees	Rs. 11,224/-	Rs. 7,714/-

3. Quantitative and other informations:

The company has not carried on any business activity during the year therefore no quantitative details have been given.

	Current Year	Previous Year
4. C.I.F.Value of Imports:	NIL	NIL
5. Expenditure in Foreign Currency	NIL	NIL
6. Earnings in Foreign Currency	NIL	NIL
7. Out flow in Foreign Currency	NIL	NIL

8. There is no tax provision made as there is loss during the period. Since there is no business activity, no deferred tax liability/asset has been provided for.

9. The Company has changed its accounting year from July-June year to April-March year. As a result of which this accounts covers a period of nine months i.e. from 1st July, 2005 to 31st March, 2006.

10. RELATED PARTY INFORMATION:

LIST OF RELATED PARTIES WHERE CONTROL EXIST.

Holding Company : Aftek Infosys Ltd.

Fellow Subsidiaries : Mihir Properties Pvt. Ltd., Opdex Inc., & Arexera Information Technologies GmbH

Name of Related party	Description of relationship	Nature of Transaction	Amount (Rs.)	Amount outstanding as on 31/03/2006	Amounts written off or written back
Aftek Infosys Ltd.	100% Holding Co.	Taken Interest Free Loan	11,200 (PY 21,020)	Rs. 44,945 (PY Rs. 123,745)	Rs.NIL (PY Rs.NIL)

10. BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	11-44828		State Code 11
Balance – Sheet	31	03	2006
	Date	Month	Year

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

Public Issue	Right Issue
NI	NIL
Bonus Issue	Private placement
NIL	NIL

III Position of Mobilisation and Deployment of Funds(Amt.in thousands)

Total Liabilities	Total Assets
145	145

SOURCES OF FUNDS

Paid – up capital	Reserve & Surplus
100	NIL
Secured Loans	Unsecured Loans
NIL	45

APPLICATION OF FUNDS

Net Fixed Assets	Investments
NIL	NIL
Net Current Assets	Misc. Expenditure
(5)	NIL
Accumulated Losses	
150	

IV Performance of company (Amount in Rs.Thousand).

Turnover	Total Expenditure
NIL	13
+/- Profit/Loss Before Tax	+/- Profit/Loss After Tax
-13	-13
Earning Per Share in Rs. (12.77)	Dividend NIL

V Generic Names Principal Products/Services of Company as per Monetary Terms.

11. Previous years' figures have been regrouped / recast wherever necessary .

For & On behalf of Board of Directors

Mukul S Dalal
Director

Ravindranath U. Malekar
Director

23rd August, 2006, Mumbai.

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of Mihir Properties Private Limited will be held at 11.00 a.m. on Wednesday, the 23rd August, 2006 at the Registered Office of the Company at 265, Veer Savarkar Marg, Cadell Road, Shivaji Park, Dadar, Mumbai-400 028 to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year (nine months) ended on that date together with the Reports of Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Nitin Shukla who retires by rotation, and being eligible, offers himself for re-appointment.

3. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

   "RESOLVED THAT M/s V D Joshi & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service tax, out-of-pocket and travelling expenses actually incurred by them in connection with the Audit."

BY ORDER OF THE BOARD OF DIRECTORS
PROMOD BROOTA
DIRECTOR

Registered Office :
265, Veer Savarkar Marg,
Cadell Road, Shivaji Park, Dadar,
Mumbai – 400 028

DATED : 18th August, 2006

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.

To,
The Members of
Mihir Properties Pvt. Ltd.

Your Directors present their Thirteenth Annual Report together with Audited Statement of Accounts for the year (nine months) ended on 31st March, 2006.

1. PERFORMANCE
The Company did not carry out any business activity during the year under review.

2. CHANGE IN ACCOUNTING YEAR
The Accounting Year has been changed from July-June to April-March. Therefore, the accounts have been drawn up for nine months, for the period ended 31st March, 2006.

3. DIVIDEND
In view of the loss incurred by the Company your directors could not consider recommendation of any dividend for the year.

4. DIRECTORS' RESPONSIBILITY STATEMENT
Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

(i) that in the preparation of the annual accounts for the year (nine months) ended 31st March, 2006,the applicable accounting standards had been followed along with proper explanation relating to material departures;
(ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year (nine months) ended 31st March, 2006 and of the profit of the Company for that period;
(iii) that the directors had 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) that the directors had prepared the annual accounts for the year (nine months) ended 31st March, 2006, on a 'going concern' basis.

5. PERSONNEL
There were no employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, as amended.

6. INFORMATION UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988
Considering the nature of your Company's activities and the fact that no business activity was carried out, the particulars viz. Conservation of energy etc. prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable. There are no Foreign Exchange Earnings and Outgo during the year under review.

7. SECRETARIAL COMPLIANCE CERTIFICATE
Pursuant to the provisions of Section 383A of the Companies Act, 1956 the necessary Secretarial Compliance Certificate is given in Annexure "I" to this report.

8. AUDITORS
M/s. V D Joshi & Co., Chartered Accountants, Mumbai, the retiring Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

FOR AND ON BEHALF OF THE BOARD
NITIN K SHUKLA
CHAIRMAN

PLACE : MUMBAI
DATED: 18th August, 2006

V. V. CHAKRADEO & CO.
COMPANY SECRETARIES.
B – 301, MATOSHREE RESIDENCY, PRATHANA SAMAJ ROAD,
VILE PARLE (EAST), MUMBAI 400 0 57.
TEL. NO. 26116821 EMAIL vvchakra@vsnl.net
CELL NO. 98200 48732.

COMPLIANCE CERTIFICATE
(Under Proviso to Sub-Section (1) of Section 383 A)

To
The Members,
MIHIR PROPERTIES PRIVATE LIMITED
Mumbai.

I have examined the registers, records, books and papers of MIHIR PROPERTIES PRIVATE LIMITED having its registered office at 265, Veer Savarkar Marg, Cadell Road, Dadar, Mumbai 400 028 as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year (nine months) ended on 31st March, 2006. The Company has changed its financial year from July-June to April-March, and therefore, the financial year under consideration is a period of nine months from 1st July, 2005 to 31st March, 2006. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year :

1. the company has kept and maintained all registers as stated in Annexure "A" to this certificate as per the provisions and the rules made thereunder and all entries therein have been duly recorded.

2. the company has duly filed the forms and returns as stated in Annexure "B" to this certificate with the Registrar of Companies, Maharashtra, Mumbai within the time prescribed under the Act and the rules made thereunder except as specified in the said Annexure 'B'.

3. the company being private limited company has the minimum prescribed paid-up capital and its maximum number of members during the said financial year was 2 excluding its present and past employees and the company during the year under scrutiny:

   (i) has not invited public to subscribe for its shares or debentures; and
   (ii) has not invited or accepted any deposits from persons other than its members, directors or their relatives.

4. the Board of Directors duly met four times in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

5. the company was not required to close its Register of Members during the financial year under scrutiny.

6. the Annual General Meeting for the financial year ended on 30th June, 2005 was held on 25th November, 2005 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

7. no extra ordinary general meeting was held during the financial year under scrutiny.

8. the provisions of Section 295 of the Act were not attracted during the year under scrutiny.

9. no contracts were entered into during the year attracting the provisions of Section 297 of the Act.

10. the company has made necessary entries in the register maintained under Section 301 of the Act.

11. as there were no instances falling within the purview of Section 314 of the Act, the company was not require to obtain any approvals from the Board of Directors, members or Central Government.

12. the company has not issued any duplicate share certificates during the financial year under scrutiny.

13. the company has :

    1. not made any allotment/transfer/transmission of securities during the financial year.

    2. not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.

    3. not posted warrants to any member of the company as no dividend was declared during the financial year.

    4. there were no amounts unpaid in dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years and hence the question of transferring of the same to the Investor Education and Protection Fund does not arise.

    5. duly complied with the requirements of Section 217 of the Act.

14. Board of Directors of the company is duly constituted and there was no appointment of directors, additional directors, alternate directors and directors to fill casual vacancy during the financial year under scrutiny.

15. the provisions of Section 269 of the Act with regard to appointment of Managing Director and Whole-time Director were not attracted during the financial year under scrutiny.

16. the company has not appointed any sole-selling agents during the financial year under scrutiny.

17. the company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such other authorities prescribed under the various provisions of the Act.

18. the Directors have disclosed their interest in other companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

19. the company has not issued any shares/ debentures/ other securities during the financial year under scrutiny.

20. the company has not bought back any shares during the financial year under scrutiny.

21. the company has not issued any preference shares/debentures and hence there is no question of redemption of the same.

22. during the year there was no need for the company to keep in abeyance rights to dividend, rights shares and bonus shares.

23. the company has not invited/accepted any deposits falling within the purview of Section 58A during the financial year under scrutiny.

24. the provisions of Section 293(1)(d) of the Act were not attracted during the financial year under scrutiny.

25. the company has not made any loans or investments, or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.

26. the company has not altered the provisions of the Memorandum of Association with respect to situation of the company's registered office from one state to another during the year under scrutiny.

27. the company has not altered the provisions of the Memorandum of Association with respect to the objects of the company during the year under scrutiny

28. the company has not altered the provisions of the Memorandum of Association with respect to name of the company during the year under scrutiny.

