

# Financial Information

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## Board of Directors

Ravindra Sannareddy, Chairman  
GV Kumar, Managing Director  
D Sudhakar Reddy, Whole-time Director  
Prof S Sadagopan  
Anil Kumar Sood  
LS Venkataramanan  
P Mukunda Reddy

## Auditors

Srikanth & Shanthi Associates  
Chartered Accountants  
Chennai, India

TN Rajendran & Co.  
Chartered Accountants  
Chennai, India

## Registered Office

85, Kutchery Road  
Mylapore  
Chennai 600004, India

## Chief Financial Officer

V Balasubramanian

## General Manager & Company Secretary

GP Srinath

## Registrars and Share Transfer Agents

Cameo Corporate Services Limited  
"Subramanian Building"  
1, Club House Road  
Chennai 600002, India

## Banker

Axis Bank Limited

## Select historical data (Consolidated)

Rs million

| Year ended 31 December      | 2007  | 2006  | 2005  | 2004   | 2003 (18) |
|-----------------------------|-------|-------|-------|--------|-----------|
| Revenues                    | 2,972 | 1,783 | 1,154 | 849    | 797       |
| Operating Profit            | 980   | 462   | 271   | 126    | 88        |
| Finance cost                | 67    | 20    | 20    | 17     | 29        |
| Depreciation & Amortisation | 224   | 84    | 45    | 47     | 39        |
| Profit / (loss) before tax  | 567   | 352   | 209   | (65)   | 18        |
| Taxes                       | 7     | 26    | 8     | (1)    | (1)       |
| Profit / (loss) after tax   | 560   | 326   | 201   | (64)   | 19        |
| Dividend (%)                | 12    | 10    | —     | —      | —         |
| EPS (Rs)                    | 12.64 | 9.31  | 7.57  | (2.52) | 1.23      |
| <b>Margins</b>              |       |       |       |        |           |
| Operating profit (%)        | 33    | 26    | 23    | 15     | 11        |
| Net profit (%)              | 19    | 18    | 17    | (8)    | 2         |

## Directors' Report

### To the Members

Your Directors are pleased to present their report on the business and operations of your company for the financial year ended 31 December 2007.

## Financial Results

| Year ended 31 December                                   | Standalone |          | Consolidated |          | Rs million |
|--|------------|----------|--------------|----------|------------|
|  | 2007       | 2006     | 2007         | 2006     |            |
| Revenues   | 1,530.33   | 1,041.77 | 2,971.67     | 1,783.28 |            |
| Total Expenditure  | 928.39     | 593.59   | 1,991.97     | 1,320.90 |            |
| EBIDTA   | 601.94     | 448.18   | 979.70       | 462.38   |            |
| Finance Cost   | 33.25      | 11.77    | 66.74        | 20.29    |            |
| Depreciation & Amortisation                              | 191.08     | 74.94    | 224.00       | 83.81    |            |
| Operating Profit   | 377.61     | 361.47   | 688.96       | 358.28   |            |
| Other Income / (Expenses)                                | (127.17)   | (15.21)  | (121.73)     | (6.42)   |            |
| Profit before tax  | 250.44     | 346.26   | 567.23       | 351.86   |            |
| Less: Taxes  | 6.68       | 19.70    | 7.66         | 25.38    |            |
| Profit after tax   | 243.76     | 326.56   | 559.57       | 326.48   |            |
| Less: Provision for diminution in value of investments   | (29.43)    | —        | —            | —        |            |
| Less: Minority Interest profit / (loss)                  | —          | —        | —            | 3.26     |            |
| Balance brought forward                                  | 326.09     | 66.72    | 355.20       | 92.65    |            |
| Profit / (loss) available for appropriations             | 540.42     | 393.28   | 914.77       | 422.39   |            |
| Appropriations:  |            |          |              |          |            |
| Proposed dividend on Equity Shares                       | 53.12      | 44.27    | 53.12        | 44.27    |            |
| Proposed dividend on Preference Shares                   | —          | 1.50     | —            | 1.50     |            |
| Dividend distribution tax                                | 10.39      | 6.42     | 10.39        | 6.42     |            |
| Transfer to General Reserve                              | 30.00      | 15.00    | 30.00        | 15.00    |            |
| Balance carried to Balance Sheet                         | 446.91     | 326.09   | 821.26       | 355.20   |            |
| Earnings per share (equity shares, par value Rs 10 each) |            |          |              |          |            |
| Basic (Rs)   | 5.51       | 9.31     | 12.64        | 9.31     |            |
| Diluted (Rs)   | 5.46       | 9.23     | 12.47        | 9.22     |            |