29. the company has not altered the provisions of the Memorandum of Association with respect to share capital of the company during the year under scrutiny.

30. the company has not altered its Articles of Association during the year under scrutiny.

31. there was no prosecution initiated against or show cause notice received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for the offences under the Act.

32. the company has not received any sum as security from its employees during the year under scrutiny.

33. the provisions of Section 418 of the Act are not applicable to the company during the year under scrutiny.

For V V CHAKRADEO & Co.
V V CHAKRADEO
C.O. P. NO. : 1705

PLACE : MUMBAI
DATED : 18th August, 2006

Annexure A

Registers as maintained by the Company

1. Register of Members U/S. 150.
2. Minutes Books of General Meetings and Board Meetings U/S. 193.
3. Register of Contracts U/S. 301.
4. Register of Directors U/S. 303.
5. Register of Directors Shareholding U/S. 307.

Annexure B

Forms and Returns as filed by the company with the Registrar of Companies, Maharashtra, Mumbai during the financial (nine months)year ended on 31st March, 2006:

1. Balance Sheet for the year ended 30/06/2005 filed u/s 220 on 20/01/2006.
2. Compliance Certificate for the year ended 30/06/2005 filed u/s 383 on 20/01/2006.
3. Annual Return for AGM held on 25/11/2005 filed u/s 159 on 20/01/2006

Auditors' Report to the Members of Mihir Properties Pvt. Ltd.

We have audited the attached Balance Sheet of **Mihir Properties Pvt. Ltd.** as at 31st March, 2006 and also the Profit and Loss Account for the nine months 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.

1. 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 from 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.

2. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Paragraph 4 & 5 of the said order.

3. 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 purpose of our audit;

   b. In our opinion, the company has kept proper books of account as required by law so far as appears from our examination of those books;

   c. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;

   d. In our opinion, the Profit & Loss Account and the Balance Sheet comply with the accounting standards referred to in Sub-Section (3c) of section 211 of the Companies Act, 1956.

   e. According to information and explanations given to us and on the basis of written representation received from the directors, taken on record by the Board of Directors of the company, no director is disqualified as on 31st March, 2006 from being appointed as director in terms of clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes contained in Schedule A thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:-

      i. in the case of Balance sheet, of the state of affairs of the Company as at 31st March, 2006

      ii. in the case of Profit & Loss Account, of the loss for the nine months ended on that date.

FOR V.D. JOSHI & CO.
Chartered Accountants

(V.D.JOSHI)
Proprietor
Membership No. 043340

18th August, 2006,

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 2 of the Auditors' Report of even date to the members of Mihir Properties Pvt. Ltd. for the nine months ended on 31st March, 2006.)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

   (b) There is a regular program of physical verification, which in our opinion is reasonable, having regard to the size of the Company and nature of fixed assets. No material discrepancies have been noticed in respect of the assets physically verified during the year.

   (c) The Company has not disposed off substantial part of fixed assets during the year.

2. There is no opening or closing stock in trade nor any inventories so no question of physical verification or maintaining proper record arises.

3. The Company has not taken nor granted any loan from / to parties covered in the register maintained under Section 301 of the Companies Act, 1956.

4. There is no business or manufacturing activity during the year and hence there is no question of internal control system arises.

5. There are no transactions with the parties covered under section 301 of the Companies Act, 1956.

6. The company has not accepted any deposit from the public, attracting the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

7. The Company has no internal audit system. As per explanations and information given by the management, in absence of any business activity, internal audit system is not required.

8. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the product manufactured by the company.

9. (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

   (b) According to the information and explanations given to us no undisputed amounts payable in respect of Income –Tax, Wealth -Tax, Sales-Tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31st March, 2006 for a period of more than 6 months from the date they become payable .

   (c) According to information and explanations given to us, there are no dues of Sales-tax, income-tax, Custom Duty, Excise Duty, Cess which have not been deposited on account of any dispute.

10. The Company has incurred cash loss in the current year and also in the immediately preceding financial year and accumulated losses in the Balance Sheet as on 31st March, 2006 are less than 50% of the net worth of the company.

11. The Company has not defaulted during the year in repayment of dues to any financial institutions, banks or debenture holders.

12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

13. As the Company is not a chit fund, nidhi, mutual benefit fund or society, the provision of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

14. As the Company is not dealing or trading in shares, securities, debentures and other investments, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

15. In our opinion and according to information and explanations given to us, the Company has not given guarantee for loans taken by others from Bank or Financial Institutions.

16. The Company has not taken any term loan during the year.

17. According to the information and explanations given to us, the Company has not applied short term borrowings for long term use.

18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

19. The Company has not issued debentures and therefore the question of creation of security in respect debentures does not arise.

20. The Company has not raised money by public issues during the nine months period.

21. According to the information and explanations given to us no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR V.D. JOSHI & CO.
Chartered Accountants

(V.D. JOSHI)
Proprietor

18th August, 2006, Mumbai

BALANCE SHEET as at 31st March ,2006

	SCH		As At 31st March'06 Rs.	As At 30th June '05 Rs.
SOURCE OF FUND				
Share Capital				
AUTHORISED				
150,000 (PY 150,000) Equity Shares of Rs.100/- each			15,000,000	15,000,000
ISSUED,SUBSCRIBED & PAID UP			14,500,000	14,500,000
145,000 (PY145,000) Equity shares of Rs.100/- each fully paid up)				
RESERVES & SURPLUS				
Share Premium			16,620,000	16,620,000
UNSECURED LOANS				
From Holding Company			125,655	118,155
			31,245,655	**31,238,155**
APPLICATION OF FUNDS:				
Fixed Assets				
Land & Building (Refer Note of Sch.A)		30,964,169		30,964,169
Less: Depreciation		2,130,935		1,840,160
			28,833,234	29,124,009
Current Assets,Loans & Advances				
Cash & Bank Balance		33,050		37,142
Deposits & Advances		15,590		15,590
		48,640		52,732
Less: Current Liabilities & Provisions		22,244		17,632
Net Current Assets			26,396	35,099
Miscellaneous Expenditure			-	3,972
(To the extent not wriitten off or adjusted)				
Profit & Loss Account			2,386,025	2,075,074
			31,245,655	**31,238,155**
Notes to Accounts	A			

The accompanying notes form an integral part of the Balance sheet.

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

V.D. JOSHI
Proprietor
Mumbai, 18th August, 2006

Director **Director**

PROFIT & LOSS ACCOUNT for the Nine Months Ended 31st March, 2006

PARTICULARS	SCH	2005 - 06 Rs. (Nine Months)	2004 - 05 Rs. (Twelve Months)
Income		-	-
		-	-
Expenditure			
Bank Charges		276	153
Filing fees		2,500	9,000
Audit Fees		11,224	8,816
Preliminary Expenses written off		3,972	6,064
Professional Fees		2,204	-
		20,176	24,033
Profit before Depreciation & Tax		(20,176)	(24,033)
Less : Provision for Depreciation		290,775	387,346
Net Profit/(Loss) Before Tax		(310,951)	(411,379)
Less : Provision for Taxation		-	-
Net Profit/(Loss) for the year		**(310,951)**	**(411,379)**
Balance brought forward		(2,075,074)	(1,663,695)
Less/(Add) : Net Profit/(Loss) for the year		(310,951)	(411,379)
Balance carried to Balance Sheet		**(2,386,025)**	**(2,075,074)**
Notes to Accounts	A		

The accompanying notes form an integral part of the Balance sheet & Profit & Loss A/c.

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

V.D. JOSHI
Proprietor
Mumbai, 18th August, 2006

Director **Director**

NOTES FORMING PART OF ACCOUNTS as at 31st March 2006

SCHEDULE A

NOTES FORMING PART OF ACCOUNTS AS AT 31ST MARCH, 2006

1. SIGNIFICANT ACCOUNTING POLICIES:

A METHOD OF ACCOUNTING : The company maintains its accounts on accrual basis.

B) FIXED ASSETS: Fixed assets have been shown at historical cost incurred to bring the assets at the existing condition.

C) DEPRECIATION: Depreciation on building has been calculated on straight line method as per rate prescribed in schedule XIV of the Companies Act,

2. **Contingent liability :-** The Company has kept its building as security for availing OD facility with Scheduled Bank for Rs.400 Lacs (P.Y. Rs.400 Lacs), for its holding Company Aftek Infosys Ltd.

3. In our opinion, additional information as required vide Schedule VI of the Companies Act, 1956 are not applicable to the company.

4. Payment to Auditors :

	2005-2006 (9 months)	2004-2005 (12 months)
For Audit Fees (Inclusive of Service Tax)	Rs.11,224.00	Rs.8,816.00

5. There are no tax expenses as there is loss during the year. Since there is no business activity, no deferred tax liability/asset has been provided for.

6. The Company has changed its accounting year from July-June year to April-March year. As a result of which this accounts covers a period of nine months i.e. from 1st July, 2005 to 31st March, 2006.

7. Previous year's figure have been re-grouped and rearranged wherever necessary.

8. RELATED PARTY INFORMATION:

LIST OF RELATED PARTIES WHERE CONTROL EXISTS:

Holding Company : Aftek Infosys Ltd.

Fellow Subsidiaries : Aftek Sales & Services Pvt. Ltd., Opdex Inc. & Arexera Information Technologies GmbH

Name of Related party	Description of relationship	Nature of Transaction	Amount (Rs.)	Amount outstanding as on 31/03/2006 and provisions for doubtful	Amount written off or written back
Aftek Infosys Ltd.	100% Holding Co.	Taken Interest Free Loan	7,500/- (PY 25,565/-)	Rs.1,25,655/- (PY Rs.1,18,155/-)	Nil
Aftek Infosys Ltd.	100% Holding Co.	Using our Land & Building Rent Free	Nil	Nil	Nil

NOTES FORMING PART OF ACCOUNTS as at 31st March 2006

9. BALANCE SHEET ABSTRACT AND COMPANY'S, GENERAL BUSINESS PROFILE AS PER SCHEDULE VI PART (iv) OF THE COMPANIES ACT, 1956.

i) REGISTRATION DETAILS:

Registration No :	11-71510
Balance Sheet date :	31st March, 2006.

ii) CAPITAL RAISED DURING THE YEAR: (Amt.in Rs. '000)

Public Issue	Right Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

iii) **POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS: (Amt.in Rs. '000)**

Total Liabilities	Total Assets
31246	31246
SOURCES OF FUNDS	
Paid up Capital	Reserves & Surplus
14500	16620
Secured Loans	Unsecured Loans
Nil	126
APPLICATION OF FUNDS	
Net Fixed assets	Investments
28833	NIL
Net Current Assets	Misc.Expenditure
27	NIL
Accumulated Losses	
2386	

iv). **PERFORMANCE OF COMPANY: (Amt.in Rs. '000)**

Turnover	Total Expenditure
Nil	(311)
Other Income	Profit/(Loss) after Tax
Nil	(311)
Earning Per share in Rs. (2.14)	Dividend NIL

v) **GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICE Of COMPANY AS PER MONETARY TERMS. - NIL -**

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

V.D. JOSHI
Proprietor
Mumbai, 18th August, 2006

Director **Director**

DIRECTORS' REPORT

To,

The Members of

Opdex Inc.

The Directors present herewith the Annual Report together with the Audited Accounts for the year (nine months) ended March 31, 2006.

1. **PERFORMANCE**

   During the year your Company focused its activities in the field of Energy Management.

2. **CHANGE IN ACCOUNTING YEAR**

   The Accounting year has been changed from July-June to April-March. Therefore, the accounts have been drawn up for nine months, for the period ended March 31, 2006.

3. **DIVIDEND**

   In view of the loss incurred during the year, your Directors could not consider any proposal for dividend.

4. **FUTURE PROSPECTS**

   Your Company has finalised, in consultation with EPRI, a roadmap in the area of Energy Management which is expected to benifit the entire Aftek group.

BY ORDER OF THE BOARD OF DIRECTORS

RANJIT DHURU

DIRECTOR

August 29, 2006.

Auditors' Report to the Members of OPDEX INC.

I have audited the accompanying balance sheet of Opdex Inc. as of March 31, 2006, and the related statements of operations, retained earnings, and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opdex Inc. as of March 31, 2006, and the results of operations and its cash flows for the Nine months then ended in conformity with generally accepted accounting principles.

Surender K. Jindal
Certified Public Accountant

Hayward, California
August 24, 2006.

BALANCE SHEET as at 31st March, 2006

	(Amount in US $)	(Amount in US $)
ASSETS		
Current Assets:		
Cash	11,395	
Prepaid franchise tax	800	
Total Current Assets		12,195
Property and equipment,		
net of depreciation	1,146	
Total Property and Equipment		1,146
Other Assets:		
Licenses/permits,		
net of amortization	586,464	
Total Other Assets		586,464
Total Assets		599,805
LIABILITIES & SHAREHOLDER'S EQUITY		
Current Liabilities:		
Accounts payable	35,000	
Total Current Liabilities		35,000
Other Liabilities:		
Payable shareholders	50,000	
Total Current Liabilities		50,000
Shareholder's Equity:		
Common Stock, $0.05 par value;		
authorized 100,000,000 shares;		
issued and outstanding		
31,700,000 shares	1,585,000	
Retained earnings	(1,070,195)	
Total Shareholder's Equity		514,805
Total Liabilities & Shareholder's Equity		599,805

The accompanying notes are an integral part of these financial statements.

STATEMENT of Operations for the Nine Months Ended 31st March, 2006

	(Amount in US $)
Service Revenues	-
Cost of Service Revenues	-
Gross Profit	-
Operating Expenses	76,242
Loss From Operations	(76,242)
Provision For Income Taxes	(800)
Net Loss	(77,042)

STATEMENT of Retained Earning as at 31st March 2006

	(Amount in US $)
Retained Earnings - Beginning July 1, 2005	(993,153)
Net Loss - Nine months ended March 31, 2006	(77,042)
Retained Earnings - Ending March 31, 2006.	(1,070,195)

Statement of Cash Flows Nine Months Ended March 31, 2006

Cash Flows From Operating Activities:	
Net loss	(77,042)
Adjustments to reconcile net loss	
provided by operating activities:	
Depreciation and amortization	55,941
Decrease in accrued expenses	(19,360)
Net Cash Used By Operating Activities	(40,461)
Cash Flows From Investing Activities	
Purchase of Equipment	-
Net Cash Used By Investing Activities	-
Cash Flows From Financing Activities	
Proceeds from the issuance of common stock	50,000
Net Cash Provided By Financing Activities	50,000
Net Increase in Cash	9,539
Cash at Beginning of Year i.e. from July 01, 2005	1,856
Cash at End of Nine Months Period i.e. March 31, 2006.	11,395

Notes To Financial Statement for the Nine Months Ended March, 31st 2006

Summary of Significant Accounting Policies:

(a) Nature of Operations:

Opdex Inc. is set up as a 100% subsidiary of Aftek Infosys Ltd., India (AftekIndia) with two primary objectives. First is to act as a marketing arm for marketing software services of AftekIndia and to install confidence and comfort level in the client base. Second is to create and develop Software Products and Intellectual Property rights and to market software products primarily created by Opdex Inc.

(b) Revenue of Loss Recognition:

The company utilizes the accrual method of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

(c) Property and Equipment:

Property and equipment owned are stated at cost. Depreciation for financial reporting purposes is computed using the accelerated depreciation method over the estimated useful life of the related assets, which range from 5-7 years.

(d) Licenses/Permits:

Licenses/Permits are valued at cost. Licenses were acquired from the parent company Aftek Infosys Ltd., India, in lieu of 19 million shares of common stock.

Amortization is computed under the straight-line method over the estimated useful life of 15 years.

(e) Income Taxes:

The corporation has a net operating loss carry forward for tax purposes of US$1,069,120 to offset against future tax liabilities.

(f) Lease Commitments:

None.

Auditors' Report On Consolidated Financial Statement

to the Board of Directors of Aftek Infosys Limited

We have audited the attached Consolidated Balance Sheet of **AFTEK INFOSYS LIMITED** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2006 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the nine months period ended on that date annexed thereto. The preparations of 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.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

2. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs.162,352,460/- as at 31st March, 2006, total revenue of Rs.86,078,175/- and net cash outflows amounting to Rs.1,337,118/- for the nine months period ended on that date. Those 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 reports of other auditors.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS-21) "Consolidated Financial Statements".

4. Based on our audit and on consideration of the reports of other auditors on separate financial statements read with notes 1 & 2 of schedule M Part B, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India

   i) In the case of Consolidated Balance sheet, of the state of affairs of the Group as at 31st March, 2006,

   ii) in the case of the Consolidated Profit & Loss Account, of the profit of the Group for the nine months period ended on that date and,

   iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the nine months period ended on that date.

FOR V.D.JOSHI & CO.

Chartered Accountants

(V.D.JOSHI)

Proprietor

Membership No.043340

Mumbai, 31st August, 2006

CONSOLIDATED BALANCE SHEET as at 31st March, 2006

	SCH	As At 31st March'06 Rs.	As At 30th June'05 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
Share Capital	A	171,433,462	150,000,000
Partly Paid Warrants		47,868,552	-
(See Note 16 of Schedule M)			
Reserves and Surplus	B	4,632,185,085	3,075,715,280
LOAN FUND	C		
Secured Loans		227,047	334,983
Unsecured Loans		528,404,000	1,295,400,000
		5,380,118,146	4,521,450,263
APPLICATION OF FUNDS			
FIXED ASSETS	D		
Gross Block		642,338,219	655,533,896
Less: Depreciation		498,404,721	385,965,000
Net Block		143,933,499	269,568,897
Capital Work-in-Progress		14,348,929	-
		158,282,428	269,568,897
GOODWILL		1,017,237,558	24,145,000
INVESTMENTS	E	168,713,121	469,930,703
CURRENT ASSETS, LOANS & ADVANCES	F		
Inventories		1,868,868	2,080,135
Sundry Debtors		855,506,381	470,541,238
Cash & Bank Balance		3,309,430,025	3,281,061,558
Loans, Advances & Deposits		325,072,653	233,451,656
		4,491,877,927	3,987,134,587
LESS: CURRENT LIABILITIES & PROVISIONS	G	465,292,973	245,471,751
Net Current Assets		4,026,584,954	3,741,662,836
Miscellaneous Expenditure (To the extent not written off or adjusted)	H	9,300,084	16,142,827
		5,380,118,146	4,521,450,263
Notes on Accounts	M		