The consolidated financial results for the current year include the business performance of Boston Communications Group, Inc., USA and its subsidiaries w.e.f. 30 August 2007, consequent to the acquisition. The financial results of both standalone and consolidated for the previous financial year include the business performance of VisualSoft Technologies Limited w.e.f. 1 October 2006, consequent to the amalgamation. Hence, the results are not comparable.

### Overview

During the financial year ended 31 December 2007, your company recorded consolidated revenues of Rs 2972 million compared to Rs 1783 million in the previous financial year, registering a growth of 67%. The Operating Profit at Rs 689 million as against Rs 358 million in the previous year represented a growth of 92%.

### Dividend

Your Directors recommend a dividend of 12% (previous year - 10%) on equity share of Rs 10 each for the year ended 31 December 2007. The Dividend including dividend tax aggregates to Rs 62 million as against Rs 52 million for the previous year.

### Issue of securities

Your company issued following securities during the financial year ended 31 December 2007:

- 2,250,000 warrants of Rs 128 each convertible into equivalent equity shares of Rs 10 each on conversion to M/s Ravindra Babu S (HUF), Promoter, subsequent to the approval of the shareholders through a postal ballot process during June 2007 on preferential basis in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000.
- 13,600 equity shares of Rs 10 each to employees on exercise of stock options under the various ESOP schemes.
- Allotted 12,484,800 equity shares of Rs 10 each to the shareholders of VisualSoft Technologies Limited in terms of the scheme of amalgamation duly approved by the High Courts.

Consequent to the above, your company's subscribed, issued and paid-up equity share capital increased to Rs 442.67 million.

### FCCB Issue

Your company had issued 8,000 1.5% Foreign Currency Convertible Bonds ("FCCB") of USD 1,000 each on preferential basis on 16 September 2005 pursuant to the approval of the shareholders of the company at the Extra-ordinary General Meeting held on 26 August 2005 aggregating to USD 8 million. FCCB are convertible on or before 17 September 2008 at an initial conversion price of Rs 115 per equity share. FCCB were listed on Luxembourg Stock Exchange on 22 September 2005. FCCB aggregating to USD 6 million have already been converted into equity shares during the previous financial year. The funds raised through the FCCB issue have been utilised by the company for the purpose the same was raised and in terms of the FEMA Regulations.

### Future outlook

A detailed discussion on the performance of the company, industry structure, threats, opportunities, risks, future outlook and strategy have been given separately in the Management Discussion and Analysis (MDA) section which forms part of this Annual Report.

### Strategic Investment

Your company made a strategic investment of US\$ 3,000,000 in Keystone Wireless, LLC, USA during June 2007 as 5% stakeholder. Keystone is a mobile telecom service provider based out of the United States.

## Directors' Report

During August 2007, your company made an open offer through Tea Party Acquisition Corp., USA, (TPAC) a wholly owned subsidiary established as a special purpose vehicle for acquisition of Boston Communications Group, Inc. (BCGI), a Nasdaq listed company. The shareholders of BCGI were offered US\$ 3.60 per share as the offer price. The acquisition process was completed on 30 August 2007. BCGI became a wholly-owned subsidiary of your company from that date.

### Subsidiary Companies

During the year, your company completed the process of deregistration of wholly owned (step-down) subsidiary companies at Australia and New Zealand wherein there were no operations during the previous financial years. Subsequent to the acquisition of BCGI, your company deregistered some of the wholly owned subsidiary companies of BCGI as part of its strategic plan.