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

V.D. JOSHI
Proprietor
Mumbai, 31st August, 2006

RANJIT M DHURU
Chairman & Mg. Director

NITIN K SHUKLA
Director - Finance

CONSOLIDATED PROFIT & LOSS ACCOUNT for the Nine Months Ended 31st March, 2006

	SCH	2005 - 06 Rs. (Nine Months)	2004 - 05 Rs. (Twelve Months)
INCOME:			
Sales	I	2,016,129,197	1,952,474,828
Other Income	J	96,510,904	27,506,977
		2,112,640,101	**1,979,981,805**
EXPENDITURE:		-	
Cost of Revenues & Employees Cost	K	1,219,877,297	1,022,340,433
Selling, Administrative & Other Expenses	L	72,437,614	171,369,556
Depreciation and amortisation	D	135,088,022	180,641,478
		1,427,402,933	**1,374,351,467**
Profit before Extra Ordinary Items, Prior Period Adjustments & Tax		**685,237,168**	**605,630,338**
Extraordinary Item		-	-
Profit before Prior Period Adjustments & Tax		**685,237,168**	**605,630,338**
Provision for Current Tax		3,500,000	9,763,659
Provision for Deferred Tax		-	-
Fringe Benefit Tax		**699,328**	**213,540**
		4,199,328	**9,977,199**
Profit before Prior Period Adjustment		**681,037,840**	**595,653,139**
Less : Prior period adjustment		131,638	93,852
Profit before share of profit in associates		**680,906,202**	**595,559,287**
Add less: share in profit/(loss) in associates		31,973,642	-
Profit after tax		**712,879,844**	**595,559,287**
Add: Balance Brought forward from Previous Year		1,568,310,710	1,187,441,057
The investor's share of the profits of associate of earlier years		39,298,392	-
Less : Goodwill not amortised in earlier years now adjusted		(8,182,472)	-
(Short)/Excess Provision for Taxation of earlier years		-	(18,265,041)
Amount Available for Appropriation		**2,312,306,474**	**1,764,735,303**
Less: Proposed Dividend		86,647,050	85,279,613
Tax on Dividend		12,152,248	11,144,980
Trfd. to General Reserve		100,000,000	100,000,000
Dividend and Dividend Tax For 04-05		42,231	-
Profit transferred to Balance Sheet		**2,113,464,945**	**1,568,310,710**
Basic Earnings Per Share of Rs.2/- each		**8.73**	**7.70**
Diluted Earning Per Share of Rs.2/- each		**8.62**	**7.65**
(Refer Note 12 of Schedule M)			
Notes on Accounts	M		

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

V.D. JOSHI
Proprietor
Mumbai, 31st August, 2006

RANJIT M DHURU
Chairman & Mg. Director

NITIN K SHUKLA
Director - Finance

CONSOLIDATED CASH FLOW STATEMENT for the Nine Months Ended 31st March, 2006

	2005 - 2006 (Nine Months) Rs.	2004 - 2005 (Twelve Months) Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax, prior period adjustment and after extraordinary item	685,237,168	605,630,338
Adjustments :		
Depreciation and amortisation	135,088,022	180,641,478
Miscellaneous Expenditure Written Off	5,354,427	7,931,087
Provision for employee benefits (Net)	376,935	239,299
Employee Compensation (ESOP)	7,053,161	14,559,076
Unrealised foreign exchange (gain)/loss	(49,277,311)	75,097,504
Loss on sale/discard of Fixed Assets	526,246	2,221
Provision for Doubtful Debts / Advances	(21,802)	174,282
Provision for Doubtful Debts converted to Bad Debts	(131,148)	-
Interest Income	(28,680,088)	(25,437,875)
Operating Profit Before Working Capital Changes	**755,525,609**	**858,837,411**
Adjustments for (Increase)/Decrease in :		
Trade & other receivables	(399,514,328)	(204,950,101)
Inventories	211,266	1,372,299
Trade Payables and other liabilities	141,489,987	96,837,487
	497,712,535	752,097,096
Prior Period Item	(131,638)	(93,852)
Direct taxes paid (Including Advance Tax and Net of Refund)	(8,434,600)	(14,087,274)
	489,146,297	737,915,970
Extra ordinary Items	-	-
Net Cash Generated From Operating Activities	**489,146,297**	**737,915,970**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets *	(21,306,717)	(16,220,948)
Sale of Fixed Assets	652,245	1,200
Acquisition of shares from promotors in wholly owned subsidiary	(548,155,885)	-
Investment in others	(40,982,433)	-
(Increase)/Decrease in Loans & Advances to Affiliates	(18,564,422)	500,132
Advances for Acquisition of Shares	(20,005,272)	-
Interest income & Mutual Fund Income	34,464,272	25,437,875
Net Cash From Investing Activities	**(613,898,212)**	**9,718,260**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Foreign Currency Convertible Bonds	194,085,000	1,295,400,000
FCCB Expenses	(67,206,790)	(1,412,620)
Shares issued under ESOP	5,159,958	-
Loan from ICICI Bank (Net)	-	334,983
Repayment to ICICI Bank	(107,936)	-
Application Money for Warrants	47,868,552	-
Interest Paid	(5,784,185)	-
Dividend Paid (Incl Tax on Dividend)	(95,966,615)	(55,915,529)
Net Cash From Financing Activities	**78,047,985**	**1,238,406,834**
D. Effect on change in Exchange Rate	-	(110,221)
E. Net increase/(Decrease) in Cash & Cash equivalents (A+B+C+D)	**(46,703,930)**	**1,985,930,843**
Cash & Cash equivalents at the beginning of the period	**3,281,061,558**	**1,365,890,448**
Cash acquired on acquisition	**825,298**	-
Cash & Cash equivalents at the end of the period	**3,235,182,926**	**3,351,821,291**
Add: Unrealised Foreign Exchange Loss on cash & Cash Equivalent	**74,247,099**	(70,759,732)
Cash & Cash equivalents at the end of the period as per Accounts	**3,309,430,025**	**3,281,061,558**

Notes to the Cash flow statement

* Includes stock in trade converted to Fixed Assets Rs.424849/- (PY 251241/-)

1 Figures in bracket represents outflow.

2 Previous year's figures have been regrouped whereever necessary.

As per our audit report of even date
For V.D. JOSHI & CO.,
Chartered Accountants

For & on Behalf of Board of Directors

V.D. JOSHI
Proprietor
Mumbai, 31st August, 2006

RANJIT M DHURU
Chairman & Mg. Director

NITIN K SHUKLA
Director - Finance

	As At 31st March '06 Rs.	As At 30th June'05 Rs.
SCHEDULE A: SHARE CAPITAL		
Authorised		
125,000,000 (PY100,000,000)Equity shares of Rs. 2/- each	250,000,000	200,000,000
Issued, Subscribed & Paid Up		
85,716,731(PY75,000,000) Eq.Shares of Rs.2/- each	171,433,462	150,000,000
	171,433,462	**150,000,000**

Notes :

1. Of the above equity shares, following were alloted :
   - A) as fully paid Bonus Shares :
     1,750,000* in 1994 - 95 by capitalisation of General Reserve
     25,000,000 in 2004 - 05 by capitalisation of General Reserve.
   - B) as Fully paid up Equity Shares -
     10,522,890 in 2005-06 consequant to conversion of 2270 FCCBs .
   - C) 193841 against exercise of Stock Option under Employees Stock Option Scheme 2004.

2. 14,539,035 (PY 29,994,750) equity shares of Rs.2/- each fully paid up represent 4,846,345 (PY 9,998,250)Global Depository Receipts ("GDRs"). Originaly 3,999,300 shares of Rs.10/- each, were issued underlying 1,333,100 GDRs by way of GDR offering in the year 2003 by the Company.

3. Under Aftek Employees Stock Option Scheme the company has granted (net of options lapsed) : -594907 (PY 607460) Options in 2004 - 05, of which 193,841 (PY NIL) vested Options# have been exercised.

* Consequant upon sub-division of shares from Rs.10/- to Rs.2/-
# Each Option entitles the holder thereof to apply for and be alloted 1 ordinary share of the face value of Rs.2/- each

	As At 31st March '06 Rs.	As At 30th June'05 Rs.
SCHEDULE B : RESERVES & SURPLUS		
General Reserve :		
Opening Balance	265,859,952	216,837,282
Add : Addition	100,000,000	100,000,000
	365,859,952	316,837,282
Less : Issue of Bonus shares	-	50,000,000
Less: Deferred Tax Adjustment	-	977,330
	365,859,952	265,859,952
Share Premium :		
Opening Balance	1,226,032,575	1,226,032,575
Add:Addition	981,312,801	-
Less: FCCB Expenses Written Off	68,619,410	-
	2,138,725,966	1,226,032,575
Capital Reserve	336,210	336,210
Employee Stock Options		
Employee Stock Options Outstanding	22,063,551	31,393,429
Less : Deferred Employee Compensation Expenses	8,885,120	16,834,353
	13,178,431	14,559,076
Profit & Loss Account	2,113,464,945	1,568,310,710
Foreign currency translation reserve	619,581	616,757
	4,632,185,085	**3,075,715,280**
SCHEDULE C : LOAN FUND		
SECURED LOANS		
ICICI Bank Car Loan (Secured against Motor Car)	227,047	334,983
	227,047	**334,983**
UNSECURED LOANS		
1% Foreign Currency Convertible Bonds Due 2010 (1180 (PY3000) FCCBs of US$ 10000/- each)	528,404,000	1,295,400,000
	528,404,000	**1,295,400,000**

CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE D: FIXED ASSETS

Amount in Rupees

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/07/05	Additions	Sale/ Removed	Total 31/03/06	Upto 30/06/05	Sale/ Removed	During the Year	Total 31/03/06	As at 31/03/06	As at 30/06/05
TANGIBLE ASSETS										
1. Leasehold Land	10,052,980	59,670	-	10,112,650	-	-	54,313	54,313	10,058,337	10,052,980
2. Plot of Land	16,201,320	-	-	16,201,320	-	-	-	-	16,201,320	16,201,320
3. Factory Building	8,290,632	-	-	8,290,632	3,061,598	-	489,874	3,551,472	4,739,160	5,229,034
4. Office land and building	30,964,169	-	-	30,964,169	1,840,160	-	290,775	2,130,935	28,833,234	29,124,009
5. Plant & Machinery	8,856,854	1,627,756	4,490,610	5,994,000	7,796,641	4,490,566	507,425	3,813,500	2,180,501	1,060,213
6. Electrical Fittings	2,819,378	-	2,403,689	415,688	2,791,151	2,403,689	27,708	415,170	518	28,226
7. Computers	47,704,517	7,590,838	7,627,122	47,668,233	39,873,316	7,376,473	5,235,660	37,732,502	9,935,731	7,831,201
8. Air Conditioner	2,806,685	-	1,706,160	1,100,525	2,416,830	1,586,350	268,672	1,099,151	1,374	389,855
9. Furniture & Fixtures	15,149,879	41,881	5,424,202	9,767,557	12,473,187	4,685,435	1,523,563	9,311,315	456,242	2,676,692
10. Motor Vehicles	10,811,233	-	-	10,811,233	9,950,311	-	459,157	10,409,468	401,765	860,922
11. Office Equipment	2,880,379	101,851	970,038	2,012,192	2,354,405	898,538	198,089	1,653,957	358,235	525,973
Intangible Assets										
12. IPR	498,995,871	4,148	-	499,000,019	303,407,401	-	124,825,536	428,232,938	70,767,082	195,588,470
Total	655,533,896	9,426,144	22,621,822	642,338,219	385,965,000	21,441,051	133,880,772	498,404,721	143,933,499	269,568,897
Capital Work-in-progress	-	14,348,929	-	14,348,929	-	-	-	-	14,348,929	-
Grand Total	655,533,896	23,775,073	22,621,822	656,687,148	385,965,000	21,441,051	133,880,772	498,404,720	158,282,428	269,568,897

Capital Work-in-Progress includes Intangible Assets yet to be capitalised Rs.9283097/- (PY NIL)

	As At 31st March '06 Rs.	As At 30th June '05 Rs.
SCHEDULE E : INVESTMENT		
Unquoted - Trade Investments (At Cost)		
Arexera Information Technologies GmbH	-	469,930,703
(49.23%(PY49.23%)) of the share capital of the company.		
In Associates		
Digihome Solutions Pvt. Ltd.	625,000	-
(62500 (PY 0) Equity Shares of Rs.10/- each fully paid up)		
In others		
Elven Technologies Pvt. Ltd.(Shares)	375,000	-
(37500 (PY 0) Equity Shares of Rs.10/- each fully paid up)		
V. Soft Inc. (USA)	39,982,433	-
(164250 (PY 0) Equity Shares of US $5.48 each fully paid up)		
Seekport Internet Technologies GmbH	127,730,688	-
(33% (PY 0) of the share capital of the Arexera Information Technologies GmbH		
	168,713,121	**469,930,703**
SCHEDULE F : CURRENT ASSETS, LOANS & ADVANCES		
I Inventories		
(As taken, valued & certified by the Management)		
Raw Materials, Consumables	1,601,375	1,192,838
Work-in-progress	267,493	570,832
Finished Product	-	316,465
	1,868,868	**2,080,135**
II Sundry Debtors		
(Unsecured considered good except stated otherwise)		
(a) Outstanding for more than six months		
Considered good	89,059,686	92,777,137
Considered Doubtful	89,059,686	2,091,925
	178,119,372	94,869,062
Less: Provision for Doubtful Debts	89,059,686	2,091,925
	89,059,686	92,777,137
(b) Others (Considered Good)	766,446,695	377,764,101
	855,506,381	**470,541,238**

	As At 31st March '06 Rs.	As At 30th June '05 Rs.
III Cash & Bank Balances		
Cash in Hand	2,304,836	2,350,651
With Scheduled Bank		
-In Cash Credit Account	7,099,044	15,927,026
-In Current Account	338,207	1,951,464
-In Fixed Deposit #	554,413,966	1,232,241,259
-In Dividend Account	2,735,113	2,231,808
-In Foreign Currency Current Account	24,927,641	36,497,008
With Non Scheduled Bank		
In Current accounts		
-Banco Efisa , Portugal (Maximum Balance Outstanding at any time during the year Rs.1,550,388,503(PY 1,086,912,482))	1,437,360,950	973,310,862
-Investec Bank (Switzerland) AG, Switzerland (Maximum Balance Outstanding at any time during the year Rs.45,470,000(PY NIL))	199,016	-
In Deposit Account		
-Banco Efisa, Portugal (Maximum Balance Outstanding at any time during the year Rs.1,054,821,812(PY 1,225,956,654))	1,054,821,812	1,016,551,481
-Investec Bank (Switzerland) AG, Switzerland (Maximum Balance Outstanding at any time during the year Rs.229,816,240(PY NIL))	225,229,439	-
	3,309,430,025	**3,281,061,558**

Balance in Deposit Accounts with Scheduled Bank include Rs.143733/- (PY 701259/-) worth FD's under lien.

Balance in Foreign Currency Current Accounts includes Rs.177480/- (PY 34543525) being unutilised money of FCCB issue.

Balance in Fixed Deposit Accounts includes Rs.531219025/- (PY 1209040000/-) being unutilised money of FCCB issue.

Balance in Investec Bank (Switzerland) AG Current Account includes Rs199016/- (PY NIL) being unutilised money of FCCB issue.

Balance in Investec Bank (Switzerland) AG Deposit Account includes Rs225229439/- (PY NIL) being unutilised money of FCCB issue.

Balance in Banco Efisa Current Account includes Rs.1,344,079(PY14,635,553) is unutilised money of the GDR issue.

Balance in Banco Efisa Deposit Account includes Rs.NIL(PY 8,391,552) is unutilised money of the GDR issue.

CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS

	As At 31st March '06 Rs.	AS AT 30th June '05 Rs.
SCHEDULE F Current Assets, Loans & Advances (Cont'd)		
IV Loans, Advances & Deposits		
(Unsecured considered good except stated otherwise)		
Advances recoverable in cash or in kind		
Considered Good	62,775,480	60,931,833
Considered Doubtful	-	-
	62,775,480	60,931,833
Less : Provision for Doubtful Advances	-	-
	62,775,480	60,931,833
Advances for acquisition of shares	21,382,097	3,595,575
Less : Provision for Doubtful Advances	3,595,575	3,595,575
	17,786,522	-
Loans & Advances - Affiliates	41,395,618	22,502,118
Other assets of Arexera GmbH	50,417,967	-
Deposit with Body Corporates	145,598,630	145,598,630
Deposits - others	4,052,802	4,308,020
Interest Accrued	3,045,635	111,055
TOTAL Rs.	**325,072,653**	**233,451,656**

SCHEDULE G: CURRENT LIABILITIES & PROVISIONS		
i) Current Liabilities :		
Sundry Creditors	344,643,094	119,196,649
Advance from Customers	9,235,805	7,432,168
Unclaimed Dividend	2,730,758	2,230,549
(Investor Protection & Education Fund shall be credited by the amount when due)		
Others	3,316,327	6,792,815
ii) Provisions :		
Provision for Tax	3,677,973	9,941,783
Proposed Dividend (Incl. Dividend Tax)	98,799,298	96,424,593
Provision for Employee Benefits	1,735,708	1,358,773
Other Provisions	1,154,009	2,094,421
TOTAL Rs.	**465,292,973**	**245,471,751**

SCHEDULE H : MISCELLANEOUS EXPENDITURE		
Preliminary Expenses		
Opening Balance	1,064,172	2,153,958
Less : Written Off	305,359	1,089,786
	758,813	1,064,172
GDR Issue Expenses		
Opening Balance	13,666,035	20,499,052
Less : Written off	5,124,763	6,833,017
	8,541,272	13,666,035
FCCB Expenses		
Opening Balance	1,412,620	-
Add : Addition	-	1,412,620
Less : Written off against Share Premium	1,412,620	-
	-	1,412,620
TOTAL Rs.	**9,300,084**	**16,142,827**

CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS

	2005-06 Rs. (Nine Months)	2004-05 Rs. (Twelve Months)
SCHEDULE I : SALES		
Software, Software Driven Products & others	105,948,299	38,548,619
Software - Exports - Products	139,782,315	209,047,413
Software - Exports - Services	1,765,261,365	1,693,816,906
Other Exports	5,128,336	10,753,893
	2,016,120,315	1,952,166,831
Add: Duty Drawback	8,882	307,998
TOTAL Rs.	**2,016,129,197**	**1,952,474,828**
SCHEDULE J : OTHER INCOME		
Interest Income (Net of Foerign Tax)	34,464,272	29,856,388
[Incl. TDS Rs.219257/- (PY Rs.1148095/-)]		
Less :Interest Paid	5,784,185	4,418,512
	28,680,088	25,437,876
Miscellaneous Income	1,359,940	2,069,101
Foreign Exchange Diff.	66,470,876	-
TOTAL Rs.	**96,510,904**	**27,506,977**
SCHEDULE K : COST OF REVENUES & EMPLOYEES COST		
Consumption of Raw Materials & Consumables		
Opening Stock	1,192,838	1,718,482
Add: Purchases & Expenses	6,489,550	7,023,736
	7,682,388	8,742,218
Less: Closing Stock	1,601,375	1,192,838
	6,081,013	7,549,379
Cost of Software Sold (Trading)		
Opening Stock	-	-
Add: Purchases [Qty.430 Nos. (PY1022Nos.)]	59,505,109	26,207,125
	59,505,109	26,207,125
Less: Closing Stock	-	-
	59,505,109	26,207,125
Add / (Less) :		
Decrease / (Increase) in finished & semi finished stocks		
Opening Stock	887,297	1,733,952
Closing Stock	267,493	887,297
	619,803	846,655
Payments to and Provisions for Employees (including Managerial Remuneration)		
Salaries, Wages, Bonus & Others	91,396,477	78,843,423
Contribution to Provident Fund & Gratuity Fund	3,158,980	2,760,762
Staff Welfare Expenses	4,049,015	2,218,816
Employees Compensation	7,053,161	14,559,076
	105,657,633	98,382,077
Software Development, Installation & Testing Charges	1,048,013,739	889,355,197
TOTAL Rs.	**1,219,877,297**	**1,022,340,433**

CONSOLIDATED SCHEDULE FORMING PART OF THE ACCOUNTS

	2005-06 Rs. (Nine Months)	2004-05 Rs. (Twelve Months)
SCHEDULE L:		
SELLING, ADMINISTRATIVE & OTHER EXPENSES		
Advertisement & Sales Promotion	796,597	1,929,142
Payment to Auditors	1,605,820	1,400,747
Bad and Doubtful Debts	61,033	630,622
Travelling & Conveyance	9,909,473	12,218,450
Professional Fees	6,320,107	6,509,076
Miscellaneous Expenses W/Off	5,124,763	7,931,087
Rent	14,012,434	5,919,642
Commission Paid	235,194	421,973
Electricity Expenses	2,148,914	2,170,212
Rates & Taxes	2,122,867	2,658,863
Provision for Doubtful Debts/Adv.	-	194,782
Foreign Exchange Diff.	-	114,833,023
Telephone & Communication	3,260,111	2,974,604
Insurance Charges	70,422	145,147
Loss on sale of Fixed Assets	526,246	2,221
R. & D. Expenses	18,110,309	810,815
Repairs & Maintenance		
Buildings	159,952	342,903
Computers	513,081	473,446
Others	776,765	570,794
Miscellaneous Expenses	6,683,526	9,232,007
TOTAL Rs.	**72,437,614**	**171,369,556**

SCHEDULE M : NOTES ON ACCOUNT

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements have been prepared to comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

In preparing Group's financial statements in conformity with the accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period; actual results could differ from those estimates.

3. Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company, its subsidiaries and joint ventures (collectively referred to as "Group").

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of the consolidated entities.

Proportionate share of interest in Associates has been accounted for by the applying equity method in accordance with Accounting Standard - 23 – Accounting for Investments in Associates in consolidated financial statements, issued by the ICAI.

The excess / deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognized in the financial statements as goodwill / capital reserve. The Parent Company's portion of net worth in such entities is determined on the basis of book values of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

Entities acquired during the year have been consolidated from the respective dates of their acquisition.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

4. Foreign Currency Transactions

Transactions in foreign currencies pertaining to revenue accounts are accounted at average exchange rate prevalent on transaction date. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment/realization in Profit & Loss Account. The amount outstanding at the nine months period end are translated at exchange rate prevailing at nine months period end and the profit/loss so determined are recognized in the Profit & Loss Account.

The financial statements of the foreign integral subsidiaries are translated into Indian Rupees as follows:

- All monetary assets and liabilities are translated into Indian Rupees at the closing date of nine months period end exchange rates.
- Non-monetary assets, being investments and fixed assets, are translated using exchange rate at the closing date of nine months period for their acquisition.
- Income and expenses are translated using the nine months average exchange rates in effect during the period being reported.
- The resulting net exchange differences from translation of items in the financials statements are reported as income and expenses for the period.

The foreign subsidiaries other than mentioned above are identified as non-integral subsidiaries and are translated into Indian Rupees as follows:

- All assets and liabilities are translated into Indian Rupees at the appropriate period-end exchange rate.
- Income and expenses are translated using the nine months average exchange rates in effect during the period being reported.
- The resulting exchange rate differences are reported as a component of reserve and surplus under the head Translation Reserve.

5. Revenue recognition

Sales

Revenue from sale of products is recognized when significant risks and rewards in respect of ownership of products are transferred to the customer and there are either no unfulfilled company obligations or any obligations are inconsequential or perfunctory and will not affect the customer's final acceptance of the arrangement. Sale of products is primarily carried out through channel partners. Further, the Company reimburses certain software installation and testing charges to these channel partners and these installation and testing activities are considered to be distinct components preceding the actual delivery and acceptance of the software. The Company also bears the entire credit risk on the sale of products. Accordingly, the installation and testing activity is considered to be a transaction independent of the sale of the product and the the costs relating to these activities are accounted under 'Cost of revenues'.

Revenues from services are recognized as services are provided when arrangements are on a time and material basis. Revenues for fixed price contracts are recognized based on payment milestones as agreed and accepted by the customers. However for large contracts, which are in progress as of the end of a reporting period, the company makes an assessment of the need to recognize revenues based on a proportional performance method. Performance is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. If the proportional performance is higher than a related contractual milestone requiring customer acceptance, revenue is recognized only to the extent customer acceptance has been received. If the proportional performance is lower than the related milestone, then revenue is deferred.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

6. Fixed Assets & Depreciation

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Direct costs are capitalised until the assets are ready for use and include inward freight, duties, taxes and expenses incidental to acquisition and installation.

The Depreciation on Fixed Assets is provided on straight line methods or other methods and rates permissible under applicable local laws or at such rates so as to write off the value of assets over their useful life. Cost of leasehold land is depreciated over the tenure of the lease.

7. Goodwill

Goodwill reflects the excess of the purchase price over the book value of net assets acquired. Goodwill arising on acquisition of subsidiaries / business is being tested for impairment on an annual basis. Goodwill which can be identified directly to an underlying assets acquired are amortised over the useful life of the asset, which is 15 years. The unamortized goodwill is subject to impairment test on an annual basis.

8. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

9. Inventories

(i) Inventories are valued at lower of cost or net realisable value.

(ii) In case of raw materials and consumables the cost includes duties, taxes and freight inward on FIFO basis.

(iii) Cost of finished product and work-in-progress includes the cost of raw materials, consumables and direct labour as applicable.

(iv) Traded goods are valued at cost on FIFO basis.

10. Employees' Retirement Benefits

In respect of the holding company, Company's contribution to Provident Fund and Gratuity Fund is charged to Profit and Loss account on accrual basis. Liability for Leave Encashment benefits is charged to Profit & Loss account on the basis of actuarial valuation.

11. Employee Stock Option Scheme

Accounting of Employee Stock Option Scheme is done as per "Fair Value Method". As required by SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, the amortization of fair value of the options is done on the straight line method over the vesting period.

12. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

13. Taxation

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit / (loss) for the year.

Deferred tax assets are recognized for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets to the extent it pertains to unabsorbed loss / depreciation under tax laws, is recognized only to the extent that there is virtual certainty of realization based on convincing evidence, as evaluated on a case to case basis.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

14. Fringe Benefit Taxation

Consequent to the introduction of Fringe Benefits Tax (FBT) effective from April 1, 2005, the Company has made provision for FBT in accordance with the guidance note on accounting for fringe benefit tax issued by the Institute of Chartered Accountant of India.

15. Contingent liabilities

Depending on the facts of each case and after due evaluation of relevant legal aspects, the Company creates a provision when there is a present obligation as a result of a past event where the out flow of economic resources is probable and a reliable estimate of the amount of obligation can be made. The disclosure is made for all possible or present obligations that may but probably will not require out flow of resources as contingent liabilities in the financial statements.

16. Impairment of assets

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference between them as impairment loss and is charged to profit and loss account.