Your company has applied to the Ministry of Corporate Affairs, under Section 212(8) of the Companies Act, 1956 for the exemption from attaching the full text of the financial statements of the company's subsidiaries along with the company's accounts for the year ended 31 December 2007.

Necessary disclosures will be made in respect of the said subsidiaries in this Annual Report apart from the statement pursuant to Section 212 of the Companies Act, 1956. The annual accounts of the said subsidiaries and the related detailed information will be made available to the investors of the company / subsidiaries, seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the Registered Office of the company.

### Corporate Governance

In accordance with clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance and Management Discussion & Analysis together with a certificate from the company's Auditors are provided as part of this Annual Report.

Disclosure as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

In terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, your Directors furnish the required details below:

- Conservation of Energy: The nature of the company's operations requires a very low level of energy consumption.
- Research and Development (R&D): The company is actively engaged in the research and development of Software.
- Technology Absorption: The company has not imported any technology during the year.
- Foreign Exchange Earnings and Outgo: The details of foreign exchange earnings and outgo are mentioned in note no.13 & 14 of Schedule 17 - Notes to Accounts, forming part of the Balance Sheet and Profit & Loss Account of the company.

### Particulars of Employees

In terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report. The Department of Company Affairs, has vide circular No.GSR.212(E) dated 24/03/2004, amended the Companies (Particulars of employees) Rules, 1975 to the effect that the particulars of employees of the companies engaged in Information Technology Sector posted and working outside India not being directors or their relatives, drawing more than rupees twenty four lakhs per financial year or rupees two lakhs per month, as the case may be, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies. Accordingly, the statement annexed to this report does not contain the particulars of employees who are posted and working outside India not being directors or their relatives. However, on specific request, such particulars shall be made available to any shareholder during the course of the Annual General Meeting.

### Fixed Deposits

Your company has not accepted any fixed deposits and as such no amount of principal or interest was outstanding on the date of the Balance Sheet.

### Directors

Mr GV Kumar and Mr P Mukunda Reddy, directors of the company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr D Sudhakar Reddy was reappointed as a Whole-time Director for a further period of five years w.e.f. 1st April 2007 and the same was approved by the members at the last Annual General Meeting held on 27th June 2007.

Mr Jan Erik Boers and Mr Ben Li Hu have resigned from the Board on 28 April 2007. The Board of Directors place on record their appreciation for the services rendered by them during their tenure as directors of the company.

Prof S Sadagopan, Mr Anil Kumar Sood and Mr J Srihari Raju were appointed as additional directors on 28th April 2007. Their appointments were confirmed by the members at the last Annual General Meeting held on 27th June 2007.

Mr J Srihari Raju, director of the company, expired on 14th October 2007 due to illness. The Board of Directors place on record their appreciation for the services rendered by him during his tenure as director of the company.

### Human Resources Development

Your company recognises the importance of human resources as it forms the backbone for its success. Your company strongly believes in nurturing and encouraging human resources rather than exploiting them. The prime focus of the company is to enhance the professional value of its employees and create a win-win situation for both the organisation and its employee. Your company continues to adopt best HR practices to recruit and retain talented employees. Your company is confident of reaping the best from its talent pool and sharing the benefits with its employees on an equitable basis in the years to come.

### Auditors

The joint statutory auditors, M/s Srikanth & Shanthi Associates and M/s TN Rajendran & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

### Directors' responsibility statement

As required under Section 217(2AA) of the Companies Act, 1956, it is hereby stated that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for the year;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- the Directors had prepared the annual accounts on a "going concern basis".

## Directors' Report

### Employee Stock Option Schemes

As required by clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the particulars of the stock options schemes are furnished as annexure.

### Acknowledgements

Your directors take this opportunity to thank all Investors, Customers, Vendors, Banks, regulatory and Government authorities for their continued support to your company. Your directors also wish to place on record their appreciation of the contribution made by Employees at all levels.

For and on behalf of the Board of Directors

Hyderabad  
22 February 2008

GV Kumar  
Managing Director

Ravindra Sannareddy  
Chairman