17. Lease accounting

Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

SCHEDULE: M

B. NOTES TO THE ACCOUNTS

1. Details of subsidiaries and associates whose financial statements have been consolidated are given below:

Name of the Subsidiary	Country of Incorporation	Proportion of ownership Interest	
		March 31, 2006	June 30, 2005
Mihir Properties Pvt. Ltd.	India	100%	100%
Aftek Sales & Services Pvt. Ltd.	India	100%	100%
Opdex Inc. (Formerly known as Aftek Infosys USA Inc.)	USA	100%	100%
Arexera Information Technologies GmbH	Germany	100%	49.23%
Digihome Solutions Pvt. Ltd.	India	25%	-

Financial statements of Arexera Information Technologies GmbH was drawn up to 31st December, 2005. Accordingly, adjustments were made as per managements' best estimates for the effects of significant transactions and events that occurred between 31st December, 2005 and the date of the parent's financial statements i.e. 31st March, 2006.

The Company has not consolidated investments in a Company namely Seekport Internet Technologies GmbH ("the Investee") in which one of the subsidiaries i.e. Arexera Information Technology GmbH has **33%** equity stake and has accounted the same as a long term investment and is been stated at cost. The Management does not have any significant influence on the investee as evidenced by the following ways:

(a) No representation on the board of directors or corresponding governing body of the investee, no interchange of managerial personnel and no participation in policy making processes;

(b) No provision of essential technical information or no material transactions between the Company and the investee;

		2005 – 06 (9 Months) Rs.	2004 – 05 (12 Months) Rs.
2	Estimated amounts of contracts remaining to be executed		
	On capital account and not provided for	19,533,333	NIL
3	Contingent Liabilities in respect of:		
	Bank Guarantee	123,900	257629
	Income tax matters in dispute under appeal	331,043	NIL*

*Income tax cases for Assessment Year 1996-97 and 2001-02 is pending before Commissioner (Appeal) and Tribunal respectively.

	2005 – 06 (9 Months) Rs.	2004 – 05 (12 Months) Rs.
However their outcome in terms of contingent liability is not ascertainable.		
Interest on FCCB	-	277439
4 Payments to Directors:		
Salaries	13,858,920	22,249,932
Contribution to Gratuity fund	NIL	NIL
Commission to Non Executive directors	2,175,150	3,285,875

5. EARNINGS PER SHARE (EPS) :

	2005 - 2006 Rs.	2004 - 2005 Rs.
Basic		
Profit After tax and Prior Period Adjustment	712,879,844	595,559,287
Less/(Add):Short/Excess provision for taxation of earlier years	-	18,265,041
Add: Excess provision for doubtful debts of earlier years	-	-
Net Profit available for Equity Share Holders	712,879,844	577,294,246
Weighted Average Number of equity shares subscribed	81,658,231	75,000,000
Face value of Shares	2	2
Basic Earnings per Equity Share	8.73	7.70
Diluted		
Net Profit available for Equity Share Holders	712,879,844	577,294,246
Add: Interest on FCCB (Net of Tax)	3,022,507	-
Adjusted profit for Diluted Earning per Share	715,902,351	577,294,246
Weighted Average Number of equity shares subscribed	81,658,231	75,000,000
Weighted Average Number of potential shares on account of		
Employee Stock Options	375,334	149,537
Foreign Currency Convertible Bonds	1,065,858	306,714
Total Weighted Average Number shares outstanding	83,099,423	75,456,251
Diluted Earning Per Share	8.62	7.65

6. **Related Party Information**

i) List of Related Party with whom transactions have taken place and relationships

Name of the Related Parties	Nature of Relation
Aftek Employees' Welfare Trust	Control
Aftek Infosys Ltd. Employees Group Gratuity Scheme	
Ranjit M. Dhuru	Key Management Personnel
Nitin K Shukla	
Mahesh B Vaidya #	
Sunil M. Desai	
Promod V Broota	
Digihome Solutions Pvt. Ltd.	Associate
Cabernet Vineyards Pvt.Ltd.	Others
Elven Technologies Pvt.Ltd.	

(ii) Transactions :

	2005 - 06. (9 Months) Rs.	2004 - 05 (12 Months) Rs.
Loans & Advances Given : (net)		
Control	18,893,500	NIL
Loans & Advances Received Back : (net)		
Control	NIL	500,132
Remunerations :		
Key Managerial Personnel	13,858,920	22,249,932
Equity Contribution / Advances for Equity:		
Associates	625,000	NIL
Others	375,000	NIL
Contribution :		
Control	597,798	465,197
Purchases for Staff Welfare:		
Others	40,120	NIL

(iii) Balances :

	As At 31st March,2006 Rs.	As At 30th June, 2005 Rs.
Loans & Advances Given :		
Control	41,395,618	22,502,118

Mahesh Vaidya was Key Managerial Person up to 31st December,2005 only.

* Represents Advances received from Debtors.

Note : Aftek Employees' Welfare Trust (unregistered) was created for the benefit of employees including Executive Directors. The purpose of the trust inter alia is to purchase/invest in the shares or other securities including that of Aftek Infosys Ltd. for the benefit of employees. As per the conditions of the trust deed the company has provided an interest free loan aggregating to Rs.41395618 (PY Rs. 22502118) (maximum balance outstanding at any time during the year Rs.42225618 (PY Rs. 23002250)) and the same has been used for the purchase of Equity shares of Aftek Infosys Ltd.. These shares may be allocated to the employees or the amount of profit earned on the sale of these shares may be distributed amongst the employees

7. Employee Stock Option Scheme:

Stock Options [ESOP]						
1 Exercise Price per Share	Rs. 56		Rs. 70		Rs. 56	
Adjusted Exercise Price on account of issue of Bonus shares	Rs. 26		Rs. 40		Rs. 26	
2 Grant Date	25.08.2004		28.10.2004		25.08.2004	
3 Vesting commences on	25.08.2005		28.10.2005		25.08.2005	
4 Vesting schedule	25% of grant each year commencing one year from the date of grant				100% on 25.08.2005	
Particulars of Numbers of Options	**2005-06**	2004-05	**2005-06**	2004-05	**2005-06**	2004-05
5 Option outstanding at the beginning of the year	413230	-	94230	-	100000	-
6 Option granted during the year	-	436025	-	104965	-	100000
7. Option exercised in respect of which shares were allotted	89263	-	8578	-	96000	-
8. Option lapsed during the year on separation	4318	22795	8235	10735	-	-
9. Option outstanding at the end of the year						
Of which –	319649	413230	77417	94230	4000	100000
Option vested	13271	-	13071	-	4000	-
Option Yet to vest	306378	413230	64346	94230	-	100000

8. During the year the Company has allotted 39,69,200 numbers of warrants to Promoters' Group on preferential basis at a price of Rs.120.60 per warrant, out of which 10% cash has been received by the company and balance 90% is receivable within a period of 18 months from the date of allotment, failing which paid up amount is liable to be forfeited. Each fully paid up warrant is convertible into 1 equity share within a period of 18 months from the date of allotment.

9. The Company had raised US$ 30 millions through an issue of 3000 numbers of 1% Foreign Currency Convertible Bonds Due 2010 of US$ 10,000 each ("FCCBs") in June, 2005 followed with 450 numbers of additional Bonds in July 2005 on account of exercise of greenshoe option of 15%. These Bonds are listed at Luxembourg Stock Exchange. The Bonds

bear interest @ 1% per annum with redemption at 128.25% of their principal amount. At the option of the Bondholders the Bonds were convertible into Shares/Global Depository Receipts (“GDRs”) at an initial conversion price of Rs 94/- per share, which has been reset, with effect from 25th June 2006, at Rs 75.20 per share, pursuant to the provisions of the Trust Deed executed in respect of the Bonds.

During the year ended 31st March 2006, 450 numbers of FCCBs were converted into 695,345 numbers of GDRs with 2,086,035 numbers of underlying equity shares and 1,820 numbers of FCCBs were converted into 8,436,855 numbers of equity shares.

The Company, subject to fulfilment of certain conditions, and obtaining requisite approvals, has an option to redeem the balance Bonds in whole, but, not in part, at any time on or after 25 June 2008 and prior to 25 June 2010 at its Early Redemption Amount together with accrued and unpaid interest

The details of use of FCCB money :

PARTICULARS			AMOUNT Rs.
Source			
Amount received through allotment dt.26/06/2005			1,295,400,000
Amount received through allotment dt.22/07/2005			194,085,000
Interest Earned			11,807,840
Foreign Exchange Difference			28,300,613
	TOTAL A		**1,529,593,453**
Application			
Issue Expenses			66,461,357
Strategic Investments/Acquisitions/Advances to WOS			646,634,266
Bank Charges			299,263
Advance towards purchase of Capital Goods(IPRs)			54,948,298
Payment of FCCB Interest			4,433,000
	TOTAL B		**772,776,184**
	Balance A-B		**756,817,269**
Balance with : (Amount in Rs.)			
Bank Of India-London FD Account	:	531,219,025	
Bank Of India-London Current Account	:	169,789	
Investec Bank-FD Account	:	225,229,439	
Investec Bank-Current Account	:	199,016	
	Total	756,817,269	

10. **Operating lease**

The Company’s significant leasing arrangements are in respect of operating leases for premises and utilities. The significant leasing arrangement which is non-cancelable is for a period of 33 months. The aggregate lease rentals payable in this respect are charged as Rent as per Schedule L for cancelable as well as non cancelable Lease arrangements. Maximum obligations on non-cancelable operating leases payable as per the rentals stated in respective agreements are as follows: (Rs.)

	2005 - 06 (9 Months)	2004 - 05 (12 Months)
	Rs.	Rs.
Lease Rental on Non cancelable Leases	9,576,450	2,606,424

	As on 31st March,2006 Rs.	As on 30th June, 2005 Rs.
Obligations on Non-Cancelable Leases		
Not later than one year	12,768,600	12,768,600
Later than one year and not later than five years	NIL	9,576,450
Later than Five years	NIL	NIL
Total	12,768,600	22,345,050

11. The company operates in a single segment.
12. Previous years' figures have been regrouped / recast wherever necessary to make them comparable with those of the current year.
13. Figures are rounded off to nearest rupee.
14. Schedules- A to M forms an integral part of the accounts and have been duly authenticated.

For and on behalf of Board of Directors

RANJIT M DHURU
CHAIRMAN & MG.DIRECTOR

NITIN K SHUKLA
DIRECTOR FINANCE

Mumbai, 31st August, 2006

C.G.DESHMUKH
COMPANY SECRETARY

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO THE SUBSIDIARY COMPANIES

Name of the Subsidiary Company	Opdex Inc.	Aftek Sales & Services Pvt. Ltd.	Mihir Properties Pvt. Ltd.	Arexera Information Technologies GmbH
1. Financial year of the Companies ended on	31/03/2006	31/03/2006	31/03/2006	31/12/2005
2. Total Issued, Subscribed and Paid-up Capital of the Subsidiary Company:	31,700,000 common stock US $ 0.05 par value	1000 equity shares of Rs. 100/- each	1,45,000 equity shares of Rs. 100/- each	Euro 52,000
3. Extent of Interest of Aftek Infosys Ltd. at the end of the financial year:	100%	100%	100%	100%
4. The net aggregate of Profits / (Loss) of the Subsidiary Companies of the financial year, so far as they concern the members of Aftek Infosys Ltd. were:				
a) Dealt with in the Accounts of Aftek Infosys Ltd. for the nine months period ended 31st March, 2006	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts of Aftek Infosys Ltd. for the nine months period ended 31st March, 2006	(US$77,042) (Rs.3,405,104)	(Rs.12,774)	(Rs.310,951)	EURO 185,322* Rs.9,967,080
5. The net aggregate of Profits / (Loss) of the Subsidiary Companies for the previous financial years since they became subsidiaries so far as they concern the members of Aftek Infosys Ltd. were:				
a) Dealt with in the Accounts of Aftek Infosys Ltd. for the year ended 30th June, 2005	Nil	Nil	Nil	N.A.
b) Not dealt with in the Accounts of Aftek Infosys Ltd. for the year ended 30th June, 2005	($109,985) (Rs.4,869,035)	(Rs.14,164)	(Rs.411,379)	N.A.

**for a period of 3 months ending 31st March 2006 since Arexara Information Technologies GmbH became wholly-owned subsidiary in January 2006*

FOR & ON BEHALF OF BOARD OF DIRECTORS

RANJIT DHURU
CHAIRMAN & MG. DIRECTOR

NITIN K. SHUKLA
DIRECTOR-FINANCE

C. G. DESHMUKH
COMPANY SECRETARY
MUMBAI, AUGUST 31, 2006.

AFTEK INFOSYS LIMITED

Registered Office : "AFTEK HOUSE ", 265, Veer Savarkar Marg, Shivaji Park, Dadar, Mumbai - 400 028

August 31, 2006

Dear Members,

Securities & Exchange Board of India (SEBI) has made it mandatory for all Listed Companies to use the bank account details furnished by the depositories for distributing dividends and other cash benefits, etc through Electronic Clearing System (ECS) to the investors, wherever ECS and bank details are available. In the absence of ECS facility, the Companies should print the Bank Account details, if available, on the payment instrument, for the distribution of dividends and other cash benefits etc, to the investors.

Thus, in light of the above directive of SEBI, the Company has initiated the process of ECS facility for the payment of dividend, if any, that may be declared by the Company to all those Shareholders who are holding shares in dematerialized form, however, subject to the RBI Guidelines as regards ECS facility in different locations.

In case you are still holding the Shares in physical form, we would request you to kindly consider the benefits of dematerialization and open a Demat Account with Depository Participant(s) to get your physical shares dematerialised. Till you hold shares in physical form we also request you to send us the Bank Mandate by completing and returning the perforated lower portion of this letter along with a photocopy of a blank cheque duly cancelled at the Registered office of the Company or to its Registrar and Share Transfer Agents i.e. Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri(E), Mumbai-400 072 latest by 20th September, 2006.

However, if you prefer to get your dividend by way of physical warrants and not opt for ECS, please let us know the name, branch and account number of your Bank, if not provided earlier. This will enable us to incorporate such particulars on the dividend warrant to avoid any fraudulent encashment. Your action in the above matter will help us in serving you better.

Yours Truly,
FOR AFTEK INFOSYS LIMITED
C G DESHMUKH
COMPANY SECRETARY

AFTEK INFOSYS LIMITED

Registered Office : "AFTEK HOUSE", 265, Veer Savarkar Marg, Shivaji Park, Dadar,Mumbai - 400 028

INFORMATION FOR ELECTRONIC CELARING SYSTEM OF DIVIDEND

Folio No :

Client ID :

DP ID :

I/We..do hereby authorize Aftek Infosys Ltd to :

- print the following details on my/our dividend warrant
- credit my/our dividend amount directly to my Bank Account by ECS.

(*Strike out whichever is not applicable)

Bank Account No. :

Name of the Bank :

Name and address of Branch :

Type of Account : Saving / Current

9-Digit Code Number of Bank & Branch
appearing on the MICR cheque :

I/We hereby declare that the above particulars are complete and correct. If the transaction is delayed or is not effected at all due to incomplete or incorrect information, I/We shall not hold the Company responsible.

Signature of First Named Shareholder

Place :
Date :
Encl.: A photocopy of the blank cheque duly cancelled

AFTEK INFOSYS LIMITED

Regd. Office: "AFTEK HOUSE", 265, Veer Savarkar Marg, Shivaji Park, Dadar, Mumbai – 400 028

Reg. Folio No.................. No. of Shares..................

DP ID No.........................

Client ID No. ....

PROXY FORM

I/We...

of ....

.... being member/members of Aftek Infosys Limited hereby appoint...

....of..............................or failing him ....

....of..............................or failing him.......................... ....of

................................as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th September, 2006 and at any adjournment(s) thereof.

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

Signed by the said .... Affix 15 paise Revenue Stamp ....

Signed this ....day of 2006

Note : The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

....

ATTENDANCE SLIP

19th ANNUAL GENERAL MEETING

Name of the attending Member / Proxy (in block letters)

Member's Folio No. : No. of Shares held :

DP ID No. :

Client ID No. :

I hereby record my presence at the 19th Annual General Meeting of Aftek Infosys Limited to be held on 29th September, 2006.

Member's / Proxy's Signature

1. PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING AND HAND OVER AT THE ENTRANCE DULY FILLED IN.
2. Shareholders are requested to bring their copies of the Annual Report with them.

"FORM 2B"

(See rules 4CCC and 5D)

NOMINATION FORM

(To be filled in by individual(s) applying singly or jointly)

I/We .... the holder(s) of Shares/Debentures/Deposit Receipt bearing number(s) .... of M/s. .... wish to make a nomination and do hereby nominate the following person(s) in whom all rights of transfer and/or amount payable in respect of shares/ debentures/deposit shall vest in the event of my/our death.

Name(s) and Address(es) of Nominee(s)

Name ....
Address...
Date of Birth*...
(* To be furnished in case the nominee is minor)
** The Nominee is a minor whose guardian is ....
Name and Address ....
(** To be deleted if not applicable)

Signature :..
Name :..
Address :..
Date :..

Signature :..
Name :..
Address :..
Date :..

Signature :..
Name :..
Address :..
Date :..

Signature of two Witnesses

Name and Address	Signature with date
1.	
2.	

Instructions:

1. The Nomination can be made by individuals only applying/holding shares/debentures on their own behalf singly or jointly upto two persons. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu undivided Family, holders of power of attorney cannot nominate. If the shares are being held jointly all joint holders will sign the nomination form. Space is provided a as Specimen, if there are more joint holders more sheets can be added for the signature of the holders more sheets can be added for signature of holders of shares/debentures and witness.
2. A minor can be nominated by holder of shares/debentures/deposit and in that event the name and address of the Guardian shall be given by the holder.
3. The nominee shall not be trust, society, body corporate, partnership firm, Karta of Hindu undivided Family or a power of attorney holder. A non-resident Indian can be a nominated on re-patriable basis.
4. Nomination stand rescind upon transfer of shares/debentures or repayment/renewal of deposit made.
5. Transfer of share/debenture in favour of nominee and repayment of amount of deposit to nominee shall be valid discharge by the Company against the legal heir.
6. The intimation regarding nomination/nomination from shall be filed in duplicate with Company/Registrar and share transfer agents of the Company who will return one copy thereto to the share or debenture or deposit holder.

Please submit the aforesaid form in duplicate

Aftek Infosys Limited
